

# The three tax levy numbers under New York state's tax levy "cap"

With all the talk of New York's new "2 percent tax cap," it may come as a surprise to learn that each school district in the state will present three separate tax levy numbers this spring, as part of their compliance with the new legislation.

And chances are good that none of your school district's three tax levy numbers will be exactly 2 percent.

That's because the 2 percent that you hear about is just one part of a complex formula that school districts must use to calculate two of their tax levy numbers, the **tax levy limit** and the **maximum allowable tax levy**.

## 1 Tax levy limit

Essentially, the tax levy limit tells a school district how much community support it will need to pass a budget with its proposed tax levy. For school districts, the tax levy limit is the highest allowable tax levy (before exclusions) that a school district can propose as part of its annual budget and need the approval of only a simple majority of voters (50 percent plus 1) to pass the budget. If a district proposes a budget with a tax levy amount (before exclusions) above this limit, it will need the approval of a supermajority of voters (60 percent) to pass the budget.

School districts are required to report their calculated tax levy limit to the state comptroller by March 1.

## 2 Maximum allowable tax levy

The maximum allowable tax levy is the tax levy limit **PLUS** certain exclusions. Taxes levied to fund the following expenses are excluded from the tax levy limit:

- Voter-approved local capital expenditures.
- Increases in the state-mandated employer contribution rates for teacher and employee pension systems that exceed two percentage points.
- Court orders/judgments resulting from tort actions of any amount that exceeds 5 percent of a district's current levy.

A school district adds these exclusions to its tax levy limit without triggering the need for 60 percent voter approval.

## 3 Proposed tax levy

The third tax levy number is arguably the most important. It's the tax levy called for by a school district's proposed budget. By definition, the tax levy is the total amount of money to be raised locally by a municipality (i.e., school district) after factoring in all other available revenues.

If a school district's proposed tax levy minus exclusions is less than or equal to the district's calculated tax levy limit, the district will need the approval of a simple majority of voters to pass its budget. If the proposed tax levy minus exclusions is greater than the district's calculated tax levy limit, 60 percent voter approval is needed.

### Comparing the numbers

On May 15, 2012, New Yorkers will still be voting on school districts' proposed budgets. The level of voter support needed to pass the budget will depend on the amount of the budget's proposed tax levy, as illustrated for a hypothetical district, below:

- **PRIOR YEAR TAX LEVY ('11-'12):**  
\$15,000,000
- **CALCULATED TAX LEVY LIMIT ('12-'13):**  
\$15,207,000
- **EXCLUSIONS FROM THE LIMIT ('12-'13):**  
\$216,500
- **MAXIMUM ALLOWABLE TAX LEVY ('12-'13):**  
\$15,423,500

#### Scenario A

- **PROPOSED TAX LEVY ('12-'13):**  
\$15,373,500 (2.49% increase over '11-'12)
- How does this compare with the tax levy limit?  
 $\$15,373,500 - \$216,500 = \$15,157,000$

The proposed tax levy minus exclusions (\$15,157,000) is below the district's calculated tax levy limit (\$15,207,000). Therefore, the proposed budget, with a tax levy increase of 2.49%, requires approval by a simple majority of voters to pass.

#### Scenario B

- **PROPOSED TAX LEVY ('12-'13):**  
\$15,423,500 (2.82% increase over '11-'12)
- How does this compare with the tax levy limit?  
 $\$15,423,500 - \$216,500 = \$15,207,000$

The proposed tax levy minus exclusions (\$15,207,000) is at the district's calculated tax levy limit (\$15,207,000). Therefore, the proposed budget, with a tax levy increase of 2.82%, requires approval by a simple majority of voters to pass.

#### Scenario C

- **PROPOSED TAX LEVY ('12-'13):**  
\$15,472,500 (3.15% increase over '11-'12)
- How does this compare with the tax levy limit?  
 $\$15,472,500 - \$216,500 = \$15,256,000$

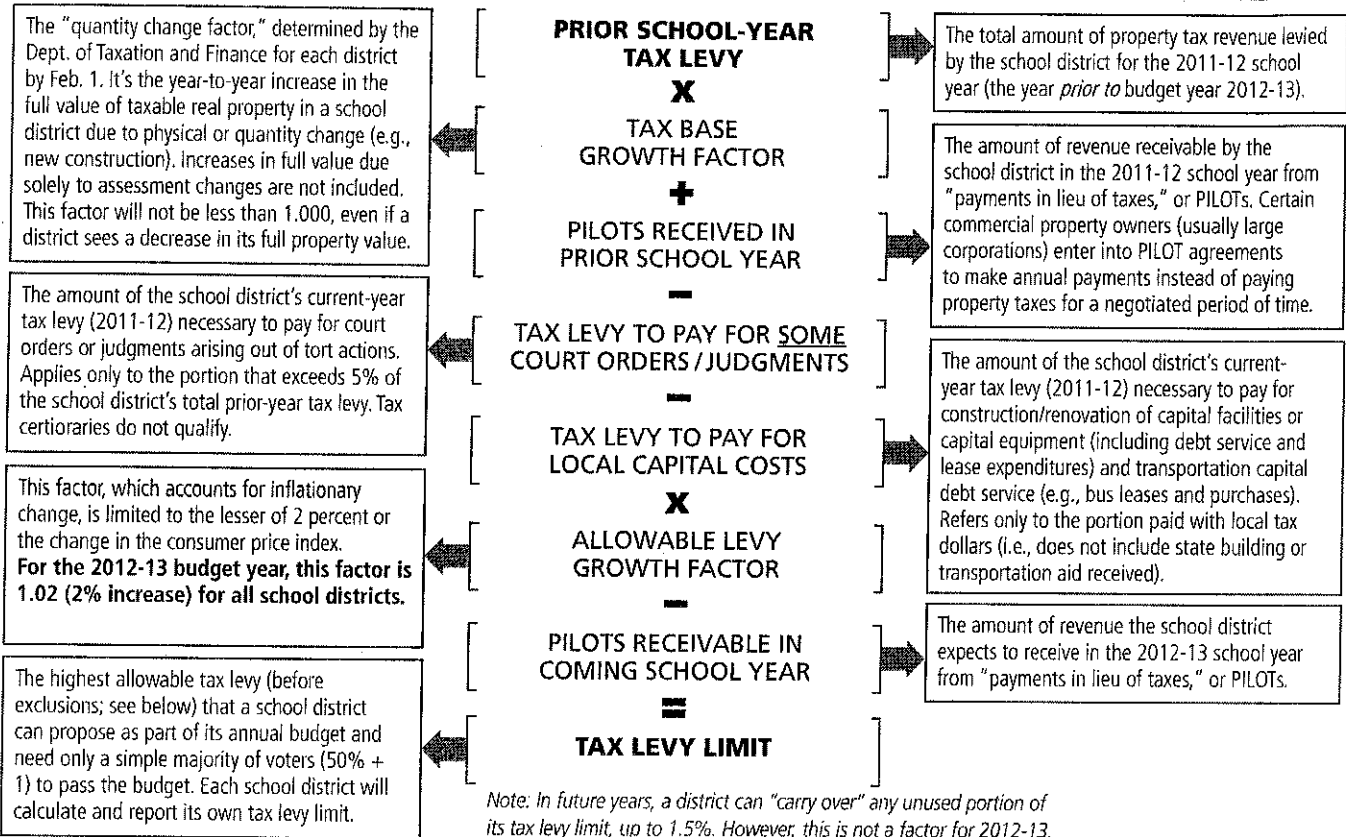
The proposed tax levy minus exclusions (\$15,256,000) is above the district's calculated tax levy limit (\$15,207,000). Therefore, the proposed budget, with a tax levy increase of 3.15%, requires approval by a super majority of voters (60% or more) to pass.

# New York's Tax Levy Limit Formula:

## How does it add up?

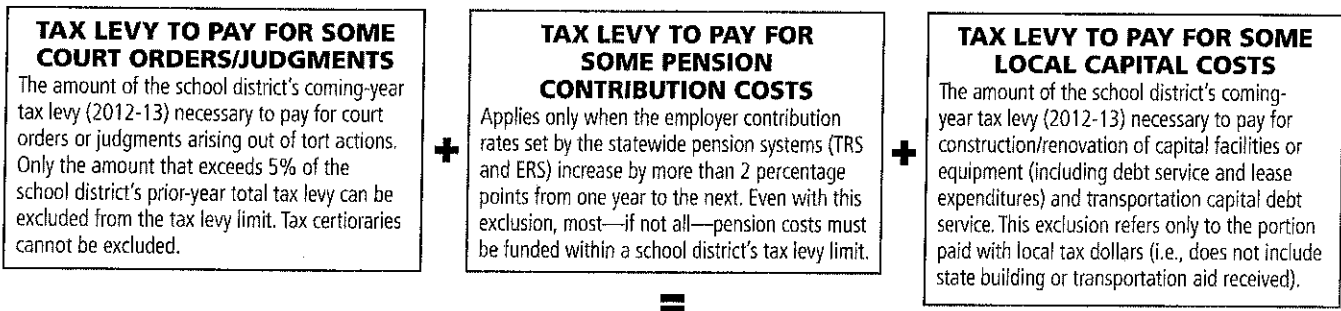
Although often referred to as a "2 percent tax cap," New York's new tax levy "cap" law does not restrict any proposed tax levy increase to 2 percent. Pursuant to the law, each school district must follow an 8-step calculation, outlined below, to calculate its individual "tax levy limit." That limit then determines what level of voter support is required for budget approval.

### THE BASE FORMULA



### EXCLUSIONS TO BE ADDED

The law excludes certain portions of a school district's tax levy from the calculation above. A district can add these exclusions (described below) to its tax levy limit, increasing the amount of taxes the district is allowed to levy while still needing only a simple majority of voters for budget approval.



**MAXIMUM ALLOWABLE TAX LEVY**

The tax levy limit plus exclusions. This is the highest total tax levy that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (50% + 1) is required.



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