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Upstate shoulders lion's share in taxes

Joseph Spector
Gannett Albany bureau chief

ALBANY — Live in Westchester County and you pay the highest property taxes in the nation, with a median of \$8,404 a year.

Live in upstate New York, and you also have an unenviable distinction.

Sixteen upstate counties — including Monroe, Orleans, Erie and Cortland — pay the highest property taxes compared to home values in the country, according to the U.S. Census Bureau.

In all, New York's local taxes are 79 percent higher than the national average, a 2008 state report found.

Property-tax levies grew 60 percent between 1995 and 2005, more than twice the inflation rate, the state Comptroller's Office said.

Dan St. James, 53, said property taxes are high, but resale values are low in his Charlotte neighborhood of Rochester because of a weak school system that drives away many would-be buyers.

"What I'm getting for it in terms of services is not worth it to me," said St. James, who is a self-employed furniture and antiques dealer. "I'm looking at the possibility of moving out of New York state."

New York's property-tax burden — ranked annually at or near the top in the country — has long been a top complaint of residents, whether they are at the local diner, the school board meeting or within the halls of the state Capitol.

But the high property taxes have become even more pronounced in recent years as the economy sputtered, unemployment hit record highs and the housing boom went bust.

Those issues are now coupled with a state government on the brink of insolvency, which is forcing cuts in aid to schools and local governments. The state is grappling with a \$9.2 billion deficit, and last month it delayed \$2 billion in payments to schools because it ran out of cash.

Meanwhile, the factors that drive high property taxes — health care costs, high public-sector pensions and salaries — show few signs of slowing.

To cover local pension costs next year, for example, local governments will need to pay 61 percent more than they are paying now.

A Gannett Albany bureau analysis of census data shows that Monroe County ranked ninth in the state in the amount paid for property taxes as a percentage of household income, at more than 5 percent.

Tops among New York's 62 counties are Nassau County on Long Island, followed by Westchester and Rockland counties, with more than or nearly 8 percent of household incomes going to property taxes.

Critics say the problem is driving people out of the state.

Between 2004 and 2008, New York lost more than \$19.5 billion in taxable income because of people leaving the state, a review of Internal Revenue Service data shows.

Yet a majority of New Yorkers still indicate in independent, statewide polls that they do not support cuts to health care and education, even if it means higher taxes.

Solutions to the state's property-tax issues — from proposals to enact a cap, link taxes to household incomes or cut spending — will be a top issue in the governor's race and elections across the state this year.

Already, candidates are jockeying to be the state's chief fiscal reformer.

Last fall, an anti-incumbent sentiment swept through local elections. Just ask former Nassau County Executive Thomas Suozzi, who led a state property-tax commission.

He lost re-election last fall.

"I'm the poster boy for 'The public is mad as hell,'" Suozzi said.

"I'm the one who has been fighting for property-tax relief, pretty much more than anybody, and even I got booted — because they didn't want to hear me talk about it. They wanted results."

Voting with their feet

Diane Wesgate and her husband thought they would live out the rest of their life in a little house on Irondequoit Bay, a "shack" they purchased in 1972. They fixed it up slowly, without going into debt, but their property taxes might get in the way of their dream.

The 1,350-square-foot, two-bedroom home is assessed at \$190,000. The couple has a total property tax bill of \$9,000, which includes the taxes on their two-car garage on a separate parcel, which is appraised at \$40,000.

"We don't even live on a road that the town maintains," said Wesgate, 63. She works full time while her husband, Donald, 70, is retired.

Wesgate's assessment went from \$130,000 to \$267,000 in one year. She fought it and was able to get it dropped to \$190,000.

Wesgate thinks that without tax relief, people on fixed incomes will be forced out.

"If all the retired people leave, that's a big chunk of New York state, and a lot of them are leaving," she said.

Nearly 1.7 million people left New York between 2000 and July 2009 — the most of any state in the nation, according to census data estimates released last month.

The state's population has grown only because of an influx of immigrants and births exceeding deaths. But in some upstate counties, including Erie, as much as 4 percent of their population has left over the decade.

More precise data should be available sometime early next year as the results of the current full census become known.

As the price of homes fell in recent years, the tax burden became even more apparent, economists said.

"You can do a lot of stuff when you're prosperous, with property values going up and you have more jobs coming into the community," said Kent Gardner, president of the Rochester-based Center for Governmental Research.

"But when the tide goes out, the expectations are still there and yet the tax base is not."

The school tax burden

School taxes accounted for 61 percent of all property taxes in 2007.

Between 1993 and 2006, state aid to schools also soared, from \$12 billion to \$22 billion, according to the Albany-based Rockefeller Institute for Government.

But the aid in the good economic times did little to slow the growth of school property taxes, which rose an average of 5 percent over the past six years, state records show.

In the 2004-05 school year, for example, state spending on schools grew 6.3 percent — but school taxes grew by 8.3 percent.

The state Commission on Property Tax Relief, formed in 2007 to explore the problem, found that school staff grew by more than 12,000 between 2000 and 2007, even as enrollment declined by nearly 16,000 students.

The state, the report found, spent \$18,768 per student in the 2008-09 school year — the most in the nation. But, Suozzi pointed out, New York doesn't have the highest-ranked system in the country.

"We spend too much money," Suozzi said.

"New York state spends more money per student than any state in the United States of America. So that would be great if we have the best results in the country, but we don't."

Schools said they are going to rely more on spending cuts, with predictions that 14,000 teaching jobs could be cut if \$1.4 billion in state aid reductions are made in the 2010-11 state budget, which has yet to be approved by the Legislature. They warn that the cuts will devastate classroom education.

They also point out that unlike other taxing entities, voters have to approve school budgets and overwhelmingly do so every May. School groups have proposed taxing Wall Street and the rich as a way to raise more state revenue.

Potential solutions

In an election year, lawmakers have offered some solutions.

A school-property-tax cap would limit increases to 4 percent a year or to the inflation rate. A so-called circuit breaker would tie property taxes to household income. There are proposals for mandate relief for schools to help lower costs.

Gov. David Paterson has also pushed for a tax cap and a state-spending cap. But none of the proposals has been put into law, as powerful special interests have vigorously opposed many of the measures.

"Everyday New Yorkers," Paterson said in a message to state lawmakers last month, "have seen their property taxes rise at unsustainable rates, increasing the cost of living and pushing far too many to leave the state."

It's a message that resonates throughout the state.

"Universally as we travel across upstate New York and even downstate, the No. 1 issue we hear is

overwhelmingly the property taxes," said Brian Sampson, executive director of Unshackle Upstate, which represents 45,000 companies in the state.

In some cases, Sampson said, "it has gotten to the point where the taxes they pay for property and schools now exceed the money they actually pay on the principal of their mortgage."

JSPECTOR@Gannett.com

Includes reporting by staff writer Jill Terreri. Data analysis by Cathey O'Donnell, The Journal News.

Additional Facts

About the series

New York's property-tax burden continues to outpace the national average, further burdening homeowners in a poor economy. Each month until the November elections, Gannett's Albany bureau will explore the reasons for the state's high property taxes and what candidates seeking office this year pledge to do about it.
