

PROPERTY TAX AND STAR

PROPERTY TAX

Statement of Position

As announced by the State Board, January 1980

And revised to reflect State Convention action, 1983

And further revised to reflect Financing Education state study 2005-2006

The League of Women Voters of New York State believes that the assessment of real property must be:

- 1. Equitable in its distribution of the tax burden;**
- 2. Based on uniform standards;**
- 3. State assisted, monitored, and enforced;**
- 4. Easily understandable and accessible to taxpayers.**

The League has determined that the assessment system that best meets these criteria is one that is based upon an initial determination of full value and then applies to those full value assessments differential assessment ratios or tax rates according to class of property. The state legislature should define a limited number of such classes of property and establish a permissible range of assessment ratios for each class. Within that range local legislative bodies would then be able to adopt local assessment ratios, which best meet their land use, economic development and social policies.

Property tax bills should contain all relevant information including: the classification, the assessment ratio, the tax rate, the full value assessment and the classified assessment, as well as the procedure for appealing. Taxpayers should have access to all existing appeals procedures as well as an intermediate non-judicial appeal body in order to protest both their assessments and their classification at low cost.

Administration of the property tax should be improved. The state should provide financial and technical assistance to localities, establish qualifications for assessors, provide training and otherwise monitor and enforce local implementation of more uniform assessment practices. Adequate state funding should be provided to carry out these services.

Tax exemptions extended to charitable, religious and educational institutions should be re-examined to insure continuing eligibility. Annually, each taxing jurisdiction should make public a list of all exempt properties, their true value and the amount of tax revenue lost to the locality because of each exemption. Owners of tax-exempt properties should pay appropriate fees for services rendered to the exempt property by local government.

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(continued)

Statutes governing exemptions should be reviewed with the intention of severely limiting new classes of exemption and preventing abuse of existing exemptions. Provisions of law must be clarified and made more stringent so that properties held by nongovernmental tax exempt bodies which are used for profit or for any purpose not directly related to the tax exempt purpose of the organization do not escape taxation.

The State should replace local residential property tax relief programs that grant taxpayers relief regardless of ability to pay with programs in which tax relief is limited to those individuals with a limited ability to pay and made available on a sliding scale according to need. The “circuit breaker” type of relief, in which state funded reimbursement is given to homeowners and renters whose property taxes exceed a certain percentage of income, should be expanded and should be automatically adjusted on an annual basis to reflect cost of living adjustments to the maximum income limit and maximum property value for eligibility.

The option of tax deferral should be made available to senior citizens with the taxes owed constituting a lien against the sale of the property or the liquidation of the owner’s estate.

The League of Women Voters would like to see voluntary adoption of tax base sharing by counties or regions of the state.

Recent League Activity

In 2007-2012, pursuant to the recommendations in our 2005-06 state study, the League continued to advocate for revisions to the STAR property tax relief program by replacing the STAR program, which is imperfectly targeted to need, with a property tax circuit breaker program, which would provide greater relief once real property taxes reached a percentage of income. Testimony was provided at the joint legislative education and finance hearings in February of each of those years. In 2007, during Governor Spitzer’s tenure and prior to the financial markets’ dramatic decline, a Middle Class STAR program was instituted. Although the League had lobbied for income limitations, this expensive program was layered on top of BASIC and ENHANCED STAR, sending rebate checks directly to taxpayers with an income phase-out at \$250,000. In 2009, this program was repealed (§1306 of Real Property Tax Law was deleted), but the Basic and Enhanced STAR programs continued.

Property Tax Circuit Breaker. Proposals for a property tax circuit breaker were supported by the League and other organizations in 2008-12. However, the Legislature did not seriously consider substituting a property tax circuit breaker for STAR, but rather discussed it as an additional program. In early 2009, the League co-sponsored a seminar for policymakers on the property tax circuit breaker. Governor Patterson proposed a property tax circuit breaker to be phased in upon the receipt of budget surpluses in the fall of 2009. In late 2009, as the legislature passed mid-year budget cuts, the possibility of further curtailments to the STAR program was under consideration, largely due to the continuing economic recession. In 2010,

the legislature enacted a limitation on income for eligible recipients of Basic STAR at \$500,000. The League had advocated means testing of Basic STAR as a second option (if STAR was not to be replaced with a more targeted property tax relief circuit breaker).

Middle Class STAR Elimination. The Middle Class STAR program was eliminated in the April 2009 budget (§ 1306(b) of the Real Property Law).

Property Tax Cap Opposition. Governor Cuomo proposed a property tax cap, which the legislature passed in June 2011 (S5856/A8518 signed June 24, 2011 pursuant to a Message of Necessity by Governor Cuomo including rent control law extensions, and now §2023-a of NYS Education Law) The League strongly opposes the property tax cap. Enacted in June 2011 but effective for the school years beginning 2012-13, this measure has already begun to show its deleterious effects on school districts, disproportionately harming poorer districts. The League's website provides evidence of strenuous opposition advocacy prior to the passage of the legislation.

The League continues to advocate for 1) full implementation of the foundation aid formula, developed in response to the CFE litigation, 2) in opposition to tax caps unless and until foundation aid is fully implemented (with regular updates based on student need and income and property wealth) and 3) replacement of the STAR programs with a property tax circuit breaker, which would provide relief based on taxpayer's ability to pay.

Past League Activity

The 1972 LWVNYS fiscal policy position called for more uniform assessment procedures. A 1975 Court of Appeals decision calling for implementation of full value assessments prompted a study of property tax in 1977 to amplify and clarify what the League meant by "uniform assessment." In 1980, a new position emerged calling for an initial determination of full value, with assessment, or tax rates, set by local governments within classes defined by the state.

The League has supported a variety of bills improving the assessment procedures. A bill, which preserves fractional assessments and all existing local assessment methods, was enacted into law over strenuous League opposition in 1981.

Despite League members' recognition of the generally high level of taxation in New York State, they believe that all of the above recommendations, if implemented, would provide adequate relief. They are firmly opposed to any further legislative or constitutional tax or expenditure limitations, but urge that efficiency, productivity and prudence in government at all levels be encouraged.

Because of the June 26, 2003 Campaign for Fiscal Equity decision (see "State Finances" above), the League commenced testifying on property tax assessment and collection reform, in accordance with our position statement.

In 2005 and 2006 the League, in conjunction with the update of its Financing Public Education K-12 position, studied the STAR Program and reached consensus calling for the replacement of tax relief programs that are not related to need with those that are targeted to individuals most in need. In July 2006, the board amended its Property Tax position to reflect this consensus.

In 2006, the League testified unsuccessfully against expansion of the STAR Program to include a further reduction of school taxes, irrespective of need, in the form of a tax rebate check mailed to each taxpayer eligible for STAR immediately before the November election. On September 21, 2006, the

League was invited to participate in an invitation only roundtable discussion of the role of property tax in education finance, hosted by Assemblywoman Galef. It supported statewide funding of CFE, adoption of a foundation approach to education, in which a reasonable rate of local taxation would be established and the remainder of funds would be supplied by the State, and replacement of property tax relief programs made available regardless of need with relief based on need. Written testimony is available online under legislative advocacy.