The New York State School Tax Conundrum

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We made it to late summer. The shock created by last September's school tax bill has long ago faded behind bountiful gardens and gorgeous summertime sunsets. Yet since September, there are a few historical absolutes: the shadows grow longer, the nights are getting cooler, some professional football player will refuse to report to training camp because of a higher salary request, and Assessors in New York State are swamped with phone calls regarding the latest school tax bill.

In New York, people often call the local assessor's office to discuss "taxes." Most towns in New York (there are approximately 950) have tax receivers/collectors, yet the vast majority of taxpayers go directly to the *assessor* for tax-related questions. Ironically, New York State does not acknowledge the term *tax assessor*. The function is merely called *assessor*, and most assessors make it their business to be accountable regarding the property tax process, with all its vast, odd, and cumbersome nuances. So the question, "Why are the school taxes so high in upstate New York?" is endlessly asked and begs to be answered.

This article attempts to shed some light on the various factors contributing to the high taxes for schools in New York state and then proposes a solution.

Employee Salaries and Benefits

Some point to the level of compensation and benefits for school employees as a cause of high school taxes; employee costs are a major driver of the cost and benefit structure of any operation, government or otherwise. In upstate New York approximately 75 percent of the average school budget is dedicated to salaries and benefits. Starting pay for new teachers in the Baldwinsville School District in Central New York is $53,000. As a point of comparison, note that, according to 2009–2013 Census data, the median household income in Onondaga County was $54,242 (American Fact Finder n.d.). There is clearly some validity to the concern of taxpayers about the cost of the education process.

Some school districts continue the practice of not having their teachers contribute to their health insurance. Some school districts, like the City of Syracuse, have unions for teachers, principals, bus drivers, maintenance workers, mechanics, and foodservice workers. In any given year any number of contracts are up for negotiation, a complicated and expensive process with all the attorneys, studies, and consultants involved. All are funded by taxpayer dollars.

Is it wrong to pay school district employees reasonably well? I don't believe so. Is it wrong to blame high taxes on these employees? It is well-known that the New York State United Teachers Union outspends any other union in the state by 40 percent and, as does any union, advocates for its constituents. Should taxpayers curse their level of success, or look deeper for the real culprit? Placing the blame on the employees—the people actually *doing* the work—seems counterproductive. I think the real culprit is the State of New York.

The Courts and the State

In 1978 a group of property-poor school districts and five large urban districts filed a historical case, *Levittown v. Nyquist*, challenging New York's education finance system. In its 1982 decision, the New York State Court of Appeals ruled that while substantial inequalities in funding did exist, the state constitution does not require equal funding for education. The court also ruled that the state constitution guarantees students the right to the opportunity for a "sound basic education" (*Levittown v. Nyquist* 1982).

In 1993, a nonprofit group called Campaign for Fiscal Equity (CFE) filed another case, *CFE vs. State*, asserting that New York State was failing in its constitutional duty to provide that previously mentioned "sound basic education." In 2001 after a seven-month trial, Justice Leland DeGrasse ruled in favor of the plaintiffs (*CFE v. State* 2001).

In 2002, an intermediate-level appeals court overturned the trial court ruling, claiming an "eighth-grade education" is all the New York State Constitution requires (*CFE v. State* 2002).

In 2003, plaintiffs appealed and were victorious (*CFE v. State* 2003). The court gave New York State until July 30, 2004 to (1) determine the cost of providing a sound basic education, (2) fund those costs in each school, and (3) establish an accountability process to ensure the reforms actually provide the opportunity for such an education. The deadline passed, and Justice DeGrasse appointed a three-person panel to make recommendations to the court in lieu of any state response.

In 2006, the New York State Court of Appeals found that New York State is violating students' constitutional rights by leaving them without a sound and basic education by not providing the appropriate funding for schools (*CFE v. State* 2006). In 2007, based on this ruling, the governor and the legislature enacted what is called Foundation Aid and set aside $5.5 billion to be phased into the schools by 2011. To date, $4.9 billion of that still has not been distributed.

The Gap Elimination Adjustment (GEA) occurred in 2010 and 2011. Then-Governor Patterson and current Governor Cuomo pilfered $2.7 billion more from the school funding process to balance the state budget. To date, $1.1 billion has not been returned to schools.

The most glaring school aid issue is that the state continues to tweak the state school aid formula, sometimes creating gross inequities in funding for poorer districts that do not have the necessary political clout to lobby for more cash. A recent Syracuse *Post-Standard* article states,

> *New York is supposed to dole out the majority of school money based on poverty and need. The state's highest court ordered it. … But instead of sticking to that, state lawmakers for nearly a decade have tweaked and massaged this school aid formula to benefit some districts while leaving others behind.* (Weaver 2015)

The following are some comments from state lawmakers regarding the bizarre school aid formula:

> *Equity and funding have always been an issue,* Senator John Flanagan, newly elected State Senate Majority leader.
>
> *I think the formula is broken,* Assemblyman Anthony Brindisi.
>
> *It's a political document,* Senator John DeFrancisco. (Weaver 2015)

I understand that school funding is a complicated issue. There is a 68-page-long Education Aid Handbook sent to all districts in the state. When terms like Adjusted Formulation Amount, Total Wealth Foundation Pupil Units, and Required Periodic Revision of Interest Rates for Prospective and Retro Assumed Amortization are used, anyone would roll their eyes and shake their heads.

School Mandates

The New York State Education Department has a list of hundreds of mandates that local public school districts must adhere to. There are mandates for administration, business, facilities, health/safety, school-wide instruction, technology, human resources, transportation, and non-public schools (districts must provide transportation, textbooks, special education services, health services, library access and materials, and computer hardware to private schools). This list is not only impressive but also costly because the state does not provide funding to the school districts to comply with these mandates. For fiscal year 2013, it cost an average of *$19,818* to educate a child in New York state, well above the U.S. average of *$10,700* (U.S. Census Bureau 2015)

The Governor

Governor Andrew Cuomo is the first governor in generations to truly attempt to address the high-property-tax scenario in New York state, *not* by simply throwing another property tax exemption (entitlement) against the wall, but by creating new policies. The concern is that his policies offer only short-term relief and are not sustainable.

His first foray into restructuring property tax policy was called the Property Tax Cap. In short, this cap limited the amount of a tax levy increase to 2 percent. Note that this was not a mill rate cap, but a tax levy cap. The base formula is as follows:

Prior school year tax levy

× *tax base growth factor*

– *PILOTS received in prior school year (a PILOT is a Payment in Lieu of Taxes agreement made with the local industrial development agency)*

– *tax levy to pay off court orders/ judgments*

× *tax levy to pay for local capital costs*

– *allowable levy growth factor*

+ *PILOTS receivable during coming school year*

+ *available carryover.*

The state had to hire dozens of new employees in the comptroller's office to audit schools, as well as counties, towns, and villages, to ensure they complied with the tax levy cap because the legislation also affects all other taxing jurisdictions. Critics (there are many) call it a "legislated 2 percent increase."

In a recent Syracuse *Post-Standard* article, long-time local State Democratic Assemblyman Bill Magnarelli said,

> *…the tax cap may not be sustainable in the long run. Once some of the school districts and municipalities start going into their fund balance, then the rubber is going to meet the road and we are going to have to figure out what to do. … We've got to transition ourselves off of that way of taxing"* (meaning property tax). (Weaver 2015

Clearly Assemblyman Magnarelli is recognizing that a tax cap is a short-term solution.

A major driver of this cap legislation was the governor's endless campaigning about the notion that New York state has more *governments* than any other state. His number was 10,000, and he championed that number statewide. Actually, New York only has 3,403 governments, according to Census data (see table 1). The governor was stating that all special districts were *governments*. In most suburban towns, there may be a dozen special districts administered by one town board, including sewer, water, lighting, library, fire protection, brush pickup, trash pickup, and so forth. In fact, New York is ranked ninth in number of governments; Illinois is no. 1, with 6,994. In terms of people per government agency (PPGA), New York is no. 10, at 5,671: Kansas is no. 1. with 706. Ironically, New York is also no. 3 in population, so all things being equal, New York has fewer government agencies than can be reasonably expected in terms of the population.

During his first term, Governor Cuomo appointed a commission to study mandate relief, in theory to determine which mandates were excessive and how they might prohibit tax cap compliance. This commission made no substantial recommendations. The governor's tax cap legislation was only the first theoretical step towards providing property tax management, and mandate relief was supposed to follow. (Note that the New York tax cap legislation was modeled after the Massachusetts tax cap legislation, which was enacted in 1981. Is this the best New York could do? Model 30-year-old legislation from another state that actually *did* incorporate mandated relief?)

The second piece of legislation enacted by the Cuomo administration was called the Property Tax Freeze Credit. In simplified form, if a municipality or school district stayed within the 2 percent tax cap, then a homeowner would receive

Table 1. Number of governments by state in the United States

State	Number of Governments	Population	People per Government Agency (PPGA) Number	Rank
Illinois	6,994	12,852,548	1,837.65	5
Pennsylvania	4,871	12,432,792	2,552.41	7
Texas	4,835	23,904,215	4,944.03	9
California	4,344	36,553,215	8,414.64	11
Kansas	3,931	2,775,997	706.18	1
Missouri	3,723	5,878,415	1,578.95	3
Ohio	3,702	11,466,917	3,097.49	8
Minnesota	3,526	5,197,621	1,474.08	2
New York	3,403	19,297,729	5,670.79	10
Indiana	3,231	6,345,289	1,963.88	6
Wisconsin	3,120	5,601,640	1,795.40	4

a *rebate* for the increase in their taxes from one year to the next. (I personally received a check for $28. Most taxpayers would agree that this *rebate* is not substantive enough to justify cutbacks in services as a result of an attempt to comply.)

These pieces of legislation are very interesting, but they do not truly restructure tax policy in the appropriate fashion by finding a more progressive way to charge for services. They simply limit what local government can spend with legislated increases. In actuality, the state government is telling local government what to spend. Governor Cuomo himself, when cornered by the media in regard to unpermitted improvements on his residence, stated "I don't know how local government works itself." This is the inherent danger when a state begins dictating spending policy to other levels of government.

The 2015 state budget contains yet another Cuomo-backed property tax rebate. This new rebate reportedly will save the average New York homeowner approximately $185. Checks are set to be mailed in the fall of 2016 (just before elections—my opinion is that the "buy the vote" mentality rules in state government and New York State property tax policy is always dancing madly backwards).

Property Tax Exemptions

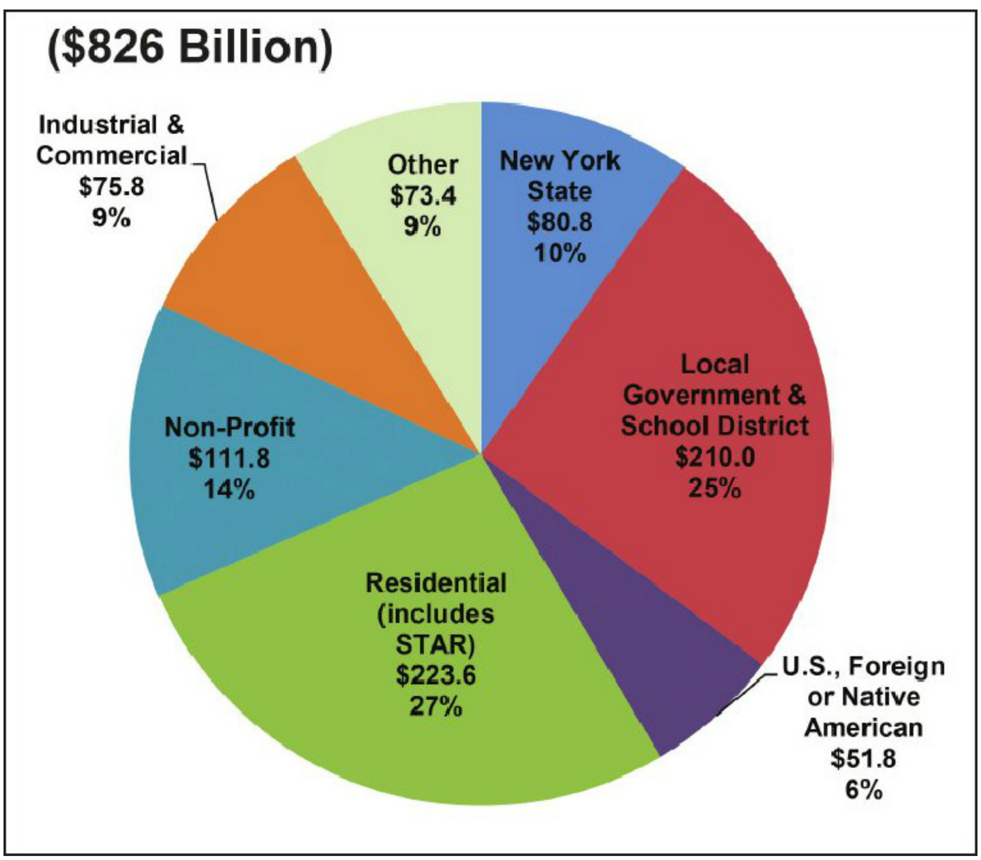
Property tax entitlements, also called *exemptions*, have become a major problem in New York state. This state leads the nation in number of property tax exemptions, with more than 200 exemptions with multiple variations and levels of dozens of those (Lincoln Institute of Land Policy 2015). (One reason there are so many assessors in the state is that the assessment process is overwhelmed with property tax exemptions.) As property taxes, led by school taxes, have escalated, state government has provided more exemptions and rebates, rather than examining the processes that led to the problem. Figure 1 shows that the full value of exempt property in New York state was $826 billion in 2012.

Former Governor Pataki created the STAR (School Tax Assessment Relief) Exemption in 1998, providing a fixed amount per school district per year off of the current school tax bill for both seniors (age 65) and non-senior resident owners. Seniors had to re-apply every year with their most current filed income tax return. This requirement turned assessors in New York into accountants because they sometimes had to review thousands of income tax returns per year without access to the state database that would allow them to determine whether the taxpayer was actually providing the correct income data to qualify.

The simple fiscal truth is that the more exemptions that are legislated, the more taxable value that is removed from the assessment roll and the higher the tax rates have to be raised to sustain current services. Few elected officials seem to understand this concept. New York is an entitlement state, and entitlements extend to great lengths in the property tax business. In Clay, New York, where I work, there are 21,636 parcels and more than 22,000 exemptions on the roll. The $1 billion in school tax exemptions is literally one-fourth of the assessment roll. Other towns have similar statistics. The City of Syracuse is 55 percent tax-exempt. The City of Ogdensburg is 63 percent tax-exempt. Oswego County is 43 percent tax-exempt. This level of exemptions is unsustainable—the legislated "special interest exemption for votes" process is slowly killing schools and local government.

Another interesting exemption is the veterans' exemption on school taxes, recently advocated by the governor and the legislature. In New York, the State creates legislation for new property tax exemptions that pass or do not pass on

Figure 1. Value of exempt property in New York state in 2012 (Office of the New York State Comptroller 2013)



the floor. When passed, the schools, counties, towns and villages have the option to pass these for their own jurisdiction or near at any level up to the state established maximum dollar amount. Currently there are multiple levels of veterans' exemptions for the "town and county bill" most suburban taxpayers receive in January. School districts have balked at passing this legislation on a local level because it would remove substantial tax dollars from the school tax rolls at the same time the state has enacted the 2 percent tax cap legislation, which limits their spending. This is a clear example of the questionable understanding of the property tax process at the state level.

Revaluation Exasperation

So how can New York make up for lost school tax revenue and inequitable funding? For years many towns in the state were locked into something called *annual revaluation*, in which the town board signed a contract with the state, requiring the assessor to adjust values every year to match the state's measurement of market value. In return, the towns were offered a "carrot on a stick" stipend of $5 per parcel. (A few years ago the town I live in, Cicero, spent just over $1 million [$60 per parcel] to conduct a town-wide revaluation.) While exemptions were increasing (money going off the rolls), school funding was decreasing or being misappropriated, but property values, as registered by assessors in the revaluation program and directed by New York State, were increasing. These increases compensated schools for the loss of revenue due to decreased state school funding and increased exemption amounts, essentially keeping the inequitable funding and GEA losses at bay.

The state was very aggressive in pushing the revaluation program. More money squeezed from local taxpayers for schools meant lower aid payments the state was required to give school districts. (In general, upstate schools receive almost an equal amount of funding from local property taxes as they do from state school aid, a precarious balance.)

Ironically, the annual revaluation program championed by the state has directly led to many counties having the highest property taxes as a percentage of property value in the United States. Of the top 28 highest taxed counties in the United States, 26 are in New York (see table 2). I preliminarily reviewed the top 12 counties in the country, all in New York, and found that 71.8 percent of the towns in these counties conduct an annual revaluation. That is a very strong statistical link.

While all these towns were conducting annual revaluations and raising property values, schools, counties, and local governments were saying to taxpayers, "Since your assessments went up so much, we will do you a favor and not raise the tax rates." However, if the assessment increases by 10 percent and the rate stays the same, schools, counties, and local governments will spend more and tax-

Table 2. Property taxes on owner-occupied housing ranked by taxes as a percentage of home value, 2006–2010 (Tax Foundation 2012)

State	County	Median Property Taxes Paid on Homes	Rank	Median Home Value	Taxes as a Percentage of Home Value	Rank
	United States	**$1,981 ± 2**		**$188,400 ± $184**		
New York	Orlean	$2,873 ± 93	183	$86,400 ± 2,158	3.33% ± 0.14	1
New York	Niagara	$2,986 ± 50	162	$97,600 ± 1,687	3.06% ± 0.14	2
New York	Wayne	$3,198 ± 69	138	$107,400 ± 2,121	2.98% ± 0.14	3
New York	Allegany	$1,959 ± 51	475	$66,100 ± 1,521	2.96% ± 0.14	4
New York	Monroe	$3,805 ± 29	80	$130,400 ± 1,052	2.92% ± 0.14	5
New York	Cortland	$2,747 ± 84	214	$95,100 ± 2,268	2.89% ± 0.14	6
New York	Seneca	$2,544 ± 96	265	$88,900 ± 2,709	2.86% ± 0.14	7
New York	Montgomery	$2,713 ± 82	223	$95,000 ± 1,853	2.86% ± 0.14	8
New York	Genesee	$2,818 ± 68	196	$101,400 ± 2,828	2.78% ± 0.14	9
New York	Chautauqua	$2,187 ± 50	369	$79,600 ± 1,586	2.75% ± 0.14	10
New York	Livingston	$3,062 ± 106	150	$112,300 ± 2,692	2.73% ± 0.14	11
New York	Oswego	$2,354 ± 53	313	$88,000 ± 1,420	2.68% ± 0.14	12
New York	Cattaraugus	$2,054 ± 60	418	$77,000 ± 1,278	2.67% ± 0.14	13
New York	Erie	$3,120 ± 20	145	$117,700 ± 762	2.65% ± 0.14	14
New York	Steuben	$2,160 ± 61	382	$83,000 ± 1,439	2.60% ± 0.14	15
New York	Onondaga	$3,237 ± 35	135	$124,400 ± 1,257	2.60% ± 0.14	16
New York	Wyoming	$2,527 ± 58	271	$97,300 ± 2,285	2.60% ± 0.14	17
New York	Cayuga	$2,550 ± 66	262	$98,400 ± 1,941	2.59% ± 0.14	18
New York	Chemung	$2,202 ± 65	360	$85,900 ± 1,860	2.56% ± 0.14	19
New Jersey	Camden	$5,587 ± 45	23	$223,700 ± 1,369	2.50% ± 0.14	20
Texas	Fort Bend	$4,260 ± 59	57	$171,500 ± 1,176	2.48% ± 0.14	21
New York	Madison	$2,766 ± 81	205	$111,700 ± 2,883	2.48% ± 0.14	22
New York	Oneida	$2,504 ± 39	279	$101,900 ± 1,906	2.46% ± 0.14	23
New York	Broome	$2,417 ± 49	296	$ 99,500± 1,541	2.43% ± 0.14	24
New York	Ontario	$3,122 ± 78	144	$129,600 ± 3,378	2.41% ± 0.14	25
New York	Schenectady	$3,857 ± 63	74	$160,200 ± 2,032	2.41% ± 0.14	26
New York	Tioga	$2,354 ± 87	313	$98,200± 2,800	2.40% ± 0.14	27
New York	Herkimer	$2,097 ± 81	403	$87,600 ± 1,814	2.39% ± 0.14	28
Illinois	Winnebago	$3,056 ± 40	151	$128,100 ± 1,418	2.39% ± 0.14	29
New York	Fulton	$2,262 ± 99	339	$95,200 ± 4,185	2.38% ± 0.14	30
Texas	Tarrant	$3,193 ± 20	139	$134,900 ± 717	2.37% ± 0.14	31

payers will pay more. Nevertheless, in theory the tax burden is fair due to the revaluation, regardless of how deeply it goes into the taxpayer's account.

A fair revaluation requires the cooperation of all those involved in the tax levy process. Assessors do not spend money, set budgets, or create tax rates, but they are continually blamed for higher taxes because local officials do not recognize the impact of that process on a tax bill if they do not perform the appropriate diligence. How many elections were won or lost on the promise of firing the assessor while no one recognized the role of levies and tax rates in the equation? The result: the highest taxes as a percentage of value in the United States.

Ironically, the actual line-item expenditures of tax dollars by elected officials do not have to be transparent and available to the public. On the other hand, assessors neither set tax rates nor spend tax dollars, but they have a mandate to make their work public. When I questioned my local state senator about this, I was told that putting the budget online would be "another costly mandate." This is the same senator who chaired a state committee that recommended more education for assessors a year after state officials cut assessors' continuing education requirements in half. To me, this seems contradictory.

Now that property values have cooled off state-wide, the state has pulled back substantially on the aforementioned state aid for revaluation and has focused on exemptions. In fact, for the vast majority of towns, there is more money to be gained or lost by properly administering exemptions than valuing property.

STAR Exemptions

In 1998, when the New York School Tax Relief (STAR) program was born, it was intended to provide state-funded property tax relief for homeowners. Like a matching grant, STAR changes the price of public services, thereby altering the incentives of voters and school officials and leading to unintended consequences. With data for New York state school districts before and after STAR was implemented, a study by Eom, Duncombe, and Yinger found that the program resulted in small decreases in student performance, significant decreases in the efficiency with which this performance was delivered, and significant increases in school spending and property tax rates. The authors concluded that these tax increases magnified existing inequities in New York State's education finance system (Eom et al. 2005).

To emphasize the state's new interest in exemptions, the STAR program legislation was changed in 2013 and an "existing homeowner" verification process was initiated that, in theory, was supposed to curb fraud. Current STAR exemption recipients were required to re-register through a computer application, thus eliminating "double dippers" who were claiming the exemption on multiple parcels. However, results from the re-registration process were mixed. The volume of money removed from the assessment roll in Onondaga Count actually increased by 4 percent because of this process. In addition, the state had to hire hundreds of new employees to field the phone calls and send out millions of dollar's worth of mailings, trying once again to educate the public on the bizarre meanderings of New York property tax policy. Many taxpayers were confused after applying for exemptions for decades at the assessor's office.

The Upstate New York Property Tax Triangle

Triangles are special not only in the built environment but also in the intellectual world. A structure made of triangles is inherently rigid. Government in the United States is based on three branches, but three is a crowd. There are triads, triumvirates, and tridents. Some new motorcycles have three wheels, as do tricycles. It takes three X's or O's to win at tic-tac-toe. Knock three times on the ceiling if you want me. And interestingly, an assessor or appraiser has the three approaches to value.

Then there's the notorious and highly controversial Bermuda Triangle off the coast of Florida, where things *magically* disappear from their designated routes of travel. And finally, there's the Upstate New York Property Tax Triangle, where taxpayers' hard-earned money disappears, and as former New York State Assessors' Association President Larry (The Count) Quinn has stated, "No one escapes unscathed."

There is an inherent relationship in all things triangle. As discussed in the following paragraphs, there is a strong relationship between the points of this property triangle: household income, property value, and property taxes as a percentage of value.

Syracuse is routinely touted as one of the most affordable housing markets in the country by various media sources. However, they do not take into account what is defined as the "true cost of home ownership." These articles historically review only sale prices, which represent the tip of the fiscal iceberg.

Household Income

Clearly median household income is one of the main drivers and benchmarks of any regional economy. Upstate New York, loosely defined by the I-90 corridor that connects the eastern portion of the state (Albany area) with the western portion of the state (Buffalo area) and incorporates Rochester, Syracuse, Utica, and Watertown (north on the I-81 corridor) and Binghamton (south on the I-81 corridor), has the counties with the highest taxes as a percentage of value in the United States. One reason is the lack of prosperity.

Fox Business recently reported the results of a study by the Brookings Institution and JPMorgan Chase that rated the top 300 cities for economic performance in the world (Associated

Press 2015). Albany was ranked no. 236; Buffalo no. 238; Rochester no. 256; and Syracuse no. 294.

Census data on median household income for upstate counties, the state as a whole, and the United States as a whole are shown in table 3. The median household income in upstate New York is average, slightly above, or below that in the most populated cities and well below that in some smaller cities. Note that Jefferson County and Broome County are only about 65 miles from Syracuse, and the median household income disparities are significant. Jefferson County includes Fort Drum, a large federal Army base. Also, the median household income in every major metropolitan area in upstate New York is below the state average except for Albany County, home of the state capital.

Property Value and Tax Rates

Very simply, when an individual's income is low and property taxes are high as a percentage of property value, potential buyers cannot cannot spend as much on a home.

The average sale price in Onondaga County (the Syracuse metropolitan region) is $168,100 (see table 3). With 20 percent down, the mortgage is $134,480, which at 4 percent interest means a monthly payment of $642.03. The average mill rate in Onondaga County, including all taxes and special districts, is $35.20 per thousand. The median effective tax rate by region in New York state is shown in figure 2, and the top 20 property tax rates by region in New York state in 2013 are shown in table 4. Based on data relative to Onondaga County, the taxes on a sale price of $168,100 would be $5,917, or $493.09 per month. Based on the assumption that the average school tax mill rate in Onondaga County is $25, the school tax portion of that $5,917 tax bill would be approximately $4,025. In summary, the mortgage payment is $642.03 per month; property taxes are $493.09 per month. In other words, taxes are 77 percent of the mortgage, and school taxes alone are 52 percent of the mortgage.

Table 5 shows taxes, median home values, and median income for several U.S. cities. These data provide some interesting generalizations (because taxes from one municipality to the next can vary substantially based on a variety of factors).

First, low property taxes combined with low average incomes may allow the purchase of high-priced homes simply because the monthly cost, regardless of escrow, enables the owner to actually pay down the principal of the mortgage more quickly, making the purchase a better investment for the owner, as well as the lender.

Second, high property taxes, even with higher-than-average incomes, limit the purchasing power of homeowners because too much of their total cost is attributed to taxes, money that is generally not recouped on sale and money that does not pay down the principal or add to the equity of the investment (for either the owner or the lender).

Finally, there appears to be a clear link between property value and high taxes, apart from the personal equity scenario mentioned above. Paying for services requires a certain amount of money, especially in New York. Paying for schools requires more money in New York than anywhere else. When property values are low, taxes have to be higher to pay for those services.

Table 3. Median household income for selected upstate New York counties, New York state, and the United States (American Fact Finder n.d.)

Location	Household Income	Average Property Value
Albany County, NY (state capital)	$59,394	$176,600
New York state (average)	$58,003	$288,200[a]
Onondaga County, NY (Syracuse)	$54,242	$168,100
United States (average)	$53,946	$205,200
Monroe County, NY (Rochester)	$52,394	$161,119
Erie County, NY (Buffalo)	$50,653	$124,300
Oneida County, NY (Utica)	$48,659	$110,500
Jefferson County, NY (Watertown, including Fort Drum)	$38,518	$131,800
Broome County, NY (Binghamton)	$30,978	$107,900

[a] *Includes New York City.*

Figure 2. Median effective tax rate in New York State per $1,000 by region (Eom et al. 2007)

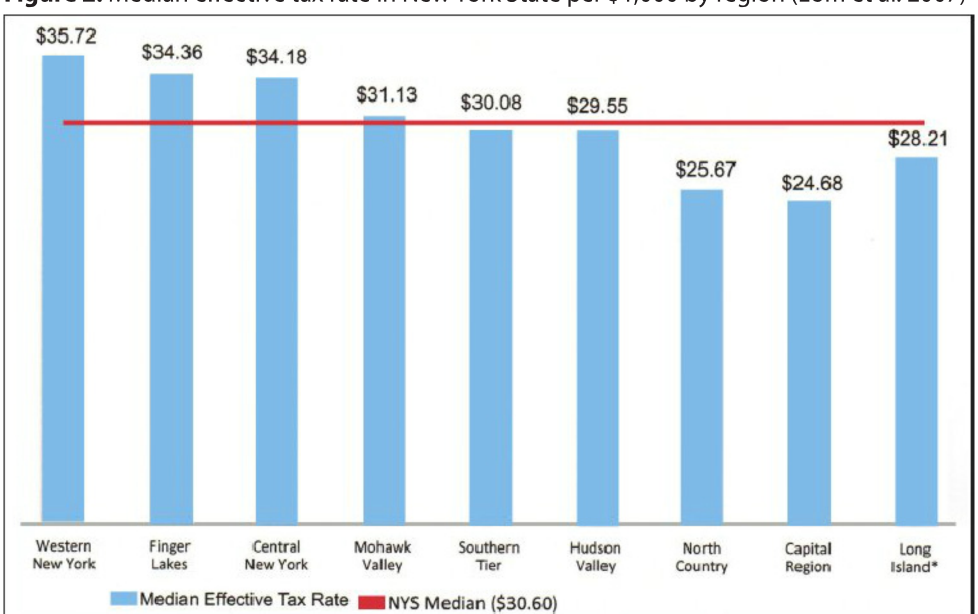


Table 4. Top 20 property tax rates by region in 2013 (Office of the New Yory State State Comptroller 2015)

	County	City or Town	Village (if any)	School District	Effective Tax Rate per $1,000	Median Home Value	Tax on Median Home
Central New York							
1	Onondaga	Geddes	Solvay	Solvay	$56.18	$102,300	$5,747
2	Onondaga	Salina	Liverpool	Liverpool	$53.04	$120,000	$6,365
3	Onondaga	DeWitt	East Syracuse	East Syracuse-Minoa	$52.15	$91,200	$4,756
4	Oswego	Schroeppel	Phoenix	Phoenix	$51.95	$92,300	$4,795
5	Oswego	Fulton		Fulton	$51.14	$73,100	$4,052
6	Cortland	Cortlandville	McGraw	McGraw	$48.32	$85,700	$4,141
7	Onondaga	Manlius	Manlius	Fayetteville-Manlius	$48.17	$190,800	$9,192
8	Onondaga	Manlius	Minoa	East Syracuse-Minoa	$47.81	$128,800	$6,158
9	Onondaga	Manlius	Fayetteville	Fayetteville-Manlius	$47.28	$167,600	$7,924
10	Cortland	Cuyler		Fabius-Pompey	$46.90	$78,000	$3,658
11	Cortland	Cortland		Cortland City	$46.74	$93,300	$4,052
12	Cortland	Cortlandville	Homer	Homer	$46.63	$115,700	$5,395
13	Onondaga	Salina		Lyncourt	$46.00	$107,700	$4,954
14	Onondaga	Elbridge	Jordan	Jordan-Elbridge	$45.80	$99,300	$4,548
15	Onondaga	Cicero	North Syracuse	North Syracuse	$45.78	$95,400	$4,368
16	Oswego	Palermo		Fulton	$45.42	$90,200	$4,097
17	Onondaga	Marcellus	Marcellus	Marcellus	$44.66	$150,500	$6,721
18	Onondaga	Camillus	Camillus	West Genesee	$44.48	$108,900	$4,844
19	Oswego	Palermo		Fulton	$43.87	$90,200	$3,957
20	Oswego	Hannibal	Hannibal	Hannibal	$43.60	$90,000	$3,924
Finger Lakes							
1	Orleans	Ridgeway	Madina	Madina	$57.27	$72,700	$4,164
2	Wayne	Lyons	Lyons	Lyons	$56.28	$63,700	$3,585
3	Orleans	Murray	Holley	Holley	$54.11	$85,200	$4,610
4	Wayne	Galen	Clyde	Clyde-Savannah	$53.18	$68,500	$3,643
5	Monroe	Clarkson	Brockport	Brockport	$53.12	$115,400	$6,131
6	Livingston	Mount Morris	Mount Morris	Mount Morris	$52.94	$68,500	$3,616
7	Wayne	Palmyra	Palmyra	Palmyra-Macedon	$51.71	$92,400	$4,778
8	Orleans	Albion	Albion	Albion	$49.56	$69,500	$3,445
9	Monroe	East Rochester	East Rochester	East Rochester	$49.01	$94,700	$4,642
10	Wyoming	Warsaw	Warsaw	Warsaw	$48.34	$87,800	$4,244
11	Seneca	Fayette	Waterloo	Waterloo	$47.92	$78,000	$3,737
12	Monroe	Irondequoit		East Irondequoit	$46.58	$116,200	$5,412
13	Wayne	Arcadia	Newark	Newark	$46.38	$84,800	$3,933
14	Wyoming	Castile	Perry	Perry	$45.94	$76,700	$3,524
15	Genesee	Le Roy	Le Roy	Le Roy	$45.90	$92,600	$4,250
16	Orleans	Barre		Medina	$45.86	$91,600	$4,201
17	Orleans	Barre		Holley	$45.67	$91,600	$4,184
18	Livingston	Nunda	Nunda	Dalton-Nunda	$45.20	$80,200	$3,625
19	Orleans	Clarendon		Brockport	$45.19	$102,300	$4,623
20	Ontario	Geneva		Geneva City	$45.13	$88,900	$4,052

Table 5. Taxes, median home value, and median household incomes in other areas of the country

Location	Total Taxes on $100,000 Home	Median Value of Single-Family Home	Median Household Income
Charlottesville, Virginia	$900	$347,899	$44,601
San Jose, California	$1,025	$900,000	$82,000
Raleigh, North Carolina	$1,134	$382,414	$61,710
Jupiter, Florida	$1,428	$361,410	$81,183
Worcester, Massachusetts	$1,540	$248,300	$57,704
Eden Prairie, Minnesota	$1,596	$291,100	$93,828
Bedminster, New Jersey	$2,534	$315,000	$138,969
Webster, New York	$3,300	$210,544	$70,488
Clay, New York	$3,640	$140,000	$64,821

For example, in Onondaga County (the Syracuse region), the school tax mill rates range from a low of $14.59 per thousand in the Skaneateles School District, where the average home sale price is $577,800, to $32.19 per thousand in the Lyncourt School District, where the average home sale price is $107,900. (High property values will mean a lower tax rate, and low property values will mean a higher tax rate.) Yet both school districts spend approximately $21,000 a year to educate one child.

Consider again the average Onondaga County sale price of $168,100. Table 6 compares the largest tax item amounts on that value 10 years ago. Note that the school tax increased by 47 percent over those 10 years.

Table 6. Comparison of largest tax amounts for $168,100 property value in 2005 and 2015

Tax	2005	2015	Increase
School tax	$2,517	$3,711	47.44%
County and town tax	$1,322	$2,014	52.34%
County sewer charge	$270	$411	52.22%
Total	$4,109	$6,136	49.33%

What about appreciation? Values in the Thruway belt of upstate New York are relatively stable. The area has not experienced the wild market swings prevalent in the Sunbelt areas of the country or downstate New York. This home worth $168,100 in 2005 would be worth $191,130 in 2015. This appreciation of approximately 13.7 percent over 10 years is limited by the cumbersome jump in overall tax rates per year. Homeowners have no choice but to accommodate the minimal appreciation and absorb the higher taxes. Buyers have no choice but to account for the cost of both in financial projections. Annual tax increases of 4–5 percent limit what sellers can ask for their properties to make them affordable to the average buyer. It could be theorized that the average appreciation is reduced 2–3 percent by the average tax increases, limiting over time the potential return on investment of the property.

In some cases towns try to *develop* their way out of fiscal duress by approving innumerable developments. I explained the pitfalls and variables of that philosophy in a 2010 article, "If You Build It, They Will Come, But Will You Make Any Money?" (Bick 2010). I described the specific costs and benefits to municipalities of residential and commercial development.

Consider how residential development influences tax rates and school costs. For instance, a development is approved and built with 50 houses, each selling for $250,000. If the mill rate in that district is $25 per thousand, the money generated through school taxes is $6,250 for each home, or a total of $312,500. As mentioned earlier, the average cost to educate a student in New York state public schools is $19,818. If there are 40 children in those 50 homes, at $19,818 per child the local school district will need $792,720 to educate those 40 children. The money generated from property taxes from the development of 50 homes is actually $480,220 short. How is that shortfall compensated for? Some of it is made up by the school aid formula discussed earlier. The rest is made up by all school district taxpayers; that is, the cost is distributed district-wide by an increase in the effective tax rate for all property owners in that district.

Ironically, TV station WHEC reporter Berkeley Brean of Rochester, New York, recently aired a segment titled, "New York State Exposed—Why are you asked to pay more in school taxes when our schools are losing students?" One reason is the lack of knowledge of elected officials of the costs and benefits of the wrong type of development.

The current 2 percent tax levy cap legislation as adopted by the state legislature could, in theory, have a secondary effect of accelerating historically slow appreciation in upstate New York. The concern is that the mill rates are already so high that any increase makes the notion of real appreciation and return on investment a hit-and-miss proposition, depending on a multitude of factors that create the "true cost of home ownership" (repairs, utilities, insurance, capital improvements, and the like). Although this is a step in the right direction, I think a broader, all-encompassing solution is needed—20 years is a long time to wait for appreciation to accelerate and taxes to fall into line with those in other states.

A Possible Solution

Property taxes are the most onerous of taxes because they do not take into account ability to pay. With school taxes accounting for 60 percent and more of a total tax bill, there needs to be a solution.

More importantly, however, this increase in sales tax would* eliminate *the school tax bill on every property outside of New York City—big-box retailers, convenience stores, insurance agencies, auto dealers, homes, farmland.

In my opinion, the solution is sales tax. For example, the state sales tax is currently 4 percent; the statewide school tax levy outside New York City is $20 billion; and the state-wide sales tax collection is $15.2 billion. So the 4 percent state sales tax generates $3.8 billion per percent. To wipe out all school tax bills outside of New York City, the state sales tax would have to increase to 9.2632 percent.

If an individual spends $50,000 out of pocket on sales taxable goods, he or she would incur an additional $2,631 in sales tax. (There are probably not too many people who spend this amount of money out of pocket.) If the same individual owns a $200,000 home in a school district with a mill rate of $25 per thousand, his or her school tax bill would be $5,000. Thus, the savings to this homeowner would be $2,369. More importantly, however, this increase in sales tax would *eliminate* the school tax bill on every property outside of New York City—big-box retailers, convenience stores, insurance agencies, auto dealers, homes, farmland.

The State of Pennsylvania has already embarked on the road deposing property taxes. Pennsylvania House Bill 76 and Senate Bill 76, the Property Tax Independence Act, is an attempt to create a more progressive tax policy. Ground-breaking work, but ironically, not being done by New York State yet again.

If the schools were funded through a more progressive taxation process, would there be job growth? Certainly. Would there be business investment? Undoubtedly. Could there be lower cost of goods and services? Quite likely. Would property values appreciate? Definitely. Would there be some greater level of economic prosperity due to the immediate liquidity and available cash for all? Of course. Everyone who buys anything in New York state would be contributing to better education, truly the definition of *public funding*. Sales tax does not discriminate against property owners as the current system does, which can be defined as *property owner funding*. The ancient mantra that property ownership defines wealth has long been overdue for an overhaul.

New Yorkers have suffered through endless election-year gimmicks to refund some of their own hard-earned money. In New York the gas tax is 49.9 cents per gallon; cell phone taxes are approximately 23 percent; workers compensation and unemployment insurance on small businesses are unreasonable; and there are endless fees on anything imaginable. Isn't it time for the state to reform its bad habits and illogical tax policy tweaks and stand up and create an innovative and broad-based progressive property tax policy, one categorized by what taxpayers are able and willing to afford based on everyday purchases, rather than by holding their property hostage for payment of the highest taxes in the nation?

As Winston Churchill said, "Taxes are a grave discouragement to enterprise and thrift" (Humes 2007). Regardless of your opinion of the policy change proposed in this article, I believe we can all agree that current policies in New York are more election-year relief than substantive policy change that will result in a higher level of prosperity and sustainability.

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