

Wainscott School

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EXPLANATION OF THE 2% PROPERTY TAX CAP

Approved by the New York State Legislature and signed into law by Governor Cuomo in June 2011, the property tax cap seeks to limit the annual increase in the taxes levied by school districts and local governments based on a prescribed formula.

Although commonly referred to as a 2% tax cap, the cap is actually 2% *or* the current rate of inflation, whichever is less. If the law had been enacted last year, the cap for our current budget would have been 1.64%.

Increased mandated costs, such as the District's required contribution to the state pension system, make it a challenge to stay within the cap. The law applies to the District's *tax levy*, which is different from the *tax rate*. The tax *levy* is the amount of money that needs to be raised by real estate taxes after subtracting other revenues, such as state aid, while the tax *rate* takes into consideration the value of the real estate in the District.

How does the property tax cap work?

- Increases in district property-tax collections will be limited to 2% or the rate of inflation, whichever is less
- > Voters will continue to vote on the school budget in May
- If the district submits a budget to voters with a tax levy increase within the cap, a simple majority is required for approval. Budgets that propose a tax levy increase above the cap would require a super-majority (60%) of all voters for approval
- If the voters reject the proposal, the Board has the option to submit a second proposal to the community. If the proposal is defeated a second time, the district's tax levy will be capped at the current year's level – an effective tax levy cap of 0%.