

GOVERNOR'S BUDGET CONTAINS FREEZE ON STATE PROPERTY TAX PAYMENTS

In his FY 2010 budget proposal, the Governor has proposed freezing the State property tax payments to local governments within which the State owns land. Real property owned by New York State is generally exempt from taxation pursuant to Section 404 of the Real Property Tax Law. However, statutes have been added to the Real Property Tax Law and Environmental Conservation Law making certain lands owned by the state taxable for specific purposes.

History of State Payments

The practice of taxing state land in New York began in 1886, when legislation permitting taxation of state-owned land in the Adirondack and Catskill regions was enacted. Since then, taxable status has been extended sporadically to some other state lands.

A major factor generally accepted as having motivated the original extension of taxation to the State Forest Preserve was the realization that, while state ownership conveyed benefits to residents of other areas of the state, costs were largely borne locally. In the late 1800s, the benefit that received the most attention was the protection of watershed areas to supply the heavily populated downstate metropolitan region with a high-quality and reliable water supply.

The statewide benefits in terms of recreational and scenic amenities began to receive more emphasis, and this outlook continues to the present day. Payment is also recognized as a way to compensate local governments for tax receipts forgone by local government by the state removing opportunities for development on State property. In the Adirondack and Catskill Parks, local governments would be particularly hostile to State acquisition of additional lands if it meant taking those parcels off the local tax rolls. In these two parks, local governments have certain veto powers over the state purchase of private lands.

Method of Payments

At present, New York has a variety of compensation arrangements that have developed in a piecemeal manner over the past century. They include actual property taxes, from which the state would otherwise be immune but has consented to pay, as well as various pay payments in lieu of taxes (PILOTS) and local fees for services that directly benefit certain state-owned properties.

Impact of the Governor's Proposal

In 2000, New York State paid approximately \$108 million in local property taxes. By 2007, the total had increased to approximately \$173 million. It is anticipated that the freeze would save the State about \$9 million in the coming budget. However, the economic impact, especially in deeply rural areas of the Catskills and Adirondacks would be devastating. Whatever the state doesn't pay, the few local residents will have to make up.

The portion of this savings that would come from Essex County is anticipated to be \$800,000. The burden of making this up would fall on the shoulders of only 38,000 Essex County residents. For example, in the Town of Newcomb in Essex County, the state owns 86 percent of the property tax base. If the property tax payments required to fund local government and school districts were to increase by three percent next year, with the payments from the State frozen, the remaining property owners would experience a 21.4% increase in their property taxes.

In addition to the significant and negative impact on other property tax payers, this proposal will make future land acquisition in the Adirondacks and Catskills extremely difficult. Local governments in both places are already deeply skeptical of the state, or New York City, purchasing developable land and limiting a municipality's ability to grow its tax base. In the Catskills, for example, the state and city need to acquire tens of thousands of acres to buffer the watershed that supplies New York City with its drinking water. What incentive is there for the towns involved to be cooperative if doing so raises the taxes of everyone else in town?

Opposition to the Proposal

The Governor's budget has united traditional antagonists among local government leaders and environmentalists who are now united in opposition to this proposal. Supporters of education and other local municipal services are also sure to be united in opposition to this divisive proposal that only makes an insignificant contribution to reducing the State's deficit. It would have a far more devastating impact on the property tax payers that can afford it the least.