



Comparison of the Executive, Assembly, and Senate Property Tax Relief Proposals FY 2015-2016

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The governor's Executive Budget proposal includes a significant new property "circuit breaker" that would provide relief to households (both owners and renters) whose property taxes are unreasonably high relative to their income. Circuit breakers address a serious shortcoming of the property tax – that payments are not linked to the taxpayer's ability to pay. The State Assembly's proposed budget also included the circuit breaker with an important modification – removing the link to the property tax cap. The Senate, in contrast, replaced the circuit breaker with a tax rebate for homeowners only based on the existing STAR exemptions.

In addition, the Executive Budget would make a number of changes to the STAR school tax exemption program including reducing the annual growth in the maximum credit to zero and converting the exemption to an income tax credit for new recipients. The Assembly and the Senate each include some but not all of the changes proposed by the governor.

Details on the Executive, Assembly, and Senate property tax relief proposals follow.

Part G: Property Tax Circuit Breaker

The Executive Budget proposes a significant new property tax "circuit breaker" credit that would cost \$1.66 billion per year when fully phased in.

- **Homeowners** would receive an income tax credit of up to 50 percent of the amount that property taxes exceeds 6 percent of income.
 - The credit percentage and maximum credit depends on income:
 - 50 percent for taxpayers with income less than \$75,000 with a maximum of \$2,000;
 - 40 to 50 percent for taxpayers with income between \$75,000 and \$150,000 with a maximum between \$1,500 and \$2,000;
 - 15 to 40 percent for taxpayers with income between \$150,000 and \$250,000 with a maximum between \$1,000 and \$1,500;
 - No credit for taxpayers with income over \$250,000.
 - More than 1.3 million homeowners would be eligible for credits that average \$950 when fully implemented.
- **Renters** would receive an income tax credit of up to 50 percent of the amount that the property tax equivalent (13.75 percent of rent) exceeds 6 percent of income.
 - The credit percentage and maximum credit depends on income:
 - 50 percent for taxpayers with income less than \$75,000 with a maximum of \$750 (downstate) and \$500 (upstate);

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- 40 to 50 percent for taxpayers with income between \$75,000 and \$150,000 with a maximum of \$750 (downstate) and \$500 (upstate);
- No credit for taxpayers with income over \$150,000.
- More than 1 million renters would be eligible for credits that average \$400 when fully implemented.

The credits would not apply to property taxes levied by jurisdictions that exceed the 2 percent property tax cap.

- **Assembly:** Accepts the proposed property tax circuit breaker but removes the requirement that only taxpayers in cap-compliant jurisdictions would receive the credit.
- **Senate:** Replaces the circuit breaker with a property tax rebate for homeowners based on the current STAR exemption.
 - Homeowners eligible for the STAR exemption would receive a rebate check equal to 55 percent of the value of the basic or enhanced STAR exemption when fully phased in.
 - More than 3.3 million homeowners would receive rebates that average \$468 when combined with the existing freeze checks.

FPI assessment: The property tax circuit breaker proposed by the Governor and the Assembly ties property tax relief to taxpayers' income. This targets tax relief to those who need it most. The Assembly improves the proposal by removing the link to the property tax cap. **The Fiscal Policy Institute believes that property tax relief should not be made conditional on factors outside the homeowners/renters control.** The Senate proposal to bring back the STAR Rebate checks, in contrast, is based on the flawed STAR exemptions that would fail to address property taxpayers' ability to pay.

Parts A-F: Changes to STAR Exemption

The Executive Budget proposes a number of changes to the STAR school property tax exemption including freezing growth in the maximum credit and converting the exemption to a personal income tax credit for new recipients.

The Executive budget would:

- freeze growth in the maximum value of the STAR exemption at the prior year's maximum starting in FY2015-16,
 - eliminate the 6 percent STAR personal income tax rate reduction benefit for New York City residents for those with income above \$500,000,
 - convert the STAR delinquency/offset program into a tax clearance program, that is, taxpayers with delinquent state taxes could not use the STAR exemption as an offset to state taxes,
 - convert STAR into a refundable personal income tax credit for **new** homeowners,
 - extend the authority of the Department of Taxation and Finance to recoup improperly granted STAR exemptions back to 2011,
 - allow taxpayers who registered with the Department of Taxation and Finance but not the local assessor to receive STAR benefits.
- **Assembly:** The Assembly would retain the current allowable growth of 2 percent in the maximum value of the STAR exemption; accept the Governor's proposal to eliminate the STAR income tax rate reduction for NYC taxpayers with incomes over \$500,000; continue to allow use of STAR exemption as an offset to delinquent state taxes; deny the proposal to convert the STAR exemption to a credit; accept the proposals to extend the authority to recoup improperly granted STAR exemptions back to 2011, and to allow taxpayers who registered with the state but not the local assessor to receive STAR benefits.
 - **Senate:** The Senate would retain the current allowable growth of 2 percent in the maximum value of the STAR exemption; accept the governor's proposal to eliminate the STAR income tax rate reduction for NYC taxpayers with incomes over \$500,000; accept the governor's proposal to disallow use of STAR exemption as an offset to delinquent state taxes; deny the proposal to convert the STAR exemption to a credit; accept the proposals to extend the authority to recoup improperly granted STAR exemptions back to 2011, and to allow taxpayers who registered with the state but not the local assessor to receive STAR benefits.

FPI assessment: STAR is a flawed property tax relief program that reinforces existing inequities in property wealth in New York. Limiting the growth in STAR would free up resources that could be used to expand programs that are targeted to high need/low wealth communities. Converting the exemption to a personal income tax credit is a step in the right direction that could make it easier to target STAR payments by income in the future. Eliminating the STAR benefit for taxpayers with incomes over \$500,000 in New York City also frees up resources for programs that assist low- and moderate-income New Yorkers.

Summary of 2015-16 Executive Budget Property Tax Proposals (in millions)

	FY15-16	FY16-17	FY17-18	FY18-19
Establish Property Tax Circuit Breaker	\$0	(\$350)	(\$850)	(\$1,350)
Changes to STAR:				
Cap annual growth in maximum at zero percent	\$54	\$54	na	na
Eliminate STAR benefit for NYC residents with incomes over \$500,000	\$41	\$51	na	na
Disallow use of STAR exemption to offset delinquent state taxes	\$1	\$1	na	na
Convert STAR into refundable income tax credit for new recipients – Credit portion	\$0	(\$97)	(\$197)	(\$298)
Convert STAR into refundable income tax credit for new recipients – Spending portion	\$97	\$197	na	na
Recoup improperly granted STAR exemptions back to 2011	\$1	\$0	na	na
Allow taxpayers who registered with state but not locality to receive STAR	(\$1)	\$0	na	na

Na = not available;

FPI *Spending savings would continue to offset cost of income tax credit. Savings of \$100 million per year are temporary.

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	Executive	Assembly	Senate
New Property Tax Relief – Part G			
“Circuit breaker” style	Yes	Yes	No, replace with a rebate equal to 55% of the STAR exemption when fully implemented
Linked to Property Tax Cap?	Yes	No	Yes
Cost when fully implemented	\$1.66 billion per year	SAME AS EXECUTIVE	\$1.5 billion per year (CHECK)
For Homeowners:			
Formula	Homeowners receive an income tax credit of up to 50 percent of the amount that property taxes exceed 6 percent of income.	SAME AS EXECUTIVE	55 percent of basic or enhanced STAR exemption; Basic STAR exemption amount equals \$30,000 times school tax rate; Enhanced STAR (for owners 65 and older, total income \$83,300 or less) equals \$65,300 times school tax rate
Income cap	\$250,000	SAME AS EXECUTIVE	\$500,000
Other provisions	Property taxes paid are adjusted for freeze credit	SAME AS EXECUTIVE	In 2015, taxpayers would receive greater of freeze credit or STAR rebate
Average credit for those eligible	\$950	SAME AS EXECUTIVE	\$468 (combined with freeze credit)
Number of homeowners assisted	Over 1.3 million	SAME AS EXECUTIVE	Over 3.3 million
Maximum credit	Up to \$2,000 depending on income	SAME AS EXECUTIVE	

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For Renters:			
Share of total	22% approximately	SAME AS EXECUTIVE	0%
Formula	Renters receive an income tax credit of up to 50% of the amount that the property tax equivalent (13.75% of rent) exceeds 6 percent of income.	SAME AS EXECUTIVE	Renters NOT eligible
Income Cap	\$150,000	SAME AS EXECUTIVE	Renters NOT eligible
Other provisions	Property taxes paid are adjusted for freeze credit	SAME AS EXECUTIVE	Renters NOT eligible
Average credit for those eligible	\$400	SAME AS EXECUTIVE	Renters NOT eligible
Number of renters assisted	Over 1 million	SAME AS EXECUTIVE	Renters NOT eligible
Maximum credit	\$750 downstate \$500 upstate	SAME AS EXECUTIVE	Renters NOT eligible
Changes to STAR			
Cap Annual Growth – Part A	Cap at 0 percent growth versus prior year maximum	Retain current cap of 2 percent growth versus prior year maximum	Retain current cap of 2 percent growth versus prior year maximum
Income limit for NYC residents – Part B	Eliminate 6% STAR PIT rate reduction benefit for those with income above	Concur: Eliminate 6% STAR PIT rate reduction benefit for those with income	Concur: Eliminate 6% STAR PIT rate reduction benefit for those with income above \$500,000

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	\$500,000	above \$500,000	
Convert STAR delinquency/offset program – Part C	Convert into tax clearance program – ie taxpayers with delinquent state taxes cannot use STAR exemption as offset and make permanent	Make existing tax clearance program permanent but continue to allow use of STAR exemption as offset	Concur: Convert into tax clearance program – ie taxpayers with delinquent state taxes cannot use STAR exemption as offset
Convert STAR into refundable personal income tax credit for NEW homeowners – Part D	Close existing exemption and convert to refundable PIT credit for new homeowners (temporary savings of \$100 million)	Deny: Retain current exemption provisions	Deny: Retain current exemption provisions
Improperly granted STAR exemptions – Part E	Extend authority of the Department of Taxation and Finance to recoup improperly granted STAR exemptions back to 2011.	Concur: Extend authority of the Department of Taxation and Finance to recoup improperly granted STAR exemptions back to 2011.	Extend authority of the Department of Taxation and Finance to recoup improperly granted STAR exemptions back to 2011 AND recoup improperly granted subsidized housing benefits and rent control benefits
Registration errors – Part F	Allow taxpayers who registered with state DOTF but not local assessor to receive STAR benefits.	Concur: Allow taxpayers who registered with state DOTF but not local assessor to receive STAR benefits.	Concur: Allow taxpayers who registered with state DOTF but not local assessor to receive STAR benefits.

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