



Property Tax Cap

Chapter 97 of the Laws of 2011

*Board of Education Meeting
Dec. 2011*

VOORHEESVILLE CENTRAL SCHOOL DISTRICT

Property Tax Cap

- Begins with the 2012-2013 school year budget.
- In effect through at least 2016-17. Thereafter, it remains in effect only so long as NYC rent control laws are in place.
- Chapter 97 leaves the current contingency budget requirements/restrictions in place.



Property Tax Cap

- Not really a “cap”
- Sets a higher threshold for voter approval of budgets IF the proposed tax levy increase exceeds the “tax levy limit.”
- 60 percent of more vs. simple majority (more than 50%)
- “Tax levy limit” calculated by each district according to a prescribed formula and will vary by district.
- “Tax levy limit” is also NOT a limit – just a threshold for what level of voter support is needed.



Tax Levy Limit

$$\begin{aligned} & \text{Prior year tax levy} \\ & \quad \times \\ & \quad \text{Tax base growth factor (if any)} \\ & \quad + \\ & \text{Payments in lieu of taxes (PILOTs) receivable during prior year} \\ & \quad - \\ & \text{Taxes levied for exemptions during prior year (not ERS \& TRS)} \\ & \quad = \\ & \quad \text{Adjusted Prior Year Tax Levy} \\ & \quad \times \\ & \quad \text{Allowable levy growth factor (lesser of 2\% or CPI)} \\ & \quad - \\ & \text{Payments in lieu of taxes (PILOTs) receivable in the coming year} \\ & \quad + \\ & \quad \text{Available carryover (if any)} \\ & \quad = \\ & \quad \textbf{"Tax Levy Limit"} \end{aligned}$$



Sample Tax Levy Limit Calculation

Prior year tax levy	5,000,000
Tax base growth factor	x 1.0
	5,050,000
Prior year PILOT	+100,000
	5,150,000
Prior year exemptions (capital levy, court orders)	-200,000
Adjusted Prior Year Levy	4,950,000
Allowable Growth Factor (lesser of CPI or 2%)	x 1.02
	5,049,000
PILOTs for coming year	-100,000
	=4,949,000
Available Carryover	+ 0
TAX LEVY LIMIT	=4,949,000

Total Levy to Support Proposed Budget

Prior Year Tax Levy

- Taxes levied in the prior year including exemptions
- For 2012-13 school year
- 2011-12 tax levy



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Tax Base Growth Factor

- Quantity Change Factor = The percentage by which the full value of the taxable real property in the school district **increases due to physical or quantity change**, compared with the prior year tax roll (growth in full value due to new construction, additions, and improvements to real property, etc.).
- Tax Base Growth Factor = $1 + \text{Quantity Change Factor}$; only calculated if quantity change factor is a positive number.
- Source: New York State Tax and Finance Department (ORPS)
- Factor will be made available by February 15th

Where is the Tax Base Growth Data?



The New York State

Department of Taxation and Finance

Andrew M. Cuomo - Governor Thomas H. Mattox - Commissioner

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New York State's Property Tax Cap

[The Property Tax Cap: Guidelines for Implementation](#)

Tax base growth factors

Taxing jurisdictions use these factors to adjust the tax levy limit for physical growth in the tax base. Factors are currently available for all cities, towns, and counties. They'll be available for other taxing jurisdictions as listed below.

- [County tax base growth factors](#)
- [City & town tax base growth factors](#)
- Villages: September 16
- School districts: November 1
- Special districts: September 23 (Prior to the publication of the factors for special districts, if a factor is needed for the fiscal year beginning in 2012, the district should use the factor established for the town)

Find related forms and information

- [Office of the State Comptroller](#)

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Prior Year PILOT

- Payments in lieu of taxes (PILOT) owed to the district in the prior school year
- For 2012-13 school year
- 2011-12 PILOT payments
- Not all districts will have PILOT payments

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Prior Year Exemptions

- Capital Tax Levy = Tax levy necessary to support capital local expenditures
- Capital Local Expenditures = The tax levy associated with budgeted expenditures resulting from the construction, acquisition, reconstruction, rehabilitation, or improvement of school district capital facilities or capital equipment, including debt service and lease expenditures, and transportation capital debt service.
- 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 total tax levied in prior school year. (excludes tax certioraris)
- Excludes prior year pensions exemption

Sample Tax Levy Limit Calculation

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Adjusted Prior Year Tax Levy

- Prior year levy adjusted for:
 - Tax base growth factor (+)
 - Prior year PILOT (+)
 - Prior year exemptions (-)

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Allowable Growth Factor

- Allowable Levy Growth Factor = Lesser of: 1.02 OR $(1 + \text{Inflation Factor})$; Minimum of 1.0.
- Inflation Factor = CPI change, carried out four decimal places.
- Source: US Department of Labor

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Available Carryover	+ 0
TAX LEVY LIMIT	=4,949,000

PILOTS for Coming Year

- Payments in lieu of taxes (PILOT) to be collected in the coming school year
- For 2012-13 school year
 - 2012-13 PILOT payments
- Not all districts will have PILOT payments

Sample Tax Levy Limit Calculation

Prior year tax levy	5,000,000
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TAX LEVY LIMIT	=4,949,000

Available Carryover

- Districts may use taxing authority from the prior school year to increase the subsequent year's tax levy if taxes were increased in the prior school year by less than the amount allowed by the cap.
- Available Carryover = (Prior year tax levy limit – prior year tax levy), but not greater than:
(1.5% x prior year tax levy limit)
- No Available Carryover (from 2011-12) for 2012-13

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Tax Levy Limit

- Amount to be calculated and submitted to Comptroller's Office prior to March 1st of each year
- Prior to addition of allowable exemptions

Total Levy to Support Proposed Budget

$$\begin{aligned} & \text{Tax Levy Limit} \\ & + \\ & \text{Coming School Year Exemptions} \\ & = \\ & \text{Maximum Allowable Tax Levy} \\ & \textit{(requiring simple majority)} \end{aligned}$$



Maximum Allowable Levy Example

Prior year tax levy	5,253,000	
Tax base growth factor	x 1.0	
	5,253,000	
Prior year PILOT	+100,000	
	5,353,000	
Prior year exemptions (capital levy, court orders)	-100,000	
Adjusted Prior Year Levy	5,253,000	
Allowable Growth Factor (lesser of CPI or 2%)	x 1.02	
	5,358,060	
PILOTs for coming year	-90,000	
	=5,268,060	
Available Carryover	+ 0	
TAX LEVY LIMIT	=5,268,060	
Coming School Year Exemptions	+125,000	
Maximum Allowable Levy	5,393,060	=2.66%

Coming School Year Exemptions

- **Capital Tax Levy** = Tax levy necessary to support capital local expenditures.
- **Capital Local Expenditures** = The tax levy associated with budgeted expenditures resulting from the construction, acquisition, reconstruction, rehabilitation or improvement of school district capital facilities or capital equipment, including debt service and lease expenditures, and transportation capital debt service.
- **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 total tax levied in prior school year. Excludes tax certioraris.



Coming School Year Exemptions

- The pension cost exemption applies only when ERS and/or TRS employer contribution rates increase by more than 2 percentage points over the prior year.
- **ERS Costs** = Tax levy necessary for expenditures for coming school year for employer contributions caused by growth in the system average actuarial contribution rate, minus two percentage points.
- **TRS Costs** = Tax levy necessary for expenditures for coming school year for employer contributions caused by growth in the normal contribution rate, minus two percentage points.
- For example, if an employer contribution rate for ERS and/or TRS increase by 2.2 percentage points, only an amount equal to applicable salary expenditures times .002 would be excluded from the tax cap. If an employer contribution rate increased by 1.98 percentage points over the prior year, no exclusion would be allowed from the cap on the tax levy for pension cost increases.



Pension Calculations Example

Step 1: Calculate the change in the system average actuarial contribution rate for ERS or the normal contribution rate for TRS. The following example is based on the rate for ERS.

18.9% (0.189) 2012-13 System Average	- Minus	16.3% (0.163) 2011-12 System Average	=	2.6% (0.026) Percentage Points Difference
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Step 2: If the annual growth in the contribution rate is greater than 2 percentage points, the amount above 2 percentage points is the portion of the salary base that may be excluded.

2.6% % point difference	- Minus	2.0% Local responsibility not excludable	=	0.6% (0.006) Excludable Portion
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Step 3: Multiply the excludable portion by the salary base (e.g. the salary for your ERS employees in this example).

0.6% (0.006) Excludable Portion	X Multiply	Salary Base	=	Exempt Amount
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Step 4:

Add exempt amount to the tax levy limit
(Note: Exclusions increase the amount of taxes you are allowed to levy)

Pension Calculation Example

Tax Levy Limit: \$31,150,000

ERS Salaries: \$8,150,000

Step 1: Calculate the change in the system average actuarial contribution rate for ERS or the normal contribution rate for TRS. The following example is based on the rate for ERS.

$$0.189 - 0.163 = 0.026$$

Step 2: If the annual growth in the contribution rate is greater than 2 percentage points, the amount above 2 percentage points is the portion of the salary base that may be excluded.

$$0.026 - 0.02 = 0.006$$

Step 3: Multiply the excludable portion by the salary base (e.g. the salary for your ERS employees in this example).

$$0.006 \times \$8,150,000 = \$48,900$$

Step 4: Add exempt amount to the tax levy limit to determine the Maximum Allowable Tax Levy

$$\begin{aligned} & \$31,150,000 + \$48,900 = \\ & \$31,198,900 \text{ (Maximum Allowable Tax Levy)} \end{aligned}$$

Does the public still vote on a budget?

- **YES!**
- School District Annual Meeting & Election: 3rd Tuesday in May
- May 15, 2012
- Proposed budget is presented
- Propositions for additional spending (buses, capital projects, etc.) are presented
- BOE Election



All budget deadlines/requirements 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
 1. Budget notice will now include:
 - District tax levy limit
 - Proposed tax levy before exemptions
 2. Budget Statement



What options does the BOE have?

- **Option 1:** Propose a budget requiring a tax levy before exemptions that is 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 that is 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.



What happen if the budget is NOT approved by the public?

- 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 (0% increase in tax levy).**
- If the resubmitted/revised budget proposal is NOT approved by the required margin:
 - The BOE must adopt a budget that levies a tax no greater than that of the prior year (0% increase in the tax levy) and the budget would be subject to contingent budget requirements.



What happen if the budget is NOT approved by the public?

- Districts will not be allowed to increase the tax levy to the extent necessary to fund items of expenditure excluded from the tax cap.
 - No growth factor
 - No capital, court order/judgments or pension exemptions



Are contingent budget laws still in effect?

- Administrative cap is in effect
- Non-contingent expenses removed
- Expenditures are no longer subject to overall contingent budget spending cap (4% or 120% of CPI)



In brief...

- NYS has a property tax cap, not a “2% cap”
- The property tax cap limits the school district levy NOT the individual tax bill of resident taxpayers.
- The actual allowable tax levy increase will vary by district.
- 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.”
- BOEs can present a budget that “overrides” the cap, but will need 60% voter approval.
- Voters are approving the budget (spending plan) not the tax levy.
- The education community has many unanswered questions.
- The time to inform the community about the tax levy cap is NOW!



For more information...

Visit the Budget section on our website:

www.vcsdk12.org

