

# Town of Milo

## Real Property Tax Exemptions Administration

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JANUARY 2019

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

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# Report Highlights

## Town of Milo

### Audit Objective

Determine whether the Assessor properly administered select real property tax exemptions.

### Key Findings

We reviewed properties with 100 agricultural, non-profit and not-for-profit, senior citizen, veteran and other exemptions. The Assessor:

- Granted exemptions without applications, renewal forms or other supporting documentation.
- Incorrectly calculated granted exemptions.
- Did not report the transfer of property with exemptions to the County as required.

### Key Recommendations

The Assessor should:

- Ensure granted exemptions are authorized, supported, accurately calculated and continue to meet eligibility requirements.
- Report the transfer of property with exemptions to the County to ensure the new owner is billed for the prorated share of taxes.

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

### Background

The Town of Milo is located in Yates County (County). The Town is governed by an elected Town Board (Board) composed of the Town Supervisor and four Board members.

The Board-appointed Town Assessor (Assessor) is responsible for granting and monitoring real property tax exemptions within the Town. 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 rolls. The Assessor must retain documentation that properties are eligible for exemptions.

#### Quick Facts

2017 Total Parcels	3,532
2017 Town Taxable Assessed Value	\$499 million

### Audit Period

January 1, 2017 – September 6, 2018

# Real Property Tax Exemptions Administration

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In New York State (NYS), the real property tax is a tax based on the value of the real property.<sup>1</sup> Counties, cities, towns, villages, school districts and special districts each raise money through the real property tax. The amount of a particular property's tax bill is determined by two things: the property's taxable assessment and the tax rates of the taxing jurisdictions in which the property is located.

The taxable assessment is determined by the assessor and should be based on the market value of the property less any applicable tax exemptions. The tax rate is determined by the amount of the tax levy to be raised from all, or part, of a town, and the town's total taxable assessed value. Therefore, the accuracy of the assessment roll is essential for fair and equitable property taxation.

Though all real property in an assessing unit is assessed, not all of it is taxable. Some properties are completely exempt from paying property taxes, such as religious or government owned properties. Other properties are partially exempt, such as those of veterans or senior citizens who qualify for an exemption on part of the property tax on their homes, and land and buildings used for agricultural purposes. While some exemptions are mandated by NYS law, others are subject to local option and/or local determination of eligibility criteria.

## How Does the Assessor Properly Administer Exemptions?

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner's tax payment. To ensure the Town's tax levy is fair and equitable, it is important that the assessor verify that every exemption is legitimate. To properly administer real property tax exemptions, the assessor needs to:

- Ensure property owners submit completed applications with proper supporting documentation and meet eligibility requirements.<sup>2</sup>
- 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 (ORPTS), as necessary, for technical assistance.

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1 Real property is defined as land and any permanent structures attached to it.

2 See Appendix A for eligibility requirements for the following exemptions: agricultural, not-for-profits, senior citizens and veterans. These exemptions are the most common non-NYS School Tax Relief (STAR) exemptions granted.

- Notify the county when a property with an exemption transfers to new owners, who do not qualify for the exemption, to ensure the new owner is billed for the prorated share of taxes.

## The Assessor Did Not Ensure Property Tax Exemptions Were Appropriate

The Assessor granted 850 non-NYS STAR property tax exemptions for non-municipal-owned property on the 2017 assessment roll, collectively reducing the Town’s 2018 taxable assessed value by more than \$117.7 million. We reviewed 100 exemptions totaling \$59.3 million and identified issues with 66 exemptions totaling \$25 million (42 percent) including exemptions that were miscalculated or inappropriately granted.

**Figure 1: 2017 Real Property Tax Exemptions**

Type of Exemption	Total Exemptions <sup>a</sup>	Total Town Exemption Value <sup>a</sup>	Total Number of Exemptions Tested	Total Town Exempted Value Tested	Exceptions Identified from Records	Total Town Exempted Value Exceptions
<b>Agricultural</b>	293	\$47,307,026	55	\$10,516,343	50	\$9,768,758
<b>Non-Profit and Not-for-Profit</b>	64	\$20,317,300	9	\$11,962,900	7	\$9,680,300
<b>Senior Citizens</b>	65	\$1,858,890	3	\$61,309	3	\$61,309
<b>Veterans</b>	382	\$7,095,772	19	\$347,405	3	\$31,280
<b>Other</b>	46	\$41,125,827	14	\$36,425,441	3	\$5,465,235
<b>Total</b>	<b>850</b>	<b>\$117,704,815</b>	<b>100</b>	<b>\$59,313,398</b>	<b>66</b>	<b>\$25,006,882</b>

<sup>a</sup> Excludes STAR and municipal-owned property exemptions

Every exemption granted shifts the tax burden to the non-exempt properties. Therefore, the rate of exceptions noted above (66 percent) can cause inequity among taxpayers to the extent that exemptions are miscalculated or inappropriately granted.

## Exemptions Lacked Applications and Supporting Documentation

We reviewed the files related to the 100 granted exemptions totaling \$59.3 million and found 56 (56 percent) totaling \$23.1 million in Town-exempted assessed value lacked one or more pieces of supporting documentation to determine eligibility or verify the accuracy of the exemption calculation. For example,

exemptions granted may have lacked the original application,<sup>3</sup> annual renewal form, soil group worksheet,<sup>4</sup> income verification, proof of military service or age (Figure 2).

These property owners received \$47,032 in 2018 Town tax reductions for these unsupported exemptions.

**Figure 2: Insufficient Supporting Documentation**

Type of Documentation	Number of Exemptions Without Documentation <sup>a</sup>	Total Town Exempt Value Without Documentation
<b>Original Application<sup>b</sup></b>	53	\$22,893,112
<b>Renewal Application</b>	30	\$21,295,873
<b>Soil Group Worksheet</b>	37	\$9,058,612
<b>Veteran Status or Disability</b>	2	\$16,730
<b>Proof of Age</b>	3	\$61,309

a Some exemptions were lacking multiple pieces of documentation

b Or Assessor certification when acceptable in place of an application

## Exemptions Were Calculated Incorrectly

We found ten (23 percent) of the 44 exemptions with sufficient supporting documentation were incorrectly calculated. These included one veteran and nine agriculture exemptions totaling \$1.44 million. The agricultural exemptions were incorrect because the soil group worksheet information was incorrectly entered into the software to calculate the exemption amounts. In addition, the Assessor did not always use the assessment roll land values in the exemption calculations and did not have documentation to support his valuations. In addition, the Assessor could not explain why the software incorrectly calculated the one small veteran exemption difference (\$150). These incorrect exemption calculations had a net exemption difference of \$68,241 for property owners in fiscal year 2018.

Although 56 exemptions lacked one or more pieces of supporting documentation, we were able to determine 15 exemptions totaling \$15.22 million were correctly calculated assuming the property owners qualified for the exemptions and one exemption was determined to have been incorrectly calculated. Specifically, the

3 NYS establishes legal minimum retention periods for retaining records, including records for real property tax exemptions. Generally, the minimum retention period for real property tax exemption applications and supporting documentation is six years after the expiration of the exemption.

4 A soil group worksheet prepared by the soil and water conservation district office must be filed as part of the agriculture 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.

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Assessor granted an agricultural exemption of \$60,599 more than appropriate because he included 50 ineligible acres resulting in a \$168 reduction in 2018 Town tax.

### **The Certification Process Was Incomplete**

Although the Assessor certified the assessment roll was accurate, including exemptions granted prior to his tenure, he did not review the exemptions granted by previous Assessors to ensure the exemptions had the necessary supporting documentation, are correctly calculated and remained eligible. Additionally, the Assessor did not require or maintain supporting documentation for the exemptions he granted as detailed in the following examples.

- The Assessor does not periodically verify farm income when property owners submit their renewal forms.<sup>5</sup> Additionally, the Assessor expressed concern that he is approving income-driven exemptions without knowing whether the property owners' information is accurate and complete because he lacks the ability to verify income with an outside governmental entity. Assessors receive income verification for the STAR exemption from ORPTS; however, this information is not available for agricultural or senior citizens exemptions. Therefore, the Assessor must rely on documentation provided by the property owners.
- Most of the non-veteran exemptions reviewed have annual renewal requirements. However, property owners without renewal forms continued to receive the exemptions because the software automatically renews the exemption on the property until the Assessor manually updates them. The Assessor told us that he does not always remove exemptions when a renewal form is not received after one year.
- Although the veteran exemptions do not require an annual renewal, the Assessor did not verify that these properties are still eligible for the exemption. We found that the veterans' exemptions with applications on file were over ten years old. When annual renewals are not required, it is especially important to periodically verify that properties are still eligible for the exemptions because the Town could inappropriately continue to grant an exemption to a property that has changed owners or status (i.e., no longer the person's primary residence).

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<sup>5</sup> Although the renewal form does not require proof of income, the Assessor should periodically verify farm income to ensure the property remains eligible.

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## **The Assessor Did Not Notify the County When Transferred Property Had Exemptions**

We reviewed all 14 properties transferred in 2017 with non-STAR exemptions totaling \$858,099 in Town exempted assessed value. We found the new owners were no longer eligible for exemptions on 11 properties. The Assessor told us that he did not report the transfers of properties with exemptions to the County as required because the County did not prorate taxes. As a result, the taxes for the 11 properties for a portion of the 2017 and all of the 2018 Town tax revenue for the 11 properties requiring proration totaling \$1,431 were absorbed by other taxpayers.

### **What Do We Recommend?**

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting correctly calculated exemptions and maintain documentation to support eligibility for all exemptions.
2. Ensure previously granted exemptions are supported, accurately calculated and continue to meet eligibility requirements.
3. Report the transfer of exempt property to the County to ensure the new owner is billed for the prorated share of taxes.

The Board should:

4. Consult with the Town Attorney regarding recovery and the potential legal and financial impacts the Town may face from prior years' erroneous exemptions.

## Appendix A: Specific Exemption Criteria

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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 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 periodically verify farm income to ensure the property remains eligible.

Non-Profits and Not-for-Profits — The requirements related to these exemptions vary, but generally require the property be owned by a non-profit corporation or association organized or conducted for specified purposes and used exclusively for these purposes. Most owners must file an application prescribed by ORPTS or comparable application form. If neither type of form is filed, the assessor may grant the exemption provided he/she personally inspects the property and certifies in writing that it satisfies all of the requirements for exemption. Some exemptions require annual renewal applications.

Senior Citizens — The exemption requires the property to 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. 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 the requirements for the senior citizen exemption.

Veterans — The requirements related to veteran exemptions vary, but 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 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, disabled veterans may receive an additional exemption based on supporting documentation.

# Appendix B: Response From Town Officials



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Leslie Church, Supervisor

Patricia L. Christensen, Town Clerk

Michael J. Christensen, Town Justice

Patrick Grimaldi, Town Assessor

Lance Yonge, Highway Superintendent

Tony Validzic, Code Enforcement Officer

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Rochester Regional Office  
The Powers Building  
16 West Main Street  
Suite 522  
Rochester, NY 14614-1608

January 10, 2019

Re: Report of Examination 2018M-210  
Real Property Tax Exemptions Administration

Examiner,

The Town of Milo would like to thank the New York State Comptroller's Office for time spent reviewing the Town of Milo Assessor's Office and exemption records. The Comptroller's office did a thorough job and offered guidance and helpful suggestions.

In response to the recommended actions by your office, the Town Board of the Town of Milo consulted with Assessor, Patrick Grimaldi and derived this course of action:

1). The Assessor's office will require all residents seeking exemptions to provide adequate documentation before the exemption is granted. The Assessor's office is reviewing and implementing a filing system to better maintain the exemption files. The Town of Milo will continue to utilize NY State Computer system to accurately calculate all exemptions. All discrepancies have been corrected.

2). The Town will review previously granted exemptions, verify and/or obtain supporting documentation.

3). Prior to 2019 Yates County Real Property did not pro-rate or process omitted exemptions. The understanding of this office is that Yates County Real Property is initiating this for the roll of 2019. The Town of Milo will participate and provide proper information to Yates County to assist Yates County in fulfilling this requirement

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4). The Town of Milo will consult with the Town Attorney and the Office of Real Property Tax Service as to any impacts from prior years.

These actions will be implemented with the 2019 roll year and should be completed by roll year 2020.

The Town of Milo Assessor Patrick Grimaldi, will be responsible for completing the plan, with the support of the Town of Milo Board.

Respectfully submitted,

Leslie Church  
Supervisor  
Town of Milo

Cc: Town Board  
Patrick Grimaldi, Assessor  
Patricia Christensen, Town Clerk

## Appendix C: Audit Methodology and Standards

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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 if the types of property tax exemptions granted on the 2017 assessment roll were authorized.
- We reviewed the exemptions granted for the 2017 assessment roll, which was used to generate 2018 taxes. From the total exemptions, we removed STAR exemptions (applied to school district taxes and overseen by the State) and municipal-owned property. From the remaining exemptions, we calculated the Town's exemption value as a percent of the overall assessment. We then:
  - Selected a judgmental sample of all 29 properties with exemptions in the 85-99 percent range with a Town exempted value totaling \$3.45 million.
  - Judgmentally selected all 31 exemptions with a Town exempted value over \$500,000 totaling \$52.98 million.
  - From the remaining exemptions we randomly selected 5 percent each of agricultural (15 exemptions with Town exempted value totaling \$2.26 million), senior citizens (three exemptions with Town exempted value totaling \$61,309) and veterans (19 exemptions with Town exempted value totaling \$347,405) because the total of the exemptions for these categories represented 89 percent of the remaining exemptions.
  - Judgmentally selected exemptions of Town officials and employees not included in the other samples (three exemptions with Town exempted value totaling \$217,617).
- For these 100 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, renewal forms, soil group worksheet, income support, proof of military service and proof of age), met eligibility requirements, and were properly calculated and properly coded. We recalculated the exemption amounts and the tax dollar effect of any exceptions.
- We reviewed the 44 properties with exemptions that transferred ownership in 2017 and identified 14 properties transferred with non-STAR exemptions. We inquired with the Assessor to determine whether he notified the County of these transfers and whether the taxes were prorated.

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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 Clerk's office.

# Appendix D: Resources and Services

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## **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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## Contact

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