

RHINEBECK CENTRAL SCHOOL DISTRICT
TAX RATES FOR THE 2018-19 TAX LEVY

ACTUAL ASSESSED VALUES AND EQUALIZATION RATES

<u>TOWN</u>	<u>TAXABLE ASSESS VALUE</u>	<u>ADJUSTMENT</u>	<u>TOTAL ASSESSED VALUE</u>	<u>EQUAL RATE</u>	<u>TAXABLE FULL VALUATION</u>	<u>PERCENT FULL VALUE</u>	<u>TAX LEVY AMOUNT</u>	<u>2018-19 TAX RATE/1,000</u>	<u>2017-18 TAX RATE/1,000</u>	<u>DIFFERENCE</u>	<u>PERCENT OF CHANGE</u>
RHINEBECK	1,308,509,774	4,500	1,308,514,274	92.00%	1,422,298,124	77.23%	22,251,227	17.005014	16.295183	0.709831	4.36%
CLINTON	272,712,996		272,712,996	100.00%	272,712,996	14.81%	4,266,475	15.644559	16.295127	-0.650568	-3.99%
HYDE PARK	11,281,763		11,281,763	57.00%	19,792,567	1.07%	309,646	27.446595	27.618859	-0.172264	-0.62%
MILAN	72,394,159		72,394,159	100.00%	72,394,159	3.93%	1,132,575	15.644559	16.295127	-0.650568	-3.99%
REDHOOK	14,493,714		14,493,714	100.00%	14,493,714	0.79%	226,748	15.644559	16.295127	-0.650568	-3.99%
STANFORD	40,049,622		40,049,622	100.00%	40,049,622	2.17%	626,559	15.644559	16.295127	-0.650568	-3.99%
TOTALS	1,719,442,028	4,500	1,719,446,528		1,841,741,182	100.00%	28,813,229				

Prior Year Omitted Taxes 0

Total Tax Levy 28,813,229

TAX LEVY:

TAX AMT: 17-18	27,912,045
TAX AMT: 18-19	28,813,229
DOLLAR INC	901,184
PERCENT INC	3.23%

ESTIMATED REVENUES:

2018-19	
Fund Balance	950,000
State Aid	3,736,224
Other	420,706
Property Tax	28,813,229
Total	33,920,159

<u>FULL VALUE TAX RATE:</u>	
FULL VALUE TAX RATE 17-18	16.2951
FULL VALUE TAX RATE 18-19	15.6446
Annual Tax Rate Change	<u>-0.6506</u>
	-3.9924%

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Rhinebeck Central School District

% Change Due to Assessments

Town	2017-18 Assessments	2018-19 Assessments	Difference	Percentage Change
Rhinebeck	1,299,849,634	1,308,509,774	8,660,140	0.67%
Clinton	268,860,158	272,712,996	3,852,838	1.43%
Hyde Park	11,285,363	11,281,763	-3,600	-0.03%
Milan	71,909,434	72,394,159	484,725	0.67%
Red Hook	14,079,465	14,493,714	414,249	2.94%
Stanford	<u>39,076,586</u>	<u>40,049,622</u>	<u>973,036</u>	<u>2.49%</u>
	1,705,060,640	1,719,442,028	14,381,388	0.84%

Rhinebeck Central School District

% Change Due to Equalization Rate

Town	2017-18 Equalization Rate	2018-19 Equalization Rate	Percentage Change
Rhinebeck	100.00%	92.00%	-8.00%
Clinton	100.00%	100.00%	0.00%
Hyde Park	59.00%	57.00%	-3.39%
Milan	100.00%	100.00%	0.00%
Red Hook	100.00%	100.00%	0.00%
Stanford	100.00%	100.00%	0.00%

Rhinebeck Central School District

% Change Due to Full Value Assessments

Town	2017-18 Assessments	2017-18 Equalization Rate	2017-18 Full Value Assessments	2018-19 Assessments	2018-19 Equalization Rate	2018-19 Full Value Assessments	Percentage Change
Rhinebeck	1,299,849,634	100.00%	1,299,849,634	1,308,509,774	92.00%	1,422,293,233	9.42%
Clinton	268,860,158	100.00%	268,860,158	272,712,996	100.00%	272,712,996	1.43%
Hyde Park	11,285,363	59.00%	19,127,734	11,281,763	57.00%	19,792,567	3.48%
Milan	71,909,434	100.00%	71,909,434	72,394,159	100.00%	72,394,159	0.67%
Red Hook	14,079,465	100.00%	14,079,465	14,493,714	100.00%	14,493,714	2.94%
Stanford	<u>39,076,586</u>	100.00%	<u>39,076,586</u>	<u>40,049,622</u>	100.00%	<u>40,049,622</u>	<u>2.49%</u>
	1,705,060,640		1,712,903,011	1,719,442,028		1,841,736,290	7.52%

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MEMORANDUM

**TO: BOARD OF EDUCATION MEMBERS
MR. JOSEPH PHELAN, SUPERINTENDENT OF SCHOOLS**

FROM: SHAW, PERELSON, MAY & LAMBERT, LLP

RE: SCHOOL DISTRICT CHARITABLE FUND

DATE: AUGUST 2, 2018

Federal income tax law changes that go into effect starting with 2018 taxes will limit deductions for state and local income and real property tax payments, commonly referred to as SALT Deductions. In response, the New York State Legislature adopted changes to real property tax related laws, allowing for a new charitable contribution alternative to paying a substantial portion of property taxes, not to exceed an income tax deduction that could be set as high as 95% of the level of contribution,¹ that would be credited towards the tax bill issued by a taxing authority, including school districts. As the new laws relate to school district taxation, Education Law §§ 1604(44) & 1709(12-b)² were added to provide for a Charitable Fund to be established by board of education resolution to enable the substitution of a charitable donation to be credited towards school taxes.³ The Real Property Tax Law was also amended by adding §980-a to describe the process for collecting the charitable contributions and having them credited towards the tax bill. Further, the New York State Tax Law was amended to allow for Charitable Fund contributions to

¹ If the percentage adopted by the school district is 95% of the amount of the contribution, the other 5% would have to be paid as property tax, unless the amount of the contribution exceeds the total property tax bill.

² These provisions apply to union free & central and small city school districts respectively

³ The City School District of the City of New York may establish a Charitable Fund through action taken by the School District's Chancellor. See Education Law §2590-h

be deducted for state income tax purposes.⁴

On May 23, 2018 the United States Internal Revenue Service (“IRS”) issued a notice of its intention to propose regulations that would address the federal tax treatment of monies paid into a charitable fund in lieu of paying state and/or local taxes in expectation of a tax credit for such “charitable contributions”⁵ (see Appendix A – IRS Notice 2018-54). The IRS forewarns of the strong possibility that the tax credit will be disallowed under federal income tax laws.

Establishing and Managing a Charitable Fund

The Board of Education is granted the authority to establish by resolution a Charitable Fund to receive donations from taxpayers that will be applied against the tax liability attributable to their real property. The resolution must state the percentage of the tax bill that may be received in lieu of taxes, which may not exceed 95% of the amount of the charitable contribution. The resolution must also establish the position of fund administrator and may designate an agent to perform the tasks attendant to the collection of contributions and the issuance of the Acknowledgment of Charitable Contribution Form (RP-980-a-ACC) in duplicate. It is expected that the tax collector of the school district or Town, where the Town is the collector of school taxes, would perform the functions of receiving a copy of the Acknowledgment of Charitable Contribution Form (RP-980-a-ACC) along with a Claim for Property Tax Credit for a Charitable Contribution Form (RP-980-a-CCF) as well as the additional amount of taxes to complete the 100% collection requirement for the property, unless the charitable contribution exceeds the amount of the tax bill by an amount that would require no school taxes to be paid (e.g. a charitable contribution of \$10,526.32 towards a \$10,000 school tax bill).

Once established, the Charitable Fund may receive donations to be applied against school property taxes for an ensuing school tax year, with the monies deposited by the plan administrator or designee into the fund. The Charitable Fund must be maintained separate and apart from a school

⁴ New York State Tax Law §615

⁵ IRS-2018-122, May 23, 2018 -WASHINGTON — The U.S. Department of the Treasury and the Internal Revenue Service issued a notice today stating that proposed regulations will be issued addressing the deductibility of state and local tax payments for federal income tax purposes. Notice 2018-54 also informs taxpayers that federal law controls the characterization of the payments for federal income tax purposes regardless of the characterization of the payments under state law. The Tax Cuts and Jobs Act (TCJA) limited the amount of state and local taxes an individual can deduct in a calendar year to \$10,000. In response to this new limitation, some state legislatures have adopted or are considering legislative proposals allowing taxpayers to make payments to specified entities in exchange for a tax credit against state and local taxes owed.

The upcoming proposed regulations, to be issued in the near future, will help taxpayers understand the relationship between federal charitable contribution deductions and the new statutory limitation on the deduction of state and local taxes.

Taxpayers should also be aware the U.S. Department of the Treasury and the Internal Revenue Service are continuing to monitor other legislative proposals being considered to ensure that federal law controls the characterization of deductions for federal income tax filings.

The limitation imposed by the TCJA applies to taxable years beginning after Dec. 31, 2017 and before Jan. 1, 2026.

Updates on the implementation of the TCJA can be found on the Tax Reform page of IRS.gov.

district's General Fund in the same manner as reserve funds authorized by Article 2 of the General Municipal Law.⁶ The monies in the fund must be invested in the types of investments authorized for reserve funds and the deposits must be secured with collateral to the same extent as monies deposited in reserve funds.⁷ Monies in the Charitable Fund are subject to transfer into the school district's General Fund at the direction of the Board of Education and will be available for use without restrictions.⁸

How Are Charitable Contributions Applied Against Property Taxes?

Real Property Tax Law §980-a describes the process whereby a tax credit for charitable contributions in lieu of property tax payments may be made. The taxpayer must make the contribution prior to the first day of the penalty-free tax collection period or, where taxes are collected in installments, the first day of the penalty-free tax collection period for the first installment of school taxes.⁹ The Charitable Fund Administrator or his/her designee will issue a tax credit acknowledgement form to the taxpayer; this must be presented to the tax collector (or tax collecting authority for the school district) along with the Claim for Property Tax Credit for a Charitable Contribution form. The credit shall then be applied towards the total amount of taxes due for the property. This amount is to be supplemented by the taxpayer with the remaining amount of taxes due, if any (depending upon the amount of the contribution).¹⁰ It is unclear if the charitable contribution may be received by the collector of taxes at a time other than when the remainder of the taxes is also being paid. However, based upon tax collection practices, all taxes due may be required to be paid in full when the credit is presented for partial payment.

The board resolution authorizing the Charitable Fund could provide for collection of tax credit payments ahead of the issuance of the tax warrant for the applicable school year, up to twelve months before the final due date for the charitable contribution,¹¹ in which event the tax bills would be issued with acknowledgement of the tax credit payment amount. Such early receipt of tax credit forms during an "associated credit year"¹² by the tax collector will not be permitted where the tax collecting entity is another government, such as a Town, unless a local law has been enacted by the local government (Town) to permit early collection of tax credits. Accordingly, with the cooperation of the Towns that collect school taxes, where applicable, it would be possible to have

⁶ Article 2 G.M.L. reserve funds include: Repair Reserve, Unemployment Insurance, Workers' Compensation, Employee Benefits Liability Reserve, Employee Retirement (ERS), etc.

⁷ See General Municipal Law §§10 & 11.

⁸ A donor may not earmark the use of a donation to a school district's Charitable Fund.

⁹ §980-a(3)(a) R.P.T.L.

¹⁰ The N.Y.S. Department of Taxation and Finance, Office of Real Property Tax Services created form RP-980-a-ACC, entitled *Acknowledgement of Charitable Contribution*, to facilitate the processing of the charitable donation to be applied against the property tax. The form states, in part: "No goods or services were provided in exchange for this donation."

¹¹ If the school district chooses to accept charitable contributions before the issuance of the tax warrant, referred to as "The Associated Credit Year," then adjusted tax bills that account for the credit payment would be issued.

¹² The associated credit year is a twelve month period, measured back from the last day when taxes may be paid without interest or penalties (See§980-a[2])

a charitable contribution credit against 2018 federal and state income taxes based upon school taxes that will be due and owing for the 2019-20 school year. For the 2018-19 school year, given the timing for the adoption of the tax levy and issuance of tax bills, if the school district passes an authorizing resolution, there will be no opportunity for tax bills to note the charitable credit.¹³

Late Submission for Charitable Tax Credit

If a taxpayer misses the deadline for filing the tax credit forms ((RP-980-a-ACC& RP-980-a – CCF)), the credit will be unavailable as an offset against current school taxes. However, if school taxes were actually paid and the charitable contribution has also been received, the chief financial officer may refund monies paid to the extent of the charitable contribution amount, without interest if the refund is made with 45 days of presentment of the form. A request for refund may be processed for up to three (3) years from the date of the penalty-free tax collection period for the sole or first installment of taxes, where applicable.¹⁴

Reconciling Charitable Contributions and Bank Tax Escrow Accounts

In cases where banks or other mortgage holders require school taxes to be held and paid out of escrow to the school district collector of taxes, the amount of school taxes paid, up to the amount of the charitable tax credit, shall be refunded to the taxpayer.¹⁵

Considerations Regarding the Adoption of a Resolution Allowing for a School District Charitable Fund

The time is drawing very near when a decision must be made regarding the offer of allowing school taxpayers to make charitable contributions towards school taxes pursuant to Education Law §1709(12-b) and Real Property Tax Law §980-a regarding 2018-19 school taxes. If a school board determines that it will make this option available for the 2018-19 school year, an enabling resolution should be passed before the tax collection period begins, providing taxpayers notice regarding the option of making payment to the Charitable Fund during the interest-free period for tax collection, or during the interest-free period for tax collection for the first installment of taxes, in the case of a school district that collects taxes in installments. The resolution would have to include three key points:

1. The amount of the real property tax credit, up to 95% of the amount of the contribution;
2. The designation of the Administrator of the Charitable Fund (e.g. business

¹³ Tax collectors have not accepted partial payments of school taxes during a tax collection period and it is advisable to require the full payment of the taxes due from a taxpayer who presents an Acknowledgement of Charitable Contribution form when the form is presented for tax credit purposes.

¹⁴ RPTL§980-a (3)(c)

¹⁵ See paragraph entitled “Late Submission for Charitable Tax Credit” above.

- administrator or other designee); and
3. Notice to the tax collector or tax collecting entity (i.e. Town, where applicable).

In addition, it is recommended that any resolution enacted also forewarn taxpayers that an IRS decision about the tax deductible status of monies paid into the Charitable Fund is pending, and that the District makes no representations regarding the possible deductibility of payments to the Charitable Fund on federal tax returns. If the IRS rules against the tax deductible status of charitable contributions made pursuant to the new provisions in the Education Law and Real Property Tax Law, the taxpayers who availed themselves of the tax credit could be charged interest and penalties by the IRS in addition to paying taxes on the amount reported as a charitable contribution.

Apart from the uncertainty about the tax deductibility of the charitable contribution, the NYS Department of Financial Services and the NYS Department of Taxation and Finance have not yet issued guidance or regulations regarding how to reconcile a charitable contribution with monies being paid by a lending institution out of the tax escrow account of homeowners with mortgages through a bank or lending company. In the absence of such reconciliation, escrow monies would be collected and paid as taxes to the District and the taxpayer would have to separately make the charitable contribution at up to the percentage level set by the Board resolution.

At this time, New York public school districts have not shown significant interest in establishing Charitable Trusts, largely due to the belief that the IRS will not recognize the contributions as deductible for federal income for taxation purposes.

While it appears that there will not be a negative impact on the tax levy amount used in determining future year tax levy limits under the formula set forth at Education law §2023-a, by reason of the amount of monies collected within a school district's Charitable Fund, the extent of such contributions could be viewed by the Legislature as an indicator for proposing less state aid to those school districts with high participation levels in making contributions to the Charitable Fund.

As noted at page 3, above, there will be an opportunity later in 2018 to consider this matter regarding a charitable credit against 2019-20 school taxes that could be claimed against 2018 federal and state income taxes.

Sample resolutions for implementing the Charitable Fund are set forth in a monograph issued by the New York State of Opportunity, entitled *Charitable Contributions Program for Local Governments and School Districts: Information on Drafting Local Laws and Resolutions*. (<https://www.ny.gov/sites/ny.gov/files/atoms/files/CharitableContributionsLocalLawDraftingTips.pdf>)

Memo re: Charitable Fund
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If you have any question, please call or correspond.

SPML/DSS/jms

APPENDIX A

Guidance on Certain Payments Made in Exchange for State and Local Tax Credits IRS NOTICE 2018-54

SECTION 1. PURPOSE

This notice informs taxpayers that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to propose regulations addressing the federal income tax treatment of certain payments made by taxpayers for which taxpayers receive a credit against their state and local taxes.

SECTION 2. BACKGROUND

Section 11042 of “The Tax Cuts and Jobs Act,” Pub. L. No. 115-97, limits an individual’s deduction under § 164 for the aggregate amount of state and local taxes paid during the calendar year to \$10,000 (\$5,000 in the case of a married individual filing a separate return). State and local tax payments in excess of those amounts are not deductible. This new limitation applies to taxable years beginning after December 31, 2017, and before January 1, 2026.

In response to this new limitation, some state legislatures are considering or have adopted legislative proposals that would allow taxpayers to make transfers to funds controlled by state or local governments, or other transferees specified by the state, in exchange for credits against the state or local taxes that the taxpayer is required to pay. The aim of these proposals is to allow taxpayers to characterize such

2 transfers as fully deductible charitable contributions for federal income tax purposes, while using the same transfers to satisfy state or local tax liabilities.

Despite these state efforts to circumvent the new statutory limitation on state and local tax deductions, taxpayers should be mindful that federal law controls the proper characterization of payments for federal income tax purposes.

SECTION 3. GUIDANCE TO BE ISSUED

The Treasury Department and the IRS intend to propose regulations addressing the federal income tax treatment of transfers to funds controlled by state and local governments (or other state-specified transferees) that the transferor can treat in whole or in part as satisfying state and local tax obligations. The proposed regulations will make clear that the requirements of the Internal Revenue Code, informed by substance-over-form principles, govern the federal income tax treatment of such transfers. The proposed regulations will assist taxpayers in understanding the relationship between the federal charitable contribution deduction and the new statutory limitation on the deduction for state and local tax payments.

SECTION 4. DRAFTING INFORMATION

The principal authors of this notice are Mon Lam and Merrill Feldstein of the Office of Associate Chief Counsel (Income Tax & Accounting). Other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this notice, contact Ms. Lam or Ms. Feldstein at (202) 317-5100 (not a toll-free call).