

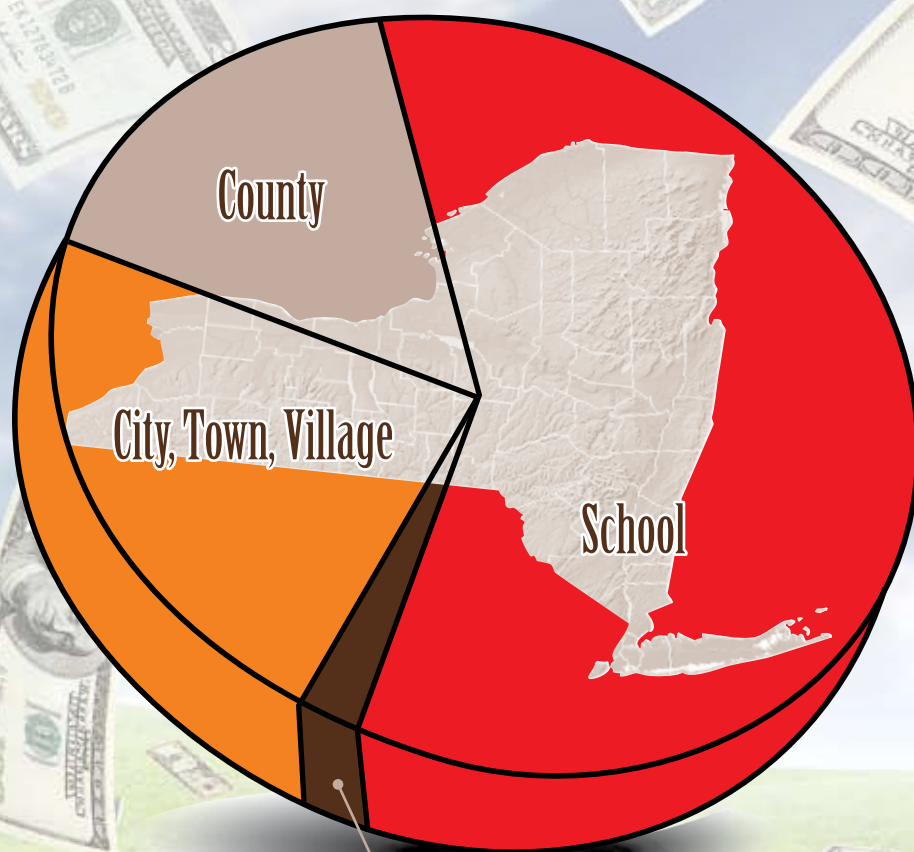
# NYSAC News

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PROPERTY TAXES

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## New York's Property Taxes



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# PROPERTY TAX CIRCUIT BREAKER: HELP FOR HOMEOWNERS ON FIXED INCOMES



*By John Whiteley, Legislative Liaison Officer  
NYS Property Tax Reform Coalition*

**T**he burden the archaic real property tax inflicts on the people of this State has reached a level that threatens not only the financial well being of hundreds of thousands of middle class families but the very concept of broad-based homeownership, one of our most fundamental middle class values.

What once was a problem confined mainly to those at the bottom of the economic ladder has in recent years become a crisis for middle income residents, many of them previously on sound financial footing. Now with fixed or stagnant incomes, rising local budgets fueled by state and federal mandates, and revaluations inordinately burdening many individual homeowners albeit unintentionally, lower and middle income families frequently pay double digit percentages of their incomes—sometimes 40 percent and more—just to pay the property taxes on their homes.

This unsustainable burden, too often leading to involuntary sale of longtime homes, has transformed the American dream into a nightmare of emotional turmoil, frustration, anger and fear.

The New York State Property Tax Reform Coalition is a volunteer organization of property taxpayer advocates formed in 2006 to bring a statewide focus to the crisis. We represent the interests of over 50 grassroots taxpayer groups which sprang up all over the State as the situation worsened. Our mission is to achieve property tax relief and reform through legislative change in Albany.

Despite the name of our Coalition, many of us concluded some time ago that the property tax itself is not something one can truly reform. It is inherently inequitable, basically because, in our modern world, property values simply do not consistently reflect taxpaying ability. Certainly there are some things that can be done—and are being done—that will help. The amount of exempt property needs pruning. So do mandates. The assessment process can be made more uniform.

But at the end of the day only two things can make the property tax system tolerable despite its inequities: 1) protection from the extreme impacts of the system through meaningful relief targeted at those most overburdened by high property taxes (i.e., a circuit breaker), and 2) a gradual but significant transition from the current overreliance on the property tax to a mix of more equitable and broad-based State taxes.

This two-phased approach to relief and reform became the Coalition's core agenda. While the important and related debate on spending levels is often a forum for taxpayer ire, it does not deal with what we see as the crux of the problem: the brutal inequity of the property tax itself.

## Property Tax Relief

While STAR remains important to many New Yorkers, it ignores the needs of hundreds of thousands of the most overburdened taxpayers. That's because the most meaningful measure of tax burden—the relationship between one's income and tax bill—is not even considered. And since everyone gets something under STAR regardless of need, it is frightfully expensive.

The Coalition has lobbied vigorously for a cost effective, middle income circuit breaker in place of further STAR enhancements. A circuit breaker targets those most overburdened by providing a NYS Income Tax Credit for a portion of property taxes paid on one's home that exceeded a certain portion of one's income. New York has long had a woefully inadequate low income circuit breaker (income eligibility ceiling \$18,000), but with our support in 2006 a bipartisan middle income circuit breaker bill was introduced by Assemblywoman Sandy Galef (D-Ossining) and Senator Betty Little (R-Queensbury). It gained favorable attention but didn't pass.

In 2008 the Coalition joined the Omnibus Consortium, a diverse group of taxpayer advocates, educators and fiscal analysts. With Coalition input and technical support from the Fiscal Policy Institute, the Consortium designed the Omnibus circuit breaker, based on the Galef-Little model but with some important changes and a four year phase-in due to the State's worsening fiscal situation. The Consortium also developed a long term reform plan to gradually replace \$6 billion of the school property tax with State funding and to expand State support to counties and municipalities. These two measures for the first time combined relief and reform in one document, called the Omnibus Bill, which has the Coalition's full support.

## Omnibus Circuit Breaker

In 2009 the circuit breaker portion of the overall Omnibus Bill was formally introduced as a separate bill in both chambers as S4239A (Krueger) and A8702 (Engelbright), both with bi-partisan support. The Consortium website at [www.omnibustaxsolution.org](http://www.omnibustaxsolution.org) provides many examples of Omnibus circuit breaker calculations at different income and tax levels, along with FAQ's. It also has a calculator for determining one's own eligibility and benefit.

The circuit breaker bill also authorizes a tax study commission that among other things will look at the overall state-local tax balance, an important bridge to the reform portion of the Omnibus bill.


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The fiscal situation has paradoxically managed to stymie passage of the circuit breaker while making its enactment even more critical to overburdened taxpayers. However, as this is written, the middle-income circuit breaker concept, if not the precise bill, is still on the table as the budget negotiations approach their climax. There are responsible and just ways to fund it. One must ask why the only major tax that can be raised in this State is the inequitable property tax.

### Omnibus Funding Reform

The reform portion of the Omnibus Bill (not yet introduced) proposes the following shift in funding responsibility from local to state government, to be carried out gradually over ten years: \$6 billion for school districts to replace a like amount of property tax; \$3 billion in revenue sharing for municipalities; and \$1 Billion in additional Medicaid support, more equitably distributed. All of these transitions are designed to reduce the property tax burden.

While the state's fiscal situation may slow the start of the ten year program beyond the proposed 2012-13 budget year, it cannot be delayed for long. The fiscal situation is only compounding the existing imbalance in state-local tax burden, and serious discussion of that unjust situation is in order right now. The state's new fiscal reality cannot mean simply adding to the local tax burden. 



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