S T A T E O F N E W Y O R K

S. 306 A. 371

2009-2010 Regular Sessions

S E N A T E - A S S E M B L Y

(PREFILED)

January 7, 2009

IN SENATE -- Introduced by Sen. LAVALLE -- read twice and ordered printed, and when printed to be committed to the Committee on Education

IN ASSEMBLY -- Introduced by M. of A. ENGLEBRIGHT -- read once and referred to the Committee on Ways and Means

AN ACT directing the New York State department of education, the New York State department of taxation and finance and the state board of real property services to study the fiscal impact of granting local school districts authority to implement an income tax surcharge and providing for the repeal of certain provisions upon expiration thereof

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

Section 1. Declaration of findings and legislative intent. The legislature hereby finds that the real property tax is an inequitable and regressive form of taxation wherein low- and middle-income taxpayers pay a disproportionate percentage of their income in property taxes. Under such a system, ability to pay is not a factor in calculating property tax liability. Rather, the present system relies on an often-archaic system of property tax assessment that bears no relation to household income. Further, such system of taxation has priced many people out of the housing market or forced them to sell their homes. In addition, such a taxing mechanism has a particularly negative impact on senior citizens and those living on a fixed income.

The legislature hereby finds that the collection of local property taxes constitutes the majority of education funding in school districts throughout the state utilizing such a system. Presently, approximately fifty-seven percent of school funding is derived from localities. As the state continues to reduce its share of the education-funding burden, school districts have been forced to increase their tax rates, thereby further increasing the unfair burden of such tax system.

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets [ ] is old law to be omitted.

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The legislature further finds that gross inequities exist throughout the state in terms of school districts' abilities to raise money locally. Under the present system, wealthy and "property rich" districts, specifically those areas with commercial property and other entities with high assessments, have a tremendous advantage over underprivileged and "property poor" districts. In some districts, state aid constitutes less than ten percent of the school budget. This occurs because these localities have the ability to raise property taxes without unduly burdening the community.

The legislature also finds that continued reliance on the property tax has contributed to legal challenges to the state education system as a whole.

The legislature finds that a tax scaled to income would be a fairer and more progressive form of taxation under which residents would be taxed based on their ability to pay.

Therefore, the legislature declares that the property tax, as a means to fund education, contains gross inequities and that a potentially fairer system, in income-tax surcharge, is worthy of study.

S 2. The New York State department of education and the state board of real property services are hereby authorized and directed to assist the New York State department of taxation and finance in preparing a comprehensive study documenting the fiscal implications of authorizing the reduction of real property taxes levied for the purpose of funding education costs through granting local school districts the option to implement an income tax surcharge.

Such study shall consider the fiscal impacts on a broad spectrum of incomes, as well as calculate the effects of any state income tax reductions on tax receipts under such a surcharge. Such study shall also consider what level of surcharge would have to be imposed to bring about a dramatic reduction in the property tax. This study shall also document the effects of such a change on school districts, taking into account their relative wealth in terms of residents' income, property tax base, level of state education funding and other relevant factors. In addition, such study shall be so designed as to enable individual taxpayers to determine the effects of any change on their income tax and property tax liabilities. The results of such study shall be submitted to the legislature no later than one year following the effective date of this act.

S 3. This act shall take effect immediately and shall remain in effect until the ninetieth day after submission of the report specified in section two of this act, when upon such date it shall be deemed repealed.