

Circuit breaker a better solution than tax cap

BY ELYSE KNIGHT • SEPTEMBER 26, 2010

Re "Some in Assembly stay quiet on tax cap," Sept. 19 article:

It was great to see in-depth coverage of the No. 1 problem facing New York state. However, your article leaves the impression that the Assembly members who do not support the tax cap are being unreasonable.

For the sake of clarity, New Yorkers need a detailed explanation of the difference between the cap, which is being used by gubernatorial candidate Andrew Cuomo as a sound bite, and the circuit breaker, which would actually bring relief to middle-income property owners, who have seen their property tax burden double over the last eight years, while incomes have stagnated or been reduced. The Assembly members who do not support the "tax cap" know it would be bad for taxpayers and schools alike, which is why it is not supported by the teachers union.

(A tax cap passed by the Senate would cap annual property tax increases at 4 percent or the rate of inflation, whichever is lower; Democrat Cuomo has touted a tax cap that would limit annual increases to 2 percent. — Editor.)

Based On Income

I support the circuit breaker because it is property tax relief based on an individual's income. It's the only option that will mean real property tax relief for the individual homeowner. Tax relief will be phased in over four years, a reasonable consideration of the state's fiscal situation.

My husband and I currently pay 21 percent of our gross income in property taxes. I know people paying almost half their income in property taxes. They use credit cards or dig into retirement funds. About 40 percent of New York state homeowners pay in excess of 10 percent of their income in property taxes. It's an outrageous, unfair taxation that's got to end. My husband and I can afford our home and utilities. We can no longer afford to maintain our home.

Exact terms of circuit breaker legislation remain under negotiation. Using an average of all the formulas under consideration, my household's property taxes would drop to about 8 percent of our income — still high, but relief.

Not An Individual Cap

The "tax cap" is frequently thought to be a "cap" on individual property taxes. That's erroneous. It's a cap on the tax levy. The tax levy is the amount of taxes that a school district, for example, needs to collect from property taxpayers within its district. If there are fewer taxpayers and/or more tax-exempt properties from one year to the next, the remaining taxpayers pick up the slack and pay higher property taxes.

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With so much focus on the waning fortunes and prospects of the middle class, it amazes me that our representatives seem tone-deaf to the urgency of real property tax reform. Since I bought my home in 1996, my property taxes have more than doubled, yet my income has stayed the same. Add to this the losses in my retirement account (which won't be guaranteed by the taxpayers, since I work in the private sector) and increases in health-care costs, this has a real effect on the amount of money I can spend on goods and services.

Retirees and others on fixed incomes have lost savings in the crisis, and now can't earn enough interest to make up for it without taking on too much risk. Since most people in the country are in the middle-income range, policies that help us are needed to get the economy back on its feet. President Barack Obama understands this, which is why he wants to keep tax cuts for the middle class.

It's important to get property tax relief right — and get it now. If the tax levy cap passes and a meaningful circuit breaker does not, legislators will tout that they have dealt with tax relief and think they're done with the problem. The poor taxpayer will get a bad surprise when he sees his property taxes continue to rise to the yearly cap limit and beyond.

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Last year, a friend in a nearby school district where the tax levy increased 4 percent districtwide saw his property taxes increase 14 percent.

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LINKING TAX LIABILITY TO INCOME

Reasons to support circuit breaker legislation that would link property owners' tax liability to their income — Senate bill 4239A and Assembly Bill 8702: • Property tax relief is targeted to truly overburdened taxpayers if they have lived in their homes for at least five years. • Relief is based on a percentage of the homeowner's income. • Relief is increased over a four-year phase-in period. • All local property taxes — the full burden of school and municipal — are covered under the circuit breaker, not just school taxes. • Homeowners with the same income and the same property tax bill get the same relief downstate and upstate. • The circuit breaker does not affect school or municipal funding. The full property tax is paid when due and taxpayers get an individual credit or rebate on their state income tax. **Capping annual property tax hikes** Reasons to oppose legislation capping annual property tax increases at 4 percent: • The tax cap provides no relief to the individual taxpayer. • The proposed tax cap is not a cap on individual property taxes, but a cap on how much a school district, for example, can raise the school tax levy districtwide. • If the tax levy cap is passed, tax levies will tend to increase yearly to the maximum allowed by law. • Wealthy school districts will tend to override the cap, further increasing the burden on many individual taxpayers and increasing the funding gap between "wealthy" and "poor" districts. • Individual tax bills could increase far beyond the tax levy. Source: Elyse Knight of the New York State Property Tax Reform Coalition

CALCULATE SAVINGS

Learn more about the circuit breaker and the impact of such a provision on your own tax bill; go to www.omnibustaxsolution.org.

The writer, who lives in Piermont, is an advocate with the New York State Property Tax Reform Coalition, which says it is comprised of representatives of 50 advocacy groups from around the state, "united in the urgent need to reduce the property tax burden."