

Town of Plattsburgh

Real Property Tax Exemption Administration

DECEMBER 2018



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

Contents

- Report Highlights 1**

- Real Property Tax Exemption Administration 2**
 - How Do Assessors Properly Administer Exemptions? 2

 - Exemptions Lacked Applications, Supporting Documentation
and/or Were Incorrectly Calculated 2

 - What Do We Recommend? 5

- Appendix A – Specific Exemption Criteria 6**

- Appendix B – Response from Town Officials 7**

- Appendix C – OSC Comments on the Town’s Response 10**

- Appendix D – Audit Methodology and Standards 11**

- APPENDIX E – Resources and Services 13**

Report Highlights

Town of Plattsburgh

Audit Objective

Determine whether the Town Assessor is properly administering select real property tax exemptions.

Key Findings

- All 23 properties tested with agricultural exemptions totaling \$6.2 million lacked completed original applications and/or supporting documentation.
- These properties had annual agricultural exemption renewals but lacked periodic verification of reported farm income.
- Three veteran exemptions had an incorrect ownership or residential percentage used in calculating the exemption.

Key Recommendations

- Ensure all applications are complete and supporting documentation is provided before granting exemptions.
- Annually verify income to support agricultural exemptions.
- Ensure all exemptions are properly calculated.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix C includes our comments on the Town's response.

Background

The Town of Plattsburgh (Town) is located in Clinton County. The Town is governed by a five-member Town Board (Board). The Town Supervisor is a Board member and serves as the chief executive and chief fiscal officer.

The Board-appointed Town Assessor (Assessor) is responsible for granting and tracking real property tax exemptions within the Town's boundaries. Each year the Assessor determines the assessed value of Town properties to establish the Town's assessment roll, which is then used to determine the tax levies on properties for the Town, County and school districts located within the Town's boundaries. The current Assessor was appointed in 2011.

In 2017 the Town had 5,252 properties with over \$1 billion in total taxable assessed value.

Quick Facts

Total Population Exemptions¹	1,421
Total Exempted Value of Three Types of Exemptions	\$86 million

Audit Period

January 1, 2017 – April 30, 2018

¹ Agricultural, veteran and senior citizen exemptions

Real Property Tax Exemption Administration

All real property in New York 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. 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, the Assessor needs to:

- Ensure applicants submit completed applications with proper supporting documentation, meet eligibility requirements² and receive the proper calculated exemption amount.
- Verify that exemption codes are properly selected and amounts are properly calculated in the Real Property Tax System.
- Periodically verify that those granted exemptions continue to qualify for them.
- Retain supporting documentation for those granted exemptions and consult with the New York State Office of Real Property Tax Services or the Clinton County Real Property Tax Services Office, as necessary, for technical assistance.

Exemptions Lacked Applications, Supporting Documentation and/or Were Incorrectly Calculated

The Town granted a total of 1,421 agricultural, veteran and senior citizen exemptions on the 2017 assessment roll, collectively reducing the taxable assessed values for the Town, County and school districts by a combined total of more than \$86 million. The total exempted value for these categories is almost 8 percent of the Town's 2017 assessed value used for levying the 2018 County and Town taxes and the 2017-18 school taxes. Of the 167 granted exemptions we reviewed totaling \$13.3 million, we found 54 (32 percent) of the exemptions, valued at more than \$6.6 million, lacked one or more pieces of supporting documentation to verify the eligibility of these exemptions and/or were incorrectly calculated.

² See Appendix A for eligibility requirements for the agricultural, veteran and senior citizen exemptions.

Figure 1: Fiscal Year 2017 Real Property Exemptions and Exceptions

Local Government Type	Total Exemptions ^a	Total Exempted Value ^a	Total Number of Exemptions Tested ^b	Exceptions Identified	Total Exempted Value of Exceptions
Town & County	1,222	\$74,339,356 ^b	126	30	\$4,497,432 ^b
School	199	\$11,719,994	41	24	\$2,171,516
Totals	1,421	\$86,059,350	167	54	\$6,668,948

a This includes only agricultural, senior citizens and veteran exemptions categories.

b The value amount of the exemptions we tested were the same for Town and County purposes (e.g., a property with a veteran exemption of \$2,500 would be applied separately to both the Town and County assessed value for the property). Therefore, the total exempted value and total exempted value of exceptions reflect the combined values for the Town and County rolls.

Every exemption granted on a property shifts the tax burden to the non-exempt properties. As a result, the high rate of exceptions noted above caused inequity among taxpayers for financing local government operations.

Agricultural – All 23 properties we reviewed receiving an agricultural exemption, totaling \$6.2 million, lacked one or more pieces of supporting documentation to verify the eligibility of the exemption. For example, two properties did not have original applications on file and the remaining 21 lacked support to verify farm income reported in the applications necessary for the Assessor to determine the properties were eligible for the exemptions. Further, eight of 21 original applications on file were incomplete. For example, four of the 21 applications lacked information on the intended agricultural use of the land (i.e., acres used to produce crops, board horses or produce wood products).

The reviewed property owners annually submitted renewal forms, however the Assessor did not request support from the property owner to verify farm income as reported on the renewal forms. Due to a lack of adequate documentation, these property owners may have inappropriately received \$51,800 in County and Town tax reductions for fiscal year 2018 and school tax reductions for fiscal year 2017-18.

We also found one property owner received an annual agricultural building exemption of \$105,000 for 12 years, which is two years more than the 10-year eligibility period. The failure to discontinue this exemption after 10 years resulted in the property owner paying a total of \$5,708 less than they should have for County, Town and school taxes. As a result, these property owners may have inappropriately received a total of \$57,508 in County, Town and school tax reductions.

The Assessor told us he previously had concerns about what specific information or tax records he should request to verify farm income. However, the Assessor stated that he had recently attended training on agricultural assessments and as a result of our audit and this training, he plans to request documentary proof of gross income and/or market value of unsold crops from farmers during the annual renewals.

Veteran – Of the 50 properties reviewed with exemptions totaling \$3.9 million, we found that 11 properties receiving a veteran exemption lacked one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions. Upon our discussing the lack of supporting documentation with the Assessor during our audit, the Assessor requested and obtained support for 10 of the 11 properties. From our review of the additional support, we determined that while all 10 properties were eligible for a veteran exemption, three of the properties receiving a veteran disability exemption had a change in the disability rating since the original applications were filed. Had the property owners re-applied for changes in the disability ratings, they would have received an additional tax reduction of \$347 in County and Town tax. The remaining property lacked supporting documentation of military service. As a result, this property owner may have inappropriately received \$12 in County and Town tax reduction for fiscal year 2018. We also found one property owner had a misclassified veteran exemption and inappropriately received \$108 in County and Town tax reductions for the fiscal year 2018.

We also reviewed the 2017 assessment roll for any irregularities in the calculation of veteran exemptions and found three properties receiving veteran exemptions from the assessed value totaling \$101,970 had an incorrect ownership or residential percentage used in calculating the allowable exemption. This resulted in two property owners paying \$141 more in 2018 County and Town taxes and the remaining property owner receiving \$139 too much in County and Town tax reductions for 2018.

Senior Citizens – We tested 25 properties receiving senior citizen exemptions totaling \$2.5 million and found that except for one minor exception that we discussed with Town officials, the Assessor required and maintained adequate supporting documentations and correctly calculated the exemption amounts.

The exceptions noted above occurred because the Assessor did not obtain adequate documentation from property owners or maintain adequate records for the agricultural and veteran exemptions. He did not ensure all applications and annual renewals were complete nor require applicants for agricultural exemptions to submit proof of income. As a result, exemptions granted to certain property owners were inaccurate and the real property tax burdens for County, Town and school taxes were not distributed equitably.

What Do We Recommend?

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
2. Maintain documentation to support eligibility for all exemptions.
3. Ensure all exemptions are properly calculated.
4. Annually verify income to support agricultural exemptions.
5. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
6. Review the assessment roll exemption summary annually for noticeable errors in exemption calculations and make necessary changes including correcting errors in ownership and residential percentages.

Appendix A: Specific Exemption Criteria

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 agricultural exemption amount is calculated based on a New York State certified soil productivity value for each parcel. Property owners may also lease acreage to eligible farmers and receive an agricultural exemption. 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 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 – Requirements related to veteran exemptions vary, but typically include that the primary residence is 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 were 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 from which a single property may be exempt. Furthermore, disabled veterans 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 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 citizens exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold. Real Property Tax Law 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.

Appendix B: Response From Town Officials

TOWN OF PLATTSBURGH



Thomas E. Wood
Councillor

Barbara E. Hebert
Councillor

Charles A. Kostyk
Councillor

Rickey J. Collins
Town Clerk

Michael S. Cashman
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November 16, 2018

Dear Mr. Leonard,

We are in receipt of the *Town of Plattsburgh Real Property Tax Exemption Administration Report of Examination 2018M-163*. Below contains a Plattsburgh Town Assessor Corrective Action for each of the OSC Audit recommendation. Followed by a concluding statement.

OSC Recommendation #1: *Ensure all applicants provide adequate supporting documentation before granting exemptions.*

Plattsburgh Town Assessor Corrective Action #1:

The renewal applications for agricultural assessment are being sent out stating the need for the required leases and the owners/tenants income produced from raw product harvested from the farmland being used. Income for 2016 and 2017 will be requested.

Proof of age for Senior Citizen exemption not with some applications. This can be found with the Enhanced STAR application filed one, two or more years earlier. Typically the Enhanced STAR is applied for initially including proof of age, but the senior's income decreases over time and with death of spouse. As the Enhanced STAR renewals reveal limited income, the senior is moved into the Senior Citizens exemption without requesting age proof, since it had been provided with Enhanced STAR. With recent law changes, STAR is no longer administered locally which, unfortunately, will not permit the assessor to see any income changes that would trigger to inform the senior of eligibility for the Senior Citizen exemption. Proof of age for existing Senior Citizen applications are being collected with the 2019 renewal in order to update the file, rather than rely on searching through the archived Enhanced STAR application.

See
Note 1
Page 10

TOWN OF PLATTSBURGH

OSC Recommendation #2: *Maintain documentation to support eligibility for all exemptions.*

Plattsburgh Town Assessor Corrective Action #2:

A copy of all documentation that is provided during the renewal period is kept within the office. The documentation is collected and attached to the renewals. Original applications are located in Town's secure vault. There are 232 Senior Citizen exemptions, the migration to a filing system that provides the original application with all proper documentation will be concentrated on through the annual process of accepting original applications.

OSC Recommendation #3: *Ensure all exemptions are properly calculated.*

Plattsburgh Town Assessor Corrective Action #3:

Most exemptions are based on a residential use of the property. Back in the 1970's a consensus determined that one (1) acre of land maximum would be the size of the site for every home asking for an exemption. Therefore if an applicant had a 20 acre parcel with a Veterans exemption, a percentage is calculated using the "one acre", rather than including the extra land as exempted. This concept is applied to mixed use properties and is applied consistently throughout all exemptions. The Comptroller calculated the exemption amounts from the Final Roll and discovered the anomaly through mathematical review of the exemption summary from the assessment roll. The concept of residential percentage is supported by ORPTS as long as it is consistently applied throughout the assessment unit.

See Note 2 Page 10

OSC Recommendation #4: *Annually verify income to support agricultural exemptions.*

Plattsburgh Town Assessor Corrective Action #4:

Recent completion of a 2 day course provided by ORPTS and NYS Ag & Market representatives from NYS, provided information as to what income is specific to the particular farm. Leases, if applicable, and income for 2016 and 2017 are being collected for 2019 Roll and will continue to be requested annually.

OSC Recommendation #5: *Ensure previously granted exemptions are supported and continue to meet eligibility requirements.*

Plattsburgh Town Assessor Corrective Action #5:

The Comptroller found that some Veterans Eligible Funds exemptions could have been updated to present conditions and felt that it is the assessor's job to review these and reach out to the veteran to provide the guidance to signing them up for the Alternative Veterans exemption. The Town has 915 different Veterans exemptions in place. With limited resources at the Town level, it is necessary to rely upon the Clinton County VA Department, which has done an excellent job at tracking the veterans and reviewing eligibility changes, whether disability rating or spousal.

TOWN OF PLATTSBURGH

The second concern is related to the death of the veteran. Often this occurs and the family does not report the death to the Town. Therefore the exemption continues on, although remaining family members may not be eligible. More effort will be focused on tracking the obituaries, using the Town Clerk office and the newspaper obituary column.

OSC Recommendation #6: *Review the assessment roll exemption summary annually for noticeable errors in exemption calculations and make necessary changes including correcting errors in ownership and residential percentages.*

Plattsburgh Town Assessor Corrective Action #6:

Ownership is defined by deed processing. This may refer to the death of the owner and the estate still getting an exemption, a more thorough examination of the obituaries through Town Clerk and newspaper has been established.

As to residential percentages, the Office of the State Comptroller and the Office of Real Property Tax Services have different opinions. The Comptroller wishes to examine the roll and find clean math; ORPTS only states that the methodology used be consistent within the assessment unit. Everything done in regards to the residential percentages has been consistently applied throughout the assessment unit.

See Note 3 Page 10

Review of exemption summary for anomalies in calculations to ensure proper eligibility for the exemption will be instated.

Concluding Statement:

The Town Board does appreciate the role and ongoing efforts of the State of New York Comptroller's Office in conducting these audits. The town does acknowledge the OCS findings, although few in percentage from the randomly selected sample over a large sample period. The town will continue to provide tools such as [REDACTED] data collection support, training and ongoing education all to strive for highest standard. OSC findings will be addressed by the Assessor's Department and that work has already begun.

Respectfully,

Michael S. Cashman
Supervisor

Brian Dowling
Assessor

Appendix C: OSC Comments on the Town's Response

Note 1

Our audit did not identify concerns with supporting documentation for senior citizen exemptions.

Note 2

The exemptions we identified as incorrectly calculated were not a result of the Assessor's method of using one acre as the basis of residential use.

Note 3

We did not comment on, or disagree with, the Office of Real Property Service's recommended methodology related to residential percentages. We reviewed the 2017 assessment roll and found errors in the ownership and residential percentages used in calculating the allowable exemptions that the Assessor agreed with. As such, we recommend the Assessor review the assessment roll for noticeable errors.

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 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 judgmentally selected 23 properties with an agricultural exemption totaling \$6.8 million in assessed value for further testing. We reviewed the original application to determine whether all required documentation was submitted. This included a soil survey from the Soil and Water Conservation District. We reviewed any income support to determine whether the farmer met the minimum requirements. If applicable, we also determined whether the property had a current agricultural exemption renewal form on file. If the property was leased to another farmer, we determined whether there was a current lease on file. We reviewed the soil surveys to determine whether the number of acres for each soil group was properly entered into the Real Property Tax System. We then recalculated the exemption for five of the 23 properties to determine whether the property received the proper exemption amount. We also performed an aerial observation of the property using mapping software to determine if the property appeared fallow or uncultivated. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 50 properties with a veteran exemption totaling \$3.9 million in assessed value for further testing. We reviewed the record retained in the property folder to justify the exemption. We recalculated the exemption amount to determine if the property received the appropriate exemption amount.
- We reviewed the 2017 assessment roll for any apparent irregularities in the calculation of veteran exemptions granted. We then calculated the taxable effect of any calculation errors found.
- We randomly selected 25 properties with a senior citizen exemption totaling \$2.5 million in assessed value for further testing. We determined if the income reported met the eligibility as established by each municipality. We noted whether any record of income or age was retained. We then calculated the tax dollar effect of any exceptions found.

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/lgli/pdf/cybersecurityguide.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

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