



Understanding New York's Property Tax Levy Limit

Glossary of Terms

- **Tax Levy Limit:** A calculated tax levy amount (according to a state formula) that sets the threshold needed for 60 percent voter approval. Despite its name, it does not set a limit on the tax levy that a school district can propose, just a threshold for what level of voter support is needed.
- **Tax Levy:** The total amount of property taxes a school district must collect to balance its budget, after accounting for all other revenue sources including state aid. The tax levy is the basis for determining the tax rate for each of the towns or villages that make up a school district. This is only one component of the calculation of an individual's property tax bill.
- **Tax Rate:** The Tax Rate is comprised of: the tax levy set by the district; the assessed value of the individual property, set by the town or village assessor (not the school); and the equalization rate for the town, which is set by NYS Office of Real Property Services (ORPS).
- **Tax Base Growth Factor:** The year-to-year increase in the full value of taxable real property in a school district due to physical or quantity change (e.g., new construction, additions and improvements). Value changes due to market fluctuations are not included. This figure is part of the eight-step "tax levy limit" calculation, and will be provided to each district by the state's Department of Tax and Finance.
- **Allowable Levy Growth Factor:** One factor in the eight-step tax levy limit calculation, this figure accounts for inflationary change. It is limited to the lesser of 2 percent or the change in the consumer price index.

Frequently Asked Questions

What is a "tax levy limit?"

For school districts, the "tax levy limit" is the highest allowable tax levy (before exemptions) that a school district can propose as part of its annual budget, which will require approval of a simple majority, or more than 50 percent of voters. Any proposed tax levy amount above this limit will require budget approval by a super majority (60 percent or more) of voters. Essentially, the "tax levy limit" sets a threshold requiring districts to obtain a higher level of community support for a proposed tax levy above a certain amount. However, the new legislation does not place a limit on any taxes a school district would levy to pay for expenditures related to specific "exempt" items, including some court orders, some pension costs and local capital expenditures. These items are then added to the "tax levy limit" to arrive at the "allowable" tax levy limit.

Isn't it called a "cap"?

No. The state enacted a law that suggests that school districts must keep their tax levy at or below two

percent in order to be within the law. That is not true. The law does not hold school districts to a two percent “cap” of their tax levy. Each school district’s tax levy limit is determined by a complicated eight-step calculation. Therefore, some schools will have a tax levy limit at or below two percent, but some will have a tax levy limit above two percent. Any proposed tax levy amount above a district’s allowable limit will require budget approval by a super majority (60 percent or more) of voters.

How is the “tax levy limit” determined for school districts?

The law dictates an eight-step formula that each school district must use to calculate its individual “tax levy limit.” In particular, the calculation adjusts a district’s tax levy to reflect growth in the local tax base (if any) and the rate of inflation, or two percent, whichever is lower. Tax levy limits are calculated by each district and vary by district.

Does the law take into account that some expenses are currently outside a district’s control?

Yes. Taxes that school districts levy to pay for certain expenses are exempt from the tax levy limit calculation. In other words, after a school district calculates its tax levy limit, it then adds these exemptions to that amount. This allows the district to propose a tax levy greater than the amount set by the limit without triggering the need for approval by 60 percent of voters. These exemptions include: voter-approved local capital expenditures; increases in the state-mandated employer contribution rates for teacher and employee pensions that exceed two percentage points; court orders/judgments resulting from tort actions of any amount that exceeds five percent of a district’s current levy. Tax certioraris, however, are not exempt. These exemptions seem to indicate an acknowledgement among lawmakers that schools have no ability to simply limit cost increases in these areas to the rate of inflation. As a result, a district’s final tax levy (after the levies for these exemptions are added in) could be greater than its published tax levy limit and yet still be considered, under the law, within that limit.

What is the difference between tax levy and tax rate and how do they impact my tax bill?

To understand the answer to this question, it is important to know the difference between the terms tax levy and tax rate. Tax levy is the amount required to fund a school district’s operations. Tax levy is only one factor in the calculation of an individual’s property tax bill. Tax rate is determined by the tax levy, the assessed value of a property and the equalization rate set by the town. In May residents vote to adopt a budget with an estimated tax levy. In August, the board of education adopts a resolution to officially set the tax levy. **It is also important to know that the new law applies to the tax levy, not to tax rates or individual tax bills. In addition, the law does not impose a universal two percent cap on taxes—or any other specific amount.** There are several factors that dictate how an individual’s school tax bill is calculated after a school district sets the final tax levy—none of which are within the district’s control. Tax bills continue to be calculated by using a property’s assessed value (as determined by the local town assessor), and the tax rate—or the amount paid in taxes per \$1,000 of assessed value. Tax rates are not solely determined by the tax levy approved by voters; they are often adjusted by the state using equalization rates, which are designed to equally distribute the tax burden across municipalities within a district. Tax bills can also be affected by STAR or other exemptions for which individual taxpayers may qualify.