

Omnibus Consortium Omnibus Consortium

Press Release

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Omnibus Consortium on Governor's Circuit Breaker Proposal: Not the Right Policy for the Problem

(Albany, N.Y.) - As legislators prepare to convene for a special session on November 10, the Omnibus Consortium -- a statewide coalition of property tax reform groups, fiscal watchdogs, education advocates and unions -- is urging members of both chambers to focus attention on the Consortium's middle income circuit breaker legislation to provide urgently needed property tax relief rather than the circuit breaker concept recently proposed by the Governor. The Consortium's circuit breaker was introduced last session as S4239A (Liz Krueger), and A8702 (Steve Englebright). Both bills have bi-partisan sponsorship.

While Consortium members applaud the Governor's recognition that a circuit breaker is the fairest, most meaningful, and most cost-effective way to provide property tax relief, and while his specific proposal has some positive features, it has several fundamental flaws that render it impractical and largely unresponsive to an accelerating crisis which is literally forcing people from their homes.

Major concerns with the Governor's proposal include the following:

- 1) In contrast to virtually all effective circuit breaker programs nationwide, it would apply only to school taxes, ignoring the burden faced by hundreds of thousands of residents of mostly poorer counties where county and municipal taxes often exceed the school tax;
- 2) It allows the state to change annually the formula it will use to calculate the amount of the income tax credit, effectively negating one of the key features of a circuit breaker, which is to provide some level of confidence that one's maximum property tax obligation will be relatively predictable in future years;

3) Its implementation will only begin when the state runs a budget surplus, an unpredictable but definitely not imminent timeframe which ignores the urgency of the problem;

4) It sets a \$2000 maximum credit for any homeowner, significantly reducing the benefit for those being forced to pay the highest percentages of their income in property tax and who are therefore at greatest risk of losing their homes;

5) It would use future increases in available funding to include more people with lesser property tax burdens (based on the percentage of income paid in property tax) rather than raising the maximum individual credit or otherwise increasing the benefit for those who are most overburdened; (this undermines the fundamental concept of the circuit breaker as "targeted" relief, thereby making it less meaningful to those most overburdened and less cost-effective as a relief mechanism)

6) It includes a curious and cumbersome provision that would actually REDUCE the level of circuit breaker relief for those whose local school tax levy increase exceeds inflation in a given year and INCREASE the level of relief when the levy only rises at the inflation rate or less; (the reduction effectively penalizes the substantial number of individuals who may well have voted in the minority against the higher levy increase.)

7) It does not include renters. Every effective circuit program acknowledges that renters pay a property tax equivalent through their landlord and that lower and middle income renters can be just as overburdened by that portion of their rent as their homeowner counterparts.

8) It has different income brackets for upstate and downstate. Since the circuit breaker is based on the relationship BETWEEN one's income and tax bill, calculated as a percentage -- which has uniform validity statewide -- there is no reason for a geographic differentiation, and such a differentiation is actually inequitable.

9) It does not use graduated rate brackets in transitioning from one income range to another, thereby creating inequitable "notch" effects or "cliff" effects.

10) Despite the Governor's focus on school property taxes, his proposal does not address the state policy that most directly affects local school property taxes which is the adequacy and consistency of state aid. Incredibly, the Governor's proposal omits any commitment to the funding of the state's share of school costs under the landmark foundation formula legislation enacted in 2007 to settle the Campaign for Fiscal Equity lawsuit. This omission is even more amazing since the Governor's proposal also includes a formula for reducing the circuit breaker credit for homeowners depending on the school district that they live in and the rate at which that school district increases its property tax levy.

The Consortium's supported circuit breaker (S4239A and A8702) has none of the above problems. When fully phased in (fourth year), it would have a \$250,000 maximum income

eligibility. It would provide income percentage "triggers" of 6% on income of \$100,000 or less, 7% on income between \$100,001 and \$150,000, and 8.5% on income between \$150,001 and \$250,000. It has a 5 year prior residency requirement. The income tax credit for all those meeting the income and residency guidelines would be 70% of property taxes paid in excess of the relevant percentages. All ad valorem taxes paid on the home (i.e. those based on its value) are counted. Renters are included beginning in the second year.

S4239A and A8702 will provide the relief so urgently needed to stop the forced exodus of New York residents from their homes, and it will do so at a relatively modest cost (\$1.1 Billion the first year).

Omnibus Consortium Members

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