

Spitzer Property Tax Relief Plan

Total cost of the plan in Year 1 = \$1.5 billion; Year 2 = \$2.0 billion; Year 3 = \$2.5 billion

Most relief to those who need it most: This component of the plan creates a new “Middle Class” category within the STAR program for the 80% of all New York homeowners who are not eligible for the even more generous Enhanced Senior STAR program. These middle class New Yorkers will receive up to an 80% increase in their current STAR exemption.

Recipients: Approximately 2,160,000 New Yorkers

Cost: Approximately \$960 million in the first year of the program.

Description: The STAR exemption for most homeowners in this category will be increased by 80%. Homeowners with incomes at or below the statewide median homeowner income (which will be adjusted upward in higher cost-of-living areas) will receive the full 80% increase in STAR relief. (The income threshold for homeowners in this “Middle Class” category ranges from approximately \$60,000 to \$90,000, depending on region.) This increased benefit will decline on a sliding scale for those homeowners above the median income threshold until income reaches a level equal to twice the threshold (\$120,000 in most regions, but adjusted upward in high-cost-of living regions to approximately \$180,000). Homeowners with incomes over twice the median income threshold will no longer be eligible for the “Middle Class” STAR benefit and, instead, will receive an increase of 30% in property tax relief under the “Basic” STAR increase, except the wealthiest homeowners with incomes greater than \$235,000.

Homeowners eligible for the full benefit under this new “Middle Class” STAR category will receive an increase of \$565 on average statewide. This amount will be generally be higher in areas with higher home values or taxes, in accordance with the mechanics of the existing STAR program. Under STAR, homeowners receive tax relief by receiving an exemption of a portion of the assessed value of their home for purposes of local school district property taxes. Homeowners who are eligible for the full amount of the benefit offered by this new Middle Class STAR category receive an increase in the amount of their home value exemption from the current level of \$30,000 to \$54,000—an 80% increase. The amount of the exemption will be adjusted upward in counties with above-average housing prices because of a mechanism known as the Sales Price Differential Factor (see “Current STAR Program” description below for a definition of the SPDF).

Substantial relief to all but the wealthiest 2% of homeowners: This component of the plan increases both the “Basic” STAR exemption and the “Enhanced” Seniors STAR exemption by 30% for all homeowners except the wealthiest 2% whose incomes exceed \$235,000 per year.

Recipients: Approximately 465,000 New Yorkers will receive the increased “Basic” benefit and approximately 630,000 will receive the increased “Enhanced” Seniors benefit.

Cost: Approximately \$100 million for the increased “Basic” benefit and \$190 million for the increased “Enhanced” Seniors benefit in the first year of the program. The total first year cost for these categories is \$290 million.

Description: The “Basic” and “Enhanced” Seniors STAR property tax exemption will be increased by 30% for every homeowner except the wealthiest 2% of New Yorkers whose incomes exceed \$235,000 per year.

This increased benefit will provide a statewide average increase in property tax relief of \$210 for those eligible for “Basic STAR” (bringing the statewide average total benefit to \$915) and \$360 for senior citizens eligible for “Enhanced” STAR (bringing the statewide average total benefit to \$1,565). A homeowner’s home value exemption for purposes of local school property taxes under “Basic” STAR will increase from \$30,000 to \$39,000 and, for seniors eligible for the “Enhanced” Seniors STAR benefit, the exemption will rise from \$56,800 to \$74,000. Seniors eligible for the “Enhanced” Seniors STAR program will continue to receive the greatest amount of property tax relief under STAR. As in the case of the new “Middle Class” STAR category, the amount of the exemption homeowners receive in the “Basic STAR” and “Enhanced” Seniors STAR categories will be adjusted upward in counties with above-average housing prices.

NYC Relief: This component of the plan provides an additional Personal Income Tax reduction to all but the wealthiest 2% of New York City residents equal to 20% of the total cost of our new STAR program.

Cost: Approximately \$250 million in the first year of the program

Recipients: All New York City income taxpayers but the wealthiest 2%

Description: Including New York City in this relief plan is critically important and only fair. Because while New York City may have relatively low property taxes, it’s only because they have a separate city income tax that relieves the pressure on school funding that property taxes would otherwise have to bear. Taken together, New York City residents are no less burdened by local taxes than anywhere else in the State and should not be arbitrarily excluded from relief. The current STAR program rightly recognizes this distinction and provides a proportionate income tax reduction to New York City residents. We will continue providing this critical relief through a proportionate increase, though we will not give the increase to the wealthiest 2% of New York City residents.

Addresses the root causes of high property taxes: This component of the plan acknowledges the need to separately address the underlying causes of high property taxes by reforming Medicaid, providing incentives for government service consolidation, curbing unfunded State mandates, fixing the antiquated school financing system, and employing an economic development strategy that will increase New York’s tax base.

Fiscally responsible: This component of the plan fully funds this tax cut with detailed savings from government efficiencies, health care reform and Medicaid cost containment, and stronger enforcement of existing tax laws.

Savings: Approximately \$11.25 billion over three years (\$2.975 billion in Year 1, \$3.825 billion in Year 2, \$4.450 billion in Year 3). (See the attached spreadsheet for a detailed schedule of savings.)

Current STAR Program: Provides an exemption from a home’s assessed value for school property tax purposes, thereby reducing a person’s overall property tax bill.

Cost: Approximately \$3.3 billion in 2006-07 (\$2.65 billion property tax, \$668 million NYC PIT)

Recipients: Approximately 3,315,000 New York homeowners: 2,685,000 homeowners receive the “Basic” benefit; 630,000 seniors receive the “Enhanced” benefit.

Description: The State’s current School Tax Relief program (STAR) provides an exemption from a home’s assessed value before a school property tax rate is applied, thereby reducing a person’s overall property tax bill. The program divides New York’s 3.3 million homeowners into two categories: those who receive the “Basic” exemption of \$30,000 and those who receive the “Enhanced” Seniors exemption of \$56,800. By far the largest component of STAR, “Basic” STAR is not means-tested, meaning that all homeowners are eligible and receive the same benefits regardless of their income level. The Spitzer plan aims to correct this inequity in the STAR program with its new “Middle Class” benefit category and its exclusion of the wealthiest New Yorkers who earn \$235,000 or more from the increase in benefits). “Enhanced” Seniors STAR is means-tested in that a homeowner must have an income under \$67,850 and must also be over 65 years of age to qualify. The exemption for both the “Basic” and “Enhanced” benefit is increased for homeowners in counties with above-average housing prices by applying what is called a “Sales Price Differential Factor.” The final component of STAR is that, as noted above, NYC residents receive an increase in Personal Income Tax credits in an aggregate amount equal to 20% of the cost of the STAR program, to reflect the fact that New York City relies on a local income tax to pay for schools, which takes pressure off their property taxes. NYC residential homeowners do receive STAR benefits directly as well, but their share is significantly smaller given NYC’s low property tax rates. Also, because the STAR benefit is an exemption from a home’s assessed value *before* the school property tax is applied, taxpayers are never out-of-pocket for these funds (the opposite is true with a rebate program). The STAR model also has the advantage of giving property tax relief without hurting local schools because the State replaces the revenue schools would have otherwise lost from another form of property tax cut.

Current STAR/Spitzer STAR Compared

	<u>Current STAR Recipients</u>	<u>Spitzer STAR Increase Recipients</u>	
Basic	2,685,000	465,000	
Enhanced Seniors	630,000	630,000	
Middle Class	Does not exist	2,160,000	
Total	3,315,000	3,255,000	

	<u>Current STAR Exemption</u>	<u>Spitzer STAR Exemption YR 1</u>	<u>% Increase YR 1</u>
Basic	\$30,000	\$39,000	30%
Enhanced Seniors	\$56,800	\$74,000	30%
Middle Class	Does not exist	\$54,000	80%

	<u>Current STAR Benefit (Statewide Avg)*</u>	<u>Spitzer STAR Benefit Increase YR 1 (Statewide Avg)*</u>	<u>Total STAR Benefit w/Spitzer Increase YR 1 (Statewide Avg)*</u>
Basic	\$705	\$210	\$915
Enhanced Seniors	\$1,205	\$360	\$1,565
Middle Class	NA	\$565	\$1,270

* Benefits in all three categories will increase in those counties with home-sale prices above the State’s median home-sale price.