

TESTIMONY FOR NEW YORK STATE BUDGET OFFICE

TOWN HALL MEETING, UTICA, NOVEMBER 27, 2007

Good evening, ladies and gentlemen.

My name is John Whiteley and I live in Ticonderoga, located on the Vermont border in Essex County. Utica is the closest Town Hall venue. I speak on behalf of the Tri-County Committee for Property Tax Relief, representing the interests of several hundred homeowners in Warren, Washington and Essex Counties who seek property tax relief and reform through state legislation. I have also been authorized to note that taxpayer colleagues in the Hudson Valley, with whom we proudly cooperate in a property tax reform coalition, substantially share the views I will express. I have expressed these views several times in correspondence to the Governor, in testimony before the Assembly Real Property Taxation Committee, in op/ed pieces, and in other forums dealing with the property tax crisis in our state.

Mr. Chairman, families with five figure incomes in our region and statewide are increasingly paying five figure property taxes. In other words, these families pay at least 10% of their household income – and often much more – in property tax just to remain in their home. Many of them are older residents who have owned their homes for decades, want desperately to stay, and would be able to do so if it were not for the state's overdependence on the property tax. It is this overdependence on an unfair, antiquated tax system, along with the rising cost of services and meteoric rises in many individual assessments, which has turned their American dream into a nightmare.

We believe the long term solution is to significantly reduce the use of the property tax system to make the burden tolerable despite its inherent and insoluble inequities. We are convinced the most logical and effective way to do this is through full state funding of education to remove it from the property tax. We also believe this would provide greater funding equity among school districts. We should not have to sell our homes to provide a good education for our children.

As you probably know, the legislature has been discussing the establishment of a bi-partisan Blue Ribbon Commission that would examine the entire property tax system, including the school funding issue, and make recommendations for fundamental reform. The proposed legislation has passed the Senate and awaits approval in the Assembly, which will hopefully come early in the upcoming session. The Assembly bill number is A9239. This legislation is critically important to the process of property tax reform, and we ask that the Budget Office include the modest funding needed to support the effective functioning of the Committee for approximately one year.

Meanwhile, many of the homeowners alluded to above are in danger of being forced to sell their long time homes. They cannot wait, and should not have to wait, for the emergency relief needed to prevent this from happening. It appears that you are proposing to deal with this by allocating \$1.3 Billion to further expand the STAR program. We do not believe this is the best way to provide the needed additional property tax relief.

While STAR is helpful to many, it basically ignores the needs of countless other families who through no fault of their own must pay unreasonable percentages of their income in property tax on their home and who consequently are at greatest risk of being forced to leave. While the Middle Income STAR Rebate creates income categories, neither that program nor the Basic or Enhanced STAR make any effort to relate income to the actual tax bill. In any given school district, where two families have the same income, STAR actually provides a LOWER percentage of aid to the family with the HIGHER tax bill.

That is why we strongly advocate the middle income circuit breaker variation proposed on a bi-partisan basis in both legislative chambers. A1575 is sponsored by Assemblywoman Sandy Galef, Chair of the Real Property Taxation Committee, and S1053 is sponsored by Senator Betty Little.

The circuit breaker concept has long been recognized as probably the fairest and most effective way to provide property tax relief under the existing, market value-based system. It is also highly cost effective. Unfortunately, the traditional circuit breaker that currently exists in New York is woefully inadequate. What must be understood is that the property tax burden has become a middle class problem. A1575/S1053 (Galef/Little) provides that residents with household income up to \$100,000 would receive a New York State income tax credit for the amount by which the tax on their home exceeds 6% of that income, less 30% of that excess amount. The percentage rises to 7% and then 8% for higher family incomes up to an eligibility maximum of \$200,000.

In conjunction with the existing STAR benefits, this legislation would help most families remain in their homes while we debate, select and implement the needed longer term reforms.

We do not have firm figures on the cost of Galef/Little, but our best estimates are that it would not exceed the \$1.3 Billion budgeted for a further expansion of STAR. Expanding STAR will not solve the problem we have outlined above. Galef/Little will. We ask that the Budget include funding for Galef/Little, or that concept. If additional funding cannot be identified, we ask that the \$1.3 Billion already projected be used for this concept in lieu of further expanding STAR.

Thank you very much for this opportunity to state our views. I would be pleased to respond to any questions you may have.

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New York State ASSEMBLY

Sheldon Silver - Speaker

Tuesday, November 27, 2007

Bill Summary - A09239

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A09239 Summary:

BILL NO A09239
SAME AS Same as S 1052-A
SPONSOR Galef
COSPNSR Morelle, Cahill, McKeivitt, Duprey, Finch, Lupardo, Stirpe, Jaffee, Destito, Gordon T, Ortiz, Alessi, Zebrowski K, Lifton, Gunther
MLTSPNSR Koon, Magee, McEneny, Reilly, Sayward

Establishes a blue ribbon commission on property tax reform to examine, evaluate and make recommendations on alternatives or modifications to the existing ad valorem real property tax system and alternative sources of funding for local education.

A09239 Actions:

BILL NO A09239
06/18/2007 referred to real property taxation
06/19/2007 reported referred to ways and means

A09239 Votes:

A09239 Memo:

BILL NUMBER:A9239

TITLE OF BILL: An act to establish a blue ribbon commission on property tax reform; and providing for the repeal of such provisions upon expiration thereof

PURPOSE: To create a Blue Ribbon Commission to examine and evaluate real property taxation and provide recommendations for alternatives to the existing real property tax system.

SUMMARY OF PROVISIONS: Section one (a) - provides the legislative intent and states that the real property tax system in New York State needs to be examined and restructured in order to provide significant property tax relief; one (b) states subject areas to be studied by the commission; one (c) establishes that the composition of the composition of the committee will be eleven members, three of which are appointed by the Governor (one each of which will be an expert in the field of municipal education and finance, education administration and assessment administration), three each by the temporary president of the senate and speaker of the assembly and one each by the minority leader in each house; one (d) provides that the commission can employ such personnel as necessary to complete the task at hand; one (e) authorizes meeting to include public hearings and all the powers of a legislative committee; one (f) establishes that the members of the commission will receive no compensation other than actual and necessary expenses incurred in the performance of their duties; one (g) establishes that the commission shall have access and utilize various agencies and departments to obtain the data/information needed to complete the task at hand; and (h) that the commission is required to report its findings to the governor and the legislature on or before December 1, 2008. Section two - contains the effective date JUSTIFICATION: New York State has one of the highest property taxes in the country. The real property tax levies have increased faster than the rate of inflation - according to a report by the New York State Comptroller - real property taxes have increased by 42% in the last five years. The citizens of New York State can ill afford to continue to have their real property taxes continue to rise at such a pace. As such, A Blue Ribbon Commission on Property Tax Reform is necessary to examine and find alternative methods to support our schools and local governments. An alternative that will be equitable and one that will provide property owners with sufficient real property tax relief.

LEGISLATIVE HISTORY: New bill

FISCAL IMPLICATIONS: To be determined

EFFECTIVE DATE: Immediately

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establishing the maximum residential real property, personal income tax credit

PURPOSE OR GENERAL IDEA OF BILL:

To place a limit on the real property tax for certain property owners and provide a personal income tax credit for certain property taxpayers.

SUMMARY OF SPECIFIC PROVISIONS:

SECTION 1: Adds a new subsection (oo) to section 606 of the tax law to provide for a real property tax credit. The credit will be based on the income of the household and the percentage that said household pays for real property taxes. For a household with an adjusted gross income of \$100,000 or less - real property taxes paid in excess of 6% of said income can receive a personal income tax credit of 70% of the overage; for households with over \$100,000 but less than or equal to \$150,000 the threshold is 7% of said income on real property taxes; for households over \$150,000 but less than or equal to \$200,000 the threshold is 8%. There is no credit for households over \$200,000.

To qualify, the taxpayer must have resided in the home for not less than ten years and must forfeit any benefit from the STAR program. The credit will equal seventy percent of the taxes paid over the allowed percentage cap as provided in the bill.

SECTION 2: Contains the effective date.

JUSTIFICATION:

With the increased reliance on the real property tax for local government revenue, some homeowners are facing skyrocketing real property tax bills as a result they are often faced with the serious threat of defaulting on their property taxes and/or seriously consider selling their homes. This legislation seeks to establish a cap on the maximum real property tax paid for New Yorkers who have a household adjusted gross income of \$200,000 or less. This proposal is a viable alternative response to the serious problem of high real property taxes.

PRIOR LEGISLATIVE HISTORY:

A11551 of 2005/2006

FISCAL IMPLICATIONS:

To be determined. Local fiscal implications are none.

EFFECTIVE DATE:

January 1st after which this legislation has been signed into law.

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