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NYS PROPERTY TAX REFORM COALITION

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TESTIMONY FOR: NYS Legislative Hearing on Local Government,
2014-15 Executive Budget
Albany, Legislative Office Building, Hearing Room B
January 27, 2014

Distinguished Members,

I'm John Whiteley, Legislative Affairs Officer of the NYS Property Tax Reform Coalition, a bi-partisan volunteer organization representing the interests of grassroots individuals and groups statewide who urgently seek property tax relief and reform via state legislation. The Coalition was established in 2007. I have personally been involved in property taxpayer advocacy since 1993.

In speaking at this Hearing in recent years I have lamented Albany's continued failure to implement a long overdue middle class circuit breaker to provide relief to local taxpayers that was a key part of the recommendations of the NYS Property Tax Relief Commission nearly six years ago. I am pleased to be able to say that, **thanks to this Governor's initiative, we can finally see some light at the end of that long tunnel. But to get there we will need your strong support – not just to endorse the proposed circuit breaker but to make it a better circuit breaker**, a more meaningful circuit breaker that directs most of its relief, as a circuit breaker should, to those most overwhelmed by property taxes, those paying unsustainable percentages of their income in property tax and those at greatest risk of being forced from their homes.

The proposed circuit breaker falls woefully short in this respect by largely ignoring the fundamental principle of targeted relief which underlies the very concept of a circuit breaker. Its formula includes as many beneficiaries as possible, beginning with those bearing relatively modest burdens at 3% of income, and pays for the cost of this unusual breadth of circuit breaker coverage by topping out at benefit levels which fail to make much of a difference for those paying double digit percentages of their income in property tax – those a circuit breaker should be most designed to help.

Such a broad based approach might be understandable if we didn't already have in place a \$3.5 Billion STAR program for virtually every homeowner and a \$400 Million program for \$350 "family rebate" checks. But we do have those programs, and the \$1 Billion circuit breaker should be different and complement those programs – not provide basically more of the same.

We also oppose linking circuit breaker eligibility to local governments' adherence to the property tax levy cap. To fully appreciate this, one needs to understand what the circuit breaker really is, and misconceptions abound, so please bear with me. We hear concerns, for

example, about “regional equity” and how to make the circuit breaker “fair” to school districts and municipalities statewide. But schools and municipalities don’t pay taxes, they collect them. Taxes are paid by individual households, one at a time, and the unique, irreplaceable feature of the circuit breaker as a form of property tax relief is that the eligibility and benefit amount is calculated for EACH INDIVIDUAL TAXPAYER based on his REAL INDIVIDUAL BURDEN, rather than on some mythical “average” or “median” burden in a given taxing jurisdiction. It’s truly a “bottom up” system of property tax relief. If you’re paying 10% or 20% of your income in property tax on your home, whether you live in Bronxville, Boonville, Binghamton or Buffalo, you’ve got a problem, and you need some help. How that shakes out by school, municipality or region should not matter, as far as “tax fairness” is concerned.. Only politically does it somehow become an issue.

To continue this thread and get to my point, we hear of “wealthy” communities and school districts and assume “those people” won’t need as much circuit breaker relief as those at the other end of the spectrum. And indeed fewer taxpayers in those communities may qualify as a percentage of the total. But please understand that some of our most struggling property taxpayers live in such communities, in which a solid majority of the residents are either relatively affluent or otherwise willing and able to support spending and tax levels which are forcing more and more of the struggling minority out of their homes. And the smaller that minority, the worse off they are – without the lifeline of a circuit breaker. **Such taxpayers have no control over the demographics of their community and will likely never be able by themselves to achieve the 40% voting strength to block an override of the tax cap. Losing their circuit breaker lifeline due to an override they can’t defeat would be an unconscionable injustice and worsen their situation.**

And that’s why the legislature should decouple the circuit breaker from the tax cap.

To just briefly address the rest of the Governor’s property tax relief package, **we support relief for renters, but it should be included as an additional component of the circuit breaker bill, as is the normal practice.**

And we question the policy merit of the two year property tax freeze, seemingly designed mainly as a way to jawbone local governments and school districts into cost savings through consolidation or shared services. While such cost savings are important, we wish at least equal attention would be paid to the continuing costs of unfunded state and federal mandates. From a property tax relief standpoint, the circuit breaker is most urgent and should be fully implemented immediately rather than further delayed by a quirky freeze.

We are currently developing specific proposals for what we believe will provide a more efficient and meaningful circuit breaker and overall property tax relief package, based on the concerns and recommendations above. We hope to have that within a few days and will convey it to you promptly as a follow-up to my remarks today.

In closing, let me note that the role of the property tax in funding services in New York State has reached truly unreasonable proportions that have further confirmed its well earned status as our most despised and burdensome tax. It is also inherently the least equitable, starting

with the flawed presumption that an increase in one's property value denotes an ability to pay more taxes. And it hits hardest at the middle class, contributing to its decline amidst a level of income inequality not seen since the eve of the Great Depression, with our state at the top of the list nationally. As the Governor commendably points out, we now pay some \$50 Billion through this miserable, crushing tax, compared to \$40 Billion in income tax. This needs to change. And for that to happen the state's taxation and fiscal policies need to change. And they need to change in a way that will systematically and permanently lower property taxes for everyone who pays them, by gradually reducing the continuing overuse of this archaic system for schools and other local governments. And to do that the state must soon begin to play a significantly enhanced funding role going forward, more in line with its constitutional obligations and our 21st century economic realities. Some initial suggestions will be included in our paper mentioned above. This underlying need for systematic and systemic funding reform – and how to get there – should be on the minds of all of us, regardless of current fiscal constraints, as we consider this budget and the future of our state.

Thank you for this opportunity. I'll be happy to respond to any questions.

Respectfully,

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