

# Finance Committee Meeting

## Topic: Property Tax Levy and Rate



City of Lockport, NY  
February 23, 2022

# 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:

## Base Formula

$$\left( \left[ \left( \begin{array}{l} \text{Prior} \\ \text{fiscal} \\ \text{year tax} \\ \text{levy} \end{array} + \begin{array}{l} \text{Prior year} \\ \text{reserve} \\ \text{offset} \end{array} - \begin{array}{l} \text{Reserve} \\ \text{amount} \\ \text{(including} \\ \text{interest} \\ \text{earned)} \end{array} \right) \times \begin{array}{l} \text{Tax base} \\ \text{growth} \\ \text{factor*} \end{array} \right] + \begin{array}{l} \text{PILOTs} \\ \text{receivable in} \\ \text{the prior fiscal} \\ \text{year} \end{array} - \begin{array}{l} \text{Tort exclusion} \\ \text{amount, prior} \\ \text{fiscal year} \end{array} \right) \\
 \times \begin{array}{l} \text{Allowable} \\ \text{levy growth} \\ \text{factor (1.00} \\ \text{to 1.02)**} \end{array} - \begin{array}{l} \text{PILOTs} \\ \text{receivable} \\ \text{in coming} \\ \text{fiscal year} \end{array} + \begin{array}{l} \text{Available} \\ \text{carryover} \end{array} = \text{Tax Levy Limit}$$

## + Transfer of Function

## + Exclusions

$$\begin{array}{l} \text{Tax Levy} \\ \text{Limit} \end{array} + \begin{array}{l} \text{Net of Transfer} \\ \text{of Government} \\ \text{Function (as} \\ \text{determined by} \\ \text{OSC)} \end{array} + \begin{array}{l} \text{Tax levy necessary for} \\ \text{expenditures from} \\ \text{court orders/judgments} \\ \text{resulting from tort} \\ \text{actions for any amount} \\ \text{in excess of 5\% of the} \\ \text{total taxes levied in the} \\ \text{prior fiscal year} \end{array} + \begin{array}{l} \text{Levy necessary to pay} \\ \text{for increases to the} \\ \text{system average} \\ \text{actuarial contribution} \\ \text{rate (or normal} \\ \text{contribution rate) of} \\ \text{pension funds over 2} \\ \text{percentage points} \end{array} = \begin{array}{l} \text{Tax Levy Limit,} \\ \text{Adjusted for} \\ \text{Transfers, Plus} \\ \text{Exclusions} \end{array}$$

# 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 a growth factor called the "allowable tax levy."
- This is annually determined as the lesser of 2% or the inflation factor from the Federal Bureau of Labor Statistics.

	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

# 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.

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

- Example: A city's tax rate is \$200 and the total assessed value is \$400,000.

$$200 / (400,000 / 1,000) = \$.50$$

# Example Using Tax Rate to Determine Tax Bill

- A city consists of three houses with a total assessed value of \$400k and has a total tax levy of \$200 with a tax rate of \$0.50.



- \$100,000 Assessed Value
- $(100,000/1,000 = 100)$
- \$50 Tax Obligation



- \$100,000 Assessed Value
- $(100,000/1,000 = 100)$
- \$50 Tax Obligation



- \$200,000 Assessed Value
- $(200,000/1,000 = 200)$
- \$100 Tax Obligation

# History of Tax Rate Amounts

<b>Year</b>	<b>City Assessed Value</b>	<b>City Assessed Value Growth</b>	<b>City Levy</b>	<b>City Levy Growth</b>	<b>City Tax Rate per Thousands</b>	<b>City Tax Rate Growth</b>
2011	\$ 635,768,759	0.15%	\$ 9,693,899	-4.20%	\$ 15.2475	-4.34%
2012	\$ 717,689,819	12.89%	\$ 10,570,790	9.05%	\$ 14.7289	-3.40%
2013	\$ 710,182,939	-1.05%	\$ 10,460,506	-1.04%	\$ 14.7293	0.00%
2014	\$ 706,713,146	-0.49%	\$ 10,648,259	1.79%	\$ 15.0673	2.29%
2015	\$ 704,494,966	-0.31%	\$ 11,711,243	9.98%	\$ 16.6236	10.33%
2016	\$ 701,588,943	-0.41%	\$ 11,923,013	1.81%	\$ 16.9943	2.23%
2017	\$ 698,799,455	-0.40%	\$ 12,173,502	2.10%	\$ 17.4206	2.51%
2018	\$ 700,508,192	0.24%	\$ 12,400,830	1.87%	\$ 17.7026	1.62%
2019	\$ 700,156,667	-0.05%	\$ 12,671,920	2.19%	\$ 18.0987	2.24%
2020	\$ 698,764,513	-0.20%	\$ 13,044,256	2.94%	\$ 18.6676	3.14%
2021	\$ 694,776,851	-0.57%	\$ 12,974,816	-0.53%	\$ 18.6748	0.04%
2022	\$ 695,217,910	0.06%	\$ 13,112,349	1.06%	\$ 18.8608	1.00%



# City of Lockport - Example 1

- Assume that the City of Lockport experiences a 49% increase in assessed value with the equalization project. All properties increase at the exact same rate.
- The Council passes a 2023 budget with a 0% levy increase from 2022.

	2022	2023
<b>City Tax Levy</b>	\$ 13,112,349	\$ 13,112,349
<b>Annual Levy Increase</b>	-	0%
<b>Total Assessed Value</b>	\$ 695,217,910	\$ 1,038,307,949
<b>Assessed Value Increase</b>	-	49%
<b>Resulting Tax Rate</b>	\$ <b>18.8608</b>	\$ <b>12.6286</b>

<b>Example Home #1</b>		
<b>Assessed Value</b>	\$ 75,000	\$ 112,013
<b>Tax Obligation</b>	\$ <b>1,415</b>	\$ <b>1,415</b>
<b>Annual Increase</b>	\$ -	\$ -

<b>Example Home #2</b>		
<b>Assessed Value</b>	\$ 150,000	\$ 224,025
<b>Tax Obligation</b>	\$ <b>2,829</b>	\$ <b>2,829</b>
<b>Annual Increase</b>	\$ -	\$ -

<b>Example Home #3</b>		
<b>Assessed Value</b>	\$ 300,000	\$ 448,050
<b>Tax Obligation</b>	\$ <b>5,658</b>	\$ <b>5,658</b>
<b>Annual Increase</b>	\$ -	\$ -

# City of Lockport – Example 2

- Assume that the City of Lockport experiences a 49% increase in assessed value with the equalization project. All properties increase at the exact same rate.
- The Council ignores NYS laws and passes a 2023 budget with a 49% levy increase from 2022 in order to keep the same tax rate.

	2022	2023
<b>City Tax Levy</b>	\$ 13,112,349	\$ 19,583,293
<b>Annual Levy Increase</b>	-	49%
<b>Total Assessed Value</b>	\$ 695,217,910	\$ 1,038,307,949
<b>Assessed Value Increase</b>	-	49%
<b>Resulting Tax Rate</b>	\$ <b>18.8608</b>	\$ <b>18.8608</b>

<b>Example Home #1</b>		
<b>Assessed Value</b>	\$ 75,000	\$ 112,013
<b>Tax Obligation</b>	\$ <b>1,415</b>	\$ <b>2,113</b>
<b>Annual Increase</b>	\$ -	\$ 698

<b>Example Home #2</b>		
<b>Assessed Value</b>	\$ 150,000	\$ 224,025
<b>Tax Obligation</b>	\$ <b>2,829</b>	\$ <b>4,225</b>
<b>Annual Increase</b>	\$ -	\$ 1,396

<b>Example Home #3</b>		
<b>Assessed Value</b>	\$ 300,000	\$ 448,050
<b>Tax Obligation</b>	\$ <b>5,658</b>	\$ <b>8,451</b>
<b>Annual Increase</b>	\$ -	\$ 2,792

# City of Lockport – Example 3

- Assume that the City of Lockport experiences a 49% increase in assessed value with the equalization project. All properties increase at the exact same rate.
- The Council passes a 2023 budget with a 2% levy increase from 2022.

	2022	2023
<b>City Tax Levy</b>	\$ 13,112,349	\$ 13,374,596
<b>Annual Levy Increase</b>	-	2%
<b>Total Assessed Value</b>	\$ 695,217,910	\$ 1,038,307,949
<b>Assessed Value Increase</b>	-	49%
<b>Resulting Tax Rate</b>	\$ <b>18.8608</b>	\$ <b>12.8811</b>

<b>Example Home #1</b>		
<b>Assessed Value</b>	\$ 75,000	\$ 112,013
<b>Tax Obligation</b>	\$ <b>1,415</b>	\$ <b>1,443</b>
<b>Annual Increase</b>	\$ -	\$ 28

<b>Example Home #2</b>		
<b>Assessed Value</b>	\$ 150,000	\$ 224,025
<b>Tax Obligation</b>	\$ <b>2,829</b>	\$ <b>2,886</b>
<b>Annual Increase</b>	\$ -	\$ 57

<b>Example Home #3</b>		
<b>Assessed Value</b>	\$ 300,000	\$ 448,050
<b>Tax Obligation</b>	\$ <b>5,658</b>	\$ <b>5,771</b>
<b>Annual Increase</b>	\$ -	\$ 113

# ~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 an 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.