Q&A: The Property Tax Cap

Although New York State now has what is commonly called a *"2 percent property tax cap,"* the law does not necessarily restrict proposed tax levy increases to 2 percent. Rather, its main purpose is to determine the level of voter support that is needed for a school budget to pass.

The **New York State School Boards Association** has provided the answers to some FAQs to help explain the tax cap law.

Q: Does the tax cap mean my annual property tax can't increase more than 2 percent?

A: **Not necessarily.** New York's property tax cap law establishes a tax levy limit for each school district. The tax levy limit allows school districts to increase their property tax levy from one year to the next by 2 percent or the rate of inflation, whichever is less, based on a multi-step formula. School districts are then allowed to take certain exemptions that may boost their tax levy limits to more than 2 percent or the inflation rate.

If a school district's proposed tax levy increase is within its limit, a simple majority of voters is needed for budget approval. If a school district's proposed tax levy increase exceeds the tax levy limit, a supermajority of voters – 60 percent or more – would be required for budget passage.

Q: What may school districts exempt from their tax levy limit?

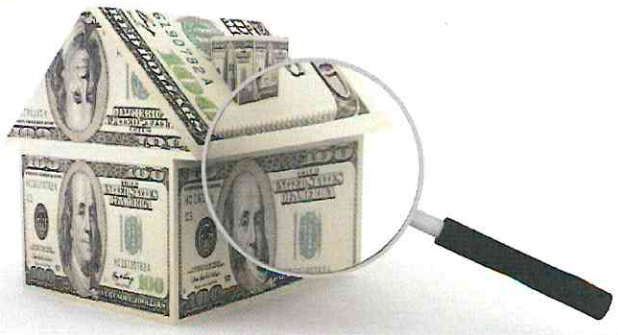
A: There are a limited number of specific exemptions to the tax cap that school districts may take. They include growth in "brick and mortar" development that increases the value of a school district's full taxable property, contributions toward employee pensions above a certain amount, expenditures for some court orders, and the local portion of capital expenditures.

Q: Does the tax levy indicate how much my taxes will rise?

A: **No.** The tax levy is the amount of money the school district can raise through property taxes. The amount an individual will pay to contribute to the levied amount is the tax rate. Tax rates paid by individual taxpayers may differ greatly from one household to another, based on such things as equalization rates and assessed property values, and may exceed 2 percent.

Q: What if voters reject the proposed tax levy?

A: If voters in the district reject the proposed budget, the school board may put up the same or a revised budget for a second vote, or adopt a contingency budget with a tax levy no greater than what was levied the previous year. If voters reject the spending plan twice, schools must adopt a budget with the same tax levy as the prior year – essentially a zero percent cap.



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