

## *Proposals to Ease the Burden of Property Taxes Across New York State*

This Briefing Bulletin describes alternative proposals that have been put forward in the last few months to ease the burden of property taxes across New York State. This Bulletin begins with a summary of the existing School Tax Relief (STAR) program and the changes made in the 2006 legislative session.

### **School Tax Relief (STAR) —**

Enacted in 1997, the STAR program provides a partial exemption from school taxes for most owner-occupied primary residences. The exemption consists of two parts:

- 1) Basic exemption of \$30,000 of full value is available to virtually all New Yorkers who own a one, two, or three-family home, condominium, cooperative, apartment, or mobile home.
- 2) Enhanced exemption of \$56,800 of full value is available to senior citizens age 65. There was an original income eligibility limit of \$60,000 or less, which has an annual COLA adjustment and is projected to be \$66,050 for 2006-07.

In New York City, STAR provides for both property tax exemptions and a refundable income tax credit.

In counties where the median home value is higher than the statewide median home value, the exemptions are adjusted in proportion to the sales price differential factor. In Westchester County, the county with the highest median home value, the sales price differential factor was 2.833 making the value of the Basic Exemption, for example, \$86,500 ( $\$30,000 \times 2.833 = \$86,500$ ). There would be a similar increase for the Senior Exemption, as well.

The average STAR savings for homeowners for recent years are as follows:

<u>YEAR</u>	<u>BASIC</u>	<u>SENIORS</u>
2000-01	\$400	\$ 879
2003-04	\$675	\$1,036
2005-06	\$685	\$1,090
2006-07	\$710	\$1,220

Local school districts are reimbursed by the state for the revenue lost by their STAR exemptions.

The total amount of state funding for STAR for 2006-07 will be in excess of \$3.3 billion.

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## **New Property Tax Relief Plan Enacted in 2006 Legislative Session —**

The Governor had proposed providing a \$400 rebate to homeowners in school districts that kept their spending increases below the lower of a 4 percent cap or 120 percent of the Consumer Price Index (CPI). This proposal was rejected by the Legislature that passed instead a program that removed the spending cap and provided rebates equal to 30 percent of the property owner's current STAR benefits or approximately \$400 per rebate. This legislative plan was vetoed by the Governor who cited constitutional concerns.

The Legislature and the Governor came to an agreement on a new property tax relief plan that passed the Legislature on June 23<sup>rd</sup>. This plan provides relief in addition to the existing STAR program. But, unlike STAR which provides reductions in the amount of school property tax that homeowners pay, this plan provides those same homeowners a rebate check. In New York City, homeowners will receive a rebate check and all income taxpayers will receive an increase in their existing income tax credit. The main elements of the new law are as follows:

1. A taxpayer who receives a STAR exemption is eligible for a rebate computed by multiplying \$9,000 by the school district tax rate and the sales price differential factor — in counties where the median home value is higher than the statewide home value, the exemptions are increased proportionately. These provisions apply to the Big 5 as well.
2. In New York City, the current credit for married individuals filing joint returns is raised from \$125 to \$230. The current credit for unmarried individuals is raised from \$62.50 to \$115.
3. These new provisions will cost an estimated \$960 million when fully implemented.

## **Faso Property Tax Plan —**

The Faso plan includes:

1. Double the original STAR exemption for basic from \$30,000 to \$60,000 and for seniors from \$50,000 to \$100,000. Increase to be phased-in over four years and then adjusted annually for inflation. The plan calls for an additional \$700 million to New York City residents to reduce the city income tax.
2. Cap allowable increases in school property taxes at 4 percent or the rate of inflation, whichever is lower. Exceptions would be made for increases in student enrollment, first-time revenues from new construction would be added to assessment rolls, or a voter override by a two-thirds majority.
3. Mandate relief including repeal of Wicks Law; change in Triborough Amendment; and make taxpayers ability to pay a factor in arbitration decisions, etc.
4. The Faso Plan will provide an estimated \$6.8 billion in tax relief by doubling the STAR exemption and capping school spending.

## **Spitzer Property Tax Plan —**

On June 12, Eliot Spitzer proposed a school property tax plan. The major feature of this plan is to create a new "Middle Class" category within the existing STAR program and increase this exemption up to 80 percent. The plan includes:

1. Homeowners in the "Middle Class" — approximately \$60,000 to \$90,000 of income — would receive 80 percent increase in STAR exemption — as adjusted on a sliding scale as income rises.
2. The Basic and Senior Citizens exemption will be increased by 30 percent for every homeowner except the wealthiest 2 percent of New Yorkers whose incomes exceed \$235,000 per year.
3. There will be an additional personal income tax reduction to all but the wealthiest 2 percent of New York City residents.
4. Cost of the plan when fully implemented will be approximately \$2.5 billion.

## **Suozzi Property Tax Plan —**

The major elements of the Suozzi property tax plan are as follows:

1. Counties that average less than \$5,500 in per student state aid are given property tax relief equal to the difference between \$5,500 and what they presently receive in per student state aid.
2. The money will be distributed to school districts with higher needs as defined by less commercial property or lower property values which drive higher tax rates to fund education.
3. For property taxpayers to receive this additional money, their school districts must agree to implement a five-year spending plan with no more than a 5 percent average annual spending increase over the five years, and no more than 8 percent in any given year. For districts that do not agree, the money is instead distributed countywide to provide county property tax relief.
4. The cost of this plan will be approximately \$2.15 billion.

NYSUT opposes any property tax relief proposal that includes a cap on local school district expenditures or taxes. Only one of three proposals described in this Briefing Bulletin does not have such a cap.