

New York State Amends Real Property Tax Law to Allow School Districts to “Charge Back” Tax Refunds to School District Public Libraries

On December 29, 2014, Governor Cuomo signed a law granting school districts the authority to “charge back” real property tax certiorari refunds to school district public libraries. Until now, school districts that levied real property taxes on behalf of school district public libraries were required to pay tax refunds on behalf of both the school and library and lacked the ability to charge the library for their share of the refunds (even if the tax was remitted to the public library). Under the new law, school districts will soon be able to recoup this expense.

For those that are unfamiliar with this issue, the process of refunding school district public library tax is summarized as follows. Many school districts levy and collect tax on behalf of a school district public library. These school districts are required to remit the tax levied on behalf of the school district public library to that public library. The amount of the levy is obviously based on the real property’s assessed value. However, if a property owner challenges and obtains a reduction of its assessment, school districts are required to pay tax refunds for both the school district and the school district public library. Until December 2014, New York law did not allow school districts to recoup this expense from the public library.

Effective January 1, 2015, school districts that levy taxes on behalf of school district public libraries are authorized to “charge back” to such public libraries the portion of tax refunds due on an assessment reduction that are attributable to the public library levy. To be clear, school districts will still be required to pay refunds on behalf of the school district public libraries. However, for the first time, school districts will be able to “charge back” these refunds to the public library.

There is one important caveat regarding the new authority to “charge back” refunds to public libraries. Specifically, the new law appears to be limited to tax refunds obtained through tax certiorari proceedings and small claims assessment review proceedings commenced under Real Property Tax Law (“RPTL”) Article 7. The law does not authorize school districts to “charge back” refunds for corrections to assessment or tax rolls made pursuant to RPTL Article 5. Accordingly, it appears that school districts will still bear the burden of paying Article 5 refunds on behalf of school district public libraries. It is unclear whether the legislature will address this remaining issue in the new year.

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