



# CAP NY PROPERTY TAXES

The New NY Agenda  
Andrew Cuomo

*5<sup>th</sup> in a Series*

CUOMO  2010

# THE NEW NY AGENDA

**T**he people of New York deserve a government that works, for a change — not a government paralyzed by partisan politics and plagued by ethical scandals.

We love New York and are willing to fight for the fundamental reforms necessary to restore competence and integrity in government and regain the

public's confidence.

We are Democrats, Republicans and Independents. But we are New Yorkers first, foremost and always.

Today, I join with my fellow New Yorkers to actively support Andrew Cuomo's New NY Agenda. I pledge to vote in the upcoming elections, to urge my local elected officials to support this

- 1. Clean Up Albany.** We must restore honor and integrity to government, with tough new ethics standards, expanded disclosure requirements, independent investigators to root out and punish corruption, and an overhaul of campaign finance laws. We must remove legislative redistricting from partisan elected politicians and place it in the hands of an independent commission that works only for the people. And we must hold a constitutional convention – A People's Convention – to rewrite the Constitution and make these changes immediately because we cannot wait any longer for the state legislature to act.
- 2. Get Our Fiscal House in Order.** We must get our State's fiscal house in order by immediately imposing a cap on state spending and freezing salaries of state public employees as part of a one-year emergency financial plan, committing to no increase in personal or corporate income taxes or sales taxes and imposing a local property tax cap. We must also eliminate mandates that make it impossible for school districts and localities to contain costs.
- 3. Rightsizing Government.** Government in New York is too big, ineffective and expensive. We must enlist the best private sector minds to help overhaul our more than 1,000 state agencies, authorities and commissions and reduce their number by 20 percent. We must make it easier to consolidate or share services among our more than 10,000 local governments.
- 4. NY Works.** We must make New York the jobs capital of the nation and get unemployed New Yorkers back to work. We will give businesses a tax credit of up to \$3,000 for each unemployed New Yorker hired for a new job. We must also replace New York's ineffective economic development efforts with a new strategy organized around regional industry clusters; reduce the high costs of doing business in the state; and support small businesses by increasing access to capital and streamlining regulatory barriers.
- 5. NY Leads.** New York has been a national leader in protecting and advancing individual rights and safeguarding the future of its citizens. To remain so, we must protect a woman's right to choose, achieve marriage equality, enact tough anti-discrimination laws, truly regulate Wall Street, attract the best and the brightest to government, leave our children a cleaner and greener world, and continue to oppose the death

**The New NY Agenda**  

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**Cap NY Property Taxes**



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## 5 TROUBLING PROPERTY TAX FACTS

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- 1.** Property tax levies in New York grew by 73 percent from 1998 to 2008—more than twice the rate of inflation during that period.
- 2.** New York has the second highest combined state and local taxes in the nation and the highest local taxes in America as a percentage of personal income—79 percent above the national average.
- 3.** The median property taxes paid by New Yorkers are 96 percent above the national median.
- 4.** When measured in absolute dollars paid, Westchester (1<sup>st</sup>), Nassau (2<sup>nd</sup>) and Rockland (5<sup>th</sup>) counties are among the 5 highest taxed counties in the nation.
- 5.** When property taxes are measured as a percentage of home value over a three year period, the top sixteen counties in the nation are all in Upstate New York.



## **The Cuomo Tax Cap Plan**

- 1. Cap would apply to all school districts and local governments (i.e. counties, towns, villages and special districts) and would be set at the rate of inflation or 2 percent, whichever is less.**
  - 2. To preserve local control, the plan empowers residents to go over the cap with a 60 percent majority vote when they believe it is in the best interest of the community.**
  - 3. Only limited exceptions allowed for the cap, including one-time needs for large legal settlements or extraordinary capital expenditures. Counties would also have exceptions for state mandated social service programs that are not capped (as is Medicaid), and which represent a major share of their budgets.**
  - 4. To encourage cost savings, local governments would be rewarded for consolidation of services.**
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# **Cap NY Property Taxes**

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## ***Andrew Cuomo's Comprehensive Property Tax Reform Plan***

\$16,598, \$11,959, \$40,900, \$20,636, \$13,478 and \$5,854. These are just a sample of ever-rising property tax bills from across New York. People can no longer afford it.<sup>1</sup>

In Andrew Cuomo's *New NY Agenda*, he offered a detailed series of proposals to right the State's fiscal ship and chief among them was stopping the exploding costs of property taxes. Below is an expansion of Andrew Cuomo's plan to reduce property taxes in order to provide New Yorkers desperately needed property tax relief.


### **New York Property Taxes Are Out Of Control**

New York property taxes are out of control. When you combine State and local taxes New York has the second highest in the nation. The median U.S. property tax paid is \$1,917 and in New York it is \$3,755—96 percent higher than the national median.

Moreover, New York has the highest local taxes in America as a percentage of personal income—79 percent above the national average.<sup>2</sup>

Local property tax levies in New York grew by 73 percent from 1998 to 2008, more than twice the

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***When you combine State and local taxes New York has the second highest in the nation.***

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rate of inflation during that period.<sup>3</sup> And New York—especially Upstate New York—continues to lose

population and jobs at a rate greater than the national average, while taxes continue to rise.

Recently, the Tax Foundation released a 2009 survey on property taxes and once again New York has among the highest property taxes in the nation.<sup>4</sup> For instance, when measured in absolute dollars paid, Westchester (1<sup>st</sup>), Nassau (2<sup>nd</sup>) and Rockland (5<sup>th</sup>) are among the five highest taxed counties in the nation.

**Table 1. Median Property Tax Burden by County (2009)**

County	State	Median Property Taxes Paid on Homes	Rank
<i>United States</i>		<i>\$1,917</i>	
<b>Westchester County</b>	<b>New York</b>	<b>\$9,044</b>	<b>1</b>
<b>Nassau County</b>	<b>New York</b>	<b>\$8,940</b>	<b>2</b>
Bergen County	New Jersey	\$8,708	3
Hunterdon County	New Jersey	\$8,671	4
<b>Rockland County</b>	<b>New York</b>	<b>\$8,542</b>	<b>5</b>

**Source:** Tax Foundation

Moreover, the Tax Foundation’s survey found that when property tax burden is measured as a percentage of home value, New York again has among the highest property taxes, especially in Upstate New York. In 2009, 13 of the top 16 highest taxed counties were in New York.



***Local property tax levies in New York grew by 73 percent from 1998 to 2008, more than twice the rate of inflation during that period.***

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**Table 2. Property Tax Burden as a Percentage of Home Value (2009)**

<b>County</b>	<b>State</b>	<b>Taxes as % of Home Value</b>	<b>Rank</b>
<i>United States</i>		<i>1.04%</i>	
<b>Monroe County</b>	<b>New York</b>	<b>2.89%</b>	<b>1</b>
<b>Niagara County</b>	<b>New York</b>	<b>2.87%</b>	<b>2</b>
<b>Wayne County</b>	<b>New York</b>	<b>2.78%</b>	<b>3</b>
<b>Chemung County</b>	<b>New York</b>	<b>2.61%</b>	<b>4</b>
<b>Chautauqua County</b>	<b>New York</b>	<b>2.61%</b>	<b>5</b>
<b>Erie County</b>	<b>New York</b>	<b>2.60%</b>	<b>6</b>
<b>Onondaga County</b>	<b>New York</b>	<b>2.50%</b>	<b>7</b>
Camden County	New Jersey	2.50%	8
<b>Steuben County</b>	<b>New York</b>	<b>2.49%</b>	<b>9</b>
<b>Madison County</b>	<b>New York</b>	<b>2.43%</b>	<b>10</b>
Winnebago County	Illinois	2.42%	11
<b>Cayuga County</b>	<b>New York</b>	<b>2.41%</b>	<b>12</b>
<b>Oswego County</b>	<b>New York</b>	<b>2.40%</b>	<b>13</b>
Wayne County	Michigan	2.37%	14
<b>Schenectady County</b>	<b>New York</b>	<b>2.36%</b>	<b>15</b>
<b>Cattaraugus County</b>	<b>New York</b>	<b>2.36%</b>	<b>16</b>

New York property taxes have long been a problem. From 2006-2008, when property taxes were measured as a percentage of home value, the top sixteen counties in the nation were **all** in New

York State.<sup>5</sup> If you compare other states to New York, New York's property tax problem become even clearer. For example, in 2008, homeowners in Fairfax County, Virginia paid \$4,616 in property taxes and the average home there was valued at \$556,100. However, homeowners in Nassau County paid \$8,628 (or 87 percent more) in property taxes even though houses in Nassau were similarly valued at \$504,600. Likewise, in 2008, homeowners in Howard County, Maryland paid \$4,252 in property taxes and the average home there was valued at \$467,700. However, homeowners in Suffolk County paid \$7,109 (or 67 percent more) in property taxes even though houses in Suffolk were similarly valued at \$433,800.

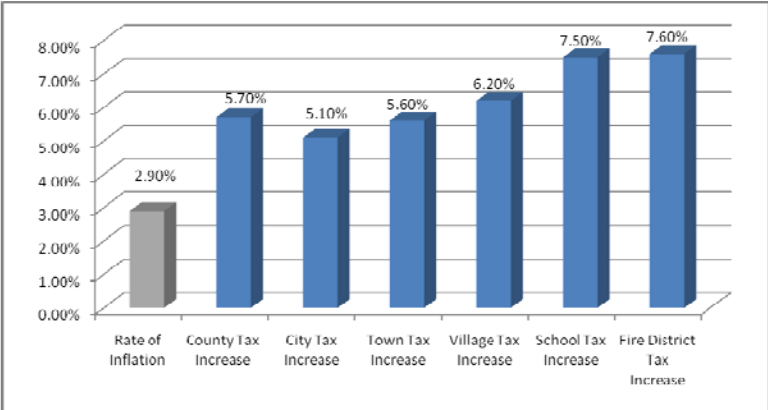
**Table3. Median Property Tax Growth in Heaviest Taxed Counties in New York<sup>6</sup>**

	2005	2006	2007	2008	2009
Westchester	\$7,337	\$7,626	\$8,422	\$8,890	\$9,044
Nassau	\$7,025	\$7,706	\$8,153	\$8,628	\$8,940
Rockland	\$6,527	\$7,041	\$7,535	\$8,430	\$8,542

The fact is all local property taxes are going up at rate much faster than inflation. For the five years from 2002 to 2007, inflation ran at 2.9 percent

annually, whereas property tax revenues increased at higher rates for every major class of local governments. For counties, the average annual increase in property taxes was 5.7 percent; for cities it was 5.1 percent; for towns 5.6 percent; for villages 6.2 percent; for school districts 7.5 percent; and the highest rate of increase was actually for fire districts, at 7.6 percent.<sup>7</sup>

**Chart 1. Property Tax Growth v. Rate of Inflation**



## **Local Taxes Are High In Part Because There Are Too Many Governments**

Therefore, when the question, “Why are taxes so high in New York?” is posed, part of the answer is simple: we have too much duplicative government. We can no longer afford it.

Our system of local government was constructed hundreds of years ago and is the product of historical accumulation.<sup>8</sup> As a result, at the local level there exists overlap and duplication, resulting in high taxes, inefficiency and waste.<sup>9</sup> In fact, there are more than 10,500 local governmental entities—including 62 counties, 932 towns, 555 villages and more than 7,000 special districts—imposing taxes and fees across New York State.<sup>10</sup>



***There are more than 10,500 local governmental entities — including 62 counties, 932 towns, 555 villages and over 7,000 special districts — imposing taxes and fees across New York State.***

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For years, academics, commissions, government officials, good government groups and informed citizens have recognized the inherent problems in New York’s local government system.<sup>11</sup> In 1935, for example, the New York State Commission for the Revision of the Tax Laws (known as the “Mastick

Commission”) noted that there “were too many units of local government, resulting in the duplication of



***In the 1940s there were less than 2,000 special districts; today there more than 7,000 special districts.***

functions, overlapping areas, overlapping authority and overlapping debt.”<sup>12</sup> Moreover, these problems have only grown in size and dimension over the ensuing years. For example, since the Mastick Commission’s findings in 1935, the number of special districts has grown from less than 2,000 to more than 7,000 today.<sup>13</sup>

Conventional wisdom holds that there are functional distinctions between counties, cities, towns and villages. However, as a recent report from the Comptroller’s Office aptly stated, “Our municipal

structure is not only highly complex, it no longer provides a rational differentiation based on population densities and settlement patterns, as it did when the classifications were originally made.”<sup>14</sup> The original construction of local government was envisioned in a time that was vastly different from today—before transportation systems, cell phones and the Internet.<sup>15</sup> Local government is not proportionate to population; it’s not proportionate to geography; it’s not separated by discrete functions. It’s just a question of how governments evolved in that area. Nobody ever sat down and designed the system at one time; it simply evolved, little by little, over hundreds of years. Accordingly, as part of the property tax solution, we must continue to fundamentally reorganize local government for the 21<sup>st</sup> Century to establish greater government efficiency, economic opportunity and tax savings.

The fact is is that if we don’t do something to control property taxes, people will vote with their feet and leave. We need bold solutions.

## **The Property Tax Solution: The Cuomo Tax Cap Plan**

We must get property taxes under control. Andrew Cuomo has proposed a comprehensive property tax cap that will help end the devastating impact on homeowners throughout New York. That is why, as Governor, Andrew Cuomo would fight for the enactment of a property tax cap.<sup>16</sup>

Andrew Cuomo's property tax cap would apply to all school districts and local governments (i.e. counties, towns, villages and special districts) and would be set at the rate of inflation or 2 percent, whichever is less.<sup>17</sup> While others have proposed a cap on just school property taxes, the fact is all property taxes are increasing at a rate much faster than inflation.<sup>18</sup>

### ***Local Communities Would Retain Control***

Any property tax levy increase above the inflation rate would be prohibited, unless endorsed both by the local governing board and by a 60 percent

majority vote. For schools, this would be part of their regular budget voting process and for other municipalities and special districts, a referendum would be required. These budget votes by municipalities would be similar to current requirements for voter approval to establish and spend from certain reserve funds.

***All Governments Would Be Included***

All local governments would be covered, including fire and other special districts. The cap would apply directly to independent special districts and to town or county component special districts as part of their parent municipalities' tax levy. Thus, towns would be responsible for the special service districts that they control, but not for those that can independently set their own levies.

***There Would Be Narrow, Limited Exemptions***

Only limited exceptions would be allowed for the cap, such as one-time needs for large legal settlements or extraordinary capital expenditures.

Counties would also be covered, but with appropriate exceptions for state mandated social service programs that are not capped (as Medicaid is), and which represent a major share of their budgets. State agencies overseeing such programs would have to annually report on increases in spending in those programs and be charged with finding ways to control costs and local contributions for the programs to ensure that their growth rates are below the cap.

Exceptions or adjustments would apply to consolidations of services (so that the cap would not discourage a county or town from taking on consolidated services from other localities or special districts). In fact, the cap may actually encourage cost saving consolidations, where existing arrangements prove to be too expensive for the new discipline.

### **Mandate Relief is a Critical Part of the Equation**

Andrew Cuomo knows that to control property taxes you must also control unfunded state mandates. As one expert has stated, “the mandate problem is no secret in Albany.”<sup>19</sup> For years, stakeholders, policy

makers and others have argued that without mandate relief there can be no real property tax relief.<sup>20</sup>

Andrew Cuomo has proposed a comprehensive plan to review all current state mandates and to stop unfunded mandates in the future. He will ensure that local communities and school districts have the power to ensure the taxes they collect can be spent in the classroom and on vital services. To provide a high quality education and local government services at a more affordable cost, school districts and localities must be given the ability to rein in costs in a way that is made almost impossible today by unfunded State mandates.

The Cuomo Administration will undertake a comprehensive review of such mandates and State laws that otherwise limit the ability of school districts and localities to contain costs. We will immediately move to eliminate unnecessary mandates and propose a “sunset” bill requiring all unnecessary unfunded mandates be re-evaluated within a two-year period of time and automatically eliminated unless the mandate is affirmatively renewed.

Furthermore, Andrew Cuomo will veto legislative or regulatory mandates, unless they provide a complete accounting of the fiscal impact on school districts or local governments that includes full documentation, local government input and proposed revenue sources to fund the new mandates. Any new unfunded mandates should contain a “sunset” provision to ensure that the mandate does not continue to apply after its usefulness has passed. We will also insist on mandate accountability through an annual report from the State Comptroller that includes the cumulative cost to localities of complying with all new regulatory and legislative mandates.

**We Must Continue to Rightsize Our More Than 10,500 Local Governments Through Consolidations and Shared Services**

This past year, as Attorney General, Andrew Cuomo authored a law that was overwhelmingly passed by the Legislature entitled, the Government Reorganization and Citizens Empowerment Act (“Empowerment Act”) to help restructure our

antiquated system of local government, to reduce the tax burden and to find greater efficiencies.<sup>21</sup>

The Empowerment Act eliminated anachronistic legal barriers to government mergers, simplified the process for local government officials to reorganize local government, and most importantly, gave citizens the power to reorganize their local governments by dissolving or merging the many taxing layers that have contributed to New York having the nation's highest local taxes.<sup>22</sup>

Prior to the enactment of the Empowerment Act, multiple impediments stood in the way of local government reorganization and citizens were often prohibited from initiating the process.<sup>23</sup> For different types of local government entities there were different consolidation and dissolution rules and procedures, many of which were inconsistent.<sup>24</sup> Now, under the Empowerment Act, citizens and local governments have a streamlined process to ease the process of government reorganization. Although the law only went into effect at the end of April, communities across New York have already begun the process.<sup>25</sup>

However, now that local government and citizens have a tool to reorganize local government, we must provide the financial means to make local government modernization a success.

### **Create Incentives to Expand on the Government Reorganization and Citizens Empowerment Act**

The Empowerment Act now provides citizens with necessary tools to reorganize local governments. To ensure these tools are frequently utilized, however, adequate financial incentives and expert resources should be made widely available to the public. To that end, the Cuomo Administration will adopt the following measures:

#### ***Citizens Re-Org Empowerment Grants***

Under the Empowerment Act, citizens may easily petition and vote on whether to reorganize local governments. Voters, however, often lack the information they need to evaluate a potential consolidation or dissolution.

The Cuomo Administration will make available “Citizens Re-Org Empowerment Grants” that will

cover all or part of the costs of merger studies. These Empowerment Grants would automatically be awarded from the Department of State's Local Government Efficiency Grants ("LGEG"), and would provide up to \$100,000 for communities that successfully petition to reorganize, merge or dissolve their local government. The funding would be used to develop the comprehensive reorganization plan.

The Empowerment Grants would not require additional money in the State budget; they simply would apportion existing funding for a new purpose. Currently, the State offers Local Government Efficiency Grants for communities wishing to share services, merge or dissolve governmental entities.<sup>26</sup> However, under the current LGEG program local communities must apply, and there is no guarantee that applications will be approved. In contrast, the Citizen Empowerment Grant program would automatically grant money to communities that successfully petitioned to merge or dissolve local governmental entities.<sup>27</sup>

In total, the Department of State has invested more than \$40 million in shared services and

consolidation projects with savings to local governments projected to be more than \$350 million.<sup>28</sup> In other words, a small appropriation of grants—resulting in government mergers—is money well spent.

### ***Citizen Empowerment Tax Credits***

Every municipality in New York receives unrestricted local aid from the state called Aid and Incentives to Municipalities (“AIM”).<sup>29</sup> Part of the AIM program includes additional state aid when municipalities merge or dissolve.<sup>30</sup> The increased aid, however, does not have to be used for a particular purpose.

Therefore, the “Citizen Empowerment Tax Credit” program should be created. The program would mandate that a portion of the increased AIM funding which results from a local government consolidation or dissolution be given directly to taxpayers for immediate tax relief. Under this program, 50 percent of such additional aid would have to be used for direct reductions of real property taxes.<sup>31</sup> Therefore, if municipalities merge or

dissolve, citizens would be guaranteed that, at least, 50 percent of the total increased AIM aid would be allocated directly for property tax relief.

### ***A Local Reorganization Knowledge Network***

Various commissions have exposed the underlying problems of the current dysfunctional structure of local government in New York. However, a well-developed, long-term network has never existed. As Governor, Andrew Cuomo will facilitate the creation of a Local Reorganization Knowledge Network to help local communities use the new Empowerment Law to merge and dissolve layers of government.

The Knowledge Network will include experts from across New York—in our academic institutions, financial sector and legal community—to support citizens and local governments and put plans in place that maximize efficiencies and tax savings through consolidation and dissolution. The Knowledge Network will build on the local government “Connecting New Yorkers” network developed by Andrew Cuomo as Attorney General.<sup>32</sup> Communities

often lack the resources to develop a sophisticated plan, so the Knowledge Network would work directly with communities to develop a plan to find savings and efficiencies.

### **Eliminate Remaining Legal Barriers to Mergers and Shared Services**

Andrew Cuomo's landmark Empowerment Act brought down many legal barriers that hindered the modernization of local government. There are still other barriers to local government reorganization that must also be reformed.

#### ***Eliminate Legal Barriers to Municipal Services***

There are various legal barriers prohibiting certain local governmental entities from undertaking key government functions. For example, unlike cities and villages, towns cannot provide fire services. Towns must rely on contractual arrangements with other service providers or must rely on independent fire districts for fire service.<sup>33</sup> Such prohibitions result in the increase in the number of governmental

entities, inefficiency and unnecessary duplication. These types of barriers should be eliminated.

### **The State Must Get its Fiscal House in Order**

We must get local property taxes under control. However, our State government failed to take the hard, but necessary, steps to control spending during the years when the economy was strong. In addition to New York's high property taxes are high income taxes and sales taxes rates. In fact, New York's highest personal income tax rate of 8.97 percent is higher than all but six other states<sup>34</sup> and New York's combined State and local sales tax rate of 8.45 percent is higher than all but four other states.<sup>35</sup>

#### ***Impose a State Spending Cap***

In order to address the financial crisis and permanently control State spending, a statutory and constitutional spending cap that requires the Governor to propose, and the Legislature to enact, a budget that limits State Operating Funds growth to the rate of inflation is necessary to make the State live within its means.<sup>36</sup> Only in the event of extraordinary

circumstances may the Governor, with the agreement of a two-thirds supermajority of both houses of the Legislature, authorize spending in excess of the cap.

### ***Freeze Taxes***

Because New Yorkers—already among the most taxed in the nation—cannot afford to pay more taxes than they do already, Andrew Cuomo will freeze taxes—he not raise and will veto any increase in personal or corporate income taxes or sales tax.

### ***Use Budget Surpluses for Direct Tax Relief***

As Governor, Andrew Cuomo will use budget surpluses produced by controlling State spending to provide additional tax relief while building reserves that can be used to cushion the impact of any future fiscal crises.

If New York adheres to a strict spending cap equal to the rate of inflation, existing tax revenues should generate substantial surpluses that can be used for tax relief. Based on current estimates in the Governor's Executive Budget, a surplus of

approximately \$1.1 billion could be generated in 2011-12 alone by adhering to a two percent inflation rate cap. This surplus will be used for tax relief and to bolster the State's "Rainy Day" fund.

Two-thirds of the surplus will be used for tax relief, with a substantial amount of that dedicated to a progressive property tax "circuit breaker" that provides relief to middle class homeowners whose property taxes are high relative to their income. Andrew Cuomo understands the importance of providing more property tax relief to hard pressed homeowners, who have seen their property tax relief cut by a total of \$1.5 billion over the last two years, and renters who face rising rents due to high property taxes.

A circuit breaker can be designed in a number of ways to ensure that it provides meaningful relief to the people who need it most. An example of the type of approach that should be considered is the proposed legislation that would provide circuit breaker relief for homeowners based on their income and overall property taxes paid (some renters would also be eligible, based on a property tax equivalent

calculation). Under this proposed legislation, relief would be targeted to middleclass taxpayers with property tax bills exceeding six percent of their income, with slightly higher thresholds for taxpayers in higher income brackets (up to \$250,000 annually).<sup>37</sup>

These measures will help stem the tide of New York's property tax burden and help put New York back on the path towards economic prosperity.

## **Cap NY Property Taxes**

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### **Summary of Policy Proposals**

#### **The Property Tax Solution: The Cuomo Tax Cap Plan**

- **Impose a property tax cap.** Propose a cap on property taxes for all school districts and local governments, set at the lower of the inflation rate or two percent, whichever is lower, with a 60 percent majority vote override.

#### **Mandate Relief is a Critical Part of the Equation**

- **Review existing mandates.** We will immediately move to eliminate unnecessary mandates and propose a “sunset” bill requiring all unnecessary unfunded mandates be re-evaluated within a two-year period of time and automatically eliminated unless the mandate is affirmatively renewed.
- **No new unwarranted mandates.** We will veto legislative or regulatory mandates, unless they provide a complete accounting of the fiscal impact on school districts or local governments that includes full documentation, local government input and proposed revenue sources to fund the new mandates. Any new unfunded mandates should contain a “sunset” provision to ensure that the mandate does not

continue to apply after its usefulness has passed.

### **We Must Continue to Rightsize Our More Than 10,500 Local Governments Through Consolidations and Shared Services**

- **Citizen re-org empowerment grants.** Automatically award grants of up to \$100,000, to communities which successfully petition to reorganize, merge or dissolve their local government under the Government Reorganization and Citizens Empowerment Act.
- **Citizen empowerment tax relief.** When municipalities merge or dissolve, they are eligible for additional State aid. Under the new “Empowerment Tax Relief,” 50 percent of the additional aid would be given directly to the taxpayers in the affected communities for immediate tax relief.
- **Local reorganization Knowledge Network.** Create a network of academic institutions, financial sector and legal community to provide the tools to support citizens and local governments to put plans in place to maximize efficiencies and tax saving through consolidation and dissolution.
- **Eliminate legal barriers to municipal services.** Eliminate provisions in law, such as the legal prohibition that towns cannot

provide services, that result in increased costs and unnecessary duplication.

### **The State Must Get its Fiscal House in Order**

- **Impose a State spending cap.** Enact a statutory and constitutional spending cap that limits growth to the rate of inflation. Only in the event of extraordinary circumstances, may the Governor, with the agreement of a two-thirds supermajority of both houses of the Legislature, authorize spending in excess of the cap.
- **Freeze Taxes.** We will not raise and will veto any increase in personal or corporate income taxes or sales tax.
- **Use budget surpluses for direct tax relief.** Budget surpluses produced by controlling spending will be used for property tax relief under a “circuitbreaker” plan.



## Appendices

### Appendix A. 2009 Property Taxes as a Percentage of Home Value (New York State)

<b>County</b>	<b>Taxes as % of Home Value</b>	<b>Rank</b>
Monroe County	2.89%	1
Niagara County	2.87%	2
Wayne County	2.78%	3
Chemung County	2.61%	4
Chautauqua County	2.61%	5
Erie County	2.60%	6
Onondaga County	2.50%	7
Steuben County	2.49%	9
Madison County	2.43%	10
Cayuga County	2.41%	12
Oswego County	2.40%	13
Schenectady County	2.36%	15
Cattaraugus County	2.36%	16
Oneida County	2.31%	19
Broome County	2.25%	23
Tompkins County	2.19%	28
Ontario County	2.14%	33
Rensselaer County	2.09%	43
St. Lawrence County	2.01%	57
Clinton County	1.97%	62
Sullivan County	1.94%	65

Nassau County	1.88%	77
Orange County	1.86%	85
Rockland County	1.84%	89
Putnam County	1.84%	90
Suffolk County	1.81%	102
Albany County	1.75%	122
Ulster County	1.68%	136
Westchester County	1.66%	138
Dutchess County	1.65%	142
Jefferson County	1.55%	166
Saratoga County	1.45%	194
Warren County	1.36%	229
Richmond County (Staten Island)	0.66%	612
Bronx County	0.61%	652
Queens County	0.61%	654
New York County (Manhattan)	0.56%	689

**Appendix B. 2009 Median Property Taxes Paid (New York State)**

<b>County</b>	<b>Median Property Taxes Paid on Homes</b>	<b>Rank</b>
Westchester County	\$9,044	1
Nassau County	\$8,940	2
Rockland County	\$8,542	5
Suffolk County	\$7,361	11
Putnam County	\$7,295	12
Orange County	\$5,677	21
Dutchess County	\$5,118	31
New York County (Manhattan)	\$4,742	38
Ulster County	\$4,129	59
Monroe County	\$3,891	71
Schenectady County	\$3,804	77
Albany County	\$3,760	81
Rensselaer County	\$3,749	82
Tompkins County	\$3,687	90
Sullivan County	\$3,476	99
Saratoga County	\$3,409	105
Onondaga County	\$3,156	121
Erie County	\$3,119	122
Wayne County	\$3,051	129
Richmond County (Staten Island)	\$2,966	137
Ontario County	\$2,927	142
Queens County	\$2,896	143
Niagara County	\$2,867	149
Kings County (Brooklyn)	\$2,834	156
Madison County	\$2,712	179

Cayuga County	\$2,486	219
Warren County	\$2,473	223
Oneida County	\$2,460	225
Chemung County	\$2,434	230
Broome County	\$2,428	231
Bronx County	\$2,412	237
Clinton County	\$2,320	253
Oswego County	\$2,249	264
Chautauqua County	\$2,102	299
Steuben County	\$2,020	309
Jefferson County	\$1,996	315
Cattaraugus County	\$1,834	359
St. Lawrence County	\$1,613	416

**Appendix C. Average Inflation Rate Versus Average Property Tax Increase (2002-2007)**

<b>Avg. Inflation Rate v. Avg. Property Tax Increase (2002 to 2007)</b>	
<i>Rate of Inflation</i>	<b>2.9%</b>
<b>County Tax Increase</b>	<b>5.7%</b>
<b>City Tax Increase</b>	<b>5.1%</b>
<b>Town Tax Increase</b>	<b>5.6%</b>
<b>Village Tax Increase</b>	<b>6.2%</b>
<b>School Tax Increase</b>	<b>7.5%</b>
<b>Fire District Tax Increase</b>	<b>7.6%</b>

**Appendix D. Comparison of the Cuomo Tax Cap to Other Proposals**

	<b>Cuomo Tax Cap Proposal</b>	<b>Governor’s Program Bill<sup>38</sup></b>	<b>NJ Tax Cap<sup>39</sup></b>
<b>Cap</b>	Rate of inflation or 2%, whichever is lower.	4 %, or 120 percent of the inflation rate, whichever is lower	2%
<b>Exceptions</b>	Limited exceptions, such as one-time needs for large legal settlements, extraordinary capital expenditures and county mandate social service costs.	Similar to NYS Commission on Property Tax Relief, such as new construction of homes and businesses, and major additions and renovations of existing buildings; “banking” unused levy; capital expense / debt service vote: capital items – either as a one-time expense or debt service.	Debt payments, rising health benefit and pension costs and if an “unforeseen state of emergency occurs.” School districts would also get an exception to deal with rising enrollment.
<b>Local Cap “Override”</b>	60%	Requires at least 55% of voters to approve any tax levy over the cap, and increases that “supermajority” requirement to 60% if the school district is receiving an increase in State education funding of 5% or more. <sup>40</sup>	Simple Majority (50%)
<b>Who Applies To</b>	All local governments and school districts.	It would apply to all school districts and local governments, except the Big Five, which includes Buffalo, and all other localities, except NYC.	Local government and schools districts.

## Notes

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<sup>1</sup> The Albany *Times Union* recently did a comprehensive piece on property taxes in New York called, “New York’s Property Tax Nightmare” where they interviews people across New York about the inability for families to pay New York’s high property taxes any longer. See <http://blog.timesunion.com/propertytaxes/>.

<sup>2</sup> NYS Office of the State Comptroller, *Financial Condition Report 2009*, at 2 available at <http://www.osc.state.ny.us/finance/finreports/fcr09.pdf>.

<sup>3</sup> NYS Office of the State Comptroller, *Financial Condition Report 2009* at 23 available at <http://www.osc.state.ny.us/finance/finreports/fcr09.pdf>.

<sup>4</sup>See Tax Foundation, “New Census Data on Property Taxes on Homeowners” (September 28, 2010) at <http://taxfoundation.org/news/show/26742.html>. The Tax Foundation has created an interactive website, called MyTaxBurden.com, that allows people to see how their property taxes compare to other regions in the nation. See <http://www.mytaxburden.org/propertytax/>.

<sup>5</sup> Tax Foundation, Property Taxes on Owner-Occupied Housing by County, Ranked by Taxes as

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Percentage of Home Value 2006-2008 (3-Year Average), *available at* [http://taxfoundation.org/files/propertytax\\_county\\_bypercentagehv\\_average2006-08-20091027.pdf](http://taxfoundation.org/files/propertytax_county_bypercentagehv_average2006-08-20091027.pdf). This link shows data for 1,822 counties nationally (with populations of at least 20,000), listing the top 16 counties as Orleans, Niagara, Alleghany, Monroe, Wayne, Montgomery, Genesee, Cortland, Chautauqua, Seneca, Onondaga, Erie, Livingston, Oswego, Wyoming and Cayuga (in that order), New York counties also represent 26 of the top 30 counties. Tax Foundation, Property Tax on Owner-Occupied Housing, by County, Ranked by Property Taxes Paid, 2006-2008 (3-Year Average), *available at* [http://taxfoundation.org/files/propertytax\\_county\\_bytaxespaid\\_average2006-08-20091027.pdf](http://taxfoundation.org/files/propertytax_county_bytaxespaid_average2006-08-20091027.pdf).

During that same period, when the comparison is made in absolute dollars, the amount of property taxes for an average household in Westchester, Nassau and Rockland counties are among the five highest counties in the nation (1st, 3rd and 5th).

<sup>6</sup> From 2005-2008, median property taxes have increased dramatically in many counties. For example, in 2005 median property tax in Nassau County was \$7,025; in 2006 \$7,706 (9.7 percent increase); in 2007 \$8,153 (5.8 percent increase); and 2008 \$8,628 (6.5 percent increase). From 2005-2008, median property taxes have increased dramatically in Suffolk County. In 2005 median property tax was \$6,131; in 2006 \$6,413 (4.6 percent increase); in 2007 \$6,763 (5.5 percent increase); and 2008 \$7,109 (5.1 percent increase).

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<sup>7</sup> NYS Office of the State Comptroller, 2009 Annual Report on Local Governments, pages 49-66.

<sup>8</sup>See Department of State, *Local Government Handbook*, (2009, 6<sup>th</sup> Edition) available at <http://www.dos.state.ny.us/lgss/pdfs/Handbook.pdf>. In some instances, portions of our local governmental structure, like sheriffs, date back to English precedent that is over 1,000 years old. See *Local Government Handbook* at 2.

<sup>9</sup>For instance, Hamilton County has only 5,379 people, while the Village of Hempstead has a population over 56,000. There is no rhyme or reason to the current system.

<sup>10</sup>There is no definitive study on how many local governments New York actually has. The Department of State, the Office of the State Comptroller and most recently, the New York State Commission on Local Government Efficiency and Competitiveness (known as the “Lundine Commission”) has arrived at different numbers. A survey by the New York State Attorney General’s Office found 10,521 total local governments. A breakdown of that number can be found at [http://www.ag.ny.gov/bureaus/legislative/government consolidation/govs.html](http://www.ag.ny.gov/bureaus/legislative/government%20consolidation/govs.html).

<sup>11</sup>There have literally been hundreds of reports, commissions and studies that have argued for comprehensive reform of local government

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including, but not limited to the Commission for the Revision of Tax Laws (1935), Temporary State Commission on the Powers of Local Government (1973), Local Government Restructuring Project (1990-92), Commission on Consolidation of Local Government (1990-1993), Commission on Local Government Reform (2002 & 2004) and Commission on Local Government Efficiency and Competitiveness (2007-08).

<sup>12</sup>Sixth Report of the New York State Commission for the Revision of the Tax Laws, at 15-16 (1935).

<sup>13</sup>See the Office of the New York State Comptroller, *Town Special Districts in New York: Background, Trends and Issues*, (March 2007) available at <http://www.osc.state.ny.us/localgov/pubs/research/townspecialdistricts.pdf>.

<sup>14</sup>Office of the New York State Comptroller, *Outdated Municipal Structures*, available at <http://www.osc.state.ny.us/localgov/pubs/research/munistructures.pdf>.

<sup>15</sup>As Governor Al Smith said in 1935 that still rings true today, “Yet today the taxpayers are still saddled with a vast, unjust, and useless burden of tax dollars that must be collected and spent for the support of all these small governmental units now so completely unnecessary with our modern means of getting around the country and communicating with

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each other.” Alfred E. Smith, *The Citizen and His Government*, Harper Brothers, New York (1935) at 230-1.

<sup>16</sup> As E.J. McMahon notes, caps are not a new idea, even in New York. As he says,

Tax caps on local taxes (and debt) are common around in the country—even in New York. In fact, the Empire State’s first property tax caps date back to 1884. After several updates, Article VIII, Section 10, of the State Constitution limits the taxing power of counties to 1.5 percent of the five-year average full valuation, which can be increased to 2 percent by either a two-thirds vote of the county’s legislative body, or a majority vote confirmed in a mandatory referendum. The same provision limits the taxing power of cities and villages to 2 percent of the five-year average full valuation (or 2.5 percent in New York City).

See E.J. McMahon, *Enough is Enough: Why and How to Cap New York’s School Property Taxes*, submitted to New York State Commission on Property Tax Relief at 7.

<sup>17</sup> Approximately 60 percent of an average property tax bill is for schools, the remaining 40 percent is for local governments.

<sup>18</sup> For the five years from 2002 to 2007, inflation ran at 2.9 percent annually, whereas property tax revenues increased at higher rates for

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every major class of local governments. For counties, the average annual increase in property taxes was 5.7 percent; for cities it was 5.1 percent; for towns 5.6 percent; for villages 6.2 percent; for school districts 7.5 percent; and the highest rate of increase was actually for fire districts, at 7.6 percent.

<sup>19</sup> Empire Center for New York State Policy, “Enough is Enough: It’s Time to Cap New York’s School Taxes” at <http://www.empirecenter.org/files/TaxCapBrief.pdf>. See also, <http://www.stophthetaxshift.org/mandates>.

<sup>20</sup> See for instance, *Stop the Tax Shift* at <http://www.stophthetaxshift.org/>.

<sup>21</sup>Chapter 74 of the NYS Laws of 2009.

<sup>22</sup>Notably, the Empowerment Act does not mandate the reorganization of local governmental entities where a majority of the citizens are opposed to it. The law will, however, facilitate consolidations and dissolutions throughout the State, by giving citizens, local officials and counties a readable roadmap to follow.

<sup>23</sup>For instance, merger processes were scattered throughout the law including Article 5-B of the Town Law (town consolidation), Article 19 of the Village Law (villages), Town Law §§ 170-82 (fire districts), Town Law §§ 170&183 (fire protection districts), Article 13 of the Town Law (commissioner-

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run special districts and Article 12 of the Town Law (town special districts).

<sup>24</sup>There were many legal barriers to mergers, including property requirements. For example, in order to sign a petition or vote in a special town election on a proposition to consolidate water districts, a person must have owned real property. *See* Town Law § 206(7).

<sup>25</sup> *See* Village of Odessa dissolving into the Town of Catharine (Schuyler County) vote scheduled for December 7, 2010, Village of Altmar into the Town of Albion (Oswego County) on November 10, 2010, the Town of Scott and Town of Homer are voting on consolidation on November 2, 2010 and the Village of Macedon into the Town of Macedon (Wayne County) on October 12, 2010. There have been several votes already including the Village of Perrysburg (in favor of dissolution into the Town of Perrysburg), Village of East Randolph in favor of dissolution into the Town of Randolph and the Village of Randolph in favor of dissolution into the Town of Randolph.

<sup>26</sup> The program was started in 2005 to provide technical assistance and competitive grants local government for the development of projects that will achieve savings and improve municipal efficiency through shared services, cooperative agreements, mergers, consolidations and dissolutions.

<sup>27</sup> In last year's State Executive Budget there was approximately \$13.5 million available for such

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grants and this year's budget appropriated \$11 million—though the current administration recently reduced that number to \$5 million in its 21-day Budget Amendments. See the Division of the Budget's 21-day Amendment webpage available at [http://publications.budget.state.ny.us/eBudget1011/1011\\_21DayAmendments.html](http://publications.budget.state.ny.us/eBudget1011/1011_21DayAmendments.html).

<sup>28</sup>See New York State Department of State, Local Government Efficiency Program Annual Report, 2008-09 at [http://www.dos.state.ny.us/lgss/pdfs/lge\\_annrpt08.pdf](http://www.dos.state.ny.us/lgss/pdfs/lge_annrpt08.pdf).

<sup>29</sup>The AIM program was created in the 2005-06 Executive Budget by combining several revenue sharing funds. For an overview see the Office of the New York State Comptroller's "The Local Government Connection Newsletter" (Spring 2005) at <http://osc.state.ny.us/localgov/pubs/newsletter/505.pdf>.

<sup>30</sup>Under the AIM program, municipalities that merge or dissolve are eligible for additional funding in three ways: an increase in AIM equal to 15 percent of the combined property tax levy of the consolidating municipalities, continuing annually and is capped at \$1 million annually; a 25 percent increase in the AIM of the consolidating municipalities, continuing annually and is capped at \$1 million annually; and \$250,000 the first year after the consolidation, phased down in equal parts over the following four years (\$200,000 in the second year,

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\$150,000 in the third year, etc.), capped at 25 percent of the combined property tax levy of the consolidating municipalities. *See* overview on the Lundine’s Commission website *available at* <http://www.nyslocalgov.org/funding.asp>. Although AIM has been cut as a result of the fiscal crisis, it is an important tool to provide long-term tax savings by incentivizing mergers and dissolutions of local government.

<sup>31</sup>There have been similar proposals, such as the Regional Efficiency Aid Program (“REAP”) in New Jersey. *See* Chapter 61 of the New Jersey Laws of 1999.

<sup>32</sup>*See* the Office of the Attorney General’s “Reforming Government” webpage *at* <http://www.ag.ny.gov/bureaus/legislative/government/consolidation/links.html>.

<sup>33</sup>*See* the New York State Commission on Local Government and Competitiveness, *Final Report: 21<sup>st</sup> Century Local Government* (April 2008) at 32. This process of relying on special districts became the norm post-World War II suburbanization. The Comptroller’s office has been critical of legal barriers that create the situation where municipalities must rely on the creation of new governmental entities to provide services. In the case of towns, the Comptroller’s office states, “In towns, many basic municipal services such as sewer, water, sanitation and fire protection are provided through “special districts,” which may be either a subcomponent of the

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town, or a separately governed municipal entity. These structures were created to provide services that towns could not directly provide. However, in today's environment, where these services are provided throughout many towns, the use of special districts as a governance or tax allocation method is increasingly questioned." *Outdated Municipal Structures* at 15.

<sup>34</sup> California 10.55  
Hawaii 10  
Iowa 8.98  
New Jersey 10.75  
Oregon 11  
Rhode Island 9.9

Source:

[http://www.taxadmin.org/fta/rate/ind\\_inc.pdf](http://www.taxadmin.org/fta/rate/ind_inc.pdf).

<sup>35</sup>Fiscal Policy Institute, "New York Taxes Fall Hardest on Middle Class" (November 18, 2008) at <http://www.fiscalpolicy.org/WhoPays2009NewYork.pdf>.

<sup>36</sup> The mechanism for measuring inflation may be the average rate of inflation over the previous three years or some other measure. Because providing property tax relief is technically viewed as spending—and we want to encourage an increase in property tax relief—this cap will exclude any growth in property tax relief that is counted as spending.

<sup>37</sup>See N.Y. A.B. 8702/S.B. 4239-a of 2009-2010.

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<sup>38</sup> See Governor's Program Bill (Senate Bill 67005 and Assembly Bill 41005 of 2010).

<sup>39</sup> In 2007 New Jersey passed a 4 percent property tax cap that required a 60 percent override, but had many more exceptions (around 14 instead of 4).

<sup>40</sup> Based upon Governor's Program Bill #227 that applied only to school districts.



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