

UNDERSTANDING YOUR SCHOOL TAX BILL

1. What factors influence your school tax bill ?

There are four major factors that are used to calculate your property's school tax bill:

- Your school district's tax levy.
- Your property's assessed value.
- The equalization rate for your property's taxing jurisdiction.
- Your property's STAR (New York State School Tax Relief Program) exemption value.

2. Who determines each of the four factors that influence your school tax bill ?

- The tax levy is set by the school district.
- Your property's assessed value is determined by your local property assessor.
- The equalization rate is established by the Office of Real Property Services (ORPS), a state agency.
- Your property's **New York State School Tax Relief Program** (STAR) exemption value is determined by New York State statute, subject to equalization rates.

3. What is the school Tax Levy and how is it determined ?

The school tax levy is the amount of money that your school district needs to collect in taxes for each school year. The tax levy is determined by subtracting all known revenue (that the District anticipates it will receive) from the total proposed budget. Examples of school district revenue sources are State Aid, Medicaid Reimbursement, use of Fund Balance and Reserves, and other local revenue sources such as ticket sales, classroom rentals, gifts and donations, etc.

$\begin{array}{r} \textit{Total Proposed Budget} \\ - \textit{Total Anticipated Revenue} \\ \hline \textit{School Tax Levy} \end{array}$	<i>For Example:</i>	$\begin{array}{r} \$35,000,000 \textit{ Total Proposed Budget} \\ - \$20,000,000 \textit{ Total Anticipated Revenue} \\ \hline \$15,000,000 \textit{ Tax Levy} \end{array}$
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In the example above, a school district with a proposed budget of \$35,000,000 and anticipated revenue of \$20,000,000 would need to collect \$15,000,000 in taxes (tax levy).

4. What is an Equalization Rate ?

According to ORPS, an Equalization Rate is the measure of a taxing jurisdiction's level of assessment relative to the Fair Market Value of its taxable properties. It is the ratio (a comparison) between the total assessed values of all of the properties within a jurisdiction to the total Fair Market Value of those same properties. The Fair Market Value is established through an analysis of the local Real Estate Market.

$\begin{array}{r} \textit{Total Assessed Value} \\ \div \textit{Total Fair Market Value} \\ \hline \textit{Equalization Rate} \end{array}$	<i>For Example:</i>	$\begin{array}{r} \$100,000,000 \textit{ Total Assessed Value} \\ \div \$125,000,000 \textit{ Total Fair Market Value} \\ \hline 0.80 (80\%) \textit{ Equalization Rate} \end{array}$
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In the example above, if the total assessed value of all of the properties within a taxing jurisdiction is \$100,000,000, but the total Fair Market Value of those same properties is actually \$125,000,000, then an Equalization Rate of 0.80 (80%) is established (by ORPS) for that taxing jurisdiction.

An equalization rate of 1.0 (100%) means that the taxing jurisdiction is assessing its properties at 100 percent of the Fair Market Value. An equalization rate of less than 100 percent means that it is assessing its properties below Fair Market Value, and an equalization rate greater than 100 percent means that it is assessing its properties above Fair Market Value. In the example above, the 0.80 equalization rate indicates that the properties were assessed at 80% of the fair market value.

According to ORPS, equalization rates are necessary to establish equity in tax rates across taxing jurisdictions within a school district (and across the state), because not all jurisdictions assess their properties at Full (Market) Value, or even the same percentage of their Full (Market) Value.

5. How do Equalization Rates effect your School Tax Bill ?

If the Equalization Rate for your taxing jurisdiction is less than 1.0, then:

- The Full Value of your property will be greater than its assessed value.
- The specific tax rate for your taxing jurisdiction will be greater than the average tax rate on full value for the district, and
- The STAR Exemption Value for your property will be decreased.

To illustrate the impact of Equalization Rates on a school tax bill, we will use the example of two properties in two different taxing jurisdictions, but with the same assessed value.

House A in Town A

Assessed Value = \$100,000

Equalization Rate for Town A = 1.0 (100%)



$$\frac{\text{Assessed Value}}{\text{Equalization Rate}} = \text{Full (Market) Value}$$

$$\frac{\$100,000 \text{ Assessed Value}}{1.0 (100\%) \text{ Equalization Rate}} = \$100,000 \text{ Full (Market) Value}$$

House B in Town B

Assessed Value = \$100,000

Equalization Rate for Town B = 0.80 (80%)



$$\frac{\text{Assessed Value}}{\text{Equalization Rate}} = \text{Full (Market) Value}$$

$$\frac{\$100,000 \text{ Assessed Value}}{0.80 (80\%) \text{ Equalization Rate}} = \$125,000 \text{ Full (Market) Value}$$

In the example above, each property was assessed by its local assessor at \$100,000. The properties in Town A are being assessed at 100% of the Fair Market Value (Full Value). As such, ORPS has established an Equalization Rate for Town A of 1.0 (100%). The properties in Town B, however, are being assessed at 80% of the Fair Market Value (Full Value). Therefore, ORPS has established an Equalization Rate for Town B of 0.80 (80%). **Even though both properties have the same assessed value, the property in Town B will have a higher Full Value due to the effect of the town's Equalization Rate.** The example below illustrates the impact on the taxes due on each property using an average tax rate of \$20 per one thousand dollars of Full Value.

House A in Town A

Assessed Value = \$100,000

Equalization Rate for Town A = 1.0 (100%)

$$\frac{\$100,000 \text{ Full Value}}{1.0 (100\%) \text{ Equalization Rate}} = \$100,000 \text{ Full Value}$$

$$\frac{\$20 \text{ per } \$1,000 \text{ Avg. Tax Rate}}{\$100,000 \text{ Full Value}} = \$2,000 \text{ Taxes Due Before STAR}$$

House B in Town B

Assessed Value = \$100,000

Equalization Rate for Town B = 0.80 (80%)

$$\frac{\$100,000 \text{ Assessed Value}}{0.80 (80\%) \text{ Equalization Rate}} = \$125,000 \text{ Full Value}$$

$$\frac{\$20 \text{ per } \$1,000 \text{ Avg. Tax Rate}}{\$125,000 \text{ Full Value}} = \$2,500 \text{ Taxes Due Before STAR}$$

Calculation Continued on Next Page Illustrates the Net Impact After the STAR Exemption > > >

Calculation Continued

House A in Town A
Assessed Value = \$100,000
Equalization Rate for Town A = 1.0 (100%)



\$30,000		STAR Base Exemption Value			
X 1.0 (100%)		Equalization Rate			
\$30,000		Full STAR Exemption Value			

		\$100,000 Assessed Value			
-		\$30,000 Full STAR Exemption Value			
\$70,000		Taxable Assessed Value			

		\$20 per \$1,000 Average Tax Rate on Full Value			
÷ 1.0 (100%)		Equalization Rate			
\$20 per \$1,000		Tax Rate on Assessed Value (Town A)			

		\$70,000 Taxable Assessed Value			
X \$20 per \$1,000		Tax Rate on Assessed Value (Town A)			
\$1,400		Taxes Due			

House B in Town B
Assessed Value = \$100,000
Equalization Rate for Town B = 0.80 (80%)



\$30,000		STAR Base Exemption Value			
X 0.80 (80%)		Equalization Rate			
\$24,000		Reduced STAR Exemption Value			

		\$100,000 Assessed Value			
-		\$24,000 Reduced STAR Exemption Value			
\$76,000		Taxable Assessed Value			

		\$20 per \$1,000 Average Tax Rate on Full Value			
÷ 0.8 (80%)		Equalization Rate			
\$25 per \$1,000		Tax Rate on Assessed Value (Town B)			

		\$76,000 Taxable Assessed Value			
X \$25 per \$1,000		Tax Rate on Assessed Value (Town B)			
\$1,900		Taxes Due			

In the example above, as we work through each section of the calculations, note that the Equalization Rate in Town B, as compared with Town A, has the effect of:

- Reducing the property's STAR Exemption Value,
- Increasing the property's Taxable Value.
- Increasing the property's Tax Rate, and
- Increasing the Property's total Tax Bill.

Note the net impact on taxes due from the differences in Equalization Rates for the two properties.

6. How do Equalization Rates effect the STAR (New York State School Tax Relief Program) Exemption ?

The STAR (New York State's School Tax Relief) program is a partial property tax exemption from school taxes, and includes the Basic and Enhanced STAR property tax exemptions. The STAR program works by exempting the first \$30,000 (Basic STAR) or \$60,100 (Enhanced STAR) of the Full Value of a property from school taxes. For taxing jurisdictions that are not assessed at Full Value, the exemption amount is multiplied by the equalization rate for that taxing jurisdiction before applying the exemption amount to the assessed value of the property. As a result of the STAR program, property owners pay the taxes due on a reduced assessed value of the property, and New York State reimburses the school district for the taxes due on the remaining portion of the assessed value. The amount of the reduction of assessed value (exempted amount) is subject to the impact of the equalization rate for that jurisdiction.

7. Why might the change in your tax bill be different than the Average Tax Impact as stated in the School District's Budget Newsletter ?

The average tax impact, as stated in the Budget Newsletter, represents an average tax impact across all taxing jurisdictions within your school district. Depending upon equalization rates, the tax rates for each jurisdiction may vary, and consequently your individual tax bill (as shown in the examples above) - even if there is no change in the school tax levy. The extent to which your property's tax rate (and bill) varies from the average depends upon changes in equalization rates among the taxing jurisdictions, the impact that the equalization rate has on your property's STAR exemption, and any changes to the assessed value of your property. Falling Equalization Rates, as illustrated below, is just one example of this.

8. How do Falling (Declining) Equalization Rates effect your School Tax Bill ?

The following example illustrates the impact of declining Equalization Rates on a property's school tax bill, from one year to the next for the same property. ***In this example, it is important to note that there is no change in the school tax levy from Year 1 to Year 2***. To continue with the previous example, we will use House B In Town B.

SPECIAL NOTE: NO CHANGE IN THE SCHOOL TAX LEVY

YEAR 1

House B in Town B
Assessed Value = \$100,000
Equalization Rate for Town B = 0.80 (80%)



\$30,000		STAR Base Exemption Value			
X 0.80 (80%)		Equalization Rate			
\$24,000		Reduced STAR Exemption Value			
\$100,000		Assessed Value			
- \$24,000		Reduced STAR Exemption Value			
\$76,000		Taxable Assessed Value			

\$20 per \$1,000		Average Tax Rate on Full Value			
÷ 0.8 (80%)		Equalization Rate			
\$25 per \$1,000		Tax Rate on Assessed Value (Town B)			

\$76,000		Taxable Assessed Value			
X \$25 per \$1,000		Tax Rate on Assessed Value (Town B)			
\$1,900		Taxes Due			

YEAR 2

House B in Town B
Assessed Value = \$100,000
Equalization Rate for Town B = 0.70 (70%)



\$30,000		STAR Base Exemption Value			
X 0.70 (70%)		Equalization Rate			
\$21,000		Reduced STAR Exemption Value			
\$100,000		Assessed Value			
- \$21,000		Reduced STAR Exemption Value			
\$79,000		Taxable Assessed Value			

\$20 per \$1,000		Average Tax Rate on Full Value			
÷ 0.7 (70%)		Equalization Rate			
\$29 per \$1,000		Tax Rate on Assessed Value (Town B)			

\$79,000		Taxable Assessed Value			
X \$29 per \$1,000		Tax Rate on Assessed Value (Town B)			
\$2,291		Taxes Due			

Let's continue the comparison to the property in Town A with an Equalization Rate of 1.0 (100%). In Year 2, the taxes due for the property in Town A would still be \$1,400 (since there was no change in the school tax levy). However, the taxes due for the property in Town B as shown in the example above would be \$2,291.

For further information regarding equalization rates, or the New York State STAR Program, please contact the New York State Office Of Real Property Services (ORPS) at (518) 474 – 2982, or visit ORPS' website at www.orps.state.ny.us