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# **NYS PROPERTY TAX REFORM COALITION**

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## **TESTIMONY FOR: NYS Joint Legislative Hearing on 2015-16 Executive Budget (Taxes)**

**Albany, Legislative Office Building, Hearing Room B**

**February 9, 2015**

### **Distinguished Members:**

I'm John Whiteley, Legislative Affairs Officer of the NYS Property Tax Reform Coalition, a volunteer advocacy group that represents the interests of residents throughout the state who seek property tax relief and reform via state legislation.

I will be focusing this morning on the Governor's circuit breaker, which we're enthused about, as you might expect.

But just first let me say that our long term objective remains the gradual reduction of the continuing overuse of the archaic and inequitable property tax as a means of funding services in our state, and to gradually replace it with a significant increase in state funding, especially for schools, more in keeping with the state's constitutional obligations and the economic realities of the 21st century. The property tax hits hardest at the middle class, contributing to its decline amid a level of income inequality not seen since the eve of the Great Depression. As the Governor again pointed out most recently in his State of the State address, we now collect some \$50 Billion in property tax, compared to \$40 Billion from everything else. The underlying need for systemic, permanent reform, that will centralize more of the overall funding responsibility and accountability at the state level, is one of the critical issues of our time. It needs to be seriously addressed now, this session.

Unfortunately, the depth of reform needed will realistically take years to design and complete, and for hundreds of thousands more middle class New Yorkers, it will come too late to keep them in their homes and in their state. That's why Governor Cuomo's proposed new Real Property Tax Credit -- basically a circuit breaker -- is so extraordinarily important.

This is a truly significant initiative. As most of you know, we've been fighting for a circuit breaker for many years as an indispensable part of any property tax relief program, and there have been excellent bi-partisan bills in both chambers. But this is the first time we have seen such a meaningful proposal in an Executive Budget, and we are grateful to Governor Cuomo for recognizing the depth of anguish and frustration of residents across the state over the unreasonable burden imposed by this miserable tax, and for his willingness to take this initiative in response.

In short, we support this bill.

That doesn't mean it's perfect in every respect, but much of what could make it better would involve higher costs. A particular example is the \$2000 maximum credit. We think if the bill is enacted as is and the Tax Department monitors actual circuit breaker usage (as the bill requires), it will show a significant number of households coming up woefully short of what they really need -- and what the formulas would

otherwise provide.

But this bill will nonetheless provide meaningful help to hundreds of thousands of deserving New Yorkers who have waited too long already. We can't let the search for perfection betray their interests.

There is, however, one feature of the bill which causes us deep concern because it would exclude from circuit breaker coverage some of those who need it the most. Let me explain.

One of the unique attributes of the circuit breaker is that it goes to individual households, based on the relationship between their individual property tax and their income, independent of the overall financial well-being of their community. Some of our most overburdened residents are found in affluent towns or school districts, virtually all of whom include a minority of homeowners who are struggling. The smaller that minority, the less impact they have on school boards or municipal leaderships, and the less ability they have to muster, for example, even the 40% strength needed to block an override of the property tax cap. And the greater the majority of affluent residents, the greater the likelihood they will override.

The struggling residents in these communities, essentially powerless to prevent escalating budgets supported by the majority or supermajority, are at least as vulnerable to being forced from their homes as their counterparts in less affluent communities -- perhaps even more so. Surely it's not reasonable to exclude them from the lifeline only a circuit breaker can provide. But by requiring a cap-compliant local budget, this bill would do that.

We understand the basic rationale for linking property tax relief to the cap. But we think in this instance it's not likely to have the intended effect on spending levels, and in the process it will unfairly penalize many of the very households the circuit breaker is designed to help. Our sense is that where super-majorities are able and willing to pay higher taxes and believe an override is needed, they will not generally be deterred by the inability of some of their residents to get a circuit breaker.

The Governor's bill is estimated to help about half the state's households, but the percentage will vary widely from one community to another. Where that percentage is small, as suggested above, the more likely the override.

As for communities where more residents qualify for the circuit breaker, please bear in mind that each of them will be paying their full property tax up front, and even after deducting the subsequent income tax credit, virtually all of them will have still paid more in property tax as a percentage of their income than residents who do not qualify for the circuit breaker. They are not likely to lose their interest in keeping local spending under control and adhering to the cap.

For the above reasons, we earnestly hope the circuit breaker benefit can be decoupled from the cap.

Respectfully,

John Whiteley

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NYS Property Tax Reform Coalition

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