From the Executive Director: Gerry Geist

Coping with the Tax Cap in 2015 and Beyond

- The concept of the Tax Cap as a piece of legislation and the public's perception of it are different from the reality of towns struggling to stay within it.

As we conclude the fourth year of the tax cap era, many people believe that towns and other units of local government have a 2 percent levy limit within which to maneuver. The reality is far different. The legislation that Gov. Andrew M. Cuomo signed into law states that local governments have to stay within the 2 percent tax cap, **or the rate of inflation** (as measured by the Department of Labor consumer price index (CPI)), whichever is less. Based on the most recent data from the U.S. Department of Labor, we estimate the 2016 tax cap will be 0.74 percent, just further complicating New York State towns' abilities to stay within the cap and still meet residents' needs. With increasing costs for health insurance and other expenses, towns simply have no other choice but to reduce services, siphon their reserve funds and severely curtail or straight up eliminate capital projects or repairs to infrastructure. That's why your Association has formed a united front with our sister municipal New York State organizations – the New York Conference of Mayors and New York State Association of Counties – to raise our collective voice to oppose making the tax cap permanent. Furthermore, we are asking the state Legislature and the governor to listen to our side of the story and modify the law from its current state to do four things;

a) The cap must be a temporary law, as it was always contemplated to be and able to be reviewed periodically to evaluate its benefits for taxpayers. Keep in mind the state indicated that it would also provide mandate relief to localities in exchange for the tax cap, but as of this time, there has been no meaningful mandate relief realized.

b) Make the tax cap a true 2 percent and not tied to inflation.

c) Provide an exclusion for municipal expenditures on public infrastructure. This is of paramount importance to all of us, since the state failed to appropriate monies from the $5 billion bank settlement funds toward infrastructure and declined to increase CHIPS funding this year. As we all know, our roads, bridges and culverts are aging and in disrepair, and we need relief so our residents and children can get to work and school in a safe manner.

d) PILOTs (payments in lieu of taxes) should be included in the cap's tax base.

We have and will continue to advocate for modifications to the tax cap so that you, our members, can experience some relief from the onerous requirements of this law. The ramifications of the tax cap should be studied and reviewed, and changes should be adopted to address our concerns. More than 80 percent of towns have stayed within the tax cap, but as the pipe dream of 2 percent is in reality continually reduced to 0.74 percent, the harder it will be for towns who want to stay within the cap to comply. The time is now to stand up for changes and to continue to address the heavy burden the tax cap has imposed on local governments.

Stay tuned for future news by visiting our Web site at www.nytowns.org for updates on this issue and other financial measures that pertain to towns and local governments. ***For now, be sure to see a rundown of what we're currently chalking up as 'wins' due to our advocacy efforts this legislative session on page 31 of this magazine.*** ❐