

## Property Tax Cap – Frequently Asked Questions

### **I have heard about a property tax cap. What is it?**

- The property tax cap proposed by Governor Cuomo and passed by the State Senate should be called a tax levy cap. It places a 2% or rate of inflation – whichever is lower -- cap on the levy increase (the amount of money that a school, town/village or county raises through property taxes). For example, if the tax levy is \$100,000,000 in 2011-2012, the tax levy cap would require that the 2012-2013 levy is no more than \$102,000,000 or a 2% increase.

### **Won't a cap lower my property taxes?**

- No, a property tax cap does not lower anyone's taxes. It does not even ensure residents' tax bills go up more slowly. Reassessments and tax challenges can result in a large individual property tax bill even when the levy is at 2%. In a district like ours, with a large corporate tax base receiving lowered assessments, the tax rate increase can be much higher than the increase in the amount of the levy (districts with substantial residential based assessments have a closer correlation).

### **What will happen to the Harrison public schools if a cap is imposed?**

- Around the country, when a cap has been imposed without increasing state aid, school districts have been forced to eliminate sports, art, foreign language and kindergarten. The Governor's proposal does not include any increase in state aid. In fact, it cuts state aid to schools by \$1.5 billion.
- In the coming school year alone - despite school board efforts to control those costs which they can control - a property tax cap would result in budget shortfalls that will require wholesale cutting of programs, increases in class size and layoffs of teachers, all of which are vital to our children's educations. If the cap was in place this year, the combination of state aid cuts and increased pension costs would result in a levy increase of over 3%, requiring cuts in important programming.
- All schools in New York face cost drivers that determine major portions of the school budget – cost drivers over which local districts and school boards have little or no control, including energy costs, pension obligations and unfunded and underfunded mandates. We urge the State to take action to decrease those costs by amending existing laws, entering into meaningful contract negotiations on issues like pensions and to fund or eliminate or modify mandates where possible without harming children.

### **What if the community decides it wants to invest more in its schools?**

- Local residents can override the cap. However, a 60% super majority would be required to approve a levy above that limit, thus leaving the levy decision to a minority of voters. Other states have had a majority override and this is certainly preferable.

### **The public needs property tax relief. If the cap is not the answer, what can we do?**

- School districts in New York have shown that they are responsive to community concerns and recognize their responsibility to taxpayers. Last year, school boards' in New York budget to budget increases averaged 1.4% and tax levies rose 2.9%. In Harrison, school budgets have passed on the first try in each of the last 10 years; and the percentage increase in our levy has gone down six consecutive years since 2004-05. In addition, Harrison just finalized a new contract with its teachers that again achieves cost savings in both the short and long term – including increased contributions toward health insurance and slowing the growth of salaries. Other school districts have or are in the process of doing the same.
- Despite these efforts by the local districts, there is no question the public wants and needs property tax relief, but cutting school aid and imposing a property tax cap does not provide relief and will devastate schools.

- There are other options, and we urge our elected officials to consider addressing the cost drivers and providing a circuit breaker, which offers tax relief without threatening school quality.

**We support meaningful relief for property taxpayers, especially since the burden undermines community support for public education. We appeal to our elected leaders to find a solution that does not destroy public education. It is the future of all our children that is at stake.**

### Okay, what can I do?

The New York State Senate passed S.2706 (tax levy cap legislation), but the Assembly has not yet taken up the bill. Parents and members of the community need to call, email, and write to members of the New York State Assembly and Senate, as well as to Governor Cuomo. The message is simple: I know the public needs property tax relief. The property tax cap being considered does not provide relief and it will devastate our schools. I implore you to explore other options.

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### For Additional Information, Visit:

[www.nyspta.org/pdfs/publications/LegislativeBriefsFebruary2011.pdf](http://www.nyspta.org/pdfs/publications/LegislativeBriefsFebruary2011.pdf)

### Some Useful Definitions:

For More Information Visit:

[www.orps.state.ny.us/pamphlet/taxworks.htm](http://www.orps.state.ny.us/pamphlet/taxworks.htm)

### What is the Property Tax?

The real property tax is a tax based on the assessed value of real (not personal) property. Counties, cities, towns, villages, school districts, and special districts each raise money through the real property tax. The money funds schools, pays for police and fire protection, maintains roads, and funds other municipal services enjoyed by residents.

### What is the Tax Levy?

The tax levy is the amount of money that a school, town, or county brings in through property taxes. The property tax levy is money raised solely from property owners in the community; it is in no way related to the income taxes paid to state and federal governments. It is calculated as follows: Projected School Spending in the Budget minus state aid minus other revenues minus prior year's fund balance.

### How is the Tax Rate determined?

The tax levy is divided by the total assessed value of the taxable (non-tax exempt) property within the municipality or district.