

Town of Owasco

Real Property Tax Exemptions Administration

JANUARY 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Owasco

Audit Objective

Determine whether the Town of Owasco (Town) Town Assessor (Assessor) properly administered select real property tax exemptions.

Key Finding

The Assessor did not properly administer select real property tax exemptions.

- Granted property exemptions were not always properly applied for or supported.
 - 99 property tax exemptions were reviewed; 75 of the exemptions totaling over \$4.1 million were not properly applied for or supported.
 - Property owners received \$4,014 in 2019 Town tax reductions for these unsupported exemptions.

Key Recommendation

- The Assessor should ensure applicants provide supporting documentation before granting exemptions, retain documentation to support eligibility and periodically verify that those granted exemptions qualify.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town is located in Cayuga County. The Town is governed by an elected five member Town Board (Board), which consists of the Town Supervisor and four Board members.

The Board-appointed Assessor is responsible for granting and monitoring real property tax exemptions within the Town's boundaries. The Assessor determines the assessed values of properties for the assessment roll, which is then used to create the tax bills for the following year's tax roll. The Assessor must retain documentation for properties that are eligible for exemptions. The Deputy Assessor assists with these responsibilities.

The Town's long-time Assessor retired on September 30, 2019. Following the Assessor's retirement, the Board entered into an agreement with Cayuga County to provide these services for the Town.

Quick Facts

| | |
|------------------------|----------------|
| Exemptions | 455 |
| Exemptions Value | \$24.6 million |
| Parcels | 2,064 |
| Taxable Assessed Value | \$314 million |

Audit Period

January 1, 2018 – November 22, 2019

Real Property Tax Exemptions Administration

In New York State (NYS), the real property tax is based on the value of real property. Counties, cities, towns, villages, school districts and special districts each raise money through real property tax. A particular property's tax bill is determined by the property's taxable assessment and the tax rates of the taxing jurisdictions in which the property is located. The assessment is determined by an assessor and should be based on the market value of the property less applicable tax exemptions.

Real property is defined as land and permanent structures attached to it. Though all real property in an assessing unit is assessed, not all of it is taxable. Some properties, such as religious or government owned properties are completely exempt from paying property taxes. Other properties are partially exempt, such as land and buildings used for agricultural purposes and homes owned by veterans and senior citizens who qualify for a partial exemption. While some exemptions are mandated by NYS law, others are subject to local option and/or local determination of eligibility criteria. The tax rate is determined by the tax levy to be raised from all, or part, of an assessing unit, and the unit's total taxable assessed value. Therefore, the accuracy of the assessment roll is essential for fair and equitable property taxation.

How Does an Assessor Properly Administer Exemptions?

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner's tax payment. To ensure a town's tax levy is fair and equitable, it is important that an assessor verify that every exemption is legitimate.

The assessor needs to:

- Ensure property owners submit completed applications with proper supporting documentation and meet eligibility requirements.¹
- Verify that exemption amounts are properly calculated in the Real Property Tax System.
- Annually certify the assessment roll as accurate and complete for all exemptions.
- Periodically verify that those granted exemptions continue to qualify for them.
- Retain supporting documentation for granted exemptions and consult with the NYS Office of Real Property Tax Services, as necessary, for technical assistance.

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner's tax payment. To ensure a town's tax levy is fair and equitable, it is important that an assessor verify that every exemption is legitimate.

¹ See Appendix A for additional information regarding eligibility requirements.

The Assessor Did Not Ensure Property Tax Exemptions Had Applications and Supporting Documentation

The Assessor granted 455 exemptions on the 2018 assessment roll, collectively reducing the Town's 2019 taxable assessed value by more than \$24.5 million. We reviewed the supporting documentation for 99 property tax exemptions, which included agricultural, veteran, senior citizen and other exemptions totaling \$5.45 million, and found that 75 exemptions (76 percent) totaling over \$4.1 million in Town-exempted assessed value lacked one or more pieces of supporting documentation to verify eligibility and the accuracy of the exemption calculation.

Figure 1: 2018 Real Property Tax Exemptions

| Type | Exemptions Granted | | Exemptions Tested | | | |
|---|--------------------|---------------------|-------------------|--------------------|------------|--------------------|
| | Count | Value | Count | Value | Exceptions | |
| | | | | | Count | Value |
| Agricultural | 127 | \$5,852,504 | 66 | \$4,257,174 | 49 | \$3,075,929 |
| Veteran | 240 | \$3,321,238 | 21 | \$409,145 | 16 | \$353,240 |
| Senior Citizen | 33 | \$1,312,833 | 10 | \$575,252 | 8 | \$470,152 |
| Business Investment Property | 3 | \$210,000 | 2 | \$204,000 | 2 | \$204,000 |
| Wholly-Exempt, Non-Profit and Not-for-Profit | 47 | \$13,848,444 | | | | |
| Solar or Wind Energy System | 2 | \$30,000 | | | | |
| Clergy | 3 | \$4,500 | | | | |
| Total | 455 | \$24,579,519 | 99 | \$5,445,571 | 75 | \$4,103,321 |

Exemptions granted may have lacked the original application,² soil group worksheet,³ income support and proof of age or property information. These property owners received \$4,014 in 2019 Town tax reductions for these unsupported exemptions.

This occurred because the Assessor did not ensure all applicants provided adequate supporting documentation before the Assessor granted exemptions for their properties, retain documentation to support eligibility for exemptions or periodically verify that those granted exemptions continued to qualify for them.

² Generally, the NYS legal minimum retention period for real property tax exemption applications and supporting documentation is six years after the expiration of the exemption.

³ A soil group worksheet prepared by the Soil and Water Conservation District Office must be filed as part of the agricultural land exemption. The worksheet certifies the number of acres in each mineral or organic soil group for the parcel and is used to calculate the NYS certified soil productivity value for the parcel. The exemption amount is calculated based on this value.

Every exemption shifts the tax burden to the non-exempt properties. Therefore, the rate of exceptions noted above (76 percent) can cause inequity among taxpayers to the extent that exemptions are miscalculated or inappropriately granted.

What Do We Recommend?

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
2. Retain documentation to support eligibility for all exemptions.
3. Periodically verify that property owners that were granted exemptions continue to qualify for them.

Appendix A: Criteria for Commonly Granted Exemptions

Agricultural — The agricultural exemption generally requires an average annual gross sales over the previous two years of \$10,000 for farms with seven or more acres of land, or \$50,000 for farms of less than seven acres. The amount is calculated based on a NYS certified soil productivity value for each parcel. Property owners may receive an agricultural exemption if they lease acreage to eligible farmers. Certain newly constructed or reconstructed agricultural structures are allowed a 10-year property tax exemption from any increase in the property's assessed value resulting from the improvement. Property owners receiving the agricultural exemption, pursuant to Section 305 of the NYS Agriculture and Markets Law, are required to file a renewal form each year certifying the property remains eligible for the exemption and the operation continues to meet the income requirements. Although the renewal form does not require proof of income, assessors should be periodically verifying farm income to ensure the property remains eligible.

Veteran — The requirements related to veteran exemptions vary, but typically include that the exempted property be the primary residence of, and owned by, a veteran (or a qualifying family member) of the United States Armed Services who actively served during certain eligible time frames or received an expeditionary medal and was discharged under honorable conditions. These exemptions include amounts for wartime or Cold War service, with increased exemption amounts for combat service. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. Furthermore, a disabled veteran may receive an additional exemption based on supporting documentation.

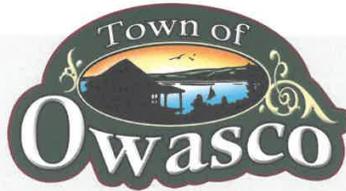
Senior Citizen — The exemption requires the property be used exclusively for residential purposes and owned by a person 65 years or older (with some familial exceptions) for a consecutive 12 months (unless an exception applies) with varying income limits established by each municipality. Residents receiving the senior citizen exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold. NYS Real Property Tax Law also allows income deductions, such as certain medical expenses, to be considered in calculating the exemption amount when adopted by local law. Furthermore, all owners or trustees of a property must meet the requirements to be eligible for the exemption, unless the property is retained for life use by a person otherwise eligible for the exemption. Corporations cannot meet requirements for the senior citizen exemption.

Business Investment — To the extent allowed by local option, commercial and industrial facilities that are constructed, altered, installed or improved after July 1, 1976 (or some later date set by the taxing jurisdiction) at a cost exceeding \$10,000 (or some higher minimum chosen by the taxing unit) are partially exempt from taxation and special ad valorem levies, but are liable for special assessments. Exemption duration is limited to 10 years.

Appendix B: Response From Town Officials

Edward J. Wagner
Supervisor

Tammy Flaherty
Town Clerk



2 Bristol Avenue, Auburn, NY 13021
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Frederick Cornelius
Anthony Gucciardi
Tim Kerstetter
Michael Vitale
Council

Edward V. Grant Jr, Chief Examiner
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Division of Local Government and School Accountability
The Powers Building
16 West Main Street – Suite 522
Rochester, NY 14614-1608

September 23, 2020

Dear Mr. Grant,

The Town of Owasco agrees with the findings of the audit that was presented to me on September 21, 2020 via a zoom conference call. The Town of Owasco has drafted an Assessor's action plan for each of the OSC Audit recommendations. The board has a copy of that plan and will discuss and vote on that plan at the October 8th Board meeting. I will send a certified copy of the resolution with the action plan to you on October 9, 2020.

Respectfully,

Edward Wagner
Town of Owasco Supervisor

Appendix C: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board minutes and local legislation to gain an understanding of the property tax exemption process and recordkeeping requirements.
- We reviewed Town laws and resolutions to determine whether the types of property exemptions granted on the 2018 assessment roll were authorized.
- We reviewed the exemptions granted for the 2018 assessment roll, which was used to generate 2019 taxes. From the total exemptions, we removed municipal-owned and non-profit properties. From the remaining exemptions, we calculated the Town's exemption value as a percentage of the overall assessment. We then:
 - We used our professional judgment to select a sample of all 36 properties with exemptions in the 51-99 percent range with Town exempted value totaling \$2.07 million.
 - We used our professional judgment to select all 35 remaining exemptions with Town exempted value over \$50,000 totaling \$2.96 million.
 - From the remaining exemptions, we randomly selected 5 percent each of agricultural (four exemptions with Town exempted value totaling \$48,463), veteran exemptions (12 exemptions with Town exempted value totaling \$173,280), and senior citizen (two exemptions with Town exempted value totaling \$58,485) because the total of the exemptions for these categories represented 98 percent of the remaining exemptions.
 - We used our professional judgment to select all ten exemptions, with exempted value totaling \$132,700, of Town officials and employees not included in the other samples.
- For these 99 selected exemptions, we reviewed available documentation supporting the eligibility and calculation of the exemption to determine whether the exemptions had supporting documentation (such as applications, soil group worksheets, income support, proof of age or property information, proof of military service, proof of disability or annual renewal forms), met eligibility requirements, were properly calculated and properly coded. We recalculated the exemption amounts and calculated the tax dollar effect of any exceptions.

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- We reviewed a random sample of 10 sold, split or merged properties for exemptions. We compared 2017 and 2018 Town final assessment rolls to test selected sold, split or merged properties for exemptions. We also compared 2018 and 2019 Town tax rolls to test the selected split or merged properties to confirm that the new tax roll reflected the changes in ownership and assessment.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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