



NEW YORK STATE SENATOR

Brian X. Foley

## Circuit Breaker Tax Credit - Important Information and Frequently Asked Questions

BRIAN X. FOLEY March 30, 2010

| ISSUE: **TAXES, PROPERTY TAX, STAR (SCHOOL TAX RELIEF PROGRAM)**

### Property Tax Relief for Middle Class Families

Soon after taking office, Senator Foley sponsored sweeping circuit breaker tax relief legislation (S.6212a) that would substantially reduce property taxes for middle class Long Islanders and reduce school spending by enacting a property tax cap.

On March 19, 2010, thanks to Senator Foley's leadership, the Property Tax Relief Act was passed by the New York State Senate. The passage of this legislation will provide significant tax relief to Long Island families who have historically been burdened by property taxes that represent unreasonably large percentages of their incomes.

The legislation also calls for the immediate restoration of STAR rebates for Seniors, helping provide significant aid to senior households with incomes of \$150,000 or less.

If you have any questions or concerns relating to the program, please see our frequently asked questions page.

I sincerely hope you continue to communicate with my office on this and other important issues. You may reach me at [sd3info@gmail.com](mailto:sd3info@gmail.com) or you may contact my office at (631) 360-3356.

### FAQ:

What is the circuit breaker tax credit ?

The Circuit Breaker Tax Credit is a program that provides real, lasting property tax relief, to households that earn up to \$250,000 per year and pay a disproportional amount in local school taxes when compared to their income.

How does the circuit breaker work ?

The circuit breaker would cap school property taxes above a designated threshold of a household's income. The precise threshold of 7%, 8%, or 9% would be based on rising household income categories, with the lowest income households (earning up to \$90,000 per year upstate or \$120,000 per year downstate) qualifying if school taxes represent more than 7% of their income. 30% of net real property taxes owed over the cap would be credited by the state and Long Islander homeowners would enjoy immediate help that would significantly reduce the burden of property taxes on middle class families.

Household Gross Income	Property Tax Threshold
Up to \$120,000	7%
Over \$120,000 and up to \$175,000	8%
Over \$175,000 and up to \$250,000	9%
Over \$250,000	No Limitation

Example:

A homeowner making \$70,000/year and has a home with a total tax assessment of \$8,000 (or 10% of their income) would receive roughly \$1,140 in tax credits. That's roughly equal to 30% of the amount by which the homeowner's net real property tax exceeds the 7% threshold.

What are the eligibility requirements? To be eligible for the middle class circuit breaker benefit, homeowners and renters must live in their residences for three years. The circuit breaker exclusively applies to primary residences.

How does this program differ from the Middle Class Star Rebate of 2008 ?

The circuit breaker program provides real relief because it evaluates homeowners' "ability to pay". The Middle Class Star Rebate program provided relatively small checks to every household without consideration of prevailing property tax burdens. The Circuit Breaker Tax Credit identifies households that are truly struggling with excessive property taxes and provides significant relief in the form of a tax credit.

Example: Using the same homeowner as above- A household making \$60,000/year with a total tax assessment of \$8,000.

Program Type	Income/Property Taxes	Tax Credit Value (based on Long Island averages)
Middle Class Star Rebate	\$60,000/\$8,000	\$690
Circuit Breaker Tax Credit	\$60,000/\$8,000	\$1,140

What will happen to my Basic or Enhanced Star exemption ?

This program does not affect your Basic or Enhanced Star exemption. The Circuit Breaker Tax Credit program complements the Star Program, allowing homeowners to increase their benefit by subscribing to both programs.

I am a senior citizen, what relief can I expect?

Under this legislation, seniors will be provided immediate, long-lasting relief. In 2010 and thereafter, the middle class STAR rebate program will be restored to seniors with household incomes of \$150,000 or less.

Seniors are also entitled to receive an additional tax credit under the circuit breaker program. To calculate their eligibility for a circuit breaker, seniors must subtract the amount of the middle class Star rebate received from the total property taxes paid.

This allows guaranteed relief to seniors and prevents problematic double-dipping.

How does the Property Tax Cap differ from the Circuit Breaker ?

The Circuit Breaker Tax Credit caps your individual school property tax expense above a designated threshold of your household's income.

The Property Tax Cap places a cap on school spending by establishing a tax levy limit of the lesser of 4% or 120% of the annual increase in the Consumer Price Index (CPI). Voters could chose to limit school spending further through a voter-initiated "underside" proposition.