

STATE CHANGES STAR EXEMPTION TO INCOME TAX CREDIT

Homeowners could miss out on higher STAR property tax breaks if they don't switch to the state's new program, according to changes approved in the new state budget.

The current STAR program reduces the amount of property taxes homeowners pay to school districts. The new state budget switches that program to an income tax credit administered by the state tax department.

Not everyone has to switch right away, but those who stick with the old system could bump into an income limit and could forego future increases in benefits.

The most immediate change in the state budget is for homeowners who make more than \$250,000 in annual salaries. They are required to shift from local government administration to the state's credit system. At the state level, the income threshold is \$500,000 in annual income.

Other homeowners who qualify for STAR have a choice whether to stay with the current system or shift to the state. But those who stay with the current system will have the amount of their benefit frozen at 2019 levels.

If the school district increases spending for 2020, homeowners who stay with the current system will not get a bigger tax break to match that spending. The increased benefit can grow up to 2 percent a year, a state budget spokesman said.

Gov. Andrew Cuomo wants to shift the program to the state tax department, which he says is more efficient and prevents fraud.

The state created the STAR, or School Tax Relief program, to help homeowners with the high cost of local property taxes. But the state left the job of administering the complicated program up to hundreds of town assessors, who lack the staff and the information to police for fraud.

The program is expected to cost the state \$3.4 billion this year and gives an average credit of \$890 to property owners.

Here's how it works under the old system:

STAR is a discount on school property taxes.

The Basic STAR program exempts the first \$30,000 of the full value of a home from school property taxes for owner-occupied, primary residences where the owners' income is less than \$500,000.

Enhanced STAR is an extra benefit for seniors age 65 and older with incomes less than \$86,300. It exempts the first \$68,700 of the full value of a home from school property taxes under this year's formula.

The state reimburses school districts for the discounts given to taxpayers.

Here's how the new credit system works:

Homeowners pay their full property tax bills to the schools when they are due. The state tax department sends a check to the taxpayer, rather than the school district, for the amount that should be discounted.

The state intends to issue the checks before property tax bills are due, a spokesman said.

Assessors are happy to hand this job over to the state after years of trying to manage the ever-changing rules.

They warn, however, that it could frustrate some homeowners with mortgages who pay their taxes in escrow. Their monthly bills will go up. And they will have to trust that the state reimbursement check comes before school taxes are due.

Assessors also caution that homeowners should still visit their local assessors to see if they are eligible for other local tax exemptions. There is a separate senior exemption, for example, and the rules are different in every municipality and school district.

Note: People who bought their homes after mid-2015 could already be using the new system. The law changed in 2016 to require people who bought homes with STAR exemptions for the 2015-16 school tax levy to register with the state.

How to switch STAR to a state income tax credit:

The state tax department is expected to send letters to eligible property owners with instructions for switching.

Property owners can also find instructions online to renounce their current STAR exemption and register with the state. Homeowners need to notify their town assessor in writing before the assessment rolls are officially filed and register with the state. That deadline is May 1 in most Upstate towns.

Then, fill out form RP-496 with the town assessor and register with the state. The \$500 fee mentioned on the form is waived if you are simply switching to the credit.

Call the state tax department with questions at 518-457-2036.

STAR exemption removal and renunciation

Property owners who wish to stop receiving the STAR exemption can request that the exemption be removed. The removal procedure varies based on when the property owner asks for the exemption to be removed.

Please note that the renunciation of a STAR exemption is irrevocable. This includes property owners who renounce their STAR exemption to switch to the credit; they cannot switch back to the exemption at a later time.

In addition, property owners who are seeking to renounce a STAR exemption in order to receive the STAR credit for that year must do so prior to December 31 of that year. For example, if a property owner wants to receive the 2018 STAR credit but has already received the STAR exemption on the 2018 assessment roll, the owner is required to renounce the exemption by December 31, 2018.

Removal before the tentative roll is filed

If a property owner with a STAR exemption wishes to stop receiving that exemption in the future only and the tentative assessment roll has not been filed, the property owner does not need to file Form RP-496 or any other specific form. (Form RP-496 is designed to be used to renounce previously granted exemptions, as its title indicates.)

Unless the request affects any roll that has already been filed, the property owner or owners can simply provide the assessor with a brief signed note expressing their intention to give up the exemption going forward. We suggest language along these lines:

Please be advised that I (we) no longer wish to receive the STAR exemption from this point forward on my (our) property located at

_____.

Date _____ Signed _____

Date _____ Signed _____

All owners should sign.

However, if Question 3 of Part 1 of a taxpayer's Form RP-496 contains a date that falls after the school levy date, it means that the taxpayer did not intend to renounce the exemption for this year's school tax bill. You should not remove the exemption from this year's data file in those cases.

Renunciation after the tentative roll has been filed (including prior year exemptions)

To renounce exemptions after school taxes have been levied, property owners must use Form RP-496, Application to Renounce Previously Granted Exemption(s). The same procedure applies for exemptions granted in prior years.

Form RP-496 instructions:

Where and when to file

Property owners file Form RP-496 with the county director of real property tax services, or in Nassau or Tompkins Counties, with the chief assessing officer (this form does not apply to real property located within New York City). The application must be filed no later than ten years after the levy of taxes upon the assessment roll on which the renounced exemption appears. Property owners cannot file the form with the New York State Department of Taxation and Finance or the Office of Real Property Tax Services.

Calculation of amount owed

The county director, after consulting with the assessor when appropriate, computes the total amount owed by the property owner. For each assessment roll for which the exemption is being renounced, the director multiplies the assessed value that was exempted by the tax rate or rates that were applied to that assessment roll. The director then adds interest at the rate prescribed by Section 924-a of the Real Property Tax Law, or by such other applicable law, for each month, or portion thereof, since the levy of taxes upon such assessment roll.

In addition, the taxpayer must pay a fee of \$500 unless the RP-496 is being filed to renounce the STAR exemption to claim the STAR Credit. If the renunciation is for purposes of claiming the STAR credit only, and no other exemptions are being renounced, no fee is due.

Notification

After entering the amount owed in Part 2 of the application, the county director:

- returns the application to the property owner,
- sends a copy of the application to the assessor¹, and
- in the case of a STAR exemption, sends a copy to the New York State Department of Taxation and Finance at this address:

NYS DEPT. OF TAXATION AND FINANCE - ORPTS
WA HARRIMAN CAMPUS
ALBANY NY 12227-0801
ATTN: STAR RENUNCIATION UNIT

Distribution

The property owner must pay the total amount due to the county treasurer no later than 15 days after the notification is mailed to the owner by the county director. The treasurer then issues a payment receipt to the property owner. After deducting the \$500 processing fee (if applicable), the treasurer distributes the taxes and interest owed to the affected municipal corporations, and, in the case of the STAR exemption, to the Tax Department.

1 Note: If the assessor receives an approved copy of Form RP-496 before school taxes are levied, the assessor should remove the exemption from the assessment roll data file. It is not necessary to file a Correction of Errors petition in these cases. If the assessor receives an approved copy of Form RP-496 after school taxes are levied, he or she may leave the exemption on the assessment roll data file.

Scenarios

Scenario 1:

Ms. Smith is eligible for Enhanced STAR but purchases a home after taxable status date where the prior owner was receiving the Basic STAR exemption.

Ms. Smith will automatically receive the Basic STAR exemption on her new home in the first year unless she requests that the exemption be removed. If she wishes to receive Enhanced STAR instead, Ms. Smith should register for the STAR credit with the Tax Department, and:

if it is prior to tentative roll date, submit a signed note to the assessor asking that the exemption be removed (see Before the tentative roll is filed); or

if it is after tentative roll date, submit Form RP-496, Application to Renounce Previously Granted Exemption(s), to the county director of real property tax services.

If school taxes have already been levied, she will need to pay the full amount of school taxes shown on her bill, and then pay the Basic STAR tax savings shown on the bill to the county treasurer before the Tax Department will issue a STAR credit for her first year at the property.

Scenario 2:

Mr. and Mrs. Jones purchased a new home after taxable status date, and were receiving the Basic STAR exemption on their prior home. The prior owner of the new home was receiving the Basic STAR exemption.

In the first year, the Jones will receive the prior owner's Basic STAR exemption on their new home. They are not required to renounce the exemption on their prior home. When the new home becomes their primary residence, they should register with the Tax Department to receive the STAR credit in future years.

Scenario 3:

The owner of a mobile home unit worth \$12,000 in a mobile home park wishes to receive the STAR credit instead of the STAR exemption because the credit will be based on the home being worth \$20,000.

To receive the Basic STAR credit instead of the exemption, the owner should register with the Tax Department, and:

if it is prior to tentative roll date, submit a signed note to the assessor asking that the exemption be removed (see Before the tentative roll is filed); or

if it is after tentative roll date, submit Form RP-496, Application to Renounce Previously Granted Exemption(s), to the county director of real property tax services.

When a mobile home owner renounces a STAR exemption, the county director follows the standard procedures for determining the amount owed by the taxpayer. The unit owner pays the amount of the total benefit for the year to the county treasurer, regardless of the amount of benefit received thus far. The mobile home park owner is not impacted by the renunciation, and does not need to be notified.

Scenario 4:

In April, Mr. and Mrs. Jacobs decide they would like to stop receiving the STAR exemption on their home; their out-of-state home is going to become their primary address.

They should submit a signed note to the assessor asking that the exemption be removed (see Before the tentative roll is filed). Because the request does not impact a roll that has already been filed, they do not need to submit Form RP-496, Application to Renounce Previously Granted Exemption(s),

Please note: Renunciations of STAR exemptions are irrevocable. This includes property owners who renounce their STAR exemption to switch to the credit; they cannot switch back to the exemption later.