

# Tax Cap & Tax Freeze Credit Update

## Description & Opportunities

John Clarkson, Town Supervisor  
Michael Cohen, Town Comptroller

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# Property Tax Cap vs Tax Freeze Credit

Both are NYS programs applying to all local governments (including school districts)

## Tax Cap

(Effective 2012, continuing)

- Caps local tax levy increases
- Town of Bethlehem has been below cap by more than \$1 million over the three years it has been in effect
- Known as 2% cap, but is lower when inflation (CPI) is below 2%
- 1.56% for towns in 2015
- Applies to tax levy overall, including PILOT payments, e.g., Cogen, Vista)
- Some adjustments and exclusions for pensions, new building, etc.
- 2014 Reassessment has no impact on tax cap calculations

## Tax Freeze Credit

(Rebate Checks for 2 years)

- Enacted this year, provides tax rebate checks to homeowners\* in qualifying local governments
- Credit rebate checks to homeowners equivalent to tax freeze for two years
- Minimum credit for all homeowners in qualifying localities (even those experiencing tax decreases)
- Checks to homeowners based on local governments meeting conditions:
  - Year 1 – Comply with Tax Cap
  - Year 2 – Comply with Cap & Submit an Efficiency Plan by 6/1/15
- Checks this fall, based on school district taxes

\*STAR-eligible homeowners only, must be primary residence, w/ income < \$500K

# Tax Freeze Credit/Rebate

Checks will go to STAR-eligible homeowners this fall

New law this year, provides rebate checks to homeowners for two years, if local governments (towns, schools, county and fire districts) meet qualifications:

- limit any increase in property tax levy to the cap set by state law, and
- develop a Government Efficiency Plan determined to be compliant by NYS

Purpose

- Rebate checks intended to be equivalent to a tax freeze (covers two tax years)
- Program is also intended to encourage local governments to generate tax relief over the long term through efficiency measures saving at least 1% of tax levy, by:
  - sharing services;
  - consolidating or merging; or,
  - implementing operational efficiencies

Rebate checks to go out this fall based on school taxes, rebate checks next fall based on school and municipal taxes (town, county, fire district)

Each homeowners freeze credit rebate check equal to the greater of:

- increase in tax bill (with some adjustments); or
- previous year's tax bill multiplied by the tax cap inflation factor (even homeowners with lower tax bills will also get the rebate)

# Checks in the mail

**Eligible homeowners do not need to do anything to receive the credit**

**NYS Tax Department will review eligibility, calculate the credit, and mail taxpayers a single check total of credits for each compliant jurisdiction (school district, town, fire districts, and Albany County)**

## **Freeze Credit Payment Calendar**

Fall 2014 Year 1 - School district

Fall 2015 Year 2 - School district & Year 1 - Local governments

Fall 2016 Year 2 - Local governments

Each eligible homeowner's credit check will depend on the value of their home/size of their tax bill, so larger homes with higher values and tax bills will get bigger rebates. The rebate is the higher of the eligible increase in taxes, or last year's taxes times the inflation factor.

This fall's rebates are for school taxes (all three school districts stayed under the tax cap this year), and rebates will be paid for taxpayers with lower school taxes (which many will have due to the reassessment). Average credit rebate checks this fall may be in the range of \$40-\$100. You can calculate your minimum amount by multiplying 1.46% by your school tax bill from last year.

As Bethlehem Town Tax increases are generally around \$10 per household, the rebate will not be significant.

# Government Efficiency Plans

[Property Tax Freeze Credit Guidance \(NYS Dept Tax & Finance Pub 1030\)](#)

Efficiency plans must identify savings equal to 1% of the property tax levy, and can include efficiency measures generally, cooperation, shared services, functional consolidations, and district or municipal mergers or consolidations.

Efficiencies (the most general of these terms) are defined as “actions taken by a local government to improve the completion of existing processes or functions or the delivery of existing services that result in lower costs.”

Past efficiency actions (implemented since Jan 1, 2012) can be counted in meeting the efficiency plan requirement, provided that savings continue.

Local governments and school districts may take a variety of approaches to develop Government Efficiency Plans, including filing their own, or filing one with one or more other local governments; but are encouraged to convene or participate in a process to develop and submit county-wide or BOCES region-wide Government Efficiency Plans.

**Plans must be filed by June 1 2015.**

# **Government Efficiency Plans (continued)**

[Property Tax Freeze Credit Guidance \(NYS Dept Tax & Finance Publication 1030\)](#)

**Bethlehem has already taken strong efficiency actions, more than enough to cover the efficiency plan savings requirement (1% of property tax levy).**

**1% of Town of Bethlehem's property tax levy is about \$100,000 and we have implemented savings since 2012 that appear to qualify for inclusion, and which would far exceed this amount.**

- **\$ 378,000 Highway/Parks Maintenance Sharing**
- **\$ 74,000 Using Bank Lockbox Collections**
- **\$ 41,000 Contracted out operation of Colonial Acres Golf Course**
- **\$ 7,000 Reduced Planning Board to 5 members**
- **\$ 100,000-\$250,000 Consolidation of Ambulance Services/Districts**
- **\$ 1,115,000 General Workforce Attrition (more with less)**

Savings estimates are 2013 estimates, whereas efficiency plan will be based on years 2017-2019. Budget initiatives in 2015 will increase figures

# **Opportunities?**

**Program may help bring attention to savings opportunities through sharing or consolidation of services.**

**Part of the purpose is to leverage local action.**

**Bethlehem has looked for, and continues to look for shared and consolidated services, both internally and with other local governments. And while we have already met the efficiency target (many times over), we hope the program will stimulate discussions with other local governments.**

**Will continue to seek out opportunities, particularly in areas where money can be saved without degrading services, or even improving services.**

**Lots of studies and discussions already taking place.**

**Essential ingredient is agreement among municipal leaders.**