



MAKING THE PROPERTY TAX CAP PERMANENT

ISSUES

In 2012, New York State mandated that local governments adhere to a property tax cap of two percent or the rate of inflation, whichever is lower. At the time, the State promised a robust package of mandate reforms that would help local governments stay under the tax cap. While state leaders did cap county Medicaid costs and implement a new pension tier to slow the growth in state mandated costs, dozens more mandates were not addressed.

To make matters worse for counties, in the years leading up to the property tax cap the state shifted nearly \$400 million in annual costs to counties and local taxpayers. This was done to help the state balance its own budget during the recession. These cost shifts were never restored even after the state budget crisis ended, and more funding shifts have occurred since the enactment of the tax cap. The Governor and legislative leaders now want to make the property tax cap permanent.

COUNTY RECOMMENDATIONS

Counties support making the property tax cap permanent, but only if true mandate relief is provided and inequities in the original tax cap are corrected. Therefore, the state should also:

- **Enact No New Unfunded Mandates legislation.** The tax cap is meaningless in any form if the state is free to enact new unfunded mandates or allowed to shift more costs on local governments for existing mandates, which has been done repeatedly.
- **Make local home rule revenue authority permanent as well.** Counties must receive state approval every two years to maintain their local sales tax authority at existing levels. Sales tax revenue is the primary revenue option to help reduce pressure on property taxes for most counties, cities, towns and villages. New York City was granted permanent authority for its local sales tax at 4.5 percent in 2009—counties deserve to have their existing sales tax rates made permanent as well. Other local revenues such as mortgage recording tax (MRT), should also be made permanent. Last year, local MRT authority was not renewed for four counties because of unrelated political issues between the two chambers.
- **Reduce the costs of existing state mandates.** To truly lower property taxes, promised mandate relief must be delivered. Lower state mandated costs, means lower property taxes. Most states do not require their local governments to pay for and administer so many state and federal programs—that is a key reason why property taxes are higher in New York.
- **Exempt local capital spending from the property tax cap calculation.** School districts property tax caps exempt capital construction costs, but this exemption is not provided to counties, towns and villages. The state also exempts capital and other selected costs from its own two percent spending cap. Counties, towns and villages need to have capital costs removed from their respective tax cap calculations as well.

For more information on the county position regarding this issue, visit www.nysac.org or call 518-465-1473 to speak to Ryan Gregoire, NYSAC Legislative Coordinator.