

Town of Islip

Tax Exemption Administration

SEPTEMBER 2019



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

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Report Highlights

Town of Islip

Audit Objective

To determine whether the Town Assessor properly administered select real property tax exemptions.

Key Findings

- The Assessor generally properly administered select real property tax exemptions.
- The Assessor did not maintain supporting documentation for granted exemptions and continued eligibility for some exempted individuals.

Key Recommendations

- Ensure all applicants provide adequate supporting documentation before granting exemptions.
- Maintain eligibility documentation for all exemptions granted.
- Annually verify income to support Senior Citizens exemptions.

Town officials agreed with our recommendations and indicated they were in the process of taking corrective action.

Background

The Town of Islip (Town), located in Suffolk County, includes the Villages of Brightwaters, Islandia, Ocean Beach and Saltaire, and 24 hamlets.

The Town is governed by a five-member Town Council (Council). The Town Supervisor (Supervisor) is a Council member and serves as the chief executive and chief fiscal officer.

The Town Assessor (Assessor) is responsible for granting and tracking real property tax exemptions within the Town's boundaries, including County and school district exemptions. The Assessor was appointed in September 2015 and works 140 hours per month at the Town.

Quick Facts

2018 Expenditures	\$255 million
Area	106 Square Miles
Residents	333,700
Parcels of Land	98,751
Taxable Assessed Value^a	\$4.4 billion

^a Adjusted for the Town's equalization rate

Audit Period

December 1, 2017 – November 30, 2018

Tax Exemption Administration

All real property in New York State (State) is subject to taxation unless specific legal provisions grant it exempt status. Real property tax exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the State and local governments to encourage certain economic or social activities and other such considerations. Certain exemptions provide full relief from taxation (wholly exempt property) while others reduce the taxes by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town/village, special district and school purposes, whereas others pertain only to some of these. Lastly, while some exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria. These reductions in property taxes are paid for by increases in property taxes on other taxpayers with the exception of the School Tax Relief (STAR) exemption, which is funded directly by the State. The assessment roll's accuracy is essential for fair and equitable property taxation.

How Do Assessors Properly Administer Exemptions?

To properly administer real property tax exemptions, assessors need to:

- Maintain supporting documentation (i.e., local law, ordinance or resolution) for any exemptions granted that require authorization by local option.
- Ensure property owners submit completed applications with proper supporting documentation and meet eligibility requirements.¹
- Verify that exemption codes are properly selected and amounts are properly calculated in the Real Property Tax System (RPS), which is used to track assessment information and generate the annual assessment and tax rolls.
- Periodically verify that those granted exemptions continue to qualify for them.
- Retain supporting documentation for granted exemptions and consult with the New York State Office of Real Property Tax Services² (ORPTS) or the Suffolk County Real Property Tax Services Office, as necessary, for technical assistance.

The Assessor Properly Administered Most Real Property Tax Exemptions

Within the scope of this audit, we examined exemptions for Alternative Veterans,³ Persons of 65 Years of Age or Older (Senior Citizens)⁴ and Volunteer Firefighters and Ambulance Workers

¹ See Appendix A for eligibility requirements for the alternative veterans, senior citizens and firefighters exemptions.

² A division within the New York State Department of Taxation and Finance

³ New York State Real Property Tax Law (RPTL) Section 458-a

⁴ RPTL Section 467

(Firefighters).⁵ The Town granted a total of 12,616 of these selected exemptions on the fiscal year 2018 roll, collectively reducing the total taxable assessed value among all taxing jurisdictions⁶ by nearly \$1.2 billion.⁷ Except for minor exceptions (10 of 185 [5 percent]), the Assessor generally properly administered select real property tax exemptions. These properties with exceptions had their total taxable assessed value reduced by approximately \$909,000.

Figure 1: Fiscal Year 2018 Real Property Exemptions and Exceptions^a

Exemption Type	Total Parcels With Exemptions	Total Exempted Assessed Value for Taxes ^b	Total Number of Exemptions Tested	Exceptions Identified From Records	Rate of Exception	Total Exempted Assessed Value of Exceptions ^b
Alternative Veterans	7,946	\$548,019,802	80	2	3%	\$123,350
Senior Citizens	3,512	\$569,172,772	70	5	7%	\$688,820
Firefighters	1,158	\$40,656,056	35	3	9%	\$96,617
Totals	12,616	\$ 1,157,848,630	185	10	5%	\$908,787

^a Adjusted for the Town's equalization rate

^b Total exempted assessed value includes all taxing jurisdictions that provided the exemption (e.g., county, town, village, school, special district).

What Are the Requirements for Granting Alternative Veterans Exemptions?

Requirements related to Alternative Veterans exemptions typically include that the primary residence is of 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 honorably discharged. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount from which a single property may be exempt. Furthermore, disabled veterans and veterans with combat service may receive an additional exemption based on supporting documentation.

96 Percent of Exemptions Had All Documentation on File

The Town granted 7,946 Alternative Veterans exemptions totaling \$548,019,802 in County, Town and School exempted assessed value. We reviewed 80 of these exemptions (1 percent) totaling \$5,492,987 of exempted assessed value and found that the Assessor generally administers these exemptions properly. However, the Assessor's office staff could not locate the documentation relating to one of the 80 exemptions examined and there was no ownership proof on file for a second exemption, as the property deed was too old to be in electronic records. As a result, we could not determine whether these two property owners met the eligibility requirements to receive exemptions totaling \$123,350 in assessed value.

⁵ RPTL Section 466-c [Suffolk]

⁶ The taxing jurisdictions allowing exemptions are County, Town, and School District.

⁷ All assessment and exemption amounts in this report have been adjusted for the Town's equalization rate. An equalization rate is the State's measure of a municipality's level of assessment, equal to the ratio of total assessed value to the municipality's market value.

What Are the Requirements for Granting Senior Citizens Exemptions?

The Senior Citizens exemption requires the property be used exclusively for residential purposes and that all owners be 65 or older (with certain exceptions), with varying income limits determined by each municipality. Residents receiving the Senior Citizens exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold.

Some Eligibility Documentation Was Not on File

The Town granted 3,512 Senior Citizens exemptions totaling \$569,172,772 in County, Town and School exempted assessed value. We reviewed 70 of these exemptions (2 percent) totaling \$11,876,444 in exempted assessed value and found that three of the 70 properties lacked proof of age. This may have resulted in property owners incorrectly receiving a total of \$367,574 in reductions to County, Town and School exempted assessed value for fiscal year 2018. The Assessor's office staff stated that they reviewed proof of age documentation (e.g., driver's license, birth certificate) for these exemptions; however, no copies were retained on file. Two other property owners lacked current proof of income eligibility, including one for which proof of income was last obtained in 2013 and one for which proof of monetary contributions from other household occupants was last obtained in 2011. Therefore, these property owners may have been ineligible to receive a total of \$321,246 in County, Town and School exempted assessed value for fiscal year 2018.

What Are the Requirements for Granting Firefighters Exemptions?

The Firefighters' exemption generally allows for 10 percent of the assessed value of real property owned by an enrolled member of an incorporated fire company, fire department, or incorporated voluntary ambulance service, or such enrolled member and spouse, or such deceased enrolled member's unremarried spouse or otherwise eligible shareholders of a cooperative apartment corporation, be exempt from taxation. This is provided that the applicant resides in the town which is served by such incorporated fire company, fire department, or incorporated voluntary ambulance service, the property is the applicant's primary residence, the property is used exclusively for residential purposes, and the applicant has been certified by the authority having jurisdiction for at least five years as an enrolled member. If a member accrues more than 20 years of active service and is certified by a jurisdiction, the exemption amount applies for the remainder of their life so long as their primary residence is located within Suffolk County.

Some Continued Eligibility Documentation Was Not on File

The Town granted 1,158 Firefighters exemptions totaling \$40,656,056 in County, Town and School exempted assessed value. We reviewed 35 of these exemptions (3 percent) totaling \$1,204,084 in exempted assessed value and found that the Assessor's office had not obtained documentation that three widows of firefighters with more than 20 years of active service had not remarried and, therefore, were still eligible for the exemption. This may have resulted in property owners incorrectly receiving a total of \$96,617 in County, Town and School exempted assessed value for fiscal year 2018.

While the Assessor generally administered select real property tax exemptions properly, the failure to maintain all necessary records, and to verify and review information annually increases the risk that individuals could receive exemptions to which they are not entitled on future tax rolls. If exemptions were not properly granted, it could result in higher property tax bills for other property owners.

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. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
4. Consult with ORPTS or Suffolk County Real Property Tax Services, as necessary, for any technical assistance.

Appendix A: Specific Exemption Criteria

Alternative Veterans – Requirements related to Alternative Veterans typically include that the primary residence is of 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 honorably discharged. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount from which a single property may be exempt. Furthermore, disabled veterans and veterans with combat service may receive an additional exemption based on supporting documentation.

Senior Citizens – The Senior Citizens exemption requires the property be used exclusively for residential purposes and that all owners be 65 years or older (with certain exceptions) for a consecutive 12 months (unless an exception applies) with varying income limits established by each municipality. Residents receiving the Senior Citizens exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold. The RPTL Section 467 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 Citizens exemption.

Firefighters – The Firefighters' exemption generally allows for 10 percent of the assessed value of real property owned by an enrolled member of an incorporated fire company, fire department or incorporated voluntary ambulance service, or such enrolled member and spouse, or such deceased enrolled member's unremarried spouse or otherwise eligible shareholders of a cooperative apartment corporation, be exempt from taxation provided that the applicant resides in the town which is served by such incorporated fire company, fire department or incorporated voluntary ambulance service, the property is the applicant's primary residence, the property is used exclusively for residential purposes, and the applicant has been certified by the authority having jurisdiction for at least five years as an enrolled member. If a member accrues more than 20 years of active service and is certified by a jurisdiction, the exemption amount applies for the remainder of their life, so long as their primary residence is located within Suffolk County.

Appendix B: Response From Town Officials

OFFICE of the SUPERVISOR



ANGIE M. CARPENTER
Supervisor

August 8, 2019

Via Regular Mail and E-mail

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Ira McCracken, Chief Examiner

Office of the New York State Comptroller Division of Local Government and School Accountability

NYS Office Building, Room 3A10

250 Veterans Memorial Highway

Hauppauge, New York 11788-5533

Re: Unit Name: Town of Islip

Audit Report Title: Tax Exemption Administration

Audit Report Number: P7-19-21

Dear Chief Examiner McCracken:

The Town of Islip Supervisor, Board, and Assessor are in receipt of the Real Property Tax Exemption audit conducted by the Office of the State of New York Comptroller (OSC), Division of Local Government and School Accountability. Please extend our gratitude to your team for the extensive time and effort needed to review our exemptions, and prepare their findings and recommendations, and for their courtesy and professionalism throughout the process.

We understand if exemptions are not properly substantiated, there is a risk that exempted tax burden may improperly shift from exemption recipients to all other taxpayers. The audit process is a tremendous opportunity to fine tune our procedures to ensure that only qualified exemptions are granted. The Town of Islip substantially agrees with the findings and recommendations within the OSC audit report. For each recommendation included in the audit report, please let this serve as our corrective action(s) taken or proposed.

Audit Recommendations:

- *Ensure all applicants provide adequate supporting documentation before granting exemptions.*

TOWN OF ISLIP 655 MAIN STREET ISLIP, NEW YORK 11751 (631) 224-5500

- *Maintain eligibility documentation for all exemptions granted.*
- *Annually verify income to support Senior Citizen exemptions.*

Implementation Plan of Action(s), Implementation Date and Person Responsible for the Implementation:

The exceptions noted in the audit, suggest that ten (10) property owners may have received real property tax exemptions that were not properly supported, to the extent of \$601,320 in exempted market value for Town and County purposes, and \$562,913 in exempted market value for School purposes. The Town's total exempted market values for these exceptions differ from the values in the audit. The auditors adopted a different methodology to arrive at the totals. The Assessor communicated the Town's methodology to the auditors.

The Assessor sent written requests for missing documentation noted in audit's exceptions and as of August 7, 2019, all of the audit exceptions were updated with the required documentation. The proof and verifications received by the Assessor's Office, support that each of the ten (10) property owners were entitled to their exemptions, therefore there was no improper shift in exempted market values for Town, County or School purposes.

The audit findings and recommendations will improve operations and internal controls. Every new exemption application will be reviewed against the Assessor's records to ensure the applicant is the "owner" for exemption administration purposes. All necessary proof will be obtained and maintained with the original exemption application. Upon each exemption renewal, the file will be reviewed to ensure that all supporting documentation is maintained. For exemptions that are not mandated to be annually renewed, the Assessor will follow the verification procedures mandated by the Real Property Tax Law, and any guidance published by the New York State Office of Real Property Tax Services or the New York State Assessor's Association.

Again, thank you for your professional manner in which your team conducted the audit of our Real Property Tax Exemptions.

Sincerely,

Angie Carpenter,
Town of Islip Supervisor

CC: Councilwoman Trish Bergin Weichbrodt
Councilman John C. Cochrane, Jr.
Councilwoman Mary Kate Mullen
Councilman James P. O'Connor
Comptroller Joseph Ludwig
Town Clerk Olga H. Murray
Assessor Anne M. Danziger

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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 reviewed Council minutes and applicable local legislation to gain an understanding of the audit scope. We inquired with the Assessor about the real property exemption process and record keeping requirements.
- We randomly selected 80 Alternative Veterans exemptions (1 percent) totaling \$1,607,261 in County, Town and School exempted assessed value for further testing. We reviewed the record retained in the property folder to determine whether the exemption was justified. We recalculated the exemption amount to determine whether the property received the appropriate exemption and calculated the tax dollar effect of any exceptions found.
- We randomly selected 70 Senior Citizens exemptions (2 percent) totaling \$11,876,444 in County, Town and School exempted assessed value for further testing. We compared the age and ownership requirements, and determined whether income reported meets the eligibility as established by each municipality or as reported in the County's real property tax system. We noted whether the Assessor retained any record of income or age. We then reviewed the exemption calculation and calculated the tax dollar effect of any exceptions found.
- We randomly selected 35 Firefighters exemptions (3 percent) totaling \$1,204,084 in County, Town and School exempted assessed value for further testing. We reviewed the original application to determine whether the applicants had submitted all required documentation, including but not limited to a fire district roster. We recalculated the exemption amount and calculated the tax dollar effect of any exceptions found.
- We reviewed the assessment roll for any apparent irregularities in granting inappropriate exemptions.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmg

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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