

Town of Eden

Real Property Tax Exemptions

MARCH 2019



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

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Report Highlights

Town of Eden

Audit Objective

Determine whether select real property tax exemptions are properly supported by adequate documentation.

Key Findings

We reviewed 58 out of 765 agricultural, veteran and senior citizen exemptions, totaling \$2.9 million, on properties with a total assessed value of \$7.7 million. The Assessors:

- Granted or subsequently maintained 20 exemptions totaling over \$1.4 million that were not properly supported by adequate documentation.
- Did not periodically monitor exemptions or obtain annual renewal documentation as required, to ensure the exemptions were in compliance with State or local laws.

Key Recommendations

- Ensure all applicants provide adequate supporting documentation before granting exemptions and then retain this documentation.
- Periodically monitor exemptions and ensure annual renewal documentation is provided when required.

Town officials generally agreed with our findings. Appendix C includes our comment on issues raised in the Town's response letter.

Background

The Town of Eden (Town) is located in Erie County (County) and has a population of approximately 7,700. The Town is governed by an elected five-member Town Board (Board), composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of operations and finances.

Town residents elect a three-member Board of Assessors (Assessors), who are responsible for granting and tracking the Town's real property tax exemptions (exemptions) authorized under State and local laws.

Quick Facts

Total Agricultural, Veteran and Senior Citizen Exemptions

Number of Properties	750
Assessment Value	\$74 million
Number of Exemptions	960 ^a
Exemption Value	\$18 million

^a Many properties have multiple exemptions.

Audit Period

January 1, 2017 – August 31, 2018

Real Property Tax Exemptions

Why Should Exemptions Be Properly Supported?

Assessors annually determine real property assessed values for the tax roll, which is the basis for real property tax bills issued in the following year and provides for equitable tax apportionment among property owners. While exemptions reduce a property owner's tax liability, they shift a greater tax burden to the remaining non-exempt property owners. Assessors grant exemptions authorized by State and local laws, such as agriculture, veteran and senior citizen exemptions.

Assessors are required to grant exemptions only after valid applications with proper supporting documentation are submitted to them by, or on behalf of, property owners. Assessors should retain these documents to demonstrate that a property was, and remains, eligible for an exemption, and periodically review and monitor the exemptions to ensure property owners and properties continue to meet exemption eligibility requirements.¹ Certain exemptions (agricultural, veteran and senior citizen) require annual, or periodic, updated documentation to maintain eligibility, while within certain circumstances other exemptions (i.e., agricultural) may be granted for longer periods of time, spanning several years.

Exemptions Were Not Properly Supported

We reviewed 58 out of 765 (8 percent) agricultural, veteran and senior citizen exemptions, totaling \$2.9 million, on properties with a total assessed value of \$7.7 million.² We found that 20 exemptions (34 percent), totaling \$1.4 million, were not properly supported by adequate documentation to establish and/or maintain exemption eligibility.

Agricultural – We reviewed 21 agricultural exemptions totaling \$1.36 million on properties with assessed values of \$3.6 million. Fourteen exemptions valued at \$927,000 lacked one or more pieces of supporting documentation to verify eligibility, as follows:

- Eleven agricultural exemptions totaling \$427,000 were farmland district exemptions which require soil survey forms to be properly supported. However, these forms were not found for six exemptions totaling \$236,000. While the Assessors agreed that some supporting documentation should be retained for the life of the exemption, they could not locate these forms and said they may have been misplaced or disposed of them. Additionally, two of these exemptions totaling \$44,400 did not have any proof of income on file, and as such, were not properly supported.

¹ See Appendix A for eligibility requirements for the agricultural, veteran and senior citizen exemptions.

² For our test sample, we reduced the total population of 960 exemptions to 765 by eliminating exemptions of lesser value that have a minimal effect on the tax levy. See Appendix D for detail on the sampling methodology.

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- The remaining 10 agricultural building exemptions totaling \$932,000 were for farm buildings and/or structures. Eight exemptions totaling \$691,000 either lacked all documentation, or the documentation on file was insufficient. For example, three exemptions totaling \$299,000 were not supported by any annually updated proof-of-income documentation and one exemption totaling \$145,000 was not supported with the original exemption application or any documentation to demonstrate the exemption computation, as required.

Veteran – We reviewed 22 veteran exemptions totaling \$921,000 on properties with assessed values of approximately \$2.5 million. Six exemptions totaling \$480,000 lacked the required supporting documentation, as follows:

- Three exemptions totaling \$340,000 did not have the veteran military service evidence for which the exemptions were granted. For example, a 100 percent eligible funds³ exemption was granted to a resident with property assessed at \$100,800. However, the Assessors did not have any proof of military service, discharge, disability rating or use of eligible funds that may have been used to purchase the property, as statutorily required. Further, one of these exemptions was also not supported by any current renewal form on file.
- Three additional exemptions totaling \$140,000 were also not supported with current renewal forms.

Senior Citizen – We reviewed 15 senior citizen exemptions totaling \$600,000 on properties with assessed values of \$1.6 million and found that, other than minor exceptions which we discussed with officials, they were generally properly supported.

In conclusion, when the Assessors do not properly document exemptions as required or periodically review and monitor them to ensure eligibility remains appropriate, the risk of illegitimate exemptions increases. Exemptions reduce the taxable assessed value of a property and, therefore, reduce the property owner's tax payment and shift the tax burden to other property owners.

What Do We Recommend?

The Assessors should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
2. Maintain documentation to support eligibility for all exemptions.

³ The Eligible Funds Exemption reduces the assessed value of a property that a veteran purchased with "eligible funds" (typically up to a maximum of \$5,000) that the veteran received upon discharge from active duty.

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3. Annually verify income to support agricultural and certain veteran exemptions, as required.
 4. Periodically review all exemptions to ensure property owners remain eligible.
 5. Seek to obtain the missing documentation noted in this report to ensure the related exemptions are properly supported.

Appendix A: Specific Exemption Criteria

Our audit focused on agricultural, veteran and senior citizen exemptions from real property taxes in the Town. All real property in New York is subject to taxation unless specific legal provisions grant it exempt status. While certain exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

Following are the specific criteria for the exemptions included in our audit.

Agricultural – The agricultural exemption generally requires 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 exemption amount is calculated based on a New York State certified soil productivity value⁴ for each parcel. Property owners may also lease acreage to eligible farmers and also receive an exemption. Additionally, certain newly constructed or reconstructed buildings and structures used for farming operations may also qualify for a 10-year property tax exemption or, may qualify for a permanent exemption for temporary green houses, silos and bulk milk tanks. The exemption will terminate if the building or structure ceases to be used for farming operations and/or the land is converted to nonagricultural use. Property owners receiving these exemptions are required to file an annual renewal form certifying the property's continued eligibility. Although this form does not require proof of income, assessors should periodically verify farm income to ensure the property remains eligible.

Veteran – Requirements related to veteran exemptions vary, but typically include that the property is the primary residence of a United States Armed Services veteran (or a qualifying family member). The veteran must have actively served during certain eligible time frames or received an expeditionary medal and was discharged under honorable conditions. Also veterans who used eligible funds such as pension, bonus or insurance money, compensation paid to prisoners of war and mustering out [discharge] pay qualify for partial exemption. 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, disabled veterans may receive an additional exemption based on supporting documentation.

Senior Citizen – The senior citizen exemption requires the property be used exclusively for residential purposes and owned by a person 65 years or older, with varying income limits established by the Town. New York State Real Property Tax Law also allows income deductions, such as certain medical expenses, to be considered in calculating the exemption amount when adopted by the Town. Residents receiving this exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold.

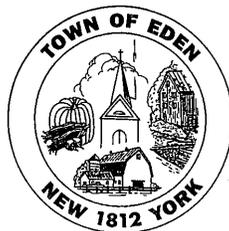
⁴ The New York State Department of Agriculture and Markets Commissioner annually calculates a base agricultural assessment value using the data published by the United States Department of Agriculture for all farming in New York State, which identifies the certified soil productivity value for each parcel.

Appendix B: Response From Town Officials⁵

RICHARD S. VENTRY
SUSAN F. WILHELM
MICHAEL M. BYRNES
GARY E. SAM
COUNCIL MEMBERS

MICHAEL G. COOPER
MELISSA ZITTEL
TOWN JUSTICES

RONALD A. MAGGS
SUPT. OF HIGHWAYS



MELISSA M. HARTMAN
SUPERVISOR

EMILY N. HAWKINS
TOWN CLERK AND
TAX COLLECTOR

JESSE L. BAKER
CODE ENFORCEMENT OFFICER

ROBERT W. PIETROCARLO
SUSAN PRATT
SUSAN L. JOHNSON
BOARD OF ASSESSORS

February 25, 2019

Via Email [REDACTED] and Regular Mail

[REDACTED]
Buffalo Office N.Y.S. Comptroller
Division of Local Government and School Accountability
295 Main Street, Suite 1032
Buffalo, NY 14203

Dear [REDACTED]

Thank you for this opportunity to provide our initial response to the Draft Report of Examination referenced above.

First and foremost the dollar amount of the exemptions are correct. We generally agree with the findings in the Draft Report. The following are corrections to the draft which were discussed with your office during the January 28, 2019 exit discussion:

1. Page 3, KEY FINDINGS – The number 725 was changed to 765.
2. Page 4, Exemptions – The reviewed files was changed from 725 to 765.
3. Page 4, AGRICULTURE – The assessed value of 6.8 million was changed to 3.68 million.
4. Page 5, Veterans – Seven exemptions changed to six.

Enclosed please find the supporting documentation for the following parcels in question.

See
Note 1
Page 8

Agricultural (14 forms for 6 SBL#'s)

1. [REDACTED]
2. [REDACTED]

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⁵ The Town's response refers to page numbers in the draft report that we reviewed with the officials. These page numbers may have changed when the final report was formatted.

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- 3.
 - 4.
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Veterans

The six exemptions totaling \$505,000 lacking the supporting documentation are all 458(5) former "Pro Rata" which were initiated in the late 1960/early 1970's. I have consulted with the New York State Division of Veteran Affairs and [REDACTED] Real Property Analyst-New York State Department of Taxation and Finance, their response is enclosed.

See
Note 1
Page 8

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.

Please feel free to contact the undersigned should you have any questions.

Very truly yours,

~~Melissa Hartman~~, Town Supervisor

Robert W. Pietrocarlo, Chairman, Eden Board of Assessors

Appendix C: OSC Comment on the Town's Response

Note 1

We reviewed our audit findings with Town officials during audit fieldwork on multiple occasions and asked for any additional supporting documentation to address the exceptions we noted. However, none was provided at that time.

After receiving the Town's response letter we phoned Town officials to inquire about the additional documentation they included with the letter. The Assessor stated they located this documentation in the property folders after the exit conference. However, during the audit we reviewed the folders with the Assessor and none of the documents were on file. The Chairperson of the Board of Assessors indicated that the Assessor in charge of agriculture exemptions who files these documents was on medical leave and the veteran exemption documents were obtained from other State agencies after our exit conference. We did not include the attachments with the additional documentation in the final audit report as it contained confidential information.

We encourage Town officials to continue to ensure proper documentation is obtained and maintained to ensure exemptions are properly supported.

Appendix D: 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 Board minutes and applicable State and local legislation to gain an understanding of our audit scope.
- We inquired with the Assessors and Town officials about the exemption process and recordkeeping requirements.
- We obtained the 2017 Town tax roll (roll) and compared it with the exemption report from the Real Property System (System), administered by the New York State Office of Real Property Tax Services and updated by the local Assessors, to determine whether the population of exemptions and corresponding dollar values were the same. The exemption population was the same on both the roll and the System report in total and for the sample exemptions that we traced. As a result, we determined the roll data was reliable to use for our audit sample selection.
- We reviewed the 2017 tax roll to determine the total number and corresponding dollar amount of agricultural, veteran and senior citizen exemptions, as it was the most recently completed tax roll during our audit period. The roll reported over 960 agricultural, veteran and senior citizen exemptions valued at more than \$18 million on properties with a total assessed value of \$74 million. We reduced this total population by 195 exemptions that totaled \$1.2 million, on properties with assessed values totaling \$20 million, because each exemption was valued at \$10,000 or less and had a minimal impact on the overall tax levy. From this remaining population totaling \$16.8 million in exemptions, we judgmentally selected 58 exemptions valued at \$2.9 million (17 percent of the audit population's exemption dollar value) on properties with a total assessed value of \$7.7 million for our audit testing. We focused our sample selection on the 58 higher dollar value exemptions as these have a greater financial tax impact on the remaining taxpayers within the Town. In some cases, certain properties were under more than one exemption category.
- We reviewed any available documentation relating to the exemptions and then recalculated the exemption amounts to verify that the property owners received the appropriate exemption amount.

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 E: 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#lmgm

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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