**The Omnibus Property Tax Relief and Reform Act is the Better Choice.**

There is a significant public demand for property tax relief.

There is a great need for effective and effectively targeted property tax relief.

There is a need to provide meaningful property tax relief to truly overburdened taxpayers **as soon as possible**.

The STAR program provides some relief to all homeowners but most truly overburdened taxpayers do not receive enough relief from STAR to prevent them from being forced out of their homes. (Another side of this coin is that STAR is extremely expensive given the relatively small amount of relief that it delivers to those who really need help.)

A targeted, middle class circuit breaker is the only mechanism that can be structured to provide meaningful relief to those households that are truly overburdened by property taxes and to do so in a fiscally responsible manner

There is a need for tax reform that reduces New York State's reliance on the property tax and finances more of the state's essential services through taxes that are more closely correlated with taxpayers' "ability to pay."

A cap on the growth in property tax levies would slow the growth of some homeowners' property tax bills but it would not reduce those bills and it would be most harmful for pupils attending school districts that have traditionally been the most fiscally responsible. Ironically, an across-the-board cap would give the greatest flexibility to those jurisdictions that have been the least fiscally responsible and that currently have the highest property tax rates relative to their needs.

New York State's current fiscal policies place too much pressure on the property tax base. State policymakers need to make a commitment to a multi-year strategy that involves reducing the reliance on the property tax and increasing reliance on taxes based on the "ability to pay."

For such a multi-year strategy to be fair to all parts of the state, it must recognize that while school property taxes represent the greatest share of homeowners' property tax bills in suburban areas, (a) county property taxes are particularly high in counties with large numbers of needy families relative to the tax base; and, (b) the property tax rates needed to finance basic municipal services in many of the state's cities and villages are very high.

Legislation has been introduced to reinstitute the STAR Rebate Checks program (and the associated New York City income tax credit) that was repealed as part of the recently enacted state budget (Part M of S. 53-B/A. 157-B) but doing so would increase state spending during the current 2009-10 state fiscal year by an estimated $1.539 billion ($1.427 billion for the rebate checks themselves and $112 million for the associated New York City income tax credits) without providing a meaningful amount of relief to those households for whom property taxes represent an unacceptably high percentage of their total household income.

Meaningful relief can be provided in a timely fashion and at much less cost by beginning the four-year phase-in of a Middle Class Circuit Breaker in 2009. By limiting eligibility in 2009 to the most overburdened households (those with incomes of $100,000 or less and property taxes in excess of 9% of their income) the first-year cost of the Circuit Breaker would be limited to about $900 million and most of that cost would not occur until the 2010-11 state fiscal year. Circuit Breaker credits for the 2009 calendar year tax year would be claimed on personal income tax returns for 2009 which would be filed in early 2010.

A targeted, middle class circuit breaker is the only mechanism that can be structured to provide meaningful relief to those households that are truly overburdened by real property taxes and to do so in a fiscally responsible manner.

A Circuit Breaker provides taxpayers with a refundable income tax credit for a percentage (known as the "credit percentage") of the amount by which their property taxes exceed a reasonable portion of their income (with that reasonable portion being referred to as the "property tax threshold").

For a circuit breaker to provide meaningful relief to truly overburdened taxpayers, the credit percentage has to be relatively high (but not so high as to eliminate taxpayers' interest in holding down property tax rates).

For a circuit breaker proposal to provide meaningful relief and to still be fiscally responsible, the "property tax threshold" cannot be too low.

The Galef/Little Circuit Breaker provides for such an approach by providing a refundable income tax credit equal to 70% of a household's property taxes over 6%, 7% or 8% of household income, depending on the level of a household's income. See attachment A for the Galef/Little bracket structure.

The Omnibus Circuit Breaker proposal makes significant policy and technical improvements in the framework outlined in the Galef/Little bill:

The Omnibus Circuit Breaker provides for a single bracket structure for the entire state rather than separate brackets for upstate and downstate provided for in the Galef/Little bill. This change would ensure that households with the same income and the same property tax bill will get the same amount of relief regardless of where in the state they happen to live.

See Appendix B for the Omnibus Bill bracket structure.

The Omnibus Circuit Breaker recognizes that renters also pay property taxes. It is just that they pay those property taxes through their rent. The Galef/Little bill does not cover renters. Under the Omnibus bill, coverage of renters would be phased in as follows: In 2010, 15% of a household's rent would be counted as its "property tax equivalent." In 2011 and subsequent years, 20% of rent would be counted as a household's "property tax equivalent."

The omnibus bill would eliminate the notch or cliff effects in the Galef/Little Circuit Breaker by establishing a graduated bracket structure. For example, with a property tax threshold of 6% for incomes up to \$100,000, and 7% for incomes above \$100,000 but not above \$150,000, the following notch effect would exist without a graduated bracket structure: A household with income of \$100,000 would have a property tax threshold of 6% of its income (\$100,000) or \$6,000. But, a household with income of \$100,001 would have a property tax threshold of 7% of its income (\$100,001) or \$7,000.07. With a graduated bracket structure, the property tax threshold for the household with income of \$100,001 would be 6% of \$100,000 plus 7% of the amount (\$1) over \$100,000 for a property tax threshold of \$6,000.07.

In recognition of the state's current fiscal problems, the Omnibus Bill proposes to phase in its proposed Middle Class Circuit Breaker over four years. For the 2009 calendar year tax year, only households with incomes of \$100,000 or less and property taxes in excess of 9% of income would be eligible. But, over the next three years, the income limits would be gradually increased to \$250,000 and the property tax thresholds would be gradually reduced to 6% of the first \$100,000 of household income, 7% of the next \$50,000 of household income (i.e., any income above \$100,000 but below \$150,000), and 8.5% of any income over \$150,000. Under the Galef/Little Bill, the proposed Circuit Breaker would be fully effective beginning with the 2010 calendar year tax year.

Appendix A

The Circuit Breaker plan contained in the legislation (S. 253/A. 7094) sponsored by Senator Elizabeth Little and Assemblywoman Sandra Galef would provide households who have lived in their owner-occupied primary residences homes for at least five years with a refundable income tax credit of 70% of the amount by which the property taxes on those primary residences exceed specified property tax thresholds based on their income and county of residence, up to a maximum credit of $5,000. The following tables set forth the bracket structures under this proposal. Under this bill as currently written, the proposed circuit breaker would be fully effective for calendar year tax years beginning on January 1, 2010.

| Table 1: Downstate Bracket Structure Under the Proposed Galef/Little Circuit Breaker | |
|---|---|
| Households residing in owner-occupied primary residences in the City of New York, and in the counties of Nassau, Suffolk, Rockland, Westchester, Putnam, Orange and Dutchess, | |
| with Gross Income of: | would be entitled to an income tax credit of 70% of the amount by which the property taxes paid on such residence exceeds the following percentage of the household’s Gross Income, up to a maximum credit of $5,000: |
| $120,000 or less | 6% |
| Between $120,001 and $175,000 | 7% |
| Between $175,001 and $250,000 | 8% |
| Households with incomes above $250,000 would not be eligible for a credit. | |

| Table 2: Upstate Bracket Structure Under the Proposed Galef/Little Circuit Breaker | |
|---|---|
| Households residing in owner-occupied primary residences in parts of New York State not covered by the Downstate Bracket Structure, | |
| with Gross Income of: | would be entitled to an income tax credit of 70% of the amount by which the property taxes paid on such residence exceeds the following percentage of the household’s Gross Income, up to a maximum credit of $5,000: |
| $90,000 or less | 6% |
| Between $90,001 and $150,000 | 7% |
| Between $150,001 and $250,000 | 8% |
| Households with incomes above $250,000 would not be eligible for a credit. | |

Appendix B

The Circuit Breaker proposed in the Omnibus Property Tax Relief and Reform Act would provide households who have lived in their primary residences for at least five years with a refundable income tax credit of 70% of the amount by which the property taxes on those primary residences exceed specified property tax thresholds that are phased in over a four year period beginning with the calendar year tax year beginning on January 1, 2009. For the 2009 calendar year tax year, the proposed Circuit Breaker would apply only to owner-occupied primary residences. For the 2010 and subsequent calendar year tax years, the proposed Circuit Breaker would apply to both owner-occupied primary residences and renter-occupied primary residences. The following tables set forth the bracket structures under this proposal for the three phase-in years and for 2012 and thereafter.

| Table 1: 2009 Bracket Structure Under the Proposed Omnibus Bill Circuit Breaker | |
|---|---|
| Households residing in owner-occupied primary residences anywhere in New York State | |
| with Gross Income of: | would be entitled to an income tax credit of 70% of the amount by which the property taxes paid on such residence exceeds the following percentage of the household’s Gross Income: |
| $100,000 or less | 9% |
| Households with incomes above $100,000 would not be eligible for a credit for 2009. | |

| Table 2: 2010 Bracket Structure Under the Proposed Omnibus Bill Circuit Breaker | |
|---|---|
| Households residing in owner-occupied and renter-occupied primary residences anywhere in New York State | |
| with Gross Income of: | would be entitled to an income tax credit of 70% of the amount by which the property taxes (or the property tax equivalent) paid on such residence exceeds the following percentage of the household’s Gross Income: |
| $100,000 or less | 8.5% |
| Households with incomes above $100,000 would not be eligible for a credit for 2010. | |
| In 2010, 15% of a household’s rent would be counted as its “property tax equivalent.” | |

| Table 3: 2011 Bracket Structure Under the Proposed Omnibus Bill Circuit Breaker | |
|---|---|
| Households residing in owner-occupied and renter-occupied primary residences anywhere in New York State | |
| with Gross Income of: | would be entitled to an income tax credit of 70% of the amount by which the property taxes paid on such residence exceeds the following amount: |
| $100,000 or less | 7.5% of the household’s Gross Income |
| Between $100,001 and $150,000 | $7,500 plus 8.5% of the household’s Gross Income above $100,000. |
| Households with incomes above $150,000 would not be eligible for a credit for 2011. | |
| In 2011, 20% of a household’s rent would be counted as its “property tax equivalent.” | |

| Table 4: 2012 Bracket Structure Under the Proposed Omnibus Bill Circuit Breaker | |
|---|---|
| Households residing in owner-occupied and renter-occupied primary residences anywhere in New York State | |
| with Gross Income of: | would be entitled to an income tax credit of 70% of the amount by which the property taxes paid on such residence exceeds the following amount: |
| $100,000 or less | 6% |
| Between $100,001 and $150,000 | $6,000 plus 7% of the household’s Gross Income above $100,000. |
| Between $150,001 and $250,000 | $9,500 plus 8.5% |
| Households with incomes above $250,000 would not be eligible for a credit for 2012. | |
| In 2012, 20% of a household’s rent would be counted as its “property tax equivalent.” | |