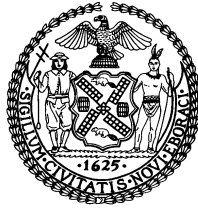


Committee on Veterans
Kelly E. Taylor, Counsel
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THE COUNCIL OF THE CITY OF NEW YORK
REPORT OF THE HUMAN SERVICES DIVISION
Robert Newman, Legislative Director

COMMITTEE ON VETERANS
Hon. Mathieu Eugene, Chairperson

May 8, 2013

RES. NO. 1735

By Council Members Eugene, the Speaker (Council Member Quinn), Recchia, Chin, Comrie, Dickens, Dromm, Fidler, Gentile, Jackson, James, King, Koo, Koppell, Koslowitz, Lander, Mendez, Richards, Rose, Vann, Williams, Wills, Palma, Arroyo, Van Bramer, Cabrera and Ulrich

TITLE:

Resolution calling upon the New York State Legislature to pass, and the Governor to sign, A.514/S.3872, legislation which would amend the Real Property Tax Law to allow veterans in New York City to enjoy the full value of the Veterans' Property Tax Exemption.

INTRODUCTION

On May 3, 2013, the Committee on Veterans, chaired by Council Member Mathieu Eugene, held a hearing on Res. No. 1735, a Resolution calling upon the New York State Legislature to pass, and the Governor to sign, A.514/S.3872, legislation which would amend the Real Property Tax Law to allow veterans in New York City to enjoy the full value of the Veterans' Property Tax Exemption. This was the first hearing on this legislation. At the hearing, the Committee voted 6-0 in favor of the resolution.

BACKGROUND

Veterans are afforded an array of benefits under federal, state, and local law in appreciation of their service to their country. One of these benefits offered by New York State is a property tax exemption which provides certain veterans with a savings in their annual tax bills. However in its current form, the Veterans' Property Tax Exemption produces an unpredictable and less valuable benefit in comparison to other State property tax exemptions.

All real property, including homes and office buildings, in New York State is assessed based on the property's market value.¹ Generally, property owners will pay a property tax based on the entire assessed value of the property, but the State grants certain classes of owners exemptions, meaning such owners only pay taxes on a portion of the assessment.² Veterans in New York City are eligible for the Veterans' Property Tax Exemption if they served during the Mexican Border Period conflict, World War I, World War II, the Korean War, the Vietnam War, or the Persian Gulf Conflict.³ Veterans that served in a combat zone or are disabled are eligible

¹ N.Y. State Department of Taxation and Finance, Assessments, <http://www.tax.ny.gov/pit/property/learn/asmts.htm> (last accessed Apr. 26, 2013).

² N.Y. State Department of Taxation and Finance, Property tax exemptions, <http://www.tax.ny.gov/pit/property/exemption/index.htm> (last accessed Apr. 26, 2013).

³ N.Y.C. Department of Finance, Veterans' Exemption, <http://www.nyc.gov/html/dof/html/property/veterans.shtml> (last accessed Apr. 29, 2013).

for increased benefits under the exemption.⁴ Spouses of qualified veterans, surviving spouses that have not remarried, and parents of veterans who died during a conflict are also eligible to receive veterans' property tax exemptions.⁵ A veteran, spouse, or parent seeking an exemption must use the property as their primary residence.⁶

The majority of property tax exemptions available in New York State are calculated so that the entire exempted portion of the assessment is excluded from the property tax, however, the Veterans' Property Tax Exemption requires that an eligible property owner pay the School Tax Rate on the exemption.⁷ The School Tax Rate is the portion of the property tax that goes to fund a locality's schools.⁸ As New York City has increased its annual spending on public schools, the value of the property tax exemption for veterans owning property in the City has decreased in recent years.⁹ Further, as school spending fluctuates from year to year, so does the value of the Veterans' Property Tax Exemption.¹⁰ In order to address these concerns with the Veterans' Property Tax Exemption, in early 2013, New York State Senator Andrew J. Lanza and Assemblyman Michael Cusick, both of Staten Island, introduced legislation that would bring the Veterans' Property Tax Exemption in line with other property tax benefits in the State by making the assessed value of property covered by the assessment fully non-taxable.¹¹ The legislation would increase the value of the Veterans' Property Tax Exemption and ensure that veterans are better able to predict their yearly tax liability.¹²

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

⁷ N.Y. State Department of Taxation and Finance, Veterans' exemption, <http://www.tax.ny.gov/pit/property/exemption/vetexempt.htm> (last accessed Apr. 29, 2013).

⁸ N.Y. State Department of Taxation and Finance, Property taxes, <http://www.tax.ny.gov/pit/property/learn/proptax.htm> (last accessed Apr. 29, 2013).

⁹ A.514/S.3872 (N.Y. 2013), Sponsor Memo.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

ANALYSIS

Res. No. 1735 summarizes the system of taxing real property in New York State on behalf of localities for municipal or school district purposes. The resolution explains that New York City annually assesses real property to determine the amount that will be owed in property taxes. The resolution further notes that real property tax rates are set by City Council, with a limitation imposed by State law capping yearly increases to no more than five percent or the rate of inflation from the prior year, whichever is less.

The resolution explains that New York State law provides a number of real property tax exemptions that lower the assessed value of certain real property. The resolution states that under most real property tax exemptions, the value of the exemption is subtracted from the property's assessed value. The resolution makes clear that the Veterans' Property Tax Exemption is unique in comparison to other property tax exemptions available in New York as it only allows for the exempted value of a property to be partially non-taxable, as opposed to fully non-taxable, from the property tax.

The resolution states that property owners eligible for the Veterans' Property Tax Exemption must pay a share of the property tax that pays for local public schools, known as the School Tax Rate, on the exempted value of their property. The resolution sets forth the impact of this formulation, noting that increased spending on schools results in the School Tax Rate rising closer the actual property tax rate. The resolution notes that the School Tax Rate changes annually with school spending, which in turn causes the value of the Veterans' Property Tax Exemption to fluctuate each year. The resolution discusses the recent increases in New York City's School Tax Rate, the result of reduction in federal and state education aid. The resolution explains that changes in school spending have reduced the value of the Veterans' Property Tax

Exemption and have caused veterans to be unable to plan for the amount they will owe in property taxes each year.

The resolution indicates that New York State Assemblyman Michael Cusick and Senator Andrew Lanza introduced A.514 and S.3872, respectively, legislation that would amend the State Real Property Tax Law so that the Veterans' Property Tax Exemption would no longer fluctuate with the City's spending on schools and instead would be reflective only of the assessed value of the property and the property tax. The resolution further states that this legislation would bring the Veterans' Property Tax Exemption in line with the formulations used by the other property tax exemptions in New York by exempting the assessed value of the property from the School Tax Rate and making it fully non-taxable. The resolution explains that the proposed amendments to State Real Property Tax Law would ensure that the value of the Veterans' Property Tax Exemption would rise consistent with increases in the assessed value of property or property tax rates.

The resolution calls upon the New York State Legislature to pass, and the Governor to sign, A.514/S.3872, legislation which would amend the Real Property Tax Law to allow veterans in New York City to enjoy the full value of the Veterans' Property Tax Exemption.`

Res. No. 1735

Resolution calling upon the New York State Legislature to pass, and the Governor to sign, A.514/S.3872, legislation which would amend the Real Property Tax Law to allow veterans in New York City to enjoy the full value of the Veterans' Property Tax Exemption.

By Council Members Eugene, the Speaker (Council Member Quinn), Recchia, Chin, Comrie, Dickens, Dromm, Fidler, Gentile, Jackson, James, King, Koo, Koppell, Koslowitz, Lander, Mendez, Richards, Rose, Vann, Williams, Wills, Palma, Arroyo, Van Bramer, Cabrera and Ulrich

Whereas, A real property tax is a charge imposed upon real property by or on behalf of a county, city, town, village or school district for municipal or school district purposes; and

Whereas, In New York City, real property is assessed each year to determine its value and this assessment determines the amount of the Property Tax that will be charged upon the property; and

Whereas, In New York City, real property tax rates are set each year by the City Council, but such rates are limited by the real property tax cap, set by state law, which requires local governments and school districts to raise property taxes to no more than five percent or the rate of inflation from the prior year, whichever is less; and

Whereas, Under New York State law, there are several types of real property tax exemptions, which reduce the assessed value of a real property; and

Whereas, Most real property tax exemptions are full exemptions, meaning the value of the exemption is subtracted from the property's assessed value; and

Whereas, The Veterans' Property Tax Exemption is different from other property tax breaks available in New York, which fully exclude the exempted value from the Property Tax; and

Whereas, As the Veterans' Property Tax Exemption is currently defined, the exempted value is only partially non-taxable, as the property owner must still pay the School Tax Rate, the share of the Property Tax that pays for public schools, on the exempted value; and

Whereas, As a result, the more money the City spends on its public schools, the closer the School Tax Rate will be to the Property Tax rate; and

Whereas, The School Tax Rate varies from year to year, causing the value of the Veterans' Property Tax Exemption to fluctuate annually as well; and

Whereas, In recent years, New York City has been forced to increase the School Tax Rate due to reductions in state and federal education aid; and

Whereas, These fluctuations have steadily reduced the value of the Veterans' Property Tax Exemption and made those eligible for such exemptions unable to plan ahead for the amount they will owe each year; and

Whereas, On January 9, 2013 and February 26, 2013, New York State Assembly Member Michael Cusick and Senator Andrew Lanza, introduced A.514 and S.3872, respectively, legislation that would amend the State Real Property Tax Law so that the Veterans' Property Tax Exemption would be tied exclusively to the assessed value of the home and property taxes, rather than fluctuate according to how much the City spends on schools; and

Whereas, To eliminate these fluctuations in the exemptions value, this legislation would make the Veterans' Property Tax Exemption like other real property tax exemptions and exempt that value from the School Tax; and

Whereas, Following the proposed amendments to the State Real Property Tax Law, the Veterans' Property Tax Exemption will become fully non-taxable; and

Whereas, This change to state law would also ensure that the value of the exemption would rise consistent with increases in assessed value and/or the appropriate class property tax rate; now, therefore, be it

Resolved, That the Council of the City of New York calls upon the New York State Legislature to pass, and the Governor to sign, A.514/S.3872, legislation which would amend the Real Property Tax Law to allow veterans in New York City to enjoy the full value of the Veterans' Property Tax Exemption.

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