
BOND INFORMATION MEMO

School Districts

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New York State Allows School Districts The Option To Offer Significant Real Property Tax Exemption To Veterans

In December of 2013, the New York State Legislature expanded Real Property Tax Law (“RPTL”) Section 458-a. As originally enacted in the 1980s, RPTL Section 458-a provided a partial exemption from county, city, town and village real property taxes to qualified properties owned by veterans, but expressly omitted school districts from the list of eligible municipalities. With this revision, school districts may now offer this real property tax exemption to veterans by local option.

Qualifications

Pursuant to RPTL Section 458-a, the exemption applies to the primary residence of qualified veterans. A veteran qualifies if he or she served in active military, naval or air service during a period of war, or received the armed forces expeditionary medal, navy expeditionary medal, marine corps expeditionary medal or global war on terrorism expeditionary medal and was discharged or released under honorable conditions.

School districts may extend this exemption so that it also applies to real property owned by a cooperative corporation (“co-op”) with veteran tenant-stockholders. In addition, school districts may further extend the exemption so that it applies to “Gold Star Parents.” Gold Star Parents are parents of a child who died in the line of duty to the United States Armed Services during a time of war.

Exemption Amount

If enacted, a qualified veteran will receive a property tax exemption equal to 15% of their primary residence’s total (equalized) assessed value. A veteran who served in a combat zone will receive an additional tax exemption equal to 10% of the residence’s total (equalized) assessed value. Finally, a veteran who received a service-connected disability rating from the Veterans’ Administration or the Department of Defense will receive an additional tax exemption equal to one-half of the disability rating multiplied by the assessed (equalized) value of the property.

Notwithstanding, the law provides dollar-value “caps” to the exemption amounts. Specifically, the statute sets a default cap of \$12,000 for veterans who served during wartime; \$8,000 for veterans who served in a combat zone; and, \$40,000 for veterans who sustained a service-connected disability.



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Procedure

To enact the basic veterans exemption with the statutory default exemption cap levels, the district must first hold a public hearing; then, the district must adopt a resolution authorizing the exemption with the statutory default exemption cap levels. If a school district desires to change the statutory default exemption cap levels, the district must hold a second public hearing and pass a separate resolution authorizing local exemption cap levels.

To enact either the co-op or Gold Star Parents exemption extensions, a district must adopt a separate resolution after the base exemption has been duly adopted. (If enacting both extensions, we recommend that the district pass a separate resolution for each). Unlike the base exemption and cap changes, however, public hearings are not required to adopt the co-op or Gold Star Parents exemption extensions.

To formally adopt or reject the exemption after a hearing, a simple majority vote of the district's governing board (not a supermajority) is required.

Financial Impact

Calculation of the financial impact of enacting the veteran's exemption will vary for every school district, but it is clear that districts who enact the exemption will likely need to account for the revenue loss by increasing its tax rates. Moreover, because this exemption is applied in addition to the STAR exemption, it has been suggested that participating school districts will receive less STAR reimbursement money from the state if the exemption is adopted. Thus, by expanding RPTL Section 458-a to allow school districts to offer the veterans exemption, school districts are faced with a difficult decision: provide a financial benefit to those who honorably and selflessly served our country; or, keep taxes low for all taxpayers in the district's boundaries.

If you have any further questions about this exemption or would like to learn more about its potential impacts, please do not hesitate to contact Rebecca M. Speno, Esq. at (315) 218-8535 (rspeno@bsk.com) or Kevin R. MacLeod, Esq. at (315) 218-8296 (kmacleod@bsk.com).