

# Understanding New York's STAR Program

## *What is STAR?*

Most New York state homeowners are familiar with STAR, the School Tax Relief program launched in 1998-99. Originally intended to assist senior citizen homeowners (age 65 and over), STAR was quickly increased and expanded to include residential properties of other school district taxpayers.

Qualified homeowners, who must apply to participate in STAR through their local assessor, receive a partial property tax exemption under the program. The Basic STAR and Enhanced STAR exemptions reduce what homeowners would otherwise owe on their property tax bills. Most STAR recipients save several hundred dollars on their property taxes each year.

Several factors contribute to the calculation of the actual exemption amount, including the level of assessment in the community and, for Enhanced STAR only, an annual adjustment\*\* based on the rate of inflation. Prior-year savings under STAR are also a factor, as there is now a 2 percent cap on the increase in maximum STAR savings over the previous year.

STAR exemption amounts are calculated by the Office of Real Property Tax Services, a division of the NYS Department of Taxation and Finance. A homeowner's property tax bill clearly states the exemption amount and tax savings. If taxes are held in an escrow account, homeowners should receive a receipt that includes STAR information.

## *How does STAR affect school districts?*

Local school districts are reimbursed by the state for property tax revenues that go uncollected as a result of STAR exemptions. Since its inception, STAR has shifted more than \$3.4 billion from the local tax burden to the state.

Although STAR exemptions apply to school property taxes, school districts have no influence over the exemptions or tax savings. Because assessment data and equalization rates are not usually available during the spring school budget season, school districts frequently resist quoting future tax rates related to their proposed spending plans. Accurate tax information becomes available later in the summer before tax bills are sent to residents.

## TWO TYPES OF STAR

**BASIC STAR** is available on a homeowner's primary residence only and for households with an income of less than \$500,000. Homeowners need apply only once\* for BASIC STAR, and it remains in effect until ownership of the home changes. The exemption amount is calculated each year, and actual tax savings may change annually.

**ENHANCED STAR** assists homeowners age 65 and older with household incomes below a specific limit that is adjusted annually\*\* based on the rate of inflation (\$81,900 in 2014). The income limit is applied to all owners of the property and any owner's spouse who resides at the property. Enhanced STAR is available on the homeowners' primary residence only, and requires an annual application with proof of income, typically by March 1.

*Special eligibility rules apply for seniors with limited incomes, residents of cooperative apartments and manufactured home parks, surviving spouses, nursing home residents, trusts and life estates. Visit [www.tax.ny.gov/pit/property/star/special\\_eligibility.htm](http://www.tax.ny.gov/pit/property/star/special_eligibility.htm) for guidance.*

### ***\*Reapply for Basic Star for 2014***

Last year, a new law meant that homeowners receiving Basic STAR had to re-register with the NYS Department of Taxation and Finance by December 31, 2013, in order to continue receiving the exemption in 2014 and beyond.

While the December deadline has passed, the department is now accepting late registrations. This will likely continue until town assessment rolls are set in April.

This change does not affect Enhanced STAR.

### ***\*\*Proposals May Change STAR***

Gov. Andrew Cuomo's executive budget proposal included two initiatives related to STAR. These proposals could change some aspects of STAR if adopted into law:

**Proposal 1:** Eliminate the annual cost-of-living adjustment for the income threshold for Enhanced STAR exemptions beginning with the 2015-16 school year.

**Proposal 2:** Allow the department to directly pay eligible property owners who failed to reregister for Basic STAR the amount of STAR tax savings that they should have received in their 2014-15 school tax bills.

Go online for more detailed information about the STAR program, including eligibility guidelines, application instructions and forms, municipality exemption amounts, and maximum STAR savings:

- NYS Department of Taxation and Finance: [www.tax.ny.gov/pit/property/star/index.htm](http://www.tax.ny.gov/pit/property/star/index.htm)
- Find a town assessor: <http://orpts.tax.ny.gov/MuniPro/>
- Additional property tax exemptions for seniors: [www.tax.ny.gov/pit/property/exemption/seniorexempt.htm](http://www.tax.ny.gov/pit/property/exemption/seniorexempt.htm)