

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

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I N A S S E M B L Y

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Introduced by M. of A. THIELE, CAHILL -- read once and referred to the
Committee on Education

AN ACT to amend the education law, the real property tax law and the tax
law, in relation to abolishing certain school taxes, providing for
alternative taxes and state distribution to school districts, and
repealing certain provisions of the real property tax law and the tax
law relating to school taxes

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

1 Section 1. Title 5 of the education law is amended by adding a new
2 article 71 to read as follows:

3 ARTICLE 71

4 FINANCING OF SCHOOL DISTRICTS

5 SECTION 3501. LEGISLATIVE INTENT.

6 3502. BASIC QUALITY EDUCATION.

7 3503. MINIMUM APPORTIONMENT.

8 3504. LOCAL ENRICHMENT OPTIONS.

9 3505. COLLECTION AND DISTRIBUTION.

10 3506. CONSTRUCTION WITH OTHER LAWS.

11 3507. SEVERABILITY.

12 S 3501. LEGISLATIVE INTENT. IT IS THE INTENT OF THIS LEGISLATURE TO
13 FULFILL ITS OBLIGATIONS UNDER ARTICLE ELEVEN OF THE STATE CONSTITUTION
14 WITH RESPECT TO THE FINANCING OF PUBLIC SCHOOLS WITHIN THIS STATE AND,
15 AT THE SAME TIME, ELIMINATE THE INEQUITABLE AND REGRESSIVE REAL ESTATE
16 TAX AS THE SUPPORT OF SUCH SCHOOLS. THE LEGISLATURE HEREBY FURTHER
17 INTENDS TO GUARANTEE THE QUALITY AND EQUALITY OF EDUCATION FOR ALL OUR
18 CHILDREN, WHILE LEAVING WITH THE INDIVIDUAL SCHOOL DISTRICTS THE PRESENT
19 LEVEL OF LOCAL CONTROL INCLUDING THE AUTHORITY TO PERMIT OR PROHIBIT THE
20 TRANSFER OF STUDENTS INTO OR OUT OF SUCH DISTRICTS IN ACCORDANCE WITH
21 THE PROVISIONS OF THIS CHAPTER. PRIOR TO THE IMPLEMENTATION OF THIS
22 ARTICLE, IT IS IMPORTANT TO REVIEW ITS IMPACT ON MUNICIPALITIES AND

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

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1 TAXPAYERS. IT IS NECESSARY TO DEVELOP A SYSTEM WHEREBY BOTH MUNICI-
2 PALITIES AND TAXPAYERS CAN COMPARE THEIR REVENUE AND COSTS UNDER THE
3 CURRENT LAW TO SUCH REVENUES AND COSTS UNDER THIS ARTICLE.

4 S 3502. BASIC QUALITY EDUCATION. 1. THE STATE SHALL ASSUME ALL
5 COSTS OF BASIC QUALITY EDUCATION, IN ACCORDANCE WITH SECTION THIRTY-FIVE
6 HUNDRED FIVE OF THIS ARTICLE, INCLUDING ALL GENERAL AND SPECIAL EDUCA-
7 TIONAL SERVICES WHICH THE COMMISSIONER, UNDER GUIDELINES ESTABLISHED BY
8 THE LEGISLATURE, SHALL DEFINE AS NECESSARY. BASIC QUALITY EDUCATION, AS
9 DEFINED BY THE COMMISSIONER, SHALL ALLOW SUFFICIENT LATITUDE SO THAT
10 CHOICES MAY BE MADE BY LOCAL SCHOOL DISTRICTS WITH RESPECT TO THEIR
11 INDIVIDUAL NEEDS. AS USED IN THIS ARTICLE "BASIC" SHALL MEAN EQUAL
12 SERVICES TO ALL PUPILS REGARDLESS OF DIFFERENCES IN COST IN DIFFERENT
13 DISTRICTS FOR SUCH SERVICES.

14 2. SUCH COSTS SHALL BE FUNDED AS PROVIDED FOR BY THE LEGISLATURE, IN
15 CONJUNCTION WITH THE ELIMINATION OF REAL ESTATE TAXES FOR THE SUPPORT OF
16 EDUCATION. WITHIN THE CITIES OF NEW YORK, BUFFALO, ROCHESTER, SYRACUSE
17 AND YONKERS, THE TAX ON REAL PROPERTY SHALL BE REDUCED BY THE DOLLAR
18 AMOUNT OF SUCH CITY'S SHARE OF THE COST OF PUBLIC SCHOOL EDUCATION.
19 SUCH REDUCTION SHALL BE APPORTIONED TO ALL REAL PROPERTY TAXPAYERS ON A
20 PRO-RATA BASIS, AND TENANTS SHALL RECEIVE TAX CREDITS, TAX REBATES, OR
21 REDUCTIONS IN RENT AS PROVIDED IN SECTION FOUR HUNDRED SIXTY-SEVEN-G OF
22 THE REAL PROPERTY TAX LAW.

23 3. EACH SCHOOL DISTRICT SHALL SUBMIT A BASIC BUDGET TO THE DEPARTMENT
24 FOR APPROVAL BY THE COMMISSIONER AS PROVIDED BY LAW.

25 4. THE DEPARTMENT, UNDER DIRECTION OF THE BOARD OF REGENTS, SHALL
26 ESTABLISH A SCHEDULE OF MANDATORY BASIC SERVICES AND AUTHORIZED COSTS
27 THEREFOR RELATED TO DIFFERING COSTS THROUGHOUT THE STATE. SUCH BASIC
28 SCHEDULE SHALL REFLECT GUIDELINES ESTABLISHED FOR THIS PURPOSE BY THE
29 LEGISLATURE.

30 S 3503. MINIMUM APPORTIONMENT. IN ANY SCHOOL YEAR A DISTRICT MAY
31 ELECT TO RECEIVE AS ITS BASIC BUDGET THE HIGHEST OF:

32 1. THE DISTRICT BUDGET OF THE SCHOOL YEAR DURING WHICH THIS ARTICLE
33 SHALL TAKE EFFECT, EXCEPT THAT THIS APPORTIONMENT OPTION SHALL EXIST
34 ONLY FOR THE PERIOD NOT EXCEEDING THE FIVE SCHOOL YEARS IMMEDIATELY
35 AFTER THIS ARTICLE SHALL TAKE EFFECT.

36 2. THE PRODUCT OF (A) THE DISTRICT BUDGET OF THE SCHOOL YEAR DURING
37 WHICH THIS ARTICLE SHALL TAKE EFFECT DIVIDED BY THE ENROLLMENT AT THE
38 START OF SUCH YEAR AND (B) THE ENROLLMENT AT THE START OF THE SCHOOL
39 YEAR FOR WHICH THE BUDGET IS BEING DETERMINED. THIS APPORTIONMENT
40 OPTION SHALL EXIST ONLY FOR THE PERIOD NOT EXCEEDING THE FIVE SCHOOL
41 YEARS IMMEDIATELY AFTER THIS ARTICLE SHALL BECOME LAW.

42 3. THE BASIC BUDGET SUBMITTED IN ACCORDANCE WITH SUBDIVISION THREE OF
43 SECTION THIRTY-FIVE HUNDRED TWO OF THIS ARTICLE, EXCEPT THAT IN NO CASE
44 SHALL THE PER PUPIL APPORTIONMENT EXCEED THE PER PUPIL APPORTIONMENT OF
45 THE PREVIOUS YEAR BY MORE THAN THE AVERAGE STATEWIDE INCREASE OF PER
46 PUPIL BUDGETS PLUS TEN PER CENTUM OF THE PER PUPIL APPORTIONMENT OF THE
47 PREVIOUS YEAR.

48 S 3504. LOCAL ENRICHMENT OPTIONS. 1. ANY SCHOOL DISTRICT, INCLUDING
49 THE CITY SCHOOL DISTRICTS OF THE CITIES OF NEW YORK, BUFFALO, ROCHESTER,
50 SYRACUSE AND YONKERS, MAY ELECT A LOCAL ENRICHMENT OPTION FOR SERVICES
51 NOT COVERED BY THE BASIC STATE SUPPORT. SUCH LOCAL ENRICHMENT OPTION
52 BUDGET SHALL BE APPROVED BY THE VOTERS OF THE DISTRICT.

53 2. THE LOCAL ENRICHMENT OPTION BUDGET SHALL BE FUNDED AS PROVIDED FOR
54 BY THE LEGISLATURE AS A SUPPLEMENTARY EDUCATION TAX ON INDIVIDUALS,
55 ESTATES, TRUSTS, UNINCORPORATED BUSINESSES AND CORPORATIONS HAVING A
56 RESIDENCE OR SITUS WITHIN EACH SCHOOL DISTRICT ELECTING SUCH OPTION.

1 3. THE LOCAL ENRICHMENT OPTION BUDGET SHALL NOT EXCEED TWENTY PER
2 CENTUM OF THE BASIC BUDGET FOR EACH DISTRICT ELECTING SUCH OPTION.

3 S 3505. COLLECTION AND DISTRIBUTION. NOTWITHSTANDING THE PROVISIONS
4 OF ANY OTHER LAW, CODE, RULE OR REGULATION, THE STATE SHALL, WITHIN FIVE
5 YEARS FROM THE EFFECTIVE DATE OF THIS ARTICLE, COLLECT AND DISTRIBUTE TO
6 SCHOOL DISTRICTS ALL MONEYS RELATING TO THE FINANCING OF PUBLIC EDUCA-
7 TION, EXCLUSIVE OF HIGHER EDUCATION, WITHIN THIS STATE, AS PROVIDED BY
8 THE LEGISLATURE. THIS ASSUMPTION BY THE STATE OF ALL COSTS OF BASIC
9 QUALITY EDUCATION SHALL BE ACCOMPLISHED IN APPROXIMATELY EQUAL INCRE-
10 MENTS OVER A FIVE YEAR PERIOD FROM THE EFFECTIVE DATE OF THIS ARTICLE.
11 DURING THIS PERIOD, THE AMOUNT OF MONEY DERIVED BY EACH SCHOOL DISTRICT
12 FROM REAL PROPERTY TAXES SHALL BE REDUCED ACCORDINGLY. AFTER FIVE YEARS
13 FROM THE EFFECTIVE DATE OF THIS ARTICLE, MONEYS DISTRIBUTED TO ANY
14 SCHOOL DISTRICT SHALL BE REDUCED BY THE AMOUNT OF ANY REVENUES RECEIVED
15 BY SUCH SCHOOL DISTRICT FROM TAXES IMPOSED ON REAL PROPERTY BY OR ON
16 BEHALF OF SUCH SCHOOL DISTRICT.

17 S 3506. CONSTRUCTION WITH OTHER LAWS. THE PROVISIONS OF THIS ARTICLE
18 SHALL BE CONTROLLING, NOTWITHSTANDING THE PROVISIONS OF ANY OTHER LAW,
19 CODE, RULE OR REGULATION TO THE CONTRARY. HOWEVER, NO EXISTING RIGHT OR
20 REMEDY OF ANY CHARACTER SHALL BE LOST, IMPAIRED OR AFFECTED BY REASON OF
21 THIS ARTICLE, NOR SHALL THE VALIDITY OF ANY ACTION TAKEN BY ANY PUBLIC
22 OFFICIAL UNDER THE LAW IN FORCE IMMEDIATELY PRIOR TO THE TIME THIS ARTI-
23 CLE SHALL TAKE EFFECT BE AFFECTED BY THE ENACTMENT OF THIS ARTICLE.
24 COLLECTION OF ALL OUTSTANDING TAX LIENS SHALL BE PURSUANT TO THE
25 PROVISIONS OF THE REAL PROPERTY TAX LAW.

26 S 3507. SEVERABILITY. IF ANY CLAUSE, SENTENCE, PARAGRAPH, SECTION OR
27 PART OF THIS ARTICLE SHALL BE ADJUDGED BY ANY COURT OF COMPETENT JURIS-
28 DICTION TO BE INVALID, SUCH JUDGMENT SHALL NOT AFFECT, IMPAIR OR INVALI-
29 DATE THE REMAINDER THEREOF, BUT SHALL BE CONFINED IN ITS OPERATION TO
30 THE CLAUSE, SENTENCE, PARAGRAPH, SECTION OR PART THEREOF DIRECTLY
31 INVOLVED IN THE CONTROVERSY IN WHICH SUCH JUDGMENT SHALL HAVE BEEN
32 RENDERED.

33 S 2. Article 13 of the real property tax law is REPEALED.

34 S 3. The real property tax law is amended by adding a new section
35 467-g to read as follows:

36 S 467-G. PROVISIONS FOR TENANTS. IN EVERY CASE WHERE TAXES ON REAL
37 PROPERTY ARE REDUCED DUE TO THE REDUCTION OF SCHOOL TAXES ON SUCH PROP-
38 erty, THE AMOUNT OF SUCH REDUCTION SHALL BE PRO-RATED AMONG THE TENANTS,
39 IF ANY, OF SUCH REAL PROPERTY, AND THE TOTAL RENTS REDUCED IN AN AMOUNT
40 EQUAL TO SUCH REAL PROPERTY TAX REDUCTION. WHERE SUCH RENT REDUCTION IS
41 PRECLUDED BY A LEASE OR OTHER AGREEMENT, SUCH REAL PROPERTY TAX
42 REDUCTION SHALL ENTITLE SUCH TENANTS TO A TAX CREDIT IN THAT AMOUNT
43 AGAINST INCOME TAXES DUE, OR TO A REBATE FOR ANY AMOUNT IN EXCESS OF
44 INCOME TAXES DUE, UNTIL THE EXPIRATION OF SUCH LEASE OR AGREEMENT, AT
45 WHICH TIME THE RENT SHALL BE REDUCED ACCORDINGLY.

46 S 4. The tax law is amended by adding two new sections 601-a and
47 601-b to read as follows:

48 S 601-A. ADDITIONAL TAXES FOR EDUCATION. 1. IN ADDITION TO THE
49 TAXES ON INCOME IMPOSED BY THIS CHAPTER FOR TAXABLE YEARS OR PERIODS
50 ENDING ON OR AFTER DECEMBER THIRTY-FIRST, TWO THOUSAND ELEVEN, THERE
51 SHALL BE IMPOSED A TAX EQUAL TO A PERCENT OF THE TAXES IMPOSED BY SUCH
52 SECTIONS AND ARTICLES AS IS NECESSARY TO FULFILL THE REQUIREMENTS OF
53 SECTION THIRTY-FIVE HUNDRED TWO OF THE EDUCATION LAW. SUCH A TAX MAY BE
54 LEVIED EITHER AS A SURTAX, OR BY READJUSTMENT OF THE APPROPRIATE TAX
55 SCHEDULES.

2. THE COMMISSIONER SHALL ESTABLISH A SEPARATE ACCOUNT OR ACCOUNTS TO RECEIVE THE ADDITIONAL TAX IMPOSED BY SUBSECTION ONE OF THIS SECTION AND SHALL PAY INTO SUCH ACCOUNT OR ACCOUNTS THE TOTAL OF ALL SUCH TAXES WHEN RECEIVED AND RETAIN THE SAME SUBJECT TO DISBURSEMENT IN ACCORDANCE WITH THE PROVISIONS OF THE EDUCATION LAW.

S 601-B. ENRICHMENT OPTION TAX. IN ADDITION TO THE TAX IMPOSED BY SECTION SIX HUNDRED ONE-A OF THIS ARTICLE FOR TAXABLE YEARS OR PERIODS ENDING ON OR AFTER DECEMBER THIRTY-FIRST, TWO THOUSAND ELEVEN, THERE SHALL BE IMPOSED ON INDIVIDUALS, ESTATES, TRUSTS, UNINCORPORATED BUSINESSES AND CORPORATIONS, HAVING A RESIDENCE OR SITUS WITHIN EACH SCHOOL DISTRICT ELECTING A LOCAL ENRICHMENT OPTION PURSUANT TO THE EDUCATION LAW, A TAX EQUAL TO A PERCENT OF THE TAX IMPOSED BY SECTION SIX HUNDRED ONE-A OF THIS ARTICLE AS IS NECESSARY TO FULFILL THE REQUIREMENTS OF SECTION THIRTY-FIVE HUNDRED FOUR OF THE EDUCATION LAW. THIS TAX SHALL NOT EXCEED THIRTY PERCENT OF THE TAX IMPOSED BY SECTION SIX HUNDRED ONE-A OF THIS ARTICLE. IN ANY DISTRICT WHERE SUCH TAX IS INSUFFICIENT TO SATISFY BUDGET REQUIREMENTS AS PROVIDED IN SECTION THIRTY-FIVE HUNDRED FOUR OF THE EDUCATION LAW, SUCH DEFICIENCY SHALL BE PAID BY THE STATE IN ACCORDANCE WITH THE EDUCATION LAW.

S 5. Sections 1204, 1211 and 1212 of the tax law are REPEALED.

S 6. The tax law is amended by adding a new section 1200 to read as follows:

S 1200. CERTAIN TAXES REDUCED. NOTWITHSTANDING THE PROVISIONS OF ANY OTHER SECTION OF THIS ARTICLE, ON AND AFTER THE EFFECTIVE DATE OF THIS SECTION, THE PROVISIONS OF THIS ARTICLE RELATING TO TAXES FOR THE BENEFIT OF SCHOOL DISTRICTS OR SCHOOL PURPOSES SHALL BE DEEMED REDUCED IN ACCORDANCE WITH SECTION THIRTY-FIVE HUNDRED FIVE OF THE EDUCATION LAW.

S 7. Section 1213 of the tax law, as amended by section 2 of Part WW of chapter 57 of the laws of 2010, is amended to read as follows:

S 1213. Deliveries outside the jurisdiction where sale is made. Where a sale of tangible personal property or services, including prepaid telephone calling services, but not including other services described in subdivision (b) of section eleven hundred five of this chapter, including an agreement therefor, is made in any city[,] OR county [or school district], but the property sold, the property upon which the services were performed or prepaid telephone calling or other service is or will be delivered to the purchaser elsewhere, such sale shall not be subject to tax by such city[,] OR county [or school district]. However, if delivery occurs or will occur in a city[,] OR county [or school district] imposing a tax on the sale or use of such property, prepaid telephone calling or other services, the vendor shall be required to collect from the purchaser, as provided in section twelve hundred fifty-four of this article, the aggregate sales or compensating use taxes imposed by the city, if any, AND county [and school district] in which delivery occurs or will occur, for distribution by the commissioner to such taxing jurisdiction or jurisdictions. For the purposes of this section delivery shall be deemed to include transfer of possession to the purchaser and the receiving of the property or of the service, including prepaid telephone calling service, by the purchaser. Notwithstanding the foregoing, where a transportation service described in paragraph ten of subdivision (c) of section eleven hundred five of this chapter begins in one jurisdiction but ends in another jurisdiction, any tax imposed pursuant to the authority of this article shall be due the jurisdiction or jurisdictions where the service commenced.

S 8. Section 1220 of the tax law, as amended by section 39 of part Y of chapter 63 of the laws of 2000, is amended to read as follows:

1 S 1220. Territorial limitations. Any tax imposed under the authority
2 of this article shall apply only within the territorial limits of the
3 city[,] OR county [or school district] imposing the tax, except that
4 where the taxes described in subdivision (b) of section eleven hundred
5 five and clauses (E), (G) and (H) of subdivision (a) of section eleven
6 hundred ten or the tax described in subdivision (e) of section eleven
7 hundred five is imposed by a city, as provided in section twelve hundred
8 ten [or twelve hundred eleven] of this chapter, any establishment
9 located partially within such city and partially within a town or towns
10 and receiving or using any services or utilities provided by the city
11 shall be deemed to be wholly within such city for the purposes of such
12 taxes.

13 S 9. Section 1222 of the tax law, as added by chapter 93 of the laws
14 of 1965, is amended to read as follows:

15 S 1222. Taxes to be in addition to others. Except as expressly
16 otherwise provided in this article, any tax imposed under the authority
17 of this article shall be in addition to any and all other taxes author-
18 ized or imposed under any other provision of law. This article shall
19 not be construed as limiting the power of any city[,] OR county [or
20 school district] to impose any other tax which it is authorized to
21 impose under any other provision of law.

22 S 10. Section 1256 of the tax law, as amended by chapter 575 of the
23 laws of 1965, is amended to read as follows:

24 S 1256. Cooperation by localities. Every city[,] AND county [and
25 school district] shall cooperate with the [state tax commission] COMMIS-
26 SIONER to enable [it] HIM OR HER to carry out [its] HIS OR HER duties
27 under articles twenty-eight and twenty-nine of this chapter. Every such
28 locality shall furnish to such [commission] COMMISSIONER those returns,
29 reports and other information which the [tax commission] COMMISSIONER
30 deems necessary to carry out such duties, except that cities having a
31 population of one million or more, may, in their discretion, furnish
32 instead copies of such returns, reports and other information. Such
33 copies shall be furnished at the [tax commission's] COMMISSIONER'S
34 expense, such expenses to be charged to the cost of administration.
35 Notwithstanding any other law to the contrary, the duty to furnish
36 returns, reports and other information or copies thereof shall apply to
37 [those returns and reports filed under taxes authorized under chapter
38 eight hundred seventy-three of the laws of nineteen hundred thirty-four,
39 as amended, chapter three hundred forty-one of the laws of nineteen
40 hundred forty-six, as amended, article two-B of the general city law and
41 chapter two hundred seventy-eight of the laws of nineteen hundred
42 forty-seven, as amended, and to] such other information which is rele-
43 vant to the duties of the [tax commission] COMMISSIONER under such arti-
44 cles twenty-eight and twenty-nine OF THIS CHAPTER.

45 S 11. In order to provide for continuity of funding to school
46 districts, fifty percent of the school taxes due on July first in the
47 second year preceding the effective date of this act shall be paid as
48 heretofore required by law.

49 S 12. The commissioners of education and taxation and finance and the
50 chairman of the state board of real property services shall present to
51 the legislature a report stating the methodology for implementing the
52 provisions of this act. The report shall include a system for demon-
53 strating the impact of the act on municipalities and taxpayers for a one
54 year period preceding the implementation of the act. Such report shall
55 be due 90 days after this act becomes law.

1 S 13. This act shall take effect on the first of January next
2 succeeding the date on which it shall have become a law provided, howev-
3 er, that sections two, five, seven, eight, nine and ten of this act
4 shall take effect 3 years after such effective date.