



NEW YORK STATE SENATOR

Catharine Young

Landmark Property Tax Cap Measure Becomes Law

CATHARINE YOUNG June 24, 2011

| ISSUE: **PROPERTY TAX**

ALBANY – Senator Catharine Young (R,C,I – Olean) today announced a historic victory for the taxpayers of New York State, as the State Legislature adopted landmark legislation to establish the State’s first ever cap on property taxes.

The bill will cap school and local government taxes to less than two percent or the Consumer Price Index (CPI), whichever is lower.

Mandate relief is also included in the measure, with \$127 million in savings to schools and local governments, in addition to the creation of a Mandate Relief Council to identify and repeal unsound, unduly burdensome laws and regulations.

“Struggling homeowners and small businesses have been looking forward to the day when they could see a property tax cap finally become a reality, because they cannot afford to wait any longer for relief,” said Senator Young.

“Capping property taxes will provide significant savings to help families and seniors afford to stay in their homes. Our small business owners who are economic engines for our communities also will receive much needed relief,” she added.

Senator Young said New York's property taxes are about 80 percent higher than the national median, and within the last decade the rates have grown by twice the rate of inflation – giving New York the highest local taxes in the nation as a percentage of personal income

An additional report, conducted recently by The Empire Center, a conservative think tank, ranked the “Top 20” and “Bottom 20” effective property tax rates in every region of the state. Western New York localities topped the list with a median effective tax rate of \$34.93 per \$1,000 of property value, compared to a statewide median of \$27.43.

“There is no place in the State where a property tax cap is more urgently needed than in our upstate communities. If we are going to create jobs here and rebuild upstate's private sector economy, we need this property tax cap,” said Senator Young.

This tax levy cap would shift the focus from total spending to the actual property taxes levied to support school district and local government expenses. The bill includes the following provisions:

- The exceptions for a tax levy above two percent or CPI are funds needed to support voter-approved capital expenditures, pensions, torts over five percent of the prior year's levy, and an override of the cap.
- This bill also allows the growth in the levy due to physical and quantitative change.
- A school district would be required to submit a tax levy proposition for approval by voters at the district's annual meeting on the 3rd Tuesday in May. If the proposed tax levy is within the district's tax levy limit, then a majority vote would be required for approval. If the proposed tax levy seeks to override the cap and exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote.

- A school district that does not levy an amount up to the cap in any one year would be allowed to carry over unused tax levy capacity into future years. However, this carryover levy capacity cannot be used to increase its tax levy by more than an additional 1.5 percent above the cap in any single year.
- In the event a district's actual tax levy exceeds its authorized levy due to clerical or technical errors, the erroneous excess levy must be placed in reserve to offset the levy for the next school year.

The bill also provides for the same cap to apply to taxes levied by municipal governments. Local governments that do not levy an amount up to the cap in one year can roll over that amount up to 1.5 percent in the following year.

Local boards can exceed the cap with a 60 percent vote of the governing body. Exceptions include the pension and tort judgments in excess of five percent from the prior year's levy. When enacted, the law would take effect for the 2012-13 fiscal year.

In addition, the mandate relief component would provide real cost savings in the form of \$127 million in savings to local budgets. This mandate relief includes:

- \$70 million for all local governments and school districts through piggy-backing and centralized contracts;
- \$34.6 million in savings for school districts;
- \$13 million for transportation/housing/contracting/procurement/administration for all localities;
- \$7.9 million in social services savings for counties; and

- \$1.5 million in criminal justice savings.

“I have said from the start that a property tax cap would only work if local officials had the tools they need to keep their costs in check. Establishing this council is a great start in providing greater flexibility to allow localities to concentrate on local concerns, not out-of-control state mandates that are pushing property taxes to the brink,” said Senator Young.

The establishes a Mandate Relief Council which will:

- Determine if a statute or regulation is unsound, unduly burdensome, or costly;
- Establish procedures for repealing unfunded mandates in both statute and regulation;
- Provide a mechanism for direct appeals from the State Administrative Procedures Act petition;
- Require the state Comptroller to issue a detailed report on the cost and effect of unfunded mandates;
- Require that all bills that require a local government or a school or special district to take any action contain a fiscal note; and
- Be comprised of 11 members nominated by the Governor and Legislature: two nominations for each of the legislative leaders, and seven nominations for the Governor, including the Secretary to the Governor (who would serve as chair), the Governor’s Counsel, Secretary of State, Director of the Division of Budget, and three additional members from the Governor’s executive chamber staff.

“Earlier this year, the Governor and legislative leaders stood with the taxpayers when we passed a responsible budget that reduced spending, put a freeze on new taxes, and created

jobs. Today, by passing a property tax cap and getting unfunded mandates under control, we are continuing to give further hope that this state is headed in the right direction,” she added.

The bill will be sent to the Governor.