

Understanding the Tax Levy Limit

John Brucato

**Assistant Superintendent for Finance & Operations
Briarcliff Manor UFSD**

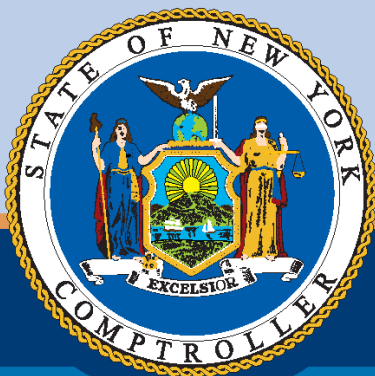
Dr. Ron Clamser, Jr.

**Assistant Superintendent for Finance, Facilities and Operations
Dobbs Ferry UFSD**



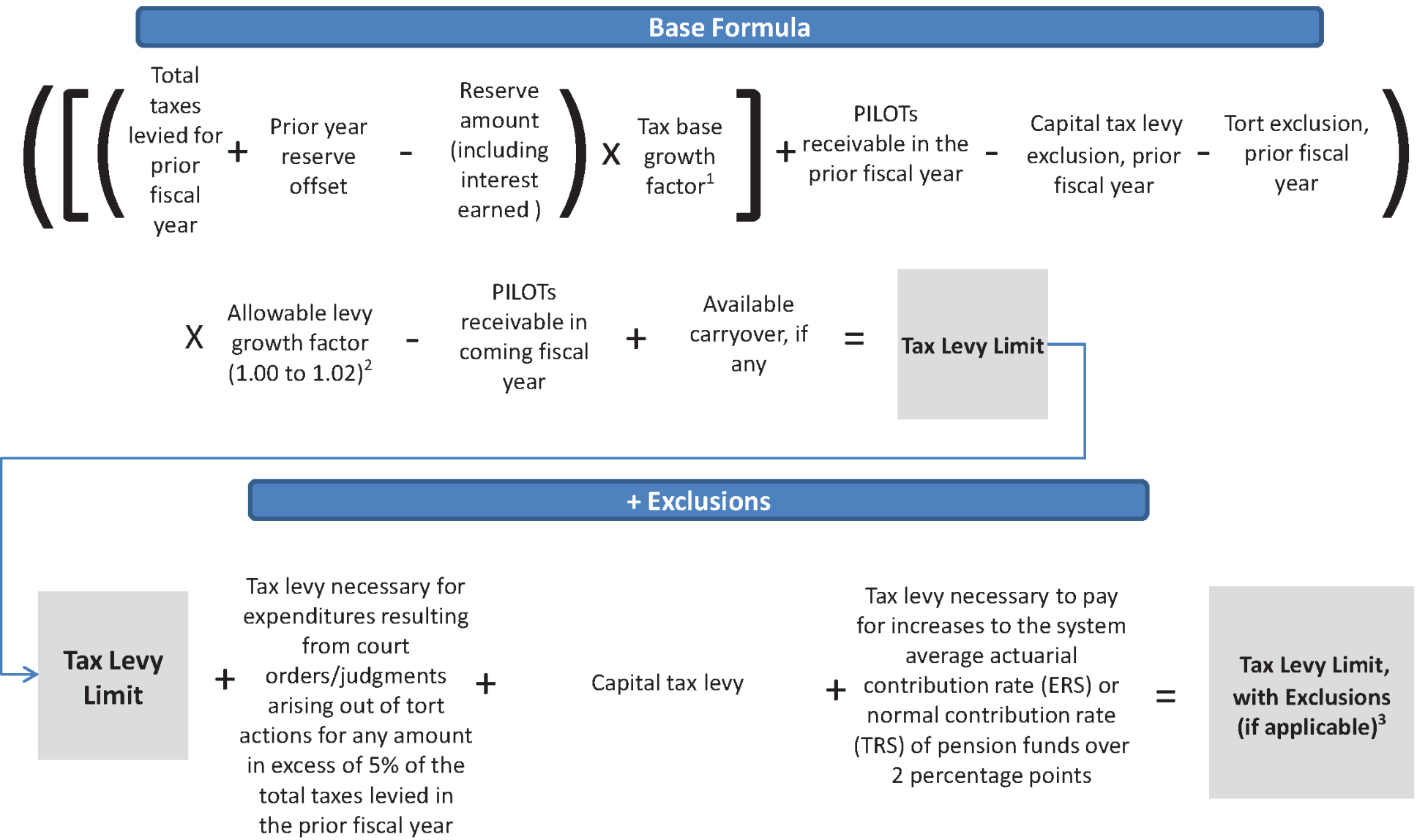
Agenda

- What is the Tax Cap?
- Important Components
- Tax Cap Demo
- Notice Requirement
- Resources



Property Tax Cap

Formula for Determining Tax Levy Limit: School Districts



What is the Tax Cap?

- Enacted in 2011
 - Chapter 97 of the Laws of 2011
- Took effect for the 2012-13 fiscal year
- Limit large increases year to year
- “2% cap” misnomer

Important Components

- **Tax Base Growth Factor** - This is a representation of the percentage change in full value property for new construction within your school district's taxing jurisdiction (includes increases due to physical or quantity change). Calculated by the NYS Tax and Finance Commissioner by February 15th each year.
- **Allowable Levy Growth Factor** - 2% or CPI, whichever is less. Origin of 2% misnomer. Released in December by the US Department of Labor.
- **Available Carryover** - the amount prior year levy was below the tax levy limit. Limited to 1.5% of the tax levy limit.

Important Components

- **PILOT** - Payment in Lieu of Taxes. District specific.
- **Capital Exclusion** - Your district's "local share" of capital debt.
$$\text{Local Share} = \text{Total Capital Debt} - \text{Building Aid}$$
- **Court Orders** - budgeted expenditures for court orders and judgements from toro actions (only the amount exceeding 5% of prior year levy). Excludes Tax Certioraris.

Important Components

- **Pension (ERS & TRS)** - increase in employer contribution rates in excess of 2 percentage points (not 2%)

Example Pension Exemption

ERS rate year 1 is 18.9%

ERS rate year 2 is 16.3%

$$18.9 - 16.3 = 2.6$$

$$2.6 - 2.0 = 0.6\% \text{ allowable exemption}$$

ERS base salaries = \$8,150,000

$$\$8,150,000 \times 0.6\% = \$48,900 \text{ total exemption allowable}$$

Tax Cap Formula

Step 1 - Calculate Adjusted Prior Year Tax Levy

(Prior year tax levy) x (tax base growth factor)

+

Prior school year PILOT's receivable

-

Prior school year capital & court order exemptions

(not ERS and TRS)

=

Adjusted Prior Year Tax Levy

Tax Cap Formula

Step 2 - Calculate Tax Levy Limit

$$\begin{array}{r} \text{Adjusted Prior Year Tax Levy} \\ \times \\ \text{Allowable levy growth factor (lesser of 2\% or CPI)} \\ - \\ \text{Coming school year PILOT's receivable} \\ + \\ \text{Available carry over (if applicable)} \\ = \\ \text{Tax Levy Limit} \end{array}$$

Tax Cap Formula

Step 3 - Calculate Maximum Allowable Tax Levy

Tax Levy Limit

+

Coming school year capital, court order, and pension exemptions

(includes ERS & TRS)

=

Maximum Allowable Tax Levy

(requires simple majority vote)

Tax Cap Formula

Briarcliff Manor UFSD - 2023-24 Tax Levy Limit Calculation			
2/28/23			
FINAL			
A.	Total Real Property Tax Levy for Base Year	\$44,798,025	Base Year Levy
B.	Tax Base Growth Factor (minimum of 1.0)	1.0000	No growth for 2023-24
C.	Product of A * B	\$44,798,025	
D.	Base Year PILOTS	\$0	No PILOTS
E.	Sum of C + D	\$44,798,025	
F.	Base Year Capital Tax Levy	\$3,217,471	Base Year Local Share
G.	Difference of E - F	\$41,580,554	
H.	Allowable Levy Growth Factor based on CPI (2% for 2023-24)	1.0200	Actual CPI: 8%
I.	Product of G * H	\$42,412,165	
J.	Budget Year PILOTS	\$0	
K.	Difference of I - J	\$42,412,165	
L.	Equals Tax Levy Limit Base or Before Exclusions	\$42,412,165	
M.	Budget Year Torts and Judgements above 5% of Levy	\$0	
N.	Budget Year Capital Tax Levy	\$3,082,061	
O.	Budget Year Pension Expense above 2% increase in rate	\$0	
	Eligible Prior Year Carryover	\$0	
P.	Tax Levy Limit Adjusted for Transfers + Exclusions (Sum L-O)	\$45,494,226	
W.	Total Tax Levy Percentage Increase	1.55%	

← Base Year Levy

← No growth for 2023-24

← No PILOTS

← Base Year Local Share

← Actual CPI: 8%

← -\$135,410

Tax Cap Demo

Tax Cap Effects

School district have two major funding sources:

- State Aid
- Local School Tax Levy

The tax cap limits the ability of school districts to raise funds locally to support educational programs

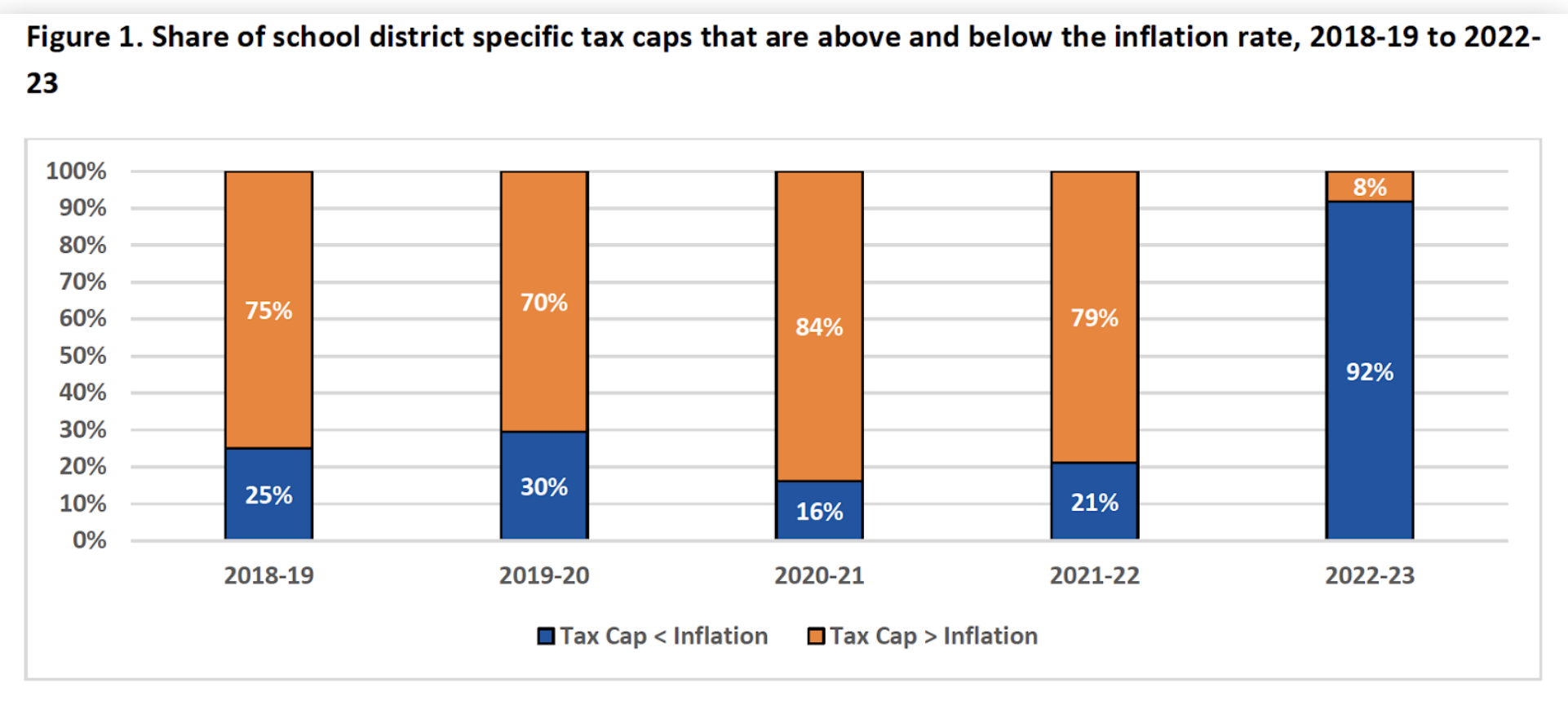


Figure 5. Regional Comparison of Local Revenues and Tax Caps

Region	Local share of overall revenue	Percent of school districts with a Tax Cap under inflation	Overall regional levy limit
Long Island	68%	96%	2.6%
Hudson Valley	65%	86%	3.1%
Capital District	53%	89%	3.2%
Finger Lakes	40%	93%	3.0%
Central New York	39%	93%	2.8%
Southern Tier	38%	99%	2.2%
Western Region	35%	92%	2.6%
Mohawk Valley	32%	89%	2.8%
North Country	31%	90%	3.3%

Override for School Districts

- The law allows school districts override the tax levy limit
- If a district intends to override the maximum allowable tax levy, a ballot statement must be included:
 - Requires voter approval of 60% or more
 - After two unsuccessful votes, the tax levy is capped at the prior years amount

What happens if the budget is not approved by the public?

If the original budget is defeated, the district may:

- Resubmit the original or a revised budget to the voters, or
- Adopt a contingent budget with a 0% tax levy increase

If the resubmitted budget is defeated:

- The Board must adopt a contingent budget with a 0% tax levy
- All other contingency budget requirements apply (admin cap, elimination of non-contingent expenses, etc.)

Notice Requirements

- Comptroller Submittal
 - March 1st
 - Tax levy limit
 - Proposed levy
- Property Tax Report Card
 - Submitted within 24 hours of BOE adoption, no later than 3 weeks before vote
 - Tax levy limit
 - Proposed tax levy before exemptions
- Public Hearing
 - No later than 2 weeks before vote
 - Budget notice (available 7 days before hearing) must include levy limit and proposed levy
 - Budget statement (available 7 days before hearing)

Resources

NYS Association of School Business Officials

<https://www.asbonewyork.org/>

Office of NYS Comptroller

<https://www.osc.ny.gov/local-government/property-tax-cap>

Questar /// BOCES - State Aid and Financial Planning Service

<https://www.questar.org/services/financial/state-aid-financial-planning/>

Contact Information

John Brucato
Assistant Superintendent for Finance & Operations
Briarcliff Manor UFSD
jbrucato@briarcliffschools.org
(914) 432-8116

Dr. Ron Clamser, Jr.
Assistant Superintendent for Finance, Facilities and Operations
Dobbs Ferry UFSD
clamser@dfsd.org
(914) 693-1500 ext. 3030