

## *Understanding New York State's Real Property Tax Levy Cap...* ...as it applies to the Village of Wellsville

As many readers are aware, there is a new Real Property Tax Levy Cap Law in place that impacts all municipalities. With the 2012-13 Budget on the horizon we thought it would be a good idea to share how this new law will impact the Village of Wellsville through a Q & A format. Please feel free to contact the Village Treasurer, at [treasurer@wellsvilleny.com](mailto:treasurer@wellsvilleny.com), with comments or additional questions.

### What is a Real Property Tax Levy?

A real property tax levy is the total amount of money to be raised by property tax to cover the cost of providing public services. This levy, whether higher or lower than the preceding year, is determined by the budget-making authority of the jurisdiction through the budget process. The new law limits tax levy growth to 2% or the rate of inflation (whichever is less). There are potential adjustments to this 2% cap which will, in most years, yield a different allowable cap increase. The law also allows for a local municipality's board to vote and override the tax levy cap.

### How is the Real Property Tax Rate different from the Real Property Tax Levy?

The tax rate is not set until the tax levy is set. The tax rate is determined by dividing the real property tax levy by the total taxable assessed value of property in the jurisdiction. The taxable assessed value of property usually changes each year.

### What does the New Real Property Tax Levy Cap really limit?

The law limits the amount of tax levy a jurisdiction can collect from one fiscal year to the next. For example, if the real property tax levy was \$1,000,000 for fiscal year 2011-12, a board could not raise its levy by more than 2% (assuming no adjustments to the rate), or \$20,000, resulting in a total levy of \$1,020,000 for fiscal year 2012-13.

### If the Real Property Tax Levy increase is limited to 2% wouldn't the Tax Rate also be capped at 2%?

*NO*, the annual change in assessed valuation of property will mean the total levy is divided into an ever changing assessed value yielding a higher or lower Tax Rate change than the Tax Levy percentage increase.

### What are the possible adjustments to the Tax Cap Levy?

Changes in tax base growth, changes in PILOT revenues, the transfer of government functions and pension contribution growth above 2% are the most common adjustments New York State factors into the maximum tax levy growth rate.

### Are Real Property Taxes the only source of revenue for the village?

No, in the general fund roughly 1/3rd of the budgeted revenue comes from other sources and real property taxes do not support any of the other village funds such as the water or sewer fund. Many other municipalities receive part of the sales tax revenue collected by their county lowering the amount of tax levy necessary; however, Allegany County does not have a sales tax sharing agreement with the Village.

### What is the Village of Wellsville's Tax Levy Cap for 2012-13?

According to the calculation that must be filed with New York State, the Village of Wellsville's tax levy cap will be \$2,335,490 which is \$72,978 higher than last year, or an increase of 3.2% (due to a pension increase adjustment).

### Does this mean the Village of Wellsville's Tax Levy for 2012-13 will be \$2,335,490?

*NO*, as always, the Mayor and Board of Trustees work hard to produce a budget that requires as low a tax levy as possible while keeping in mind future needs and commitments. In fact, last year, the tax cap levy *decreased* by 1.3% while the tax rate remained the same. This year brings new economic pressures, such as the New York State Retirement contribution that is slated to increase by \$71,388, which the board will work diligently to address. In none of the past four budget years has the tax cap levy increased as much as would be allowed by law this year. Even though its makeup will change this spring the Board is hopeful this trend will continue.