New York's Tax Levy Limit Formula: *How does it add up?*

Although often referred to as a "2 percent tax cap," New York's new tax levy "cap" law does not restrict any proposed tax levy increase to 2 percent. Pursuant to the law, each school district must follow an 8-step calculation, outlined below, to calculate its individual "tax levy limit." That limit then determines what level of voter support is required for budget approval.

THE BASE FORMULA

PRIOR SCHOOL-YEAR TAX LEVY

The total amount of property tax revenue levied by the school district for the 2011-12 school year (the year *prior to* budget year 2012-13).

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TAX BASE GROWTH FACTOR

The "quantity change factor," determined by the Dept. of Taxation and Finance for each district by Feb. 1. It's the year-to-year increase in the full value of taxable real property in a school district due to physical or quantity change (e.g., new construction). Increases in full value due solely to assessment changes are not included. This factor will not be less than 1.000, even if a district sees a decrease in its full property value.

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PILOTS RECEIVED IN PRIOR SCHOOL YEAR

The amount of revenue receivable by the school district in the 2011-12 school year from "payments in lieu of taxes," or PILOTs. Certain commercial property owners (usually large corporations) enter into PILOT agreements to make annual payments instead of paying property taxes for a negotiated period of time.

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TAX LEVY TO PAY FOR SOME COURT ORDERS / JUDGMENTS

The amount of the school district's current-year tax levy (2011-12) necessary to pay for court orders or judgments arising out of tort actions. Applies only to the portion that exceeds 5% of the school district's total prior-year tax levy. Tax certioraries do not qualify.

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TAX LEVY TO PAY FOR LOCAL CAPITAL COSTS

The amount of the school district's current-year tax levy (2011-12) necessary to pay for construction/renovation of capital facilities or capital equipment (including debt service and lease expenditures) and transportation capital debt service (e.g., bus leases and purchases). Refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).

x

ALLOWABLE LEVY GROWTH FACTOR

This factor, which accounts for inflationary change, is limited to the lesser of 2 percent or the change in the consumer price index. **For the 2012-13 budget year, this factor is 1.02 (2% increase) for all school districts.**

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PILOTS RECEIVABLE IN COMING SCHOOL YEAR

The amount of revenue the school district expects to receive in the 2012-13 school year from "payments in lieu of taxes," or PILOTs.

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TAX LEVY LIMIT

The highest allowable tax levy (before exclusions; see below) that a school district can propose as part of its annual budget and need only a simple majority of voters (50% + 1) to pass the budget. Each school district will calculate and report its own tax levy limit.

Note: In future years, a district can "carry over" any unused portion of its tax levy limit, up to 1.5%. However, this is not a factor for 2012-13.

EXCLUSIONS TO BE ADDED

The law excludes certain portions of a school district's tax levy from the calculation above. A district can add these exclusions (described below) to its tax levy limit, increasing the amount of taxes the district is allowed to levy while still needing only a simple majority of voters for budget approval.

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TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS

The amount of the school district's coming-year tax levy (2012-13) necessary to pay for court orders or judgments arising out of tort actions. Only the amount that exceeds 5% of the school district's prior-year total tax levy can be excluded from the tax levy limit. Tax certioraries cannot be excluded.

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TAX LEVY TO PAY FOR SOME PENSION CONTRIBUTION COSTS

Applies only when the employer contribution rates set by the statewide pension systems (TRS and ERS) increase by more than 2 percentage points from one year to the next. Even with this exclusion, most—if not all—pension costs must be funded within a school district's tax levy limit.

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TAX LEVY TO PAY FOR SOME LOCAL CAPITAL COSTS

The amount of the school district's coming-year tax levy (2012-13) necessary to pay for construction/renovation of capital facilities or equipment (including debt service and lease expenditures) and transportation capital debt service. This exclusion refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).

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MAXIMUM ALLOWABLE TAX LEVY

The tax levy limit plus exclusions. This is the highest total tax levy that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (50% +1) is required.

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This publication was developed cooperatively by the Capital Region BOCES Communications Service and Questar III's State Aid Planning and Communication Services. For more information on New York's property tax levy cap, visit *www.capitalregionboces.org/taxlevycap* and *http://sap.questar.org/taxlevycap.php*. Published 1/2012.

QUESTAR III