



## County Tax Cap Recap: Fewer Counties Exceeding Levy Limits

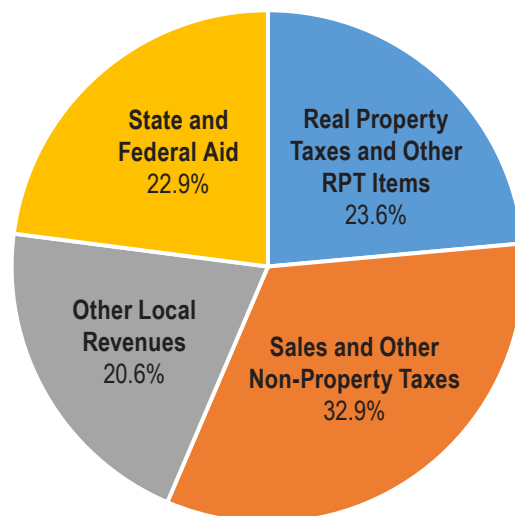
Enacted in 2011, the State's property tax cap law generally limits the amount by which local governments and school districts outside of New York City can increase property taxes.<sup>1</sup> The tax cap, which first applied to fiscal years beginning in 2012, limits a local government's tax levy increase to the lesser of the rate of inflation or 2 percent with some exceptions, including a provision that allows local governments to override the cap. The Office of the State Comptroller is responsible for collecting the data that is necessary to compute the tax cap. This report summarizes the experience of New York State's counties during the first four years of budgeting under the tax cap law.

### Counties and the Property Tax

- The property tax is a major revenue source for counties. In 2013, county revenues totaled \$22.9 billion, of which 23.6 percent was raised through the property tax.
- Counties are often viewed as being a fairly homogeneous group of local governments—providing a similar array of services, and performing a major administrative function for the State. However, the 57 counties in the State, excluding New York City, are quite diverse in their reliance on various revenues—particularly property tax and sales tax revenues. As a result, only a handful of counties have a revenue structure that closely resembles the average structure, as depicted in the pie chart.
- For example, in Lewis and Otsego Counties, property taxes represent less than 14 percent of total revenues while in Hamilton County, property taxes represent nearly 44 percent of total revenues.
- While the tax cap impacts all counties, it poses a more significant constraint on those counties that derive a larger portion of their revenues from the property tax.

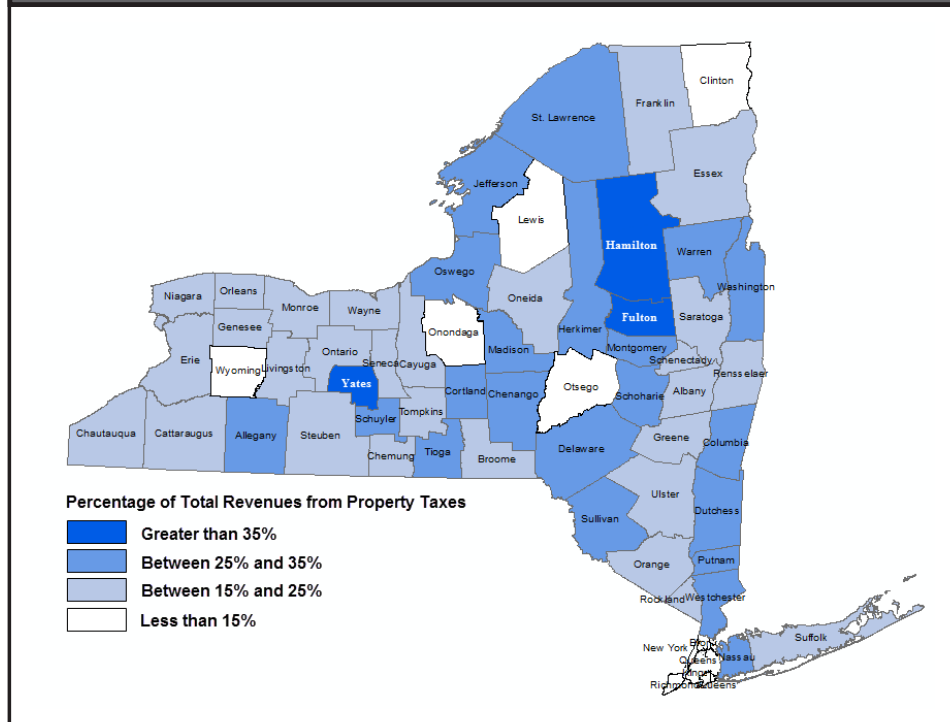
County Revenues by Source, 2013

Total Revenue in 2013: \$22.9 Billion



# Local Government Snapshot

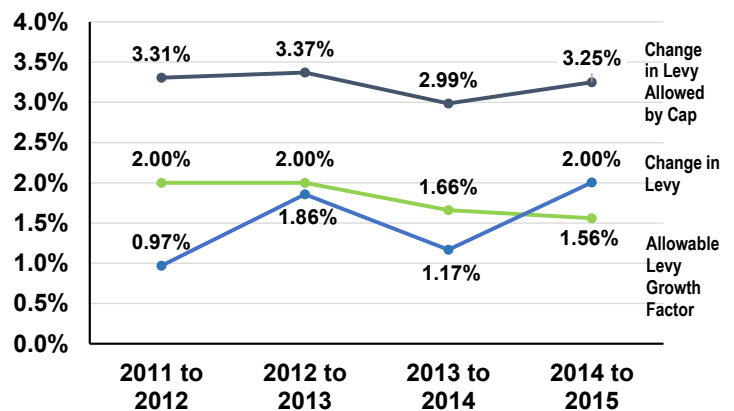
## New York State Counties Reliance on Property Taxes Percentage of Total Revenues From Property Taxes, 2013



## Overview of the Tax Cap

While commonly referred to as a 2 percent cap (possibly because of the law's reference to 2 percent in comparison to the rate of inflation), the actual increase allowed by the law is usually something other than 2 percent. For the 2015 fiscal year, the inflation-related component of the formula was 1.56 percent. The formula also contains several other components which impact the tax levy limit calculation, such as growth in the tax base, payments in lieu of taxes (PILOTs), and exclusions for certain expenses arising out of tort actions or pension rate increases.<sup>2</sup> After all of these factors are considered, the total allowable increase from 2014 to 2015 was actually 3.3 percent for counties. There was no county for which the allowable tax levy limit increase was exactly 2 percent, though four counties had an increase that rounded to 2 percent.

## County Tax Cap Results: Year-Over-Year Change in Tax Levy Compared to Change Allowed by the Tax Cap



# Local Government Snapshot

- As inflation continues to be low, counties should plan for the likelihood of a more restrictive tax cap again next year. The inflationary component of the formula will be available in mid-July of 2015 for the 2016 fiscal year. Notably, the latest monthly inflation factor to be issued (for local governments with a September 30th fiscal year end) was 1.25 percent, the lowest to date.
- From 2014 to 2015, the average levy increase allowed by the cap for counties ranged from a low of 1.4 percent for Greene County to a high of 23.2 percent for Oswego County. In the case of Oswego, the large increase was due to a substantial reduction in PILOTs from the prior year.<sup>3</sup> There were 43 counties for which the allowable increase was greater than 2 percent.
- While some individual counties exceeded the cap, the total levy for counties (as a class) has remained under the tax cap in all four years, and in 2015, the \$5.4 billion levied by counties amounted to 98.8 percent of the tax levy limit.
- Among the counties that stayed within the tax levy limit in 2015, many have levied right up to the limit. Of these 51 counties, 23 levied taxes that amounted to 99 percent or more of their allowable tax levy limit.
- At the regional level, the Central New York region had the largest increase in levy from 2014 to 2015—increasing by nearly 5 percent, but still remaining under the region’s average levy limit of 6.25 percent.
- With a levy increase of 0.34 percent, counties in the Mid-Hudson region had the lowest levy growth from 2014 to 2015, remaining well under the average levy limit of 3 percent.
- Tax levy increases in the North Country region, as a whole, exceeded the allowable levy limit of 3.2 percent—increasing by 3.4 percent. Two of the six counties that exceeded the limit for 2015 (Essex and Jefferson) are located in the North Country region.

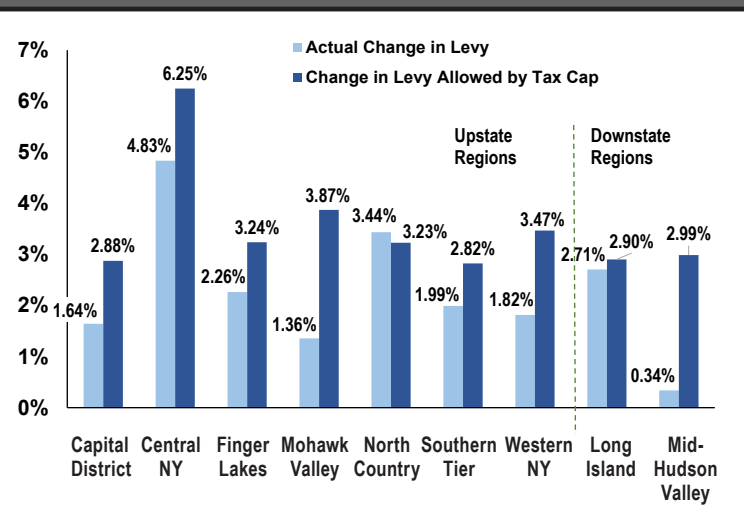
## County Tax Cap Results: Tax Levy vs. Tax Levy Limit by Year (Dollars in Millions)

Counties Exceeding the Tax Cap				
	2012	2013	2014	2015
<b>Number</b>	15	14	13	6
Amount Levied	\$729.5	\$997.2	\$433.0	\$194.1
Total Levy Limit	\$687.6	\$955.9	\$417.5	\$188.3
<b>Total Amount Over Cap</b>	<b>\$41.9</b>	<b>\$41.3</b>	<b>\$15.5</b>	<b>\$5.9</b>
Levy as a Percentage of Limit	106.1%	104.3%	103.7%	103.1%

Counties Staying Within the Tax Cap				
	2012	2013	2014	2015
<b>Number</b>	42	43	44	51
Amount Levied	\$4,397.7	\$4,225.2	\$4,850.4	\$5,195.2
Total Levy Limit	\$4,558.3	\$4,344.1	\$4,960.8	\$5,266.8
<b>Total Amount Under Cap</b>	<b>(\$160.6)</b>	<b>(\$118.9)</b>	<b>(\$110.5)</b>	<b>(\$71.6)</b>
Levy as a Percentage of Limit	96.5%	97.3%	97.8%	98.6%

All Counties				
	2012	2013	2014	2015
<b>Number</b>	57	57	57	57
Amount Levied	\$5,127.2	\$5,222.4	\$5,283.4	\$5,389.3
Total Levy Limit	\$5,245.9	\$5,300.0	\$5,378.4	\$5,455.1
<b>Total Amount Under Cap</b>	<b>(\$118.7)</b>	<b>(\$77.6)</b>	<b>(\$95.0)</b>	<b>(\$65.7)</b>
Levy as a Percentage of Limit	97.7%	98.5%	98.2%	98.8%

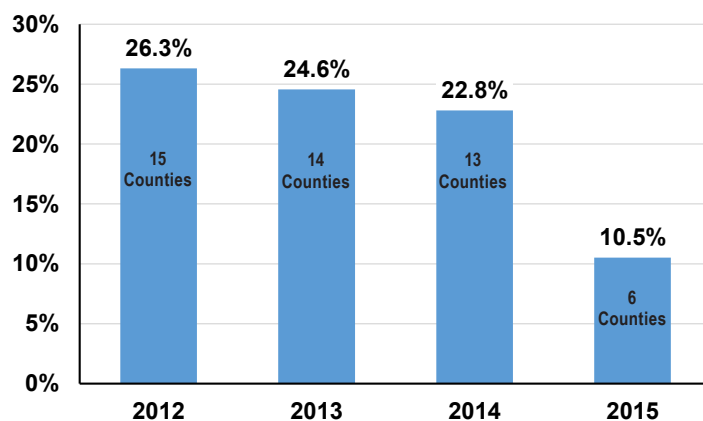
## Percentage Change in Levy Compared to Change Allowed by the Tax Cap by Region, 2014 to 2015



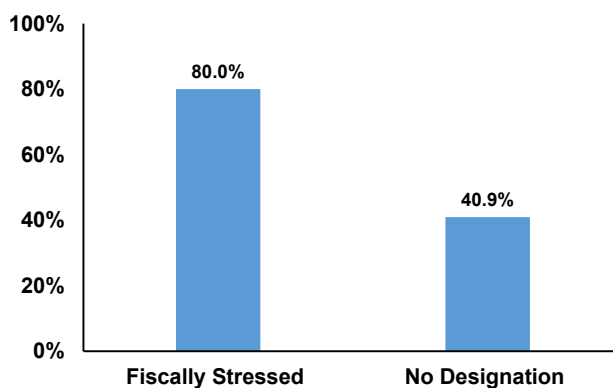
## Overriding the Tax Cap

- Local governments can legally exceed the tax levy limit by passing a local law to override the cap. An override requires at least a 60 percent supermajority vote of the governing board in order to pass.
- The number of counties exceeding the tax cap has declined slightly in the second and third year since the law has been in place.<sup>4</sup> In 2015, the number of counties exceeding the cap decreased substantially and only six counties exceeded the cap—a decrease of 54 percent from 2014. This decline may be due in part to the newly enacted Property Tax Freeze Credit (“tax freeze program”).<sup>5</sup> Generally, the two-year tax freeze program provides credits to qualifying taxpayers who live within taxing jurisdictions that remain within the tax cap. Taxpayers will not be eligible for the credit if their locality exceeds the tax cap—providing added incentive for counties to stay within the cap.<sup>6</sup>
- Over the four years that the tax cap has been in place, 27 counties (47 percent) have exceeded the tax cap at least one time. Delaware County exceeded the cap in each of the four years, and five counties (Madison, Wyoming, Sullivan, Rockland, and Essex) exceeded the cap in three out of the four years.
- In general, counties’ decisions to exceed the tax cap were based, at least in part, on necessity. Comptroller DiNapoli recently implemented a Fiscal Stress Monitoring System to evaluate and report on the levels of stress being faced by localities and school districts across the State. Counties received their first round of scores in June 2013, and an updated score was issued in September 2014. When examining the relationship between fiscal stress and tax cap overrides, we found that fiscally stressed counties were nearly twice as likely to exceed the tax cap at least once as those counties in the “No Designation” category.

**County Tax Cap Results:**  
Percentage Exceeding the Tax Cap

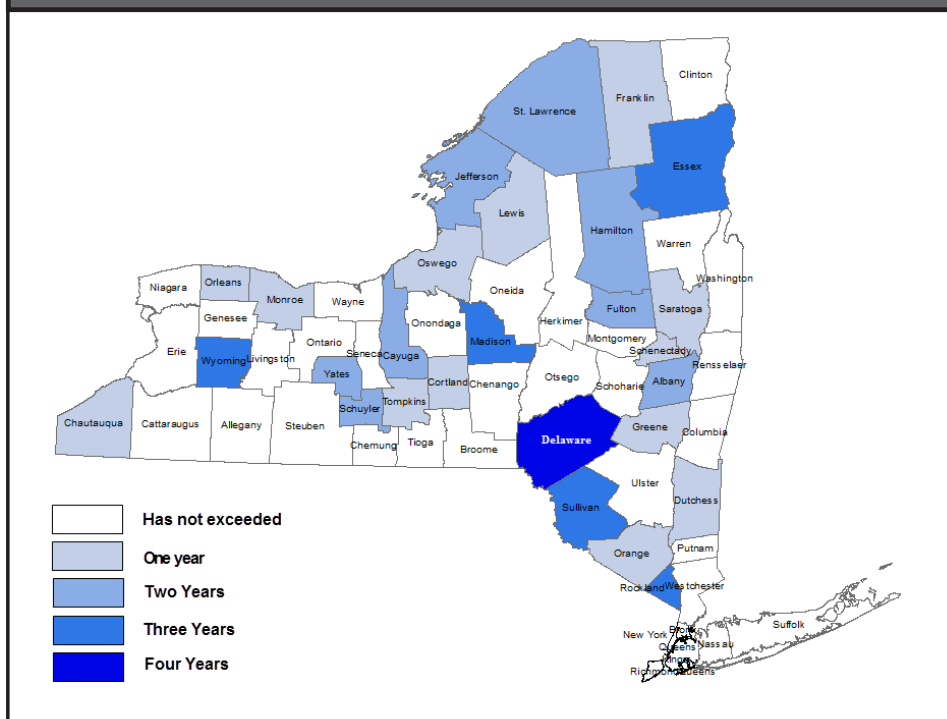


**Percentage of Counties Exceeding the Tax Cap at Least Once in Four Years by Fiscal Stress Designation**



# Local Government Snapshot

## New York State Counties Exceeding the Tax Cap



**Note:** The analysis in this report is based on county tax cap filings for four years (2012, 2013, 2014 and 2015) as well as the tax freeze certification filing for the 2015 fiscal year. Changes in levy were calculated by using the prior year levy field from each of the four years. For the 2015 levy, we used the "taxes to be levied" field as reported on the Tax Freeze Certification form. Years listed in the report refer to fiscal year end.

- <sup>1</sup> General Municipal Law section 3-c, Education Law section 2023-a
- <sup>2</sup> The complete tax levy limit formula is available on our website at: <http://www.osc.state.ny.us/localgov/realprop/pdf/formula.pdf>.
- <sup>3</sup> When PILOTs end, the local government will no longer receive this non-property tax revenue. The tax cap formula generally adjusts for this situation by providing the local government with a higher allowable tax levy limit which allows the local government to increase its levy without necessarily having to override.
- <sup>4</sup> Determinations as to whether a county exceeded the tax cap were made by comparing the tax levy limit (as calculated in the submitted form) against the prior year levy reported in the following year's form. For 2015, we used the information provided on the Tax Freeze Certification (Taxes to be levied in 2015) to determine whether a county exceeded the levy limit in 2015. We did not ascertain whether the counties had passed a local law to override or filed a local law with the Department of State.
- <sup>5</sup> Chapter 59 of the Laws of 2014 (Part FF).
- <sup>6</sup> For more information about the Tax Freeze Credit program, please visit our website at: <http://www.osc.state.ny.us/localgov/realprop/taxfreeze.htm>



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