

Property Tax Cap Chapter 97 of the Laws of 2011

East Rockaway Public Schools

January 8, 2014

THE TAX CAP

- Enacted June 24, 2011
- Establishes a Tax Levy Limit on all local governments and school districts
- Began with the 2012-2013 budget
- Expires June 15, 2016 unless rent control is extended
- Leaves the current contingency budget requirements/restrictions in place

THE TAX CAP

- THE TAX CAP IS NOT A CAP ON AN INDIVIDUAL'S PROPERTY TAX
- **The tax cap limits the growth in the total levy set by local governments and schools to 2% or the rate of inflation – whichever is less.**
 - It does not cap the assessed value of a property or the tax rate.
- The tax cap is calculated by each district and will vary by district

TAX LEVY LIMIT

Prior year tax levy

X

Tax base growth factor

+

PILOT receivables prior year

-

Taxes levied for exemptions during the prior year
(capital levy and court orders, **not** ERS & TRS)

=

ADJUSTED PRIOR YEAR TAX LEVY

X

Allowable levy growth factor (lesser of 2% or CPI)

-

PILOT receivables coming year

+

Available carryover, if any (none for 14-15)

=

TAX LEVY LIMIT

TAX LEVY LIMIT

- Does not include allowable exemptions
- The amount is calculated and submitted to Comptroller's Office prior to March 1st of each year
- Districts are not required to have proposed budgets (expenditures) available by March 1st

MAXIMUM ALLOWABLE TAX LEVY

- The maximum allowable levy is the tax levy limit plus exemptions, such as: debt service, court orders, capital projects, and employer contribution costs to pensions with a rate increase above 2%

COMING SCHOOL YEAR EXEMPTIONS

- Capital Tax Levy = Tax levy necessary to support capital local expenditures
- Court Orders/Judgments = Tax levy necessary for expenditures resulting from court orders or judgments arising out of tort actions for any amount that exceeds 5% of the total tax levied in the prior school year (excludes tax certioraris)

COMING SCHOOL YEAR EXEMPTIONS (cont.)

- The pension cost exemption applies only when Employees Retirement System (ERS) and/or the Teachers Retirement System (TRS) employer contribution rates increase by more than 2% over the prior year

WHAT IS NOT EXCLUDED FROM THE CAP?

- Health Care Costs
- Environmental Mandates
- New APPR Legislation and Common Core
- Tax Certioraris

WHAT OPTIONS DOES THE BOE HAVE?

- Option 1: Propose a budget requiring a tax levy before exemptions at or below the Tax Levy Limit prescribed by law
- Requires a simple majority (50% + 1 voter approval)
- Option 2: Propose a budget requiring a tax levy before exemptions above the Tax Levy Limit
- Requires a —super majority (60% voter approval)
- Requires a statement on ballot indicating the required tax levy before exemptions exceeds the Tax Levy Limit

DOES THE PUBLIC STILL VOTE ON A BUDGET?

➤ YES!

- School District Annual Meeting & Election -3rd Tuesday in May - May 20, 2014
- Proposed budget is presented
- Proposition for additional spending from the Capital Reserve for Building Improvements and Repairs
- Proposition for additional spending from the Capital Reserve for Technology
- Proposition to RENEW the Reserve for Building Improvements and Repairs
- Proposition to RENEW the Reserve for Technology
- BOE Elections

ALL BUDGET REQUIREMENTS AND DEADLINES WILL REMAIN IN PLACE

- Legal notices
- Property tax report card is still required and will now include:
 - District tax levy limit
 - Proposed tax levy before exemptions
- Public hearings and disclosure
 - Budget notice will now include:
 - district tax levy limit
 - proposed tax levy before exemptions
- Budget statement

WHAT HAPPENS IF THE BUDGET DOES NOT PASS BY THE REQUIRED MARGIN?

- If the proposed budget is not approved by the required margin:
 - the district may resubmit the original budget or submit a revised budget to the voters on the third Tuesday in June OR
 - adopt a contingency budget that levies a tax no greater than that of the prior year.

WHAT HAPPENS IF THE BUDGET DOES NOT PASS BY THE REQUIRED MARGIN?

- If the resubmitted/revised budget proposal is not approved by the required margin:
 - the Board of Education must adopt a budget that levies a tax no greater than that of the prior year and the budget would be subject to contingent budget requirements.

SUMMARY

NYS has a Tax Levy Cap, not a —2% cap on property taxes

- The annual cap will seldom be exactly 2%
 - It could be lower if the rate of inflation has been below 2%.
 - The law allows for several exemptions and allowances that can make the cap higher. These allowances will vary from year to year and will be different in each district.
- The property tax cap limits the school district levy NOT the individual tax bill of resident taxpayers

SUMMARY

- The formula allows for certain expenses to be exempt from the cap therefore allowing the total tax levy increase to be greater than the perceived cap
- Voters are approving the budget (spending plan) not the tax levy
- The BOE can present a budget that overrides the cap but will need 60% voter approval