New York’s Tax Levy Limit Formula: How does it add up?

Although often referred to as a “2 percent tax cap,” New York’s new tax levy “cap” law does not restrict any proposed tax levy increase to 2 percent. Pursuant to the law, each school district must follow an 8-step calculation, outlined below, to calculate its individual “tax levy limit.” That limit then determines what level of voter support is required for budget approval.

### The Base Formula

The "quantity change factor," determined by the Dept. of Taxation and Finance for each district by Feb. 1. It’s the year-to-year increase in the full value of taxable real property in a school district due to physical or quantity change (e.g., new construction). Increases in full value due solely to assessment changes are not included. This factor will not be less than 1.000, even if a district sees a decrease in its full property value.


**PRIOR SCHOOL-YEAR TAX LEVY**

\[ \text{TAX LEVY LIMIT} = \text{PRIOR SCHOOL-YEAR TAX LEVY} \times \text{TAX BASE GROWTH FACTOR} + \text{PILOTS RECEIVED IN PRIOR SCHOOL YEAR} - \text{TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS} - \text{TAX LEVY TO PAY FOR LOCAL CAPITAL COSTS} \times \text{ALLOWABLE LEVY GROWTH FACTOR} - \text{PILOTS RECEIVABLE IN COMING SCHOOL YEAR} \]

**Note:** In future years, a district can “carry over” any unused portion of its tax levy limit, up to 1.5%. However, this is not a factor for 2012-13.

### Exclusions to be Added

The law excludes certain portions of a school district’s tax levy from the calculation above. A district can add these exclusions (described below) to its tax levy limit, increasing the amount of taxes the district is allowed to levy while still needing only a simple majority of voters for budget approval.

**TAX LEVY TO PAY FOR SOME COURT ORDERS/JUDGMENTS**

The amount of the school district’s coming-year tax levy (2012-13) necessary to pay for court orders or judgments arising out of tort actions. Applies only to the portion that exceeds 5% of the school district’s total prior-year tax levy. Tax certioraries do not qualify.

**TAX LEVY TO PAY FOR SOME PENSION CONTRIBUTION COSTS**

Applies only when the employer contribution rates set by the statewide pension systems (TRS and ERS) increase by more than 2 percentage points from one year to the next. Even with this exclusion, most—if not all—pension costs must be funded within a school district’s tax levy limit.

**TAX LEVY TO PAY FOR SOME LOCAL CAPITAL COSTS**

The amount of the school district’s coming-year tax levy (2012-13) necessary to pay for construction/renovation of capital facilities or capital equipment (including debt service and lease expenditures) and transportation capital debt service (e.g., bus leases and purchases). Refers only to the portion paid with local tax dollars (i.e., does not include state building or transportation aid received).

**MAXIMUM ALLOWABLE TAX LEVY**

The tax levy limit plus exclusions. This is the highest total tax levy that a school district can propose as part of its annual budget for which only the approval of a simple majority of voters (50% + 1) is required.

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