Do Upstate New Yorkers Support the Property Tax Cap? It Depends.

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What is the Issue?

On June 24, 2011, historic tax cap legislation passed both the NYS Legislature and Assembly, with Governor Andrew Cuomo signing it into law that same day. The property tax law, which affects homeowners throughout New York State, caps annual increases in property tax collections (not the amount paid by an individual taxpayer) at 2 percent a year or the rate of inflation, whichever is lower. The bill offers some relief for local governments from state requirements, or mandates, that compel local spending.

This issue has attracted enormous attention and debate over the last several years. Tax cap supporters believe that the cap will force schools and local governments to curb spending and reduce the high tax burden on property owners. Opponents believe that it will result in layoffs of municipal workers and teachers and result in fewer and lower quality public services. Others insist that the state is responsible for many of the expenses local governments must incur, and that a tax cap must be combined with much more aggressive mandate relief.

The property tax is a significant source of revenue for both schools and local government. Over 60 percent of NYS property taxes raised support school districts, and the remaining 40 percent goes to local governments.

Property Taxes – a major issue for Upstate New Yorkers

As part of our State of Upstate New York (SOUS) initiative, we surveyed public opinion on a range of tax and other policy issues in February 2011 using a telephone survey of 600 households in NYS counties north of Westchester and Rockland Counties. The households surveyed were selected based on a random sample of all households in the region and are representative of the Upstate population. We asked respondents “What do you consider to be the most important issue facing New York State?”, followed by “What do you consider to be the most important issue facing your local community?”

Figure 1: Most important issues facing NYS and local communities

As Figure 1 clearly illustrates, broad economic concerns (employment, taxes, economic issues, and the state budget) are the most important state issues for Upstate residents. In their own communities people are more concerned about employment, and less about taxes, budgets & local government. What specific type of taxes are of most concern? Respondents indicating that “taxes” were the most important issue facing NYS (24%) were asked “What specific tax are you referring to?” (See Figure 2)

Figure 2: Specific tax identified among those who cited “taxes” as one of the most important issues facing NYS

Property taxes were by far the most frequently cited tax, particularly among those living in non-core counties (more rural areas). School taxes were also identified by a significant proportion of respondents in metropolitan and micropolitan counties. Note that the categories of “school taxes” and “property taxes” overlap. Just about half of all school district revenue comes from property taxes and the rest is from the state.

How do Upstate New Yorkers feel about the property tax cap?

The property tax cap has significant implications for local government and school district budgets and for taxpayers. Our SOUS survey asked several questions about property tax caps while the issue was still being debated earlier this spring. Questions on the property tax cap began with the following: “Governor Cuomo has proposed a property tax cap. If enacted, the cap would limit annual increases in local property taxes to a maximum of 2%. Do you support or oppose such a property tax cap?” Almost three-quarters (73%) of Upstate New Yorkers supported the cap, with 38% in “strong” support (Figure 3). Sixteen percent voiced some opposition to the proposal, and 11% were neutral.

Figure 3: Support & Opposition for NYS Property Tax Cap, Upstate New York residents, 2011
Conditional Attitudes: “It depends…”

Being supportive or in opposition to an idea or action is not usually absolute – that is, support and opposition may vary depending on specific conditions or scenarios. In the case of property tax caps, the concept of “conditional attitudes” is clearly evident. Once general levels of support for a property tax cap were established, survey respondents were asked another question: “Would you support or oppose this property tax cap if it meant your local government could not afford to provide you with the level of services you are currently receiving?”

Support drops somewhat (from 73% to 61%) with this scenario of a lower level of services (Figure 4). The greatest shifts were a decline in “support strongly” and an increase in the “oppose somewhat” positions. Because so much of the property tax is used to fund schools, the survey asked the additional question: “Would you support or oppose such a property tax cap if it results in annual cuts in your local school budget?” Tax cap opponents argue that with state funding already cut for education, the property tax cap will make it more difficult for school districts, particularly lower income ones with less property wealth, to meet the basic educational needs of the children in the district. Proponents argue that school districts, along with other forms of local government, need a stronger push to limit spending.

Discrimination: Conditional attitudes are more apparent if other local services are mentioned. Local governments and school districts must start complying with the property tax cap for their fiscal years starting in 2012. As the actual impacts of these measures become apparent, our results suggest that support will likely fall if and when service quality and school district budgets suffer. On the other hand, support may strengthen if taxes are successfully limited without significant negative impacts on schools and local government services.

Discussion

Clearly, property taxes are an issue of great importance to residents of Upstate New York State. The property tax cap measure recently signed by Governor Cuomo enjoys strong support across Upstate. However, some support for property tax caps and related measures appears to be conditional: support remains high but drops significantly when cuts to specific services are proposed, or when negative impacts on the respondent’s local services or schools are mentioned. Local governments and schools must start complying with the property tax cap for their fiscal years starting in 2012. As the actual impacts of these measures become apparent, our results suggest that support will likely fall if and when service quality and school district budgets suffer. On the other hand, support may strengthen if taxes are successfully limited without significant negative impacts on schools and local government services.

Figure 4: Levels of support for property tax cap, alone and if local government reduces level of services, Upstate New York residents, 2011

Source: 2011 SOUS Survey

Support and Opposition for property tax savings or property tax cap, with varying outcomes.

About half of upstate respondents supported merging their local school with a neighboring one if it leads to a decrease in property taxes (Figure 6). Almost a third of respondents were opposed to this consolidation even if there were tax savings as a result, and one in five respondents are neutral on this issue. These results may have been different if we had suggested that a school merger might affect the quality of education.

Figure 5: Support and Opposition for property tax cap, with varying outcomes.

Source: 2011 SOUS Survey