



## *Addressing the Unintended Consequences of the Property Tax Cap*

June 10, 2015

In 2011 New York established a property tax cap for school districts, counties and municipalities. New York should proceed cautiously before making the cap permanent in order to gather more information on the impact of the cap. Increasing state funding of services like education, healthcare or providing targeted property tax relief such as a circuit breaker credit would be more effective and efficient ways to address high property taxes. But short of eliminating the cap, here are some ways to mitigate some pressing problems with the cap as currently designed.

- The cap should allow at least 2 percent growth in the base property tax levy and more if inflation increases in the future.
- The cap should be adjusted for costs related to increased enrollment in schools by including a student growth index that is similar to the tax base growth factor.
- New York should allow more carryover of unused space under the cap and allow schools and localities to “bank” any carryover for future use.
- The cap should be adjusted to allow localities to raise the revenue needed to address the effects of natural disasters like floods and storms.
- The current cap override provisions should be changed to allow for a simple majority override as most states with limits do.
- The override procedure should be modified so that the fallback in the case of disapproval is not a levy freeze for school districts. Voters could choose between a school basic budget based on a cap-compliant increase in the levy and one with a larger increase.
- The cap should exclude the capital improvement expenditures of local governments and school district costs for improvements to BOCES facilities.

For more details on these proposals see full report at <http://bit.ly/1KVxUf8>.

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