

ANALYZING NEW YORK STATE PROPERTY TAX RELIEF OPTIONS

A NEW APPROACH

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LIVE from New York.....



NYS Has A High Property Tax Burden

- ▶ \$38 billion in 2005, more than combined NYS & NYC PIT of \$34 billion
- ▶ In FY 05, NYS ranked #2 in state & local taxes per \$1,000 of personal income (NYS=\$150, U.S. avg.=\$113)
- ▶ NYS ranked #1 in local taxes per \$1,000 (NYS=\$82, U.S. avg.=\$46)
- ▶ From 2000 to 2006, property taxes in NYS increased 42%

Prior Policies to Address Property Tax Growth

- ▶ **1998 STAR (School Tax Relief) Program**
 - Provides exemption amounts from full value of home.
 - Seniors get higher exemption called Enhanced STAR if income below threshold (currently about \$70,000). Must verify income each year either by allowing DTF to do it or by proving income to local assessor.
 - State reimburses school districts.
 - NYC gets additional relief through City PIT credit and City PIT rates.
 - SFY 08-09, STAR exemptions worth \$3.6 billion.

Prior Policies (continued)

▶ **2006 STAR Rebates**

- Automatic payments from State to basic STAR exemption recipients based upon formula: school district tax rate was determining factor.
- Seniors (Enhanced STAR exemptions) received more.
- Rebates went to 3.4 million homeowners worth \$682 million.

Prior Policies (continued)

▶ **2007 STAR Rebates**

- Higher rebates with formula amended to be based upon school district segment.
- Income test for Basic rebates: 3 brackets, no rebate if income >\$250K
- Must file an application and give SSN so DTF can match against PIT file and capture income.
- Enhanced STAR still no application.
- Rebates went to 3 million homeowners worth \$1.1 billion, 2008 rebates to be worth over \$1.2 billion.

Future Policies to Address Property Tax Growth

- ▶ 2008 - NYS Commission on Property Tax Relief formed by Executive Order in January.
- ▶ Issued report in June recommending a property tax cap to be followed by new circuit breaker credit.
- ▶ In August, Senate backed Governor's proposal for a tax cap.
- ▶ Assembly rejected the cap, but passed a circuit breaker financed by a PIT increase on millionaires.
- ▶ 2009 - Property taxes will be a major issue in NYS. We will need improved analytic tools.

Old Tools for Analysis

- ▶ For circuit breaker fiscal notes, relied on American Communities Survey (ACS) from U.S. Census Bureau:
 - Provides information for about 85,000 NYS households.
 - Includes data on: household income, property taxes, property values, rent, utility costs, etc.
- ▶ Small sample of both homeowners & renters; reliability of answers in survey; inability to provide regional analysis.

New Tools for Analysis

- ▶ First time, able to link together micro records for local property tax and personal income tax.
- ▶ Property tax information based on parcel location, PIT information based on taxpayer – how to link them up?
- ▶ 2007 STAR rebates now give us the key through the application process that has taxpayer name, address of residence, and most importantly, SSN.
- ▶ We created a data set of 3 million individual records that has property tax, income tax, and rebate information.
- ▶ File is missing STAR recipients with income >\$250K, and PIT information for Enhanced STAR seniors who do not use automatic verification.

Data Files

- ▶ PIT File
 - NYS DTF, 2005, 8.3 million records
- ▶ Property Tax Files
 - NYS ORPS, 2007, 2.6 million records
 - NYC Finance, CFY 07-08, 1.0 million records
- ▶ STAR Rebate File
 - ORPS/NYC Finance/DTF, 2007, 2.9 million records
- ▶ Enhanced STAR Rebate File
 - ORPS/NYC Finance/DTF, 2007, 155,000 records

Merging Process

- Used SAS for data file manipulations and merging process
- Merges were done using SSN, ORPS ID, Municipal Code, Parcel Code, and NYC BBLE (Borough, Block, Lot, & Easement) Code as linking variables
- Used separate merging processes for Non-NYC and NYC homeowners and generated separate final data files

Merging Process (2)

- ▶ 1. Enhanced STAR Rebate SSN file was merged with PIT file by SSN to add property information for Enhanced STAR Rebate recipients on PIT file (Non-NYC and NYC)
- ▶ 2. PIT file enriched with information from Step 1 was merged with STAR Rebate file by SSN to add property and rebate information for other STAR Rebate recipients (Non-NYC and NYC)
- ▶ 3. Alpha match was done using names from PIT file and from STAR Rebate file to add PIT information for STAR Rebate recipients for whom we did not have SSN (Non-NYC and NYC)
- ▶ 4. Resulting file from Step 3 was merged with ORPS Property Tax File by ORPS_ID and Municipal Code to add property tax information (Non-NYC)

Merging Process (3)

- ▶ 5. County and Municipal tax rates from OSC were added to the file created in Step 4 (Non-NYC)
- ▶ 6. A number of variables, including property tax amounts, were estimated for policy analysis purposes (Non-NYC)
- ▶ ==> The resulting file has income and property tax information for about 2.3 million Non-NYC taxpayers
- ▶ 7. Step 4 was done for NYC records with NYC Property Tax file using BBLE as the linking variable, generating a file with approximately half a million records
- ▶ 8. Variables created for NYC file to ensure concepts and naming convention were consistent with Non-NYC file, so analysis could be performed for entire State

PIT/PROPTAX/REBATE FILES

▶ **FILE SIZE**

of records: **# of variables:** about 200

Non-NYC: 2.3 million

NYC: 540,000

Total NYS: approx. 2.9 million

▶ **UNIVERSE INCLUDES:**

STAR Rebate recipients who merged with ORPS/NYCFO
Property tax files

▶ **EXCLUDES:**

- Qualified homeowners who did not file for the Rebate
- Taxpayers/homeowners with income greater than \$250,000
- STAR Rebate recipients who did not merge with the ORPS
Property tax file

Problems Encountered

- ▶ **Different formats for different data files**
- ▶ **Large data files with millions of records and hundreds of variables**
- ▶ **In the merging process we did not get 100% matches because:**
 - Different timing for the update of different files
 - Some of the files included information for 2 different years
 - Missing PIT information for some Enhanced STAR Rebate recipients
 - Multi-residential units
- ▶ **Double counting issue for married couples included as two records**
- ▶ **Issues with the Enhanced STAR SSN file from local assessors**
- ▶ **NYC vs non-NYC Property Tax files**

Limitations of The Merged File

- ▶ Years not matching across the different files
- ▶ Excludes most homeowners with income greater than \$250,000 because we do not have SSN info for them to merge with the PIT file
- ▶ Missing information on property taxes for villages (close to 1,000), fire districts (about 500), and other special districts ==> Incomplete picture of full local property tax burden for many communities

Potential Applications

- ▶ Circuit Breaker Tax Credit Development
- ▶ Winners & Losers versus Current STAR Rebates
- ▶ Regional Analysis by County & School District
- ▶ May even be Audit possibilities