

The Property Tax Freeze and What It Means to Your Community

Local Government Conference

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Property Tax Freeze

Outline

- Overview of the Tax Freeze
- Taxpayer Eligibility
- Local Government Compliance/Certifications - For Year 1
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- Government Efficiency Plans (GEP)
- Local Government Certifications – For Year 2
- Calculating the Credit
- Miscellaneous Items

Property Tax Freeze

Overview

- Adopted as Part of the 2014-15 State Budget
- Optional program that is intended to encourage the sharing of services among local governments and the implementation of efficiencies
- Will essentially “freeze” property taxes for two years
- Qualified homeowners will receive a freeze credit that will be distributed in the form of a check
- Expected to generate over \$1.5 billion in property tax relief over three years

Property Tax Freeze

Overview

The Credit will be equal to the greater of:

a) the amount by which the individual's property tax bill increased from year to year

or

b) the amount of the individual's prior year tax bill multiplied by the allowable levy growth factor (currently 1.68%)

This eliminates the incentive for a municipality to increase their tax levy to the amount allowable under the cap whether they need to or not

Property Tax Freeze

Overview

- For local governments (except for those with fiscally dependent school districts), the first year of the Tax Freeze is your fiscal year beginning in 2015
- Since all residents live in multiple taxing jurisdictions, the amount of the credit will be based only on those jurisdictions that meet the eligibility requirements
- Each eligible homeowner will receive one check that contains the aggregate amount of the freeze credit for that individual, which will be determined by the Department of Taxation and Finance

Property Tax Freeze

Overview

- For example, a homeowner in a village pays taxes to a village, town, county and school district
- If the county and village comply with the tax freeze requirements, but the school district and town do not, the resident will receive a freeze credit for the county and village taxes only
- The NYS Department of Taxation and Finance is responsible for determining the amount of the freeze credit for every eligible homeowner and will issue one check to each homeowner reflecting such amount

Taxpayer Eligibility

- Homeowner must be eligible for the STAR Property Tax Credit
- Limited to homeowners with an adjusted gross income of \$500,000 or less
- Property must serve as the primary residence
- Commercial properties are not eligible for a Tax Freeze credit

Local Government Compliance For Year 1

Year 1 - 2015

In the fiscal year beginning in 2015, a local government must:

- Have an adopted budget that complies with the Tax Cap
- Have repealed its local law to override the Tax Cap if one was enacted

The chief executive officer or budget officer must certify to the State Comptroller and the Commissioner of Taxation and Finance that these requirements were met

Local Government Certifications For Year 1

Year 1 - 2015

- The certifications for compliance in Year 1 must be submitted by the 21st day of the local fiscal year to which they apply
- The State Comptroller has developed a system (which will be available approximately two months prior to when the certifications are due) to allow each local government to submit the certifications electronically
- This system will also allow for the collection of information regarding the tax levy and tax levy limit which is required by the tax freeze law

Local Government Compliance For Year 2

Year 2 - 2016

In the fiscal year beginning in 2016, a local government must:

- Comply with the Tax Cap
- Have repealed its local law to override the Tax Cap if one was enacted
- Submit a Government Efficiency Plan (GEP) by June 1, 2015 that includes eligible activities that meet the required savings targets

GEP - Participation

- Local Governments are strongly encouraged – but are not required – to develop the GEP on a county-wide basis
- As an alternative, local governments may develop the GEP with other local governments or on their own
- A local government or school district may only participate in one plan but either may include *their share* of the savings from an eligible activity that was undertaken by a local government and a school district

GEP Savings Requirements

- Each GEP must contain eligible activities that will collectively generate savings of at least 1% of the combined 2014 tax levy of all those participating in the plan
- This 1% savings target must be achieved in local fiscal years *beginning* in 2017, 2018 and 2019
 - 2017: 1% of the 2014 levy
 - 2018: 1% of the 2014 levy
 - 2019: 1% of the 2014 levy

GEP Savings Requirements

- The savings requirement is plan-wide
- Each local government participating in the plan does not have to individually meet the 1% target
- A participating local government may actually incur a cost as long as the GEP as a whole meets the 1% collective savings target
- An analysis of the savings must accompany each GEP

GEP Eligible Activities

- Cooperation Agreements
- Shared Services
- Mergers
- Efficiencies

GEP Eligible Activities

Cooperation Agreements

“Agreements entered into between eligible local government units to implement the sharing or consolidation of functions or services”

- Procurement
- Real estate, facility management, fleet management
- Business and financial services
- Administrative services
- Payroll, time and attendance, benefits administration
- Contract management, grants management
- Transportation services, facilities and function
- Information technology infrastructure, process, services

GEP Eligible Activities

Shared Services

“Functional consolidations by which one eligible local government unit completely provides a service or function for another eligible local government unit which no longer engages in that function or service; shared or cooperative services between and among eligible local government units; and regionalized delivery of services between and among eligible local government units...”

GEP Eligible Activities

Shared Services

- Procurement
- Real estate and facility management
- Fleet management
- Business and financial services
- Administrative services
- Payroll, time and attendance, benefits administration
- Contract management, grants management
- Transportation services, facilities and functions
- Information technology infrastructure, processes or services

GEP Eligible Activities

Mergers

“Consolidations or dissolutions of local government units in accordance with Article 17-A of General Municipal Law or reorganizations, consolidations, or dissolutions of local government units in which one or more local government units are terminated and another local government unit assumes jurisdiction over the terminated local government unit or units pursuant to any other provision of law”

GEP Eligible Activities

Efficiencies

“Actions taken by a local government or school district to improve the completion of existing processes or functions or the delivery of existing services that result in lower costs”

GEP Eligible Activities

The “Look Back” Period

- Local governments can include “eligible activities” implemented since the local government has been subject to the tax cap – that is the fiscal year beginning in 2012
- Need to submit documentation of the actions implemented and the associated savings

GEP Certifications – For Year 2

Individual Local Government

In addition to repeating the certifications required in Year 1...

For Year 2, the CEO or Budget Officer must certify in writing -- by June 1, 2015 -- that the local government unit agrees to “undertake its best efforts to fully implement by the end of the local fiscal year beginning in 2017 the cooperation agreements, mergers, efficiencies and/or shared services specified in such plan”

GEP Certifications – For Year 2

Individual Local Government

The chief financial officer of the local government must also certify in writing that "in his or her professional opinion, full implementation of the eligible activities specified in such plan will result in savings equal to at least 1% of its 2014 tax levy in each of the fiscal years beginning in 2017, beginning in 2018 and beginning in 2019"

GEP Certifications – For Year 2

Multiple Local Governments

If several local governments are developing a GEP together:

- One local government must be designated as the *lead entity* to which all other local governments participating in the Plan will deliver their certifications by May 15, 2015
- The CFO of the lead entity is then responsible for submitting all of the required documents to the Director of the Division of the Budget no later than June 1, 2015

GEP Certifications – For Year 2

Multiple Local Governments

In addition to repeating the certifications required in Year 1...

The chief executive officer *or* budget officer of each local government that is a signatory to the plan must certify that:

The local government agrees to undertake its best efforts to fully implement by the end of the local fiscal year beginning in 2017 the cooperation agreements, mergers, efficiencies and/or shared services specified for the local government”

GEP Certifications – For Year 2

Multiple Local Governments

The CFO must also certify that in his/her professional opinion:

“Full implementation by the end of the local fiscal year beginning in 2017, of the cooperation agreements, mergers, efficiencies and/or shared services that are to be taken by such local government unit itself as specified in such plan will result in the savings set forth in the government efficiency plan attributable to such local government unit”

GEP Certifications – For Year 2

Multiple Local Governments

The CFO must also certify that in his/her professional opinion:

“Full implementation of the cooperation agreements, mergers, efficiencies and/or shared services as specified for all of the local government units and dependent school districts that are signatories to such plan will result in savings over the aggregate tax levies for fiscal years beginning in 2014 for all local government units that are signatories to such plan of at least one percent in each of the fiscal years beginning in 2017, beginning in 2018 and beginning in 2019”

Summary of Certifications

For Local Governments to be Compliant in Year 1 – 2015

- Adopted Budget is Within Tax Cap (21 days into FYB 2015)
- Local Law to Override Tax Cap was Repealed (21 days into FYB 2015)

For “Individual” Local Governments to be Compliant in Year 2 – 2016

- Repeat Year 1 Required Certifications (21 days into FYB 2016)
- Agree to Undertake Activities in GEP (by June 1, 2015)
- Agree to Savings Estimates in GEP (by June 1, 2015)

For “Multiple” Local Governments to be Compliant in Year 2 – 2016

- Repeat Year 1 Required Certifications (21 days into FYB 2016)
- Agree to Undertake Activities in GEP (by June 1, 2015)
- Agree to Savings Estimates in GEP (by June 1, 2015)
- Agree to Savings Estimates for ALL local governments in 2017, 2018 & 2019 (by June 1, 2015)

GEP Submission

- The State is developing an “online application” for local governments to use to submit their GEPs
- You will be provided with a user ID to access the form
- This form must include a brief description of each eligible activity and the savings estimates associated with them
- The Director of the Division of the Budget will notify the Commissioner of Taxation and Finance, by July 31 2015, regarding which local governments met the GEP requirements

Calculating the Credit

As calculated by the NYS Department of Taxation and Finance, the amount of the credit will equal the greater of:

The homeowners year-to-year growth in property taxes

OR

The allowable levy growth factor multiplied by the prior year tax bill

Calculating the Credit

In 2015, the allowable levy growth factor (ALGF) was 1.5%, but the Village of Efficiency kept its levy flat from year-to-year

Calculation 1

Tax bill in 2014 - \$1000

Tax bill in 2015 - \$1000

Change in Tax Bill = \$0

Calculation 2

2014 Bill = \$1,000

x ALGF x 1.5%

Cap Growth = \$15

**Tax Freeze Credit would be \$15

Calculating the Credit

In Year 2, assuming compliance occurs, the homeowner will receive the 2015 rebate plus the greater of the increase in his/her 2016 taxes or the allowable levy growth factor multiplied by the 2015 bill

2015 Rebate to Homeowner -- \$15

2015 Tax Bill -- \$1000

2016 Tax Bill -- \$1020

Increase in Taxes -- \$20 (same as ALGF of 2%)

2016 Rebate -- \$15 + \$20 = \$35

Freeze Credit Payment Calendar

- Fall 2014 Year 1 – School District Tax Credit
- Fall 2015 Year 2 – School District Tax Credit
 Year 1 – Local Government Tax Credit
- Fall 2016 Year 2 – Local Government Tax Credit

Miscellaneous Items

- Tax Freeze Credit will not be permitted for an individual property's tax increase due to:
 - ✓ Improvements to property that increase value
 - ✓ Change in exemption status
 - ✓ A jurisdiction-wide reassessment
- A local government's compliance in one year has no bearing on its compliance in the other year. In other words, if a local government does not comply in year 1, its residents will still be eligible for a freeze credit in year 2

Miscellaneous Items

- School Districts (outside the Big Four cities) may develop plans with other school districts but not with local governments (although they may implement efficiencies together)
- The Big Four Cities must develop their plans jointly with their respective school districts
- The Big Four Cities can submit a GEP with other local governments but not with other school districts

Miscellaneous Items

- In addition to its adopted budget, each local government must now submit certain aspects of its proposed budget to the State Comptroller, which will be included as part of the online certification
- A taxpayer is not responsible for calculating the freeze credit or applying for the freeze credit
- The Department of Taxation and Finance will establish a procedure for taxpayers to request a freeze credit if they did not receive one and believe they were eligible

Miscellaneous Items

The freeze credit for co-op and mobile homes that are not separately assessed will be calculated as follows:

- Co-op – The Credit will be 60% of the average credit for the jurisdiction
- Mobile Home – The credit will be 25% of the average credit for the jurisdiction

Miscellaneous Items

- New revenue sources cannot be counted towards the GEP savings target (e.g., the sale of a building or other asset)
- Available carry-over will be included in the freeze credit calculation
- Prepayment of debt is not an efficiency action
- Savings achieved by joining a consortium or insurance reciprocal can be included in the GEP

Miscellaneous Items

- You do not have to lower your tax levy by 1% in fiscal years beginning 2017, 2018 & 2019 – the 1% is simply a savings target
- You only have to repeal the override law if you passed one for your fiscal year beginning in 2015 (and likewise for your fiscal year beginning in 2016). Override laws from prior years need not be repealed
- The Department of Taxation and Finance has a Tax Freeze Credit Look-up Tool to verify whether someone was mailed a check and the amount

Additional Resources

- State Guidance Document
<http://www.tax.ny.gov/pdf/publications/orpts/pub1030.pdf>
- Frequently Asked Questions Document
<https://www.budget.ny.gov/pubs/press/2015/PropertyTaxFreezeFAQs.pdf>
- Questions and Answers from the NYCOM Webinar
(Barbara@nycom.org)
- Email for questions: TaxFreeze@Budget.ny.gov

Questions???