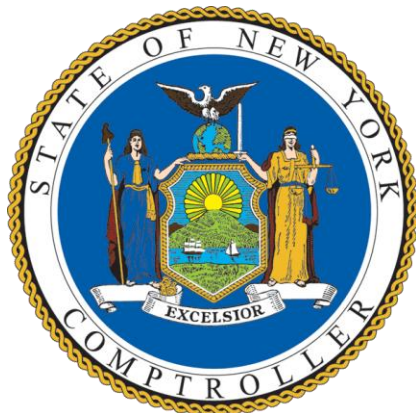


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# The Nuts & Bolts of the Real Property Tax Levy Limit ("Tax Cap") Law

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Presented by  
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# Summary

- Tax cap limits **total levy** set by local governments, **not** assessed value or tax rate.
- Local governments may not adopt a budget that requires a tax levy that exceeds the prior year's levy by more than 2 percent, or the rate of inflation, whichever is less, unless the governing board first adopts a local law (or resolution) to override the tax levy limitation.

# Formula Presentation

## Base Formula

$$\left[ \left( \begin{array}{c} \text{Prior} \\ \text{fiscal} \\ \text{year tax} \\ \text{levy} \end{array} \times \begin{array}{c} \text{Tax} \\ \text{base} \\ \text{growth} \\ \text{factor*} \end{array} \right) + \begin{array}{c} \text{PILOTs} \\ \text{receivable} \\ \text{in the prior} \\ \text{fiscal year} \end{array} \right] \times \begin{array}{c} \text{Allowable} \\ \text{levy growth} \\ \text{factor (1.00} \\ \text{to 1.02)**} \end{array} - \begin{array}{c} \text{PILOTs} \\ \text{receivable} \\ \text{in coming} \\ \text{fiscal year} \end{array} = \text{Tax Levy Limit}$$

## + Transfer of Function

Tax Levy Limit

+

Net of Transfer of Government Function (as determined by OSC)

=

Tax Levy Limit, Adjusted for Transfer of Function

## + Exclusions

Tax Levy Limit, Adjusted for Transfer of Function

+

Tax levy necessary for expenditures from court orders/judgments arising from tort actions for any amount in excess of 5% of the total taxes levied in the prior fiscal year

AND

Levy necessary to pay for additional pension cost due to increases in the average actuarial/normal contribution rate of pension funds over 2 percentage points

AND

*School districts ONLY:* capital tax levy

=

Tax Levy Limit, Adjusted for Transfers, Plus Exclusions

# Exclusions – Pension Contributions

- Excludes tax levy necessary for pension contribution expenditures caused by growth in each retirement system's statewide average contribution rate in excess of 2 percentage points
- Contribution rate=
  - “System average actuarial contribution rate” for ERS and PFRS
  - “Normal contribution rate” for TRS

# Pension Exclusion: What It's Not

- Not based on your specific contribution rate but rather the published statewide average actuarial contribution rate (ERS/PFRS) or the normal contribution rate (TRS)
- Not based on the actual growth in your pension contribution from one year to the next

# 4 Step Pension Calculation: ERS

Step  
1

**18.9%**  
(SFY 12-13)  
Sys. average

—

**16.3%**  
(SFY 11-12)  
Sys. average

=

**2.6**  
Percentage **points**  
difference

Step  
2

**2.6**  
% point diff.

—

**2.0**  
Local  
responsibility not  
excludable

=

**0.6 %**  
Excludable portion

# 4 Step Pension Calculation (cont.)

Step  
3

0.6%  
Excludable  
portion

X

Salary  
Base

=

Excludable  
amount

Step  
4

Add excludable amount to the  
base levy limit.

(Note: Exclusions increase the amount of taxes you are allowed to levy)

# System Average Actuarial/Normal Contribution Rates for 2012

- Comptroller announced August 24, 2011
- TRS determined official rates July 2011

Retirement System	2011 Bill	2012 Bill	Difference	Excludable Portion
ERS (Dec)	16.3%	18.9%	2.6%	0.6%
PFRS (Dec)	21.6%	25.8%	4.2%	2.2%
TRS (Fall)	8.62%	11.11%	2.49%	0.49%

# Pension Example – Town A

## ■ Assumptions:

- Fiscal Year Ending 12/31/2012
- Pre-pays ERS bill in December
- Statewide system average actuarial contribution rate for ERS is
  - 16.3% of Dec 2011 bill salary base (SFY 2011-12)
  - 18.9% of Dec 2012 bill salary base (SFY 2012-13)
- Salary base of Town A is \$100,000 for both 2011-12 and 2012-13 (no change)
- Levy limit of Town A before pension exclusion = \$200,000

# Pension Example – Town A (cont.)

- Multiply .6% excludable by 2012-13 salary base:  
 $(\$100,000 \times 0.6\%) = \mathbf{\$600 \text{ is excludable}}$

- Add exclusion to levy limit before pension exclusion:

$$\begin{array}{r} \$200,000 = 2012 \text{ levy limit before exclusion} \\ + \quad 600 = 2012 \text{ pension exclusion} \\ \hline \mathbf{\$200,600} = 2012 \text{ levy limit after exclusion} \\ \text{is factored in} \end{array}$$

# Pension Example – Town A (cont.)

- Although the ERS system average rate increased 2.6 percentage points, the Town of A's actual ERS pension costs increased by 16% (\$2,600)

From \$16,300 to \$18,900

\*Remember, only \$600 is excludable

# The Comptroller's Role – Reporting

- Local governments and school districts must submit info necessary to calculate tax cap.
  - LGs – before adopting budget
  - Schools – March 1<sup>st</sup> (also to SED, Tax & Finance)
- OSC has developed an on-line form
- OSC will NOT certify
- OSC will NOT correct inaccurate data

# Report Form

- Form will:
  - Have proper inflation factor
  - Perform calculations
  - Confirm receipt
  - Allow you to save/print your work
- We will send you the link and your PIN.
- Links to resources that you will need for your calculation are available on our web site ([www.osc.state.ny.us/localgov/realprop/index.htm](http://www.osc.state.ny.us/localgov/realprop/index.htm))

# Report Form – Data Elements Page

<b>Tax Levy Limit Elements</b>	<b>Amount</b>
Total real property tax levy for fiscal year ending (FYE) 2011	1,000,000
Tax base growth factor	1.0310
PILOTS receivable in FYE 2011	30,000
PILOTS receivable in FYE 2012	30,000
Tax levy necessary for expenditures resulting from court orders or judgments arising out of tort actions FYE 2012	60,000
Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial or normal contribution rate in excess of 2 percentage points:	
State and local employees' retirement system (ERS)	3,000
Police and fire retirement system (PFRS)	2,000
Teachers' retirement system (TRS)	-
Transfer of local government function(s) (as determined by OSC):	
Costs	1,000
Savings	3,000

# Report Form – Calculation Page

<b>Tax Levy Limit (Cap) Before Adjustments and Exclusions</b>			
	Tax levy FYE 2011	1,000,000	
x	Tax base growth factor	1.0310	
+	PILOTS receivable FYE 2011	30,000	
x	Allowable levy growth factor	1.02	
-	PILOTS receivable FYE 2012	30,000	
<b>Total Levy Limit Before Adjustments/Exclusions</b>			<b>1,052,220</b>
<b>Adjustments for Transfer of Local Government Functions</b>			
+	Costs incurred from transfer of local government functions	1,000	
-	Savings realized from transfer of local government functions	3,000	
<b>Total Adjustments</b>			<b>(2,000)</b>
<b>Tax Levy Limit, Adjusted for Transfer of Local Government Functions</b>			<b>1,050,220</b>
<b>Exclusions</b>			
	Tax levy necessary for expenditures arising out of tort orders/judgments over 5% FYE 2011 tax levy	10,000	
+	Tax levy necessary for pension contribution expenditures caused by growth in the system average actuarial or normal contribution rate in excess of 2 percentage points:		
	ERS	3,000	
	PFRS	2,000	
	TRS	-	
<b>Total Exclusions</b>			<b>15,000</b>
<b>Tax Levy Limit, Adjusted for Transfers, Plus Exclusions</b>			<b>1,065,220</b>

# Data – Timing

- Most of the data necessary to fill out the form will be available in August or early September each year, at the latest, including:
  - Tax Base Growth Factor (Tax and Finance released town/city/county rates in early September 2011)
  - System Average Actuarial Contribution Rates for ERS/PFRS (released August 24, 2011)
  - Normal Contribution Rate for TRS (final released August 2011; estimate available from February 2011)
  - Projected Salary Base for ERS and PFRS (available from OSC retirement system over secure server; LGs sent logon information early September 2011)

# Data – Timing of Other Elements

LG Fiscal or School Year Ending	Allowable Levy Growth Factor	Submission Date (approximate)*
01/01/12 – 12/31/12	July 2011	Sept 2011
03/01/12 – 02/28/13	Sept 2011	Nov 2011
04/01/12 – 03/31/13	Oct 2011	Dec 2011
06/01/12 – 05/31/13	Dec 2011	Feb 2012
07/01/12 – 06/30/13	Jan 2012	Mar 2012
08/01/12 – 07/31/13	Feb 2012	Apr 2012

\* *School districts must submit report by March 1, 2012.*

# The Comptroller's Role – Reserve

- If local government enacts a levy in excess of the tax cap, the excess must be placed in a reserve.
  - Clerical or technical error
  - Post-audit
- Please see our FAQs for additional guidance.

# The Comptroller's Role – Post Audit Authority

- OSC has the authority to audit local governments and school districts for compliance with the tax cap.
- This is not the same as checking every report:
  - After the fact (sometimes years)
  - Not all entities every year; only those audited
- Local government over-levy discovered on audit must be placed in reserve.

# The Comptroller's Role – Adjustments to Levy Limit

- If government functions are transferred between local governments:
  - OSC determines costs and savings
  - Local governments adjust the tax cap accordingly
- Notify OSC if you may need such an adjustment

# The Comptroller's Role – New Tax Cap in Special Situations

- If local governments consolidate, then OSC determines the tax cap for the consolidated government.
- If a local government dissolves, then OSC determines the tax cap for the local government that assumes the obligations of the dissolved local government.

# Special Situations (Exceptions)

- No tax cap applies in the first year after a local government is newly established through a process other than consolidation or dissolution.
- State Ed, *not* OSC, is responsible for computing a tax cap when school districts reorganize.

# Multiyear Financial Planning

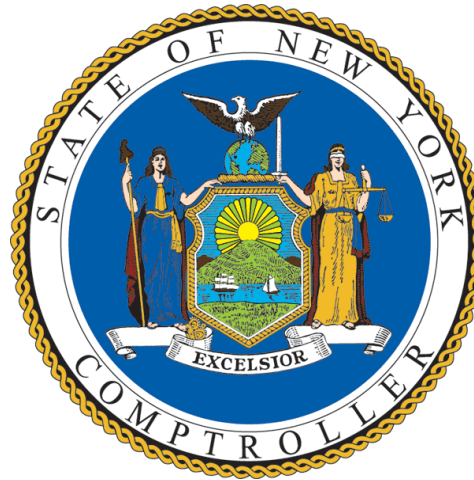
- OSC has created tools to help local governments and school districts develop multiyear financial plans
- The Package is on OSC's web site and includes:
  - Self Assessment Quiz
  - Online Tutorial
  - Sample Templates
- Hands-On Training is also available
- Visit [www.osc.state.ny.us/localgov/myfp/index.htm](http://www.osc.state.ny.us/localgov/myfp/index.htm)

# Resources and Contact Information

- OSC Property Tax Website:  
[www.osc.state.ny.us/localgov/realprop/index.htm](http://www.osc.state.ny.us/localgov/realprop/index.htm)
- OSC Property Tax Hotline:  
(518) 473-0006  
Email: [LGSAMonitoring@osc.state.ny.us](mailto:LGSAMonitoring@osc.state.ny.us)
- Retirement System (Salary Projection Data)  
Email: [RTEmpSer@osc.state.ny.us](mailto:RTEmpSer@osc.state.ny.us)
- Department of Taxation and Finance  
[www.tax.ny.gov/research/property/cap.htm](http://www.tax.ny.gov/research/property/cap.htm)

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# Thank You



**Division of Local Government and  
School Accountability**

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