

Finance Committee Meeting

Topic: Property Tax Levy and Rate



City of Lockport, NY

August 18, 2021

Common Terminology and Definitions

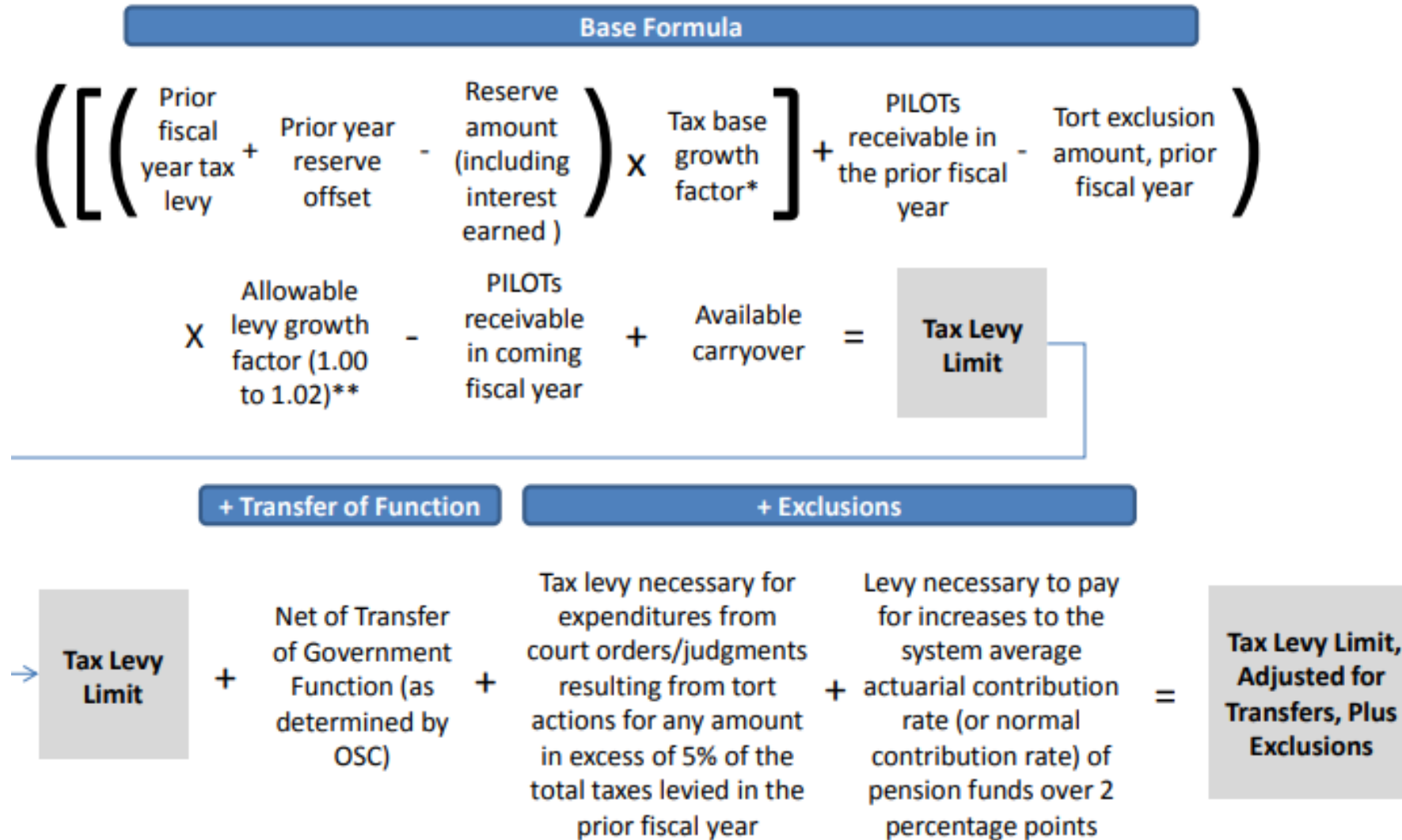
- Each year, the City of Lockport collects a certain dollar amount of revenue in form of property taxes. This is referred to as the property tax levy.
- Using the total assessed value of properties in the City prepared by the Assessor's Office, the tax levy amount will dictate the corresponding amount of taxes that will be collected on every \$1,000 of valued property. This value is referred to as the property tax rate.



Limitations on Levy Growth

- The total tax levy that the City dictates in the budget process is not without limitations.
- NYS imposes a strict formula through Chapter 97 of the Laws of 2011.
- This law restricts the amount of total revenue we can collect each year. In doing so, it protects citizens from significant property tax rate increase, promoting tax equity in NYS.
- This is commonly referred to as the property tax cap.
- If required, this amount can be overridden.

Full Calculation:



Freehand Calculation Explanation

- To simplify this process, the calculation is essentially taking the City's prior year tax levy (total amount of revenue collected), and multiplying it by two factors:
 - First – the “tax base growth factor.” This factor (usually around .2%) is provided by the NYS Office of Tax and Finance and is determined as the ‘quantity change’ in the area. This typically includes new construction, new taxable statuses of existing property, or measureable improvements to taxable property in the area.
 - Second – the “allowable tax levy.” This is annually determined as the lesser of 2% or the inflation factor from the Federal Bureau of Labor Statistics.

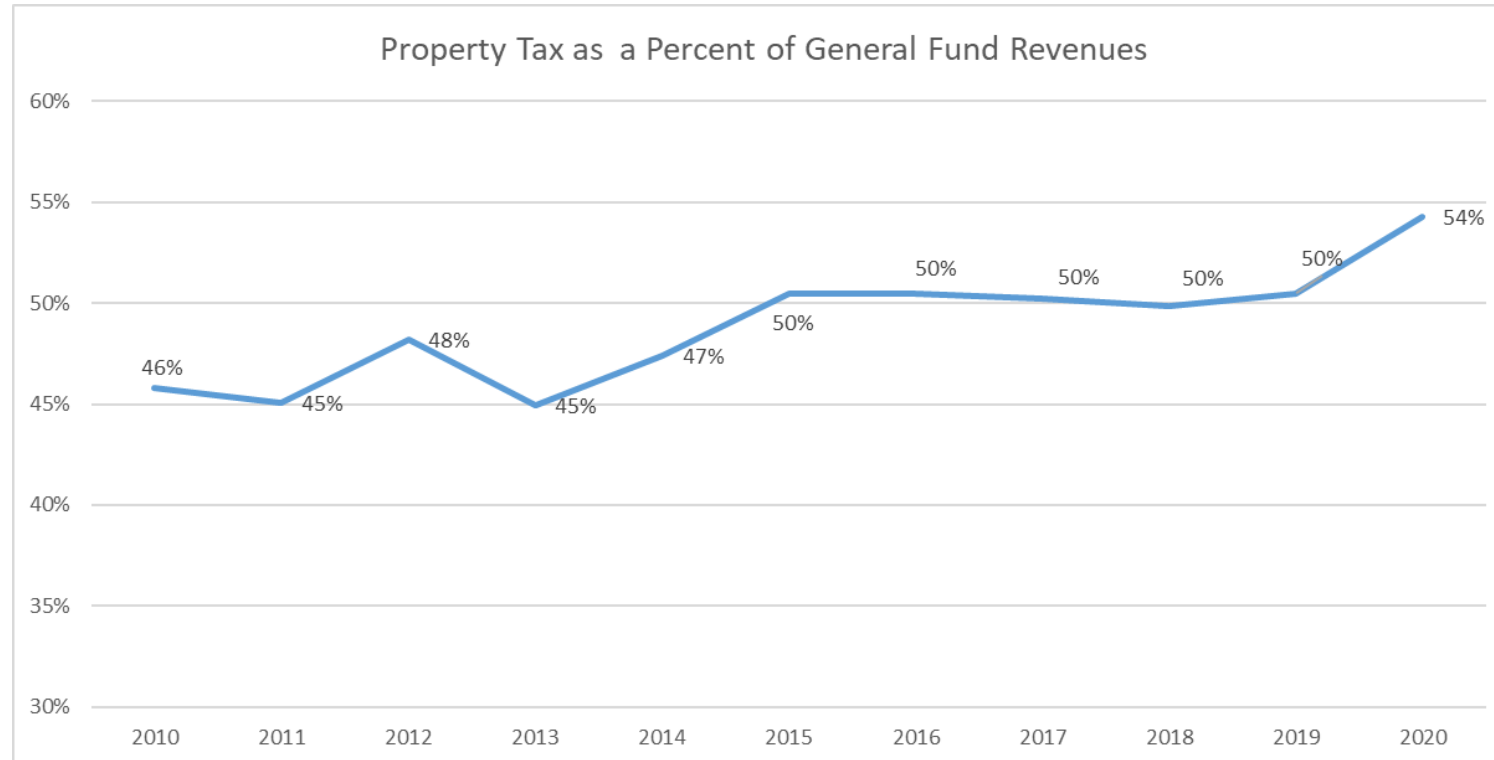
History of Allowable Tax Levy Amounts

	2015	2016	2017	2018	2019	2020	2021	2022
Inflation Factor	1.56%	0.73%	0.68%	1.84%	2.25%	2.07%	1.56%	2.30%
Allowable Levy Growth	1.0156	1.0073	1.0068	1.0184	1.0200	1.0200	1.0156	1.0200

- As you can see, the rate of inflation has exceeded the maximum 2% levy growth increase in 2019, 2020, and 2022.
- *As a note – the inflation factor seen above will change for other entities who have fiscal year dates outside of January to December.*

Property Tax Levy - Historic View

Since 2011, our property taxes have increased from \$9.7 million to \$13.0 million in 2020. As a percent of revenue, we have increased our reliance on property taxes in recent year (as seen below).



FY 2022 Property Tax Cap

Tax Levy Limit, Before Adjustments and Exclusions

✔ Real Property Tax Levy FYE 2021	\$12,974,816
✔ Tax Cap Reserve Offset from FYE 2020 Used to Reduce FYE 2021 Levy	\$0
✔ Total Tax Cap Reserve Amount (Including Interest Earned) from FYE 2021	---
✔ Tax Base Growth Factor	1.0020
✔ PILOTs Receivable FYE 2021	\$359,880
✔ Tort Exclusion Amount Claimed in FYE 2021	\$0
✔ Allowable Levy Growth Factor	1.0200
✔ PILOTs Receivable FYE 2022	\$360,000
✔ Available Carryover from FYE 2021	\$198,801

Tax Levy Limit Before Adjustments/Exclusions

\$13,466,660

Using the Levy to Determine the Rate

- To determine the tax rate from the levy amount, divide the total levy by the city's total assessed value divided by 1,000. This will determine the tax rate per thousand of assessed value.

$$\text{Levy} / (\text{Assessed Value} / 1,000)$$

- For example, using the legal limit for FY 2022 shown in the last slide and the estimated assessment value for FY 2022, the following rate would result:

$$\$13,466,660 / (\$694,674,910 / 1,000) = \underline{\$19.385555} \text{ (3.81\% increase from 2021)}$$

History of Tax Rate Amounts

Year	City Assessed Value	City Assessed Value Growth	City Levy	City Levy Growth	City Tax Rate per Thousands	City Tax Rate Growth
2010	\$ 634,795,119	0.00%	\$ 10,118,429		\$ 15.939676	
2011	\$ 635,768,759	0.15%	\$ 9,693,899	-4.20%	\$ 15.247523	-4.34%
2012	\$ 717,689,819	12.89%	\$ 10,570,790	9.05%	\$ 14.728912	-3.40%
2013	\$ 710,182,939	-1.05%	\$ 10,460,506	-1.04%	\$ 14.729312	0.00%
2014	\$ 706,713,146	-0.49%	\$ 10,648,259	1.79%	\$ 15.067300	2.29%
2015	\$ 704,494,966	-0.31%	\$ 11,711,243	9.98%	\$ 16.623600	10.33%
2016	\$ 701,588,943	-0.41%	\$ 11,923,013	1.81%	\$ 16.994300	2.23%
2017	\$ 698,799,455	-0.40%	\$ 12,173,502	2.10%	\$ 17.420595	2.51%
2018	\$ 700,508,192	0.24%	\$ 12,400,830	1.87%	\$ 17.702620	1.62%
2019	\$ 700,156,667	-0.05%	\$ 12,671,920	2.19%	\$ 18.098692	2.24%
2020	\$ 698,764,513	-0.20%	\$ 13,044,256	2.94%	\$ 18.667600	3.14%
2021	\$ 694,776,851	-0.57%	\$ 12,974,816	-0.53%	\$ 18.674796	0.04%

Impact of Assessment Roll on Rate and Levy

- Increasing the assessment value allows the City to collect a higher levy without much impact to the tax rate (or can simply be used to reduce the tax rate directly). Refer to 2012 in the chart in the last slide.
- Taking an *estimated* assessment for 2023 with higher equalization and an assumed 2% levy increase, the following tax rate results:

$$\$13,753,993 / (\$1,038,321,000 / 1,000) = \$13.22904$$

This is illustrative of how an increased assessment can impact the rate and is not to be used as an exact estimation for 2023 at this point.

~Property Tax Rate and Levy Takeaways~

- The total property tax revenue the City collects is called the tax levy.
- NYS imposes legal restrictions on the annual growth of this figure.
 - Notably, they use a inflation rate to determine how much we can increase our revenue by in any specific year. This is maxed out at 2%.
 - The City can override this limit if required.
- The application of this revenue amount to our assessment value is referred to as the tax rate.
 - The tax rate will be impacted by the assessed value of the City.
 - If assessed values decrease, you will need to decrease the levy to maintain the same tax rate.