

Understanding the

“2% Tax Cap”

2% Tax Cap

Tax Rate

Tax Levy

Tax Base Growth Factor

Exemptions

What Does it All Mean ?

PILOT's

Tax Levy Override

Homeowner Tax Bill

Super Majority Vote

Tax Levy Limit

The Common Misconception

“The Governor said my property tax increases would be capped at 2% each year”

- Unfortunately, it makes for a good political sound bite, but is not really a “cap”, it is not necessarily “2%”, and it is not tied to an individual homeowner’s tax bill at all.
- In simple terms, it is an annual tax increase threshold, with voter approval requirements, based on a complex calculation, allowing an increase in the “Tax Levy.”

How is it Calculated?

Base Formula

$$\left[\left(\begin{array}{l} \text{Prior} \\ \text{school} \\ \text{year} \\ \text{tax} \\ \text{levy} \end{array} \times \begin{array}{l} \text{Tax} \\ \text{base} \\ \text{growth} \\ \text{factor} \end{array} \right) + \begin{array}{l} \text{PILOTs} \\ \text{receivable in} \\ \text{the prior} \\ \text{school year} \end{array} - \begin{array}{l} \text{Capital tax} \\ \text{levy from} \\ \text{prior school} \\ \text{year} \end{array} \right] \times \begin{array}{l} \text{Allowable} \\ \text{levy} \\ \text{growth} \\ \text{factor} \end{array} - \begin{array}{l} \text{PILOTs} \\ \text{receivable in the} \\ \text{coming school} \\ \text{year} \end{array} = \begin{array}{l} \text{Tax Levy} \\ \text{Limit} \\ \text{Before} \\ \text{Exclusions} \end{array}$$

+ Exclusions

$$\begin{array}{l} \text{Tax Levy} \\ \text{Limit} \\ \text{Before} \\ \text{Exclusions} \end{array} + \begin{array}{l} \text{Tax levy necessary for} \\ \text{expenditures from} \\ \text{court} \\ \text{orders/judgments} \\ \text{arising out of tort} \\ \text{actions for any} \\ \text{amount in excess of} \\ \text{5\% of the total taxes} \\ \text{levied in the prior} \\ \text{school year} \end{array} + \begin{array}{l} \text{Capital tax} \\ \text{levy (to be} \\ \text{defined by} \\ \text{State} \\ \text{Education} \\ \text{Department)} \end{array} + \begin{array}{l} \text{Levy necessary to pay for} \\ \text{additional pension cost} \\ \text{due to increases in the} \\ \text{normal (TRS) or system} \\ \text{average actuarial (ERS)} \\ \text{contribution rate of} \\ \text{pension funds over 2} \\ \text{percentage points} \end{array} = \begin{array}{l} \text{Tax Levy Limit} \\ \text{With Exclusions} \\ \text{(If Applicable)*} \end{array}$$

* If school districts propose to exceed this, they must get 60% voter approval for an override.

So again we ask, What does it all mean?

Simply speaking, the calculation works like this ...

Take last year's Tax Levy

(the total amount of all taxes collected from homeowners & businesses)

+/-

Various adjustments, as determined by Tax Law

X

Allowable Levy Growth Factor

(Lesser of 2% or CPI (Consumer Price Index))

=

“Tax Levy Limit”

+

Coming School Year Exemptions, as determined by Tax Law

=

Maximum Allowable Tax Levy

(Which requires a simple majority vote for approval)

What are the BoE's Options?

Option 1: Propose a budget requiring a tax levy that is at or below the tax levy threshold prescribed by law.

- Requires a simple majority (50% + 1 voter approval)

Option 2: Propose a budget requiring a tax levy that is above the tax levy threshold prescribed by the law.

- Requires a “Super Majority” (60% voter approval)
- Requires a statement on ballot indicating the required tax levy before exemptions exceeds the Tax Levy Limit.

*** The Sag Harbor Board of Education
is NOT pursuing “Option 2.”**

Does the Public Still Vote on a Budget?

- **YES!**
- **School District Annual Election**
 - **Third Tuesday in May**
 - **May 21, 2013**

What Happens if the Budget is **NOT** Approved by the Public?

- If the proposed budget is **NOT** approved by the required margin, the district may:
 - Resubmit the original budget; or
 - Submit a revised budget to the voters on the third Tuesday in June; or
 - Adopt a contingency budget that **levies a tax no greater than that of the prior year (0% increase in tax levy)**.
- If the resubmitted/revised budget proposal is **NOT** approved by the required margin on the second vote:
 - The BOE must adopt a contingency budget with a tax levy **no greater than that of the prior year (0% increase in the tax levy)**

In Brief...

- NYS school districts will now annually calculate a “property tax levy threshold,” which requires a simple voter approval, 50% + 1, for budgets within or below the annual “Tax Levy Cap.”
- There is not a 2% property tax cap.
- The actual allowable tax levy percentage increase will vary by district.
- The formula allows for certain expenses to be exempt from the threshold calculation, thereby affording districts some relief from certain high cost expenditures beyond their control. (For example, exorbitant pension cost increases.)
- BOEs can present a budget that “overrides” the threshold, but will need 60% voter approval.
- **KEEP IN MIND** ...Voters are approving the budget (spending plan) not the tax levy. Your vote determines the level and quality of service we are able to provide to the children of the district.