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"Surprise Hits School Taxpayers - Property owners greeted with bigger-than-expected bills"

By RICK KARLIN

ALBANY -- Dan Egan got quite a surprise when he received his Albany city school tax bill last week. Rather than rising about 2.5 percent as the district had predicted before last spring's budget vote, school taxes on his house jumped a whopping 9.7 percent.

"That's hardly an estimate when you miss by 300 percent," he said.

Egan has heard similar complaints from his neighbors.

"It's a surprise tax of a couple of hundred bucks," said Egan, a retired Department of Transportation financial officer, whose school taxes rose from \$3,811 to \$4,184.

Albany isn't the only school district in which homeowners are seeing tax bills that are higher than those predicted by school officials.

Part of that is the state's fault, as the governor and legislature in 2008 quietly lowered the School Tax Relief (STAR) tax breaks that most homeowners receive.

That reduction is what is known as the "floor adjustment," or the discounted basis upon which a homeowner's taxes are calculated. STAR, which was instituted in the late 1990s, helps control property tax costs by reducing the assessed value upon which a home's taxes are based. The initial STAR exemption was \$30,000, meaning that a home valued at \$100,000 would be taxed on \$70,000 of its worth.

As housing prices rose in the late 1990s and the early part of this decade, the exemption amount went up as well.

But now that prices have been falling, so has the exemption, explained state Division of Budget spokesman Matt Anderson. Since 2008, it has dropped 11 percent.

A lower exemption translates into higher taxes: In Albany, for instance, last year's basic STAR exemption was \$36,160 taken off the price of a home; this year, that sum fell to \$32,180. That means the baseline home value from which school taxes are calculated went up by \$3,980 for homeowners.

The change in the exemption was made with almost no publicity, even though Gov. David Paterson proposed it in his budget, which was passed last spring.

"It just kind of gets slipped in (the state budget), but it shows up on your tax bill," said Bill

Hogan, assistant superintendent for business at the Albany school district.

That move presaged a larger and much more publicized hit on homeowners: the elimination of the middle-class STAR rebate program, which had previously saved property owners hundreds of dollars annually. The rebate's demise and the exemption's decline were among the sacrifices to close the state's \$17.7 billion budget deficit.

But STAR changes only tell part of the story in Albany. Egan (who is unrelated to the school board member of same name) figures that the reduced STAR cost him around \$50.

City homeowners are also paying more this year because commercial property prices slid faster than residential values.

The taxable value of Albany's commercial property fell about 4.3 percent, compared to a drop of less than half a percent for residential structures, said Hogan.

He said the overall tax levy, or the amount of money the schools took from all of the city's real estate taxes, went up a fairly modest 2.77 percent.

But with less real estate value to tap, officials had to dig deeper to achieve its budget. The Albany school district serves about 10,000 students and carries a budget of \$203.8 million.

Homeowners like Egan and his neighbors wonder if businesses should start paying more in future years. The possible peril of that move would be driving some establishments out of the city, which would mean even fewer taxable dollars and the possible creation of a vicious cycle of declining revenue. Right now, "The burden is falling on the residential taxpayers," said Egan, who like others says he thinks about leaving Albany every time he see property taxes rise.

"I like living in Albany, but I think it's getting out of hand," said Deborah Onslow, another neighbor of Egan's, who said her total local tax bill will run about \$10,000.

Onslow, the former president of WMHT, said a friend of hers owns a \$1.3 million condo in Boston and pays a fraction of that.

"I honestly wonder about whether or not I'm going to continue to live in the city," she said. "They are going to lose their most valuable asset: They are going to tax middle-class taxpayers out of their houses."

A little off the top

Basic STAR exemptions vary based on the ratio of assessed value to actual market value of homes in a given community.

A higher exemption means the assessed valuations are closer to actual prices. Differences occur

because most communities reassess property every few years, but actual sale prices vary from year to year.

The number represents the amount of money exempted from the value of a home before calculating school taxes.

In the Capital Region, taxes would typically be several hundred dollars higher without the STAR exemption. Some local examples of the basic STAR exemption:

Albany: \$32,180

Bethlehem: \$32,160

Saratoga Springs: \$31,440

Source: State Office of Real Property Services.