

# Understanding New York's Property Tax Levy Limit

January 2012

A decorative graphic consisting of several sets of concentric circles, resembling ripples in water, located in the bottom right quadrant of the slide. The circles are light blue and vary in size and opacity, creating a subtle background element.

# Chapter 97 of the Laws of 2011

- Begins in 2012/13 budget year
- In effect until 2016/17
- Levy is limited to 2% increase or CPI, whichever is lower
  - Exclusions apply
- Not really a “cap”
  - Sets a higher level of voter approval if proposed levy exceeds the capped levy
  - Super majority vote approved by 60%

# Tax Levy vs. Tax Rate

- Cap on the levy refers to a year to year increase in the overall tax LEVY
- Tax rate refers to the annual increase in the amount a homeowner's taxes are increased
- **A 2% cap does not mean the tax rate increase is limited to 2% or CPI**
  - Other factors involved in tax rate such as assessed values and equilization rate

# Calculating the Levy Cap

## ➤ Exclusions

- Pension system increases over 2%
  - Misleading: TRS going from 11.11% to 12.5% (preliminary figure)
  - Can not be excluded since rate is not increasing 2 percentage points (or not above 13.11%)
  - Actual percentage increase is 12%
- Expenditures related to court orders or judgments that exceed 5%
- Local portion of capital expenditures

## ➤ Adjustments for PILOT payments, change in tax base

## ➤ Sample calculation follows

Tax Levy Cap Worksheet			
A. Total Real Property Tax Levy for base year		\$ 20,000,000	
B. Excess Levy in Reserve (NA in 2012/13)	+	\$ -	
C. Tax Levy subtotal (A - B)		\$ 20,000,000	
D. Tax Base Growth Factor (min of 1.0)	X	1.00	
E. Adjusted Tax Levy subtotal (C x D)		\$ 20,000,000	
F. Base Year PILOTS	+	\$ 50,000	
G. Base Year Levy plus PILOTS		\$ 20,050,000	
H. Base year Torts and Judgements > 5%		\$ -	
I. Base year Capital Exp. Net of aid	+	\$ 500,000	
J. Total base year Torts and Capital exp.		\$ 500,000	
K. Levy less base year Torts and Capital (G - J)		\$ 19,550,000	
L. Allowable Levy Growth Factor based on CPI (2% for 2012/13)	X	1.02	
M. Levy including levy Growth Factor		\$ 19,941,000	
N. Budget year PILOT receivables	-	\$ 20,000	
O. Levy less budget year PILOTS (M - N)		\$ 19,921,000	
P. Eligible Carry Over from base year budget (NA 2012/13)	+	\$ -	
<b>Q. Tax Levy Limit - before Exclusions (O + P)</b>		<b>\$ 19,921,000</b>	<b>-0.40%</b>
<u>Budget Year Exclusions</u>			
R. Capital Expenditures net of aid		\$ 520,000	
S. Pension Expenditures above 2%	+	\$ 85,000	
T. Court orders/Judgements > 5% base year levy	+	\$ -	
U. Total Exclusions (R + S + T)		\$ 605,000	
<b>Total Tax Levy including Exclusions (Q + U)</b>		<b>\$ 20,526,000</b>	<b>2.63%</b>
<b>*** Sample Data - does NOT reflect the levy cap calculation for Brentwood ***</b>			

# Does Community Have to Vote

- Yes, vote is more important than ever
- Impact of contingent budget is severe

# Options if Budget is Not Approved

- Propose same budget and levy for revote in June
- Propose revised budget and levy for revote in June
- Adopt a contingent budget
  - Current year's levy may NOT be increased
  - Other contingent budget regulations apply
    - Community use of facilities
    - Non contingent items (supplies)
    - Equipment
    - Administrative cap

# Implications

- Uncontrollable costs increasing more than levy cap
  - Pension, health insurance, unfunded mandates
- Challenge to find other cost saving measures
- Relief from unfunded mandates
  - Promised by legislature, but unlikely
- Educate Community on impact to non-mandated programs throughout District

Questions?

