

Understanding the Levy Tax Cap

Although the new law has been referred to as a “2 percent tax cap,” it does not restrict individual school tax bill increases to 2 percent.

The new law applies to the tax levy, not the tax rates or individual tax bills.

The Tax Cap

New York’s property tax levy cap law establishes a limit on the annual growth of property taxes levied by local governments and school districts to 2 percent or the rate of inflation, whichever is less.

The cap applies to all independent school districts starting in the 2012-13 school year. The tax levy cannot exceed the cap unless 60 percent of voters in each school district approve such an increase.

If voters reject the schools budget twice, the district must adopt a contingent budget, which can not increase the tax levy by any amount.

74%

of New York school districts are expected to exceed the tax cap limit in order to meet expenses.*

Q. Does the new tax cap mean school tax levies can’t increase more than 2 percent?

NO, the law does not prohibit tax levy increases greater than 2 percent. Despite how it’s been described by some politicians and the media, the legislation signed into law requires every district to calculate its own “tax levy limit”. Two percent is just one of the eight factors in the calculation.

The law also established a higher threshold of voter approval (60 percent or more,) for a budget to pass if a district’s proposed tax levy increase exceeds its individual “tax levy limit” (after the exemptions outlined in the law).



Q. What will the property tax cap law mean for my tax bill?

The new law applies to the tax levy, not the tax rates or individual tax bills. It does not impose a universal 2 percent cap on taxes or any other specific amount. There are several factors that dictate how an individual’s school tax bill is calculated after a school district sets the final tax levy - none of which are within the district’s control.

The law does require a greater number of voters to approve a budget that exceeds a school district’s individual “tax levy limit,” as calculated by a complex formula. This calculation process did not change under the new property tax cap law.

Q. How are tax bills calculated?

Tax bills are calculated by using the property’s assessed value (as determined by the town’s assessor) and the tax rate or the amount paid in taxes per \$1,000 of assessed value.

Tax rates are not solely determined by the tax levy approved by voters; they are often adjusted by the state using equalization rates, designed to equally distribute the tax burden across municipalities within the district. Tax bills can also be affected by STAR or other exemptions for which individual taxpayers may qualify.

* Source: New York State School Boards Association, “The New 3R’s: Reducing, Restructuring & Redesigning, Dec 2011



What is the Tax Levy?

The total amount of property taxes a school district must collect to balance its budget, after accounting for all other revenue sources including state aid. The tax levy is the basis for determining the tax rate for each of the towns and villages that make up a school district.

With flat and/or declining state funding, staying within the district's "Tax Levy Limits" will severely restrict the district's ability to generate revenues needed to sustain core educational programs.

Q. How is the tax levy determined for school districts?

The law dictates an eight-step formula that each school district must use to calculate its individual "tax levy limit." The calculation adjusts a district's tax levy to reflect growth in the local tax base (if any) and the rate of inflation or 2 percent (whichever is lower).

Q. If the law doesn't actually cap tax levy increases to 2 percent, how will it provide property tax relief?

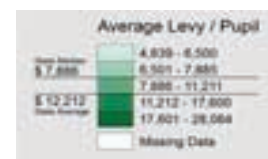
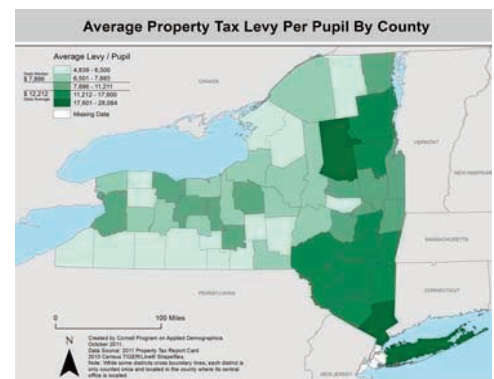
The law may result in some measure of tax relief for residents, but the extent to which it does will also result in the loss of educational programs. Most New Yorkers do not want tax relief to come at the expense of their public schools. However, living within the realities of the new law - while mandated costs escalate, reduction in state funding, and the pressure to control taxes continues - schools are faced with difficult decisions.

Q. What happens if the budget is not approved?

As in the past, districts can put the same or a revised budget up for revote or adopt a contingent budget. If a budget is defeated twice, the district must adopt a contingent budget. Under the new law, a district that adopts a contingent budget may not increase its current tax levy by any amount - which would impose a zero percent cap.

Q. What can I do?

The property tax cap law poses an enormous challenge for public schools, and school leaders need to hear from their communities to help guide them through the difficult decisions that will need to be made. It is more important than ever to become informed about the complex issues shaping school district budgets and educational programs. Getting involved and remembering to vote on your school budget are the first steps.



* Source: 2011 Property Tax Report Card 2010 Census TIGER/Line@Shapefiles. Created by Cornell Program on Applied Demographics October 2011

