

Understanding the NEW

NYS Property Tax Levy Cap

In this first year of New York State's property tax cap, new details continue to develop. This Q & A addresses some of the questions we have been asked and some we want to share. As we await further clarification from the State Comptroller, Department of Taxation and Finance, State Education Department, Division of the Budget, and the Governor's office, we will continually update and communicate additional details as they become available to us.

This past June, State leaders responded to New York State's high property tax and the pressure for tax relief by enacting a law that places stringent new restrictions on how school districts may increase their tax levies. Although the new law has been ambiguously referred to as a "2% Tax cap", the actual "tax levy limit" will be determined by each district using a mandated complex formula which varies by district. The law also requires at least a 60% approval vote if the proposed levy increase exceeds that district's calculated tax levy limit. While most of our South Orangetown community definitely does not want tax relief to come at the expense of our schools, the district will face tremendous pressure in trying to keep taxes low despite escalating costs, declining school aid, and rising expectations for teaching and learning.

Q. What is a "tax levy limit"?

The "tax levy limit" is the highest allowable tax levy a school district can propose as part of its annual budget. It must be approved by a simple majority of voters. A proposed tax levy above the limit would require approval by 60% or more of the voters.

Q. How will SOCSO determine its "tax levy limit"?

The new law dictates an 8 step formula every district must use to calculate its individual "tax levy limit." In short, the calculation adjusts the district's tax levy to reflect any growth in the local tax base, as well as the lower of either the rate of inflation or 2%.

Q. Does the new law take into account mandated expenses that are outside of our control?

Very few mandated expenses are considered. There are hundreds of unfunded or underfunded mandates with more being considered. However, under the new law, a few expenses are exempt from the "tax levy limit" calculations. Once our "tax levy limit" is calculated, these exemptions are then added, allowing us to propose a tax levy greater than the amount dictated by the "limit" without the need for approval by 60% of the voters. These exemptions include:

- Voter approved capital expenditures.
- Increases in state mandated employer contribution rates for teacher and employee pensions that exceed two percentage points.
- Court orders/judgments resulting from legal actions of any amount of the current levy. (Tax certioraris are not exempt.)

Q. How will MY tax bill be affected by the new property tax cap?

That question has yet to be answered. The new law applies to the tax levy and not the tax rates or individual tax bills. Additionally, the cap is not dollar specific. The “tax levy limit” is based on a complex 8 step formula as dictated by the NYS Department of Tax and Finance. Tax bills continue to be calculated by using a property’s assessed value 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 within the district. Tax bills can also be affected by STAR or other exemptions for which individual taxpayers may qualify. The school district makes no determination about the STAR calculation.

Q. Will we still vote on the school district Budget?

Yes. The South Orangetown CSD school budget vote will still take place on the third Tuesday in May. The only difference will be the level of voter approval necessary for our proposed budget to pass. If the tax levy (before exemptions) is at or below the *tax levy limit*, a simple majority vote is needed for budget approval. If the tax levy (before exemptions) exceeds our *tax levy limit*, budget approval would require the approval of 60% or more voters.

Q. How will we know if the proposed tax levy is above the “tax levy limit” requiring a 60% voter approval?

By law, if the district proposes a budget that requires a tax levy (before exemptions) above its *tax levy limit*, a statement must be included on the ballot indicating this to the voters.

Q. What happens if the budget does not get voter approval?

If the proposed budget is defeated by voters, the district has the option of either putting the same or a revised budget proposal up for a revote or adopting a contingent budget which would preclude, among other things, community use of buildings, certain salary increases, and new equipment purchases.

Most significantly, under the new law, if we adopt a contingent budget, we may not increase our current tax levy by any amount. This would mean, in effect, a zero percent cap.

Q. What can the voter do to learn more information?

The new property tax cap law poses an enormous challenge to all school districts. It is more important than ever for everyone to become informed about the complex issues shaping school district budgets and educational programs. We will be holding informational budget meetings and answering questions as the proposed budget develops. We will also continuously update our website www.socsd.org with all pertinent information leading up to the vote.

Please remember to vote on your school budget on Tuesday, May 15, 2012