



Office of the Ulster County Comptroller

WHOLLY-EXEMPT PROPERTIES – WHAT DO THEY COST ULSTER COUNTY TAX PAYERS?

BY THE NUMBERS

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What is a wholly exempt property?

Real property taxes have historically been the most predictable and easily administered source of local revenue. They are also the largest revenue generator for local governments, and accounted for 23% of the County's General Fund Revenues for 2012. All real property in New York State is subject to taxation unless explicitly exempt by law. Some exemptions provide full relief (wholly exempt properties) while others reduce the taxes which would otherwise be due (partially exempt properties). Real property taxes are levied only on taxable property, thus, the more tax-exempt properties there are in a jurisdiction, the greater the tax generally is on owners of taxable properties. This report concentrates on properties which have the greatest impact on taxpayers; wholly exempt properties, a category which includes, among others, property owned by religious, educational, charitable, and government entities.

Shifting the Tax Burden

According to the recent research brief released by the NYS Comptroller¹, in 2012, the full market value of all real property in New York was estimated at \$2.5 trillion dollars. About \$680 billion, or approximately 27%, of this amount was exempt from municipal real property taxes, with some municipalities' proportion of exempt properties as high as 60%.

The total Ulster County tax levy for 2013, excluding town and village tax levies, was approximately \$79 million. Of that, about \$9.7 million, or 12%, is wholly exempt.

While real property exemptions play an important role in New York States' economic development systems, it is important to note that exempting these properties does not diminish the need for tax revenue associated with these properties. Municipalities regularly expend resources by providing services, such as police and fire, water and sewer, snow removal, road maintenance, refuse removal and the like to its constituents. Exempt properties and their owners benefit from municipal services despite their tax exempt status. Yet, the

ability of municipalities to charge these entities a fee for using these services is severely limited by law, making it difficult for municipalities to contend with the continuous rising costs of delivering them. Instead, expenses must be allocated to owners of non-exempt properties. Greater latitude in recouping these costs would require enabling legislation at the state or local level of each jurisdiction.

Precedent exists for such legislative action. In 1971, a "service charge" law was enacted in New York State, though its effective date was delayed and the law was ultimately repealed. In 2008, a similar bill was introduced in the State Legislature, but it has not yet been adopted. There is, however, a section of the New York State Real Property Tax Law, §420-b, which if adopted locally, would allow municipalities to charge certain taxes to specific exempt properties as discussed later in this report.

How many wholly exempt properties are there in Ulster County?

Table 1 details the number of wholly exempt properties according to the *2012 Real Property Data Report* and the 2012 Assessment Rolls of the NYS Real Property System as provided by the Ulster County Department of Finance Division of Real Property Tax Services. Using this data, the tax revenue exempted for the City of Kingston and Ulster County Towns² and School Districts³ was determined.

According to the data, Ulster County has 2,420 properties which are determined to be wholly exempt from paying property taxes. The table shows the total amount of revenue forgiven from these properties to be approximately \$62 million. As indicated, the absence of these taxable amounts increases the amounts required to be paid by taxable property owners.

Of the 2,420 exempt properties, the City of Kingston and the Towns of Wawarsing and Esopus have the greatest number of parcels which are not subject to real property taxes with 374,

² It is important to note that these property tax amounts were calculated on the **Unequalized Tax Rate** which expresses the amount of taxes as a percentage of the assessed value of the property and will not come to the exact amount of taxes which would have been taxed if they were subject to real property tax.

³ We also note that the school tax rate is calculated based on the **primary** school district located within the corresponding town.

¹ Research Brief. "Property Tax Exemptions in New York State." Office of the New York State Comptroller Division of Local Government and School Accountability. Retrieved from: http://www.osc.state.ny.us/localgov/pubs/research/propertytax_exemptions.pdf

237, and 220 parcels, respectively. These properties account for approximately \$20 million in tax revenue exempted.

While these towns have the largest number of wholly exempt parcels, the largest tax burdens lie in the City of Kingston, and Towns of New Paltz and Shawangunk, shifting the amount of lost tax revenue of approximately \$32 million onto the taxpayers.

What properties are categorized as wholly exempt?

There are approximately 30 categories of properties considered wholly exempt in Ulster County. These categories can generally be summarized as properties owned by not-for-profits, religious organizations, and government entities or agencies.

In Ulster County, the largest category of wholly exempt properties is owned by not-for-profit entities, which constitute 902 Ulster County parcels, or 37% of the wholly exempt properties. These entities are most prevalent in the City of Kingston, and the Towns of Wawarsing and Esopus, with 145, 98, and 90 properties, respectively.

The second highest category of exemptions are properties owned by local governments, which have over 650 exempt parcels located throughout the County, roughly 27% of the wholly exempt total. These properties have the largest presence in the City of Kingston and the Towns of Wawarsing and Saugerties, with 125, 78, and 58 parcels, respectively.

The NYS Comptrollers' research brief "Property Tax Exemptions in New York State," highlights that cities often have high proportions of tax-exempt properties and each tend to have unique circumstances. The common thread for cities is that they are regional population centers and are often county seats, resulting in a large number of government buildings and non-profit entities for which proximity to both population and government services are meaningful. Typically, cities are also business centers which tend to have a relatively large share of non-profit tax-exempt entities, such as hospitals, religious organizations, universities and charitable organizations.

As the data indicates, the City of Kingston is home to a total of 188 properties owned by Ulster County, local governments, federally owned and state owned properties, as well as 166 religious and not-for-profit properties which account for about 95% of the total exempt properties for that jurisdiction.

Can Ulster County offset the exemption?

Despite these numbers, it is worth noting that Ulster County has one of the lowest percentages of exemption assessed values among NYS, according to the report issued by the NYS Department of Taxation and Finance, "*Exemptions from Real Property Taxation in New York State: 2010 County, City and Town Assessment Rolls.*" A comparison of the assessed value of exemptions to the assessed value of all Ulster County properties, the exempt properties accounted for 13.7%, about 10% below the 57 county average of approximately 24%. It is important to note that these numbers exclude the 5 boroughs of New York City and, however, include both partially and

wholly exempt properties. Data based solely on wholly exempt properties was not available for reference.

Local governments have considered alternative revenue sources for tax exempt entities and use various approaches to recoup some portion of the costs of services. Some methods include charging user fees for certain services such as water and sewer, refuse pick-up or through special assessments. While these services have the potential to collect revenue, the collections are minimal when compared to larger services provided by police and fire.

Payments in Lieu of Taxes (PILOTs) have also served as a mechanism for collecting revenue to support municipal services. In order to encourage economic development, title to an economic development project may be transferred from the private owner to an industrial development agency, only requiring contractual payments to be made by the original private owner during the development stages. While PILOT payments are typically lower than full tax liability would be (which provides the economic incentive to the entity, leading to jobs, etc.) the payments do provide revenue to offset the otherwise exempt status. Once the development is completed, the title reverts to the original owner who then pays taxes on the property in a normal manner.

Nevertheless, by way of illustrating the impact, if all wholly exempt properties were required to pay their portion of real property tax, and the amount was evenly distributed amongst Ulster County taxable parcels, each taxpayer would save approximately \$736 per year.

Local governments, with a large number of not-for-profit institutions, sometimes search for options to negotiate a voluntary payment from their largest and wealthiest institutions. The positive outcome of investigating such options allows for a municipality to generate revenues which would have been lost otherwise. However, they unfortunately are not based directly on the value of the property or total cost of municipal services provided and these agreements are relatively rare. The Cities of Ithaca and Syracuse have successfully negotiated voluntary payments from some of their larger non-profit institutions. However, the amounts they collect are a small percentage of that paid by the taxable properties.

While these methods are available to municipalities, New York State Real Property Tax Law, §420-b "Nonprofit organizations; permissive class," effective June 22, 2010, states that particular tax exempt entities may, in fact, be subject to tax. New York State Real Property Tax Law §420-a, states that corporations or associations organized or conducted exclusively for religious, charitable, hospital, educational, or moral or mental improvement shall be exempt from taxation. However, 420-b allows municipalities to adopt local laws by which organizations organized exclusively for bible, tract, benevolent, missionary, infirmary, scientific, literary, library, patriotic or historical, as well as others may be taxed.

If Ulster County and/or its local municipalities were to adopt this legislation, properties that do not meet the criteria of the

Real Property Law §420-a would be added to the tax rolls. This would provide relief to all current property tax payers, many of which are struggling to meet their property tax liabilities as indicated by our previously issued report on Ulster County property foreclosures. NYS Comptroller Thomas DiNapoli has said, “Nationally, it is projected that the

exempt portion [of real property tax] may be growing.” Municipalities should be proactive in considering their options for balancing their fiscal needs against the value of the tangible and intangible tax exempt presence in their communities.

Table 1: Schedule of Wholly Exempt Properties for the 2013 Municipality and 2012-2013 Fiscal Year End School Tax Assessment Rolls

Municipality Name	Number of Parcels	Total Assessment Value per Municipality	Wholly Exempt Assessed Value	% of Wholly Exempt Value to Total Assessed Value	Total Town, County & School Tax "Forgiven" *
City of Kingston	374	\$ 1,972,922,644	\$ 394,742,150	20%	\$ 9,221,177
Town of Denning	76	32,400,096	3,612,125	11%	559,627
Town of Esopus	220	1,070,573,051	208,475,300	19%	5,568,375
Town of Gardiner	56	769,448,533	18,634,400	2%	522,509
Town of Hardenburgh	16	115,387,629	5,769,300	5%	216,522
Town of Hurley	37	912,244,552	17,779,700	2%	421,201
Town of Kingston	10	82,329,930	2,667,800	3%	88,011
Town of Lloyd	113	1,140,923,844	71,323,806	6%	2,065,537
Town of Marbletown	80	996,828,945	48,682,400	5%	1,163,509
Town of Marlborough	70	858,281,131	41,028,100	5%	1,342,439
Town of New Paltz**	148	1,756,743,723	547,192,905	31%	16,410,315
Town of Olive	47	1,240,931,226	22,270,274	2%	413,782
Town of Plattekill	60	720,249,864	17,157,200	2%	527,584
Town of Rochester	85	849,170,521	37,430,700	4%	908,069
Town of Rosendale	85	544,417,435	30,629,400	6%	822,399
Town of Saugerties**	196	1,976,612,480	120,120,900	6%	3,363,385
Town of Shandaken	141	175,482,922	9,543,167	5%	814,796
Town of Shawangunk	93	238,745,277	42,611,170	18%	6,185,864
Town of Ulster	147	1,179,963,756	131,629,204	11%	4,992,696
Town of Wawarsing**	237	21,719,935	2,732,596	13%	4,944,660
Town of Woodstock	129	1,375,319,280	66,205,600	5%	1,319,478
	2,420^	\$ 18,030,696,774^	\$ 1,840,238,197^	10%	\$ 61,871,935 ^

*Town, County and School taxes "forgiven" is calculated using the unequalized combined tax rates for the 2013 municipal and 2012-2013 school tax final assessment rolls. The school tax unequalized rate is based on the *primary* school district for the corresponding town.

**These figures do not include the Village Taxes associated with New Paltz, Saugerties, and Ellenville.

^ These figures include IDA Properties which make negotiated payments in lieu of taxes per their contracts