

March 4, 2014

LEAGUE OF WOMEN VOTERS OF SCARSDALE
STATEMENT CONCERNING
PROPOSED LOCAL LAW TO ADOPT THE HOMESTEAD TAX OPTION
BY THE SCARSDALE TOWN BOARD OF TRUSTEES

On Thursday, February 27, 2014 the League of Women Voters of Scarsdale (LWVS or the League) held an information meeting, open to the public, regarding the adoption by the Town Board of the Town of Scarsdale (Town Board) of the provisions of Section 1903 of the Real Property Tax Law, commonly referred to as the Homestead Tax Option. During the information meeting, Linda Doucette-Ashman, chair of the LWVS ad hoc committee on the Homestead Tax Option (the Committee), presented a brief overview of the Homestead Tax Option, including the purpose of the Tax Option and the effect of its adoption, and panelists John Wolham, Regional Director of the New York State Office of Real Property Tax Services, New York State Department of Taxation and Finances, and Nanette Albanese, Scarsdale Town/Village Assessor, responded to questions from the Committee and the audience regarding the Homestead Tax Option. A consensus meeting of the members of the League immediately followed.

Background

In municipalities that have not reassessed in many years, the assessment of residential properties is typically lower compared to their full or market value than other types of property such as commercial property. In these situations, residential properties as a class would bear a larger portion of the tax burden after a reassessment. As a result of the concern for tax-burden shifts to residential homeowners, the law in 1981 provided for the Homestead Tax Option.

The Homestead Tax Option requires every property to be classified as either homestead, which includes single-family homes, or non-homestead, which includes commercial property. In addition, condominiums built as condominiums must be included in the homestead class of property. Adoption of the Homestead Tax Option allows the assessing unit to set two different tax rates: a lower tax rate for residential property (homestead) owners and a higher rate for all other property (non-homestead) owners. The tax rate for the homestead owners is based on the share of property taxes paid by the residential class of property owners in the year before the new assessments from the revaluation are used.

The purpose of the Homestead Tax Option is to help communities prevent a shift in the tax burden from commercial properties to residential properties at the time of revaluation. Adoption of the Homestead Tax Option is not mandated; it is a choice for the local governing body of the assessing unit to consider at the time of revaluation, typically to insulate residential property owners, as a group, from bearing a larger share of the tax burden after revaluation.

A town-wide revaluation has been undertaken in Scarsdale with the new tax assessments to be implemented on the June 1, 2014 assessment roll. If the Homestead Tax Option is to be adopted, the Town Board must adopt a local law adopting the Homestead Tax Option sixty days prior to the Town tentative assessment roll filing date, June 1, 2014.

We understand that the Town Board is not looking to adopt the Tax Option for the purpose of preventing a shift in the tax burden from commercial properties to residential properties by establishing two separate tax rates¹ since the shift in tax burden would be negligible.²

The Town Board is considering adopting the Homestead Tax Option only to “value and assess certain qualifying condominiums in the same manner as single-family residences,”³ the result of classifying condominiums, built as condominiums, as part of the homestead class.

If the Homestead Tax Option is adopted, the classification of condominiums, built as condominiums, will change the method of valuation for those condominiums from the income approach (the method required by law to be used for all cooperative and condominiums) to the market value approach (the method used for single-family homes, which is essentially based on fair market value or the resale price).

Currently, there is one property that contains units that are condominiums, built as condominiums, in Scarsdale, One Christie Place. Adoption of the Homestead Tax Option requires the inclusion of the residential condominium units at Christie Place in the homestead class of property thereby requiring a change in the method of valuation of those units from the income value method to a fair market value method.⁴ Based on preliminary tax reassessment data provided by Mr. Wolham to the Town Board, this change would result in a 116% increase (versus a 35.48% increase if the Tax Option is not adopted) in share of tax levy to the condominium owners as a class. With the adoption of the Tax Option, single-family homeowners as a class would see a .49% decrease in share of tax levy (versus a .23% decrease if the Tax Option is not adopted). The League believes the potential harm this change would create for the One Christie Place residential condominium owners outweighs the potential benefit its implementation may provide at this time.

Recommendation

The League does not support the adoption of the Homestead Tax Option by the Town Board of Trustees.

¹ Draft Introductory Local Law # _ of 2014 A Local Law Adopting The Provisions of Section 1903 of the Real Property Tax Law, Commonly Referred to as the “Homestead Tax Option”. According to Mr. Wolham, if the Town Board adopted the Homestead Tax Option, it would elect to make a “100% adjustment” in order to set the tax rates based on the share of property taxes paid by the two classes of property owners *after* the new assessments from the revaluation are used, with the objective to “ensure that the tax rate for Homestead and Non-Homestead properties be the same.” The resulting tax rates for the homestead and non-homestead property owners would differ by a number “to the right of the decimal point.”

² As per John Wolham. The difference in percentage of taxable value that homestead property represents of the taxable value of all property in Scarsdale pre-revaluation versus post-revaluation if the Homestead Tax Option were in place is .59%.

³ See draft Introductory Local Law, note 1.

⁴ Under the law, cooperative apartments would be classified as non-homestead property and would continue to be valued using the income approach.

The LWVS reiterates its long-standing position of advocating for an increased supply of housing that provides residential alternatives for long-term Scarsdalians.

The League appreciates the opportunity to comment on this issue.

We thank Ms. Albanese for her participation in our information meeting and members of the Village Administration, including Village Manager Al Gatta, Village Clerk Donna Conkling and Ms. Albanese, for the help they have provided the Committee in its preparation and study of the Homestead Tax Option.

Respectfully submitted,

Susie Rush
President

Committee on Homestead Tax Option
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