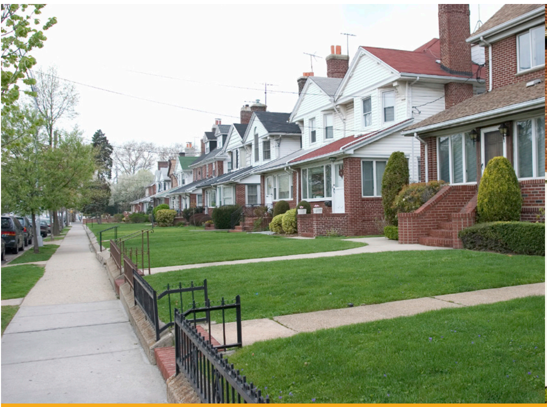  

The New York State Property Tax Cap:

Results. Success. Savings.

2015 Report

Office of Governor Andrew M. Cuomo

Executive Summary

Local property taxes in New York are some of the highest in the country, negatively affecting New York's economic competitiveness and the quality of life for its residents.

The Governor has made controlling property taxes one of his highest priorities. Between 2000 and 2010, property taxes grew at an unsustainable rate - more than double inflation. To stop this trend, in 2011 Governor Cuomo worked with the legislature to win enactment of the first property tax cap in the State's history.

New York State's Property Tax Cap limits increases in school and local property taxes to two percent a year, or the rate of inflation, whichever is less, with narrow limited exemptions, while maintaining local control. Carefully constructed based on lessons learned from other states, the Cap does not impose a State-determined level of taxation, but empowers local citizens to scrutinize the taxes that they have to pay.

As a result of the Cap and citizen involvement, New York's property taxes have been held to an average growth rate of approximately two percent during the past three years, less than half the rate of growth over the previous ten years.

Controlling the rate of property tax growth results in enormous savings for property taxpayers, and the impact grows over time. Through the first three years of the Cap, the typical property tax payer has saved more than $800, compared to if taxes had continued to grow at the previous growth rate. If the trend continues, by 2017, the typical taxpayer will have saved more than $2,100 in local property taxes as a result of the Cap.

The Tax Cap puts New York voters at the center of local government spending decisions, requiring governments to do more with less, reducing costs rather than raising taxes.

In the first three years, more than 80 percent of all local governments and school districts have been compliant with the Tax Cap. In the third year, voters passed Cap-compliant budgets in over 97 percent of all school districts.

The Property Tax Cap has since been strengthened through the next phase of the Governor's property tax plan, the $1.5 billion Property Tax Freeze program. In the first year under the Tax Freeze, New Yorkers received property tax relief if their school districts and local governments stayed within the Property Tax Cap. The Freeze will be extended for a second year in jurisdictions that comply with the Tax Cap and have put forward a plan to save one percent of their tax levy per year, over three years.

It is clear that the Tax Cap is making a difference is controlling property tax growth. Taxpayers have already received tremendous savings in just the first three years. Further, the savings will continue to grow overtime, helping to turn around New York's status as a high-tax state.

The Problem

New York's reputation of high property taxes is well-earned and was built up over many years. When Governor Cuomo first introduced the Property Tax Cap legislation that would eventually become law, homeowners were paying some of the nation's highest property taxes. The median property tax paid by a homeowner in New York ($4,090) was twice the national median ($2,043). Homeowners in 33 of New York's counties had a property tax burden that surpasses the national median. This was not a problem that could be solved overnight, but the first step is reigning in out-of-control growth. Each year, the impact of the restraint is compounded and, over time, New York will become more and more competitive.

The problem of high property taxes exists Upstate and Downstate, in Buffalo and on Long Island, but the way the problem presents itself depends on where you are. Downstate taxpayers pay some of the highest property taxes in America by dollar amount. Property taxes in Westchester and Nassau counties were shown to be nearly five times that national figure, ranking highest and second-highest in the entire country.

Highest Property Taxes Paid, 2010

County, State	National Rank	Median Property Tax Paid by Homeowner
Westchester, NY	1	$9,945
Nassau, NY	2	$9,289
Bergen, NJ	3	$9,081
Rockland, NY	4	$8,861
Essex, NJ	5	$8,755
United States	-	$2,043

When the burden of property taxes is seen in context of home value, the picture highlights the particular burden place on Upstate taxpayers. When Governor Cuomo first introduced the Property Tax Cap and based on median property taxes as a percentage of median home value, thirteen of the fifteen highest-taxing counties in the country are in Upstate New York, with Wayne County highest in the land.

Highest Property Taxes Paid as Percent of Home Value, 2010			
County, State	National Rank	Taxes as % of Home Value	Median Property Tax Paid by Homeowner
Wayne, NY	1	3.02%	$3,142
Monroe, NY	2	3.00%	$4,035
Cattaraugus, NY	3	2.90%	$2,257
Livingston, NY	4	2.84%	$3,136
Oswego, NY	5	2.81%	$2,605
Niagara, NY	6	2.81%	$3,023
Wayne, MI	7	2.72%	$2,430
Chautauqua, NY	8	2.70%	$2,275
Camden, NJ	9	2.70%	$5,889
Steuben, NY	10	2.69%	$2,318
Erie, NY	11	2.65%	$3,278
Schenectady, NY	12	2.61%	$4,383
Cayuga, NY	13	2.57%	$2,632
Onondaga, NY	14	2.55%	$3,439
Chemung, NY	15	2.54%	$2,340
United States	-	1.14%	$2,043

New York has an arcane, duplicative, and complicated local government structure. Developed over centuries, local government in the State consists of numerous, overlapping governments and special districts. An individual can simultaneously live in a county, town, village, school district, fire district, and library district- all of which have separately-elected governing boards that can raise property taxes. This is both confusing and costly for the taxpayer. As Attorney General, Governor Andrew Cuomo secured passage of the “New N.Y. Government Reorganization and Citizen Empowerment Act” to provide a process for citizens to petition for a public vote on dissolving or consolidating local governments. The Act simplified the byzantine set of laws specifying how voters or government officials can choose to dissolve or merge towns, villages and the thousands of special districts that provide water, sewage treatment and other services throughout the State.

Over the last 30 years preceding the Property Tax Cap, New York’s local property taxes grew by an unsustainable average rate of 5.7 percent per year. School districts, which on average consume 62 cents of every property tax dollar, increased levies by an annual average of over 6.3 percent. And local fire districts - at 7.0 percent - had an even higher average annual rate of growth over the 30 years. By comparison, the average annual increase in the Consumer Price Index for the same period was 3.3 percent.

Trend in Property Tax Growth by Type of Jurisdiction		
	30-Year Average Annual Growth Rate **1980-2010**	**10-Year Average Annual Growth Rate** **2000-2010**
Total - School & Local Gov't	**5.7%**	**5.3%**
Inflation	**3.3%**	**2.4%**
School District	**6.3%**	**5.9%**
Total - Local Government	**4.9%**	**4.4%**
County	4.8%	4.2%
City	3.2%	3.2%
Town	5.3%	4.7%
Village	5.4%	5.0%
Fire District	7.0%	5.7%

Although lower than the 30-year rate of growth, the 10-year rate of growth remained above the rate of inflation across all types of school districts and local governments.

The historical trend of growth in property taxes shows variation by region as well as by type of taxing jurisdiction. For the 30-year period, from 1980 to 2010, average annual growth in property taxes was highest in the Mid-Hudson Valley (6.3 percent) and Capital Region (6.2 percent).

Trend in Property Tax Growth by Region		
	30-Year Average Annual Growth Rate **1980-2010**	**10-Year Average Annual Growth Rate** **2000-2010**
Total	**5.7%**	**5.3%**
Inflation	**3.3%**	**2.4%**
Capital	6.2%	5.4%
Central NY	5.1%	4.3%
Finger Lakes	5.4%	4.4%
Long Island	5.8%	5.6%
Mid-Hudson	6.3%	6.2%
Mohawk Valley	5.2%	4.2%
North Country	5.8%	5.4%
Southern Tier	5.6%	5.0%
Western NY	4.6%	3.5%

The more recent 10-year period 2000-2010 finds that property taxpayers in the Mid-Hudson Valley had the highest rate of annual growth in taxes (6.2 percent), followed by those property taxpayers on Long Island (5.6 percent).

For 2000-2010, average rates of growth in property taxes were lowest in Western New York (3.5 percent), and the Mohawk Valley (4.2 percent). However, even in these regions, the growth in property taxes still exceeded the rate of inflation for that time period.

About the New York State Property Tax Cap

Enacted in 2011, the Property Tax Cap protects homeowners and businesses from skyrocketing property tax hikes for the first time in New York history. It also empowers citizens to have a more involved voice in the taxes that they have to pay.

New York State's Property Tax Cap limits increases in school and local property taxes to two percent a year, or the rate of inflation, whichever is less, while maintaining local control. The Cap does not impose a State-determined level of taxation, but empowers local citizens to scrutinize the taxes that they have to pay. School districts can adopt budgets above the Cap provided 60 percent of the voters agree. Local governments can increase property taxes above the Cap if 60 percent of the local government board approves. By requiring 60 percent votes and other procedural steps, including public hearings, the Cap helps stop unchecked year-after-year increases and directly empowers the people in deciding whether a tax increase is really necessary.

Cap Basics

- The New York State Property Tax Cap restricts the year to year annual property tax levy growth.
- All local governments that are independently governed and require a separate tax levy are subject to the Tax Cap.
- The Cap allows local governments to raise necessary taxes for a few extraordinary expenses, including very high pension growth and school district capital costs, without being subject to the Cap.
- The Cap can be overridden by actions at the local level, which also allows taxpayers and local governments to exercise local control and increase spending as deemed appropriate.

Why Isn't the "2 Percent Cap" 2 Percent?

New York's Property Tax Cap recognizes the complexity of New York's governmental and financing structures. In order to allow the Tax Cap to self-correct in years of extraordinary costs the Cap includes a few limited exclusions that may increase the limit above two percent.

- Local governments and school districts can increase the property tax levy to cover costs of high judgments in the case of torts.
- Local governments and school districts can increase the property tax levy to cover extraordinary increases in the local contributions to public employee retirement funds.
- Local governments and school districts can increase the property tax levy to reflect new taxable development.
- School district property tax levies can be adjusted (up or down) for changes in local capital costs. If a school district pays off the local share of a capital project, the levy limit is adjusted downwards to reflect the fact that the taxpayer no longer needs to pay taxes to cover a debt. Likewise, a school district can collect additional property tax levy to cover new or increasing local capital costs.
- The Property Tax Cap is sensitive to changes in another source of revenue, Payments in Lieu of Taxes (PILOT). The Property Tax Cap treats PILOT revenue as an offset to local property tax revenue. While a new PILOT will lower allowable tax levy, an expiring PILOT will increase the allowable tax levy. However, in both cases, local property tax payers are protected by the Tax Cap, and in no case will the total revenue from PILOT and tax levy result in a decrease for local governments.

Results

The Property Tax Cap has been in effect for three full years and the results are extraordinary. Since inception, property tax growth has slowed to less than half the rate of the previous ten years. Overall, for all levels of government, the average growth was 2.2 percent, down from 5.3 percent in the prior decade. By class of government, counties had the slowest average growth at 1.5 percent and schools and villages had the largest average growth at 2.5 percent. However, even school and village property taxes grew by only half the rate of the previous decade.

New York's Cap has Lowered Property Tax Growth for Each Type of Taxing Jurisdiction

	10-Year Average Annual Growth Rate 2000-2010	**Average of Proposed Growth - First Three Years of Tax Cap**	**Percent Change**
Total - School & Local Gov't	**5.3%**	**2.2%**	**-59.5%**
School District	**5.9%**	**2.5%**	**-58.3%**
Total - Local Government	**4.4%**	**1.7%**	**-60.7%**
County	4.2%	1.5%	-64.8%
City	3.2%	1.7%	-45.4%
Town	4.7%	1.7%	-63.4%
Village	5.0%	2.5%	-50.3%
Fire District	5.7%	2.3%	-59.4%

The existence of the Property Tax Cap has led to real, significant savings for taxpayers. Comparing 2.2 percent growth to the 5.3 percent growth for the previous decade, the typical property tax payer has saved more than $800. By 2017, the typical taxpayer will have saved more than $2,100 in local property taxes.

While property tax growth has slowed Statewide, there are regional differences. Western New York (1.8%) and Central New York (1.9%) experienced the slowest property tax growth in the Property Tax Cap era. The Mid-Hudson Region had the largest average reduction in growth, dropping nearly four points from 6.2 percent to 2.3 percent.

New York's Cap has Lowered Property Tax Growth for Every Region			
	10-Year Average Annual Growth Rate 2000-2010	**Average of Proposed Growth - First Three Years of Tax Cap**	**Percent Change**
Total	**5.3%**	**2.2%**	**-59.5%**
Capital	5.4%	2.4%	-56.7%
Central NY	4.3%	1.9%	-56.2%
Finger Lakes	4.4%	2.2%	-50.5%
Long Island	5.6%	2.1%	-62.3%
Mid-Hudson	6.2%	2.3%	-62.9%
Mohawk Valley	4.2%	2.3%	-45.0%
North Country	5.4%	2.3%	-58.2%
Southern Tier	5.0%	2.1%	-58.3%
Western NY	3.5%	1.8%	-48.7%

The savings is a Statewide phenomenon, however. In the ten years prior to the implementation of the Cap, the region with the lowest average growth was Western New York (3.5%). After three years of the Property Tax Cap, every single region is significantly below that threshold and the highest growth region is at 2.4 percent.

On a county-by-county basis, the highest estimated average savings in just the first three years are in Westchester ($2,223), Rockland ($2,042), and Nassau ($1,923). These counties have both high median property taxes, and are in regions that experienced particularly high property tax growth rates in the ten years preceding the cap. The impact of the Tax Cap grows with each year, and by the fifth year the average taxpayer in these three counties will have saved more than $5,000.

In every county, however, the savings is significant. By the fifth year, over half of New York's 57 eligible counties will have average savings above $1,000, and every county will have average savings above $500.

County	Region	Regional 10-Year Average Annual Growth Rate 2000-2010	Regional Average of Proposed Growth - First Three Years of Tax Cap	Percent Change	Estimated Cumulative Savings - 3 Years	Estimated Cumulative Savings - 5 Years
Albany	Capital	5.4%	2.4%	-56.7%	$688	$1,812
Allegany	Western NY	3.5%	1.8%	-48.7%	$210	$544
Broome	Southern Tier	5.0%	2.1%	-58.3%	$444	$1,162
Cattaraugus	Western NY	3.5%	1.8%	-48.7%	$220	$570
Cayuga	Central NY	4.3%	1.9%	-56.2%	$387	$1,009
Chautauqua	Western NY	3.5%	1.8%	-48.7%	$234	$607
Chemung	Southern Tier	5.0%	2.1%	-58.3%	$404	$1,059
Chenango	Southern Tier	5.0%	2.1%	-58.3%	$381	$998
Clinton	North Country	5.4%	2.3%	-58.2%	$467	$1,230
Columbia	Capital	5.4%	2.4%	-56.7%	$704	$1,853
Cortland	Central NY	4.3%	1.9%	-56.2%	$417	$1,087
Delaware	Southern Tier	5.0%	2.1%	-58.3%	$377	$988
Dutchess	Mid-Hudson	6.2%	2.3%	-62.9%	$1,203	$3,184
Erie	Western NY	3.5%	1.8%	-48.7%	$334	$866
Essex	North Country	5.4%	2.3%	-58.2%	$401	$1,055
Franklin	North Country	5.4%	2.3%	-58.2%	$369	$971
Fulton	Mohawk Valley	4.2%	2.3%	-45.0%	$265	$691
Genesee	Finger Lakes	4.4%	2.2%	-50.5%	$397	$1,037
Greene	Capital	5.4%	2.4%	-56.7%	$504	$1,328
Hamilton	North Country	5.4%	2.3%	-58.2%	$367	$965
Herkimer	Mohawk Valley	4.2%	2.3%	-45.0%	$246	$641
Jefferson	North Country	5.4%	2.3%	-58.2%	$391	$1,030
Lewis	North Country	5.4%	2.3%	-58.2%	$343	$902
Livingston	Finger Lakes	4.4%	2.2%	-50.5%	$431	$1,127
Madison	Central NY	4.3%	1.9%	-56.2%	$420	$1,094
Monroe	Finger Lakes	4.4%	2.2%	-50.5%	$536	$1,401
Montgomery	Mohawk Valley	4.2%	2.3%	-45.0%	$318	$829
Nassau	Long Island	5.6%	2.1%	-62.3%	$1,923	$5,063
Niagara	Western NY	3.5%	1.8%	-48.7%	$320	$829

County	Region	Regional 10-Year Average Annual Growth Rate 2000-2010	Regional Average of Proposed Growth - First Three Years of Tax Cap	Percent Change	Estimated Cumulative Savings - 3 Years	Estimated Cumulative Savings - 5 Years
Oneida	Mohawk Valley	4.2%	2.3%	-45.0%	$293	$765
Onondaga	Central NY	4.3%	1.9%	-56.2%	$491	$1,281
Ontario	Finger Lakes	4.4%	2.2%	-50.5%	$440	$1,149
Orange	Mid-Hudson	6.2%	2.3%	-62.9%	$1,380	$3,650
Orleans	Finger Lakes	4.4%	2.2%	-50.5%	$405	$1,058
Oswego	Central NY	4.3%	1.9%	-56.2%	$357	$931
Otsego	Mohawk Valley	4.2%	2.3%	-45.0%	$240	$627
Putnam	Mid-Hudson	6.2%	2.3%	-62.9%	$1,811	$4,790
Rensselaer	Capital	5.4%	2.4%	-56.7%	$689	$1,814
Rockland	Mid-Hudson	6.2%	2.3%	-62.9%	$2,042	$5,402
Saratoga	Capital	5.4%	2.4%	-56.7%	$657	$1,731
Schenectady	Capital	5.4%	2.4%	-56.7%	$753	$1,982
Schoharie	Mohawk Valley	4.2%	2.3%	-45.0%	$266	$695
Schuyler	Southern Tier	5.0%	2.1%	-58.3%	$362	$949
Seneca	Finger Lakes	4.4%	2.2%	-50.5%	$358	$937
St. Lawrence	North Country	5.4%	2.3%	-58.2%	$334	$879
Steuben	Southern Tier	5.0%	2.1%	-58.3%	$396	$1,039
Suffolk	Long Island	5.6%	2.1%	-62.3%	$1,588	$4,180
Sullivan	Mid-Hudson	6.2%	2.3%	-62.9%	$900	$2,381
Tioga	Southern Tier	5.0%	2.1%	-58.3%	$432	$1,132
Tompkins	Southern Tier	5.0%	2.1%	-58.3%	$700	$1,835
Ulster	Mid-Hudson	6.2%	2.3%	-62.9%	$1,039	$2,749
Warren	Capital	5.4%	2.4%	-56.7%	$493	$1,298
Washington	Capital	5.4%	2.4%	-56.7%	$561	$1,478
Wayne	Finger Lakes	4.4%	2.2%	-50.5%	$451	$1,177
Westchester	Mid-Hudson	6.2%	2.3%	-62.9%	$2,223	$5,882
Wyoming	Finger Lakes	4.4%	2.2%	-50.5%	$356	$930
Yates	Finger Lakes	4.4%	2.2%	-50.5%	$341	$892

Calculated based on Census American Community Survey 2010 5-year median property tax bill increasing at regional average of proposed growth - first three years of tax cap compared to regional 10-year average annual growth rate 2000-2010

In all three years of the Cap, the vast majority of local governments and schools have remained compliant. School districts, the only class of local governments to bring their budgets directly before the voters, have the highest compliance rates. Further, compliance by school districts increased each year.

	% Within Tax Cap in Year 1	% Within Tax Cap in Year 2	% Within Tax Cap in Year 3
Total - School & Local Gov't	**85.4%**	**84.6%**	**83.9%**
School District	**93.5%**	**95.3%**	**97.2%**
Total - Local Government	**82.8%**	**81.1%**	**79.2%**
County	83.9%	85.5%	80.4%
City	86.0%	81.1%	75.4%
Town	83.3%	79.2%	78.9%
Village	82.6%	78.4%	77.6%
Fire District	82.1%	84.5%	80.9%

One of the most notable trends is that school districts have complied with the tax cap more than any other class of local government and this compliance is increasing. As school districts represent more than 60 percent of the property tax burden in New York, this compliance will have a significant impact of the burden facing New York's taxpayers.

On May 19, 2015 school districts asked voters to approve a fourth budget in the property tax cap era. The 2015-16 Property Tax Report Card, published annually by the State Education Department, indicated that school districts' proposed budgets required an aggregate tax levy increase of just 1.58 percent.

All but two of the more than 650 school districts that proposed budgets with levies within the tax cap had their budgets approved by their voters. Of the 19 districts that proposed budgets with levies requiring override of the tax cap, seven were defeated.

Strengthening the Cap

Since the passage of the Cap, Governor Cuomo has continued to push to strengthen the Cap and provide additional relief to New York taxpayers. The Property Tax Freeze, which was enacted last year, does both. Over three years, the program will result in more than $1.5 billion in direct property tax relief, and the average New Yorker will receive approximately $656. The Freeze also addresses one of the primary drivers of the State's high property taxes by incentivizing local governments and school districts to seek efficiencies and share services.

In order for the credit to be available to the homeowners in a local taxing jurisdiction, the jurisdiction must comply with the Property Tax Cap, which further strengthens the Cap. In the second year, the local government or school must also develop an efficiency plan.

As a general rule, the Freeze credit will fully reimburse eligible homeowners for increases to their taxes imposed by all jurisdictions that comply with the eligibility requirements. The Freeze credit will be the greater of:

- the actual increase in the homeowner's tax bill, or,
- the previous year's tax bill multiplied by an inflation factor (the lesser of 2% or inflation).

Eligible homeowners do not need to do anything to receive the credit. The Department of Taxation and Finance will review eligibility data and calculate the credit for all qualifying taxing jurisdictions. Beginning in the fall of 2014, the Department of Taxation and Finance mailed 2.3 million checks to New York taxpayers for the first year of the program. The Department will mail two more rounds of checks to eligible taxpayers 2015 and 2016.

Eligibility Requirements

1. Homeowner requirements

- To be eligible for the credit, homeowners must meet the requirements for the STAR property tax exemption:
- The property must be the homeowner's primary residence.
- The total household income must be $500,000 or less.

2. School district/local government requirements

- The requirements imposed on taxing jurisdictions (school districts and local governments) will be phased in over two years.
- **Year 1:** The jurisdiction must comply with the Property Tax Cap. This means the increase in the tax levy cannot be more than that allowed by a formula established by State law.
- **Year 2:** In the second year, the jurisdiction must comply with the Tax Cap and also develop and implement a Government Efficiency Plan to reduce costs by consolidating services.

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