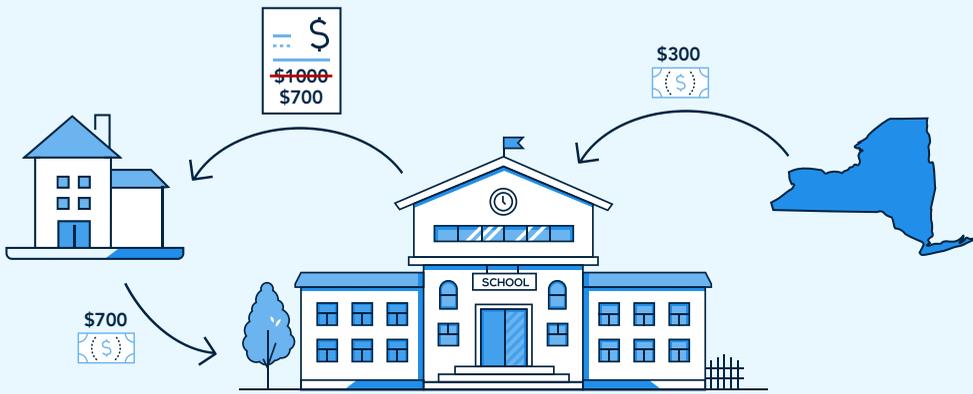


Understanding STAR

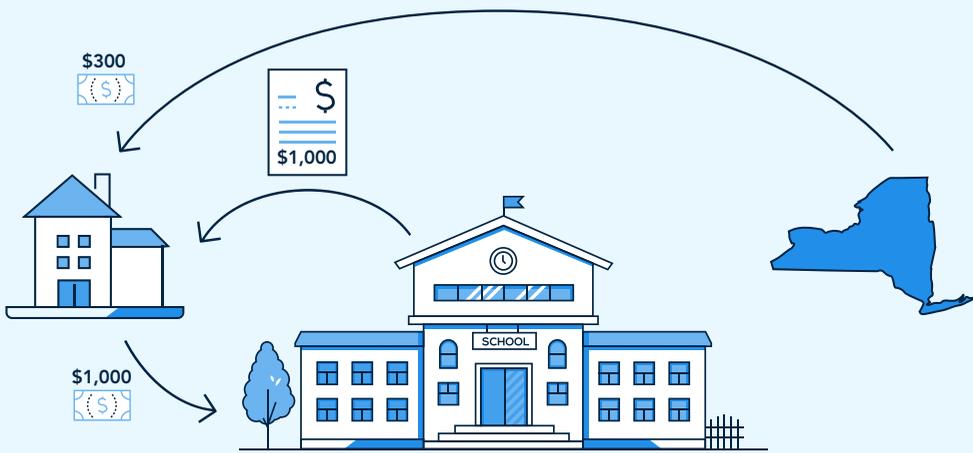
and the Detrimental Impact of the Proposed STAR Exemption Reimbursement Cut



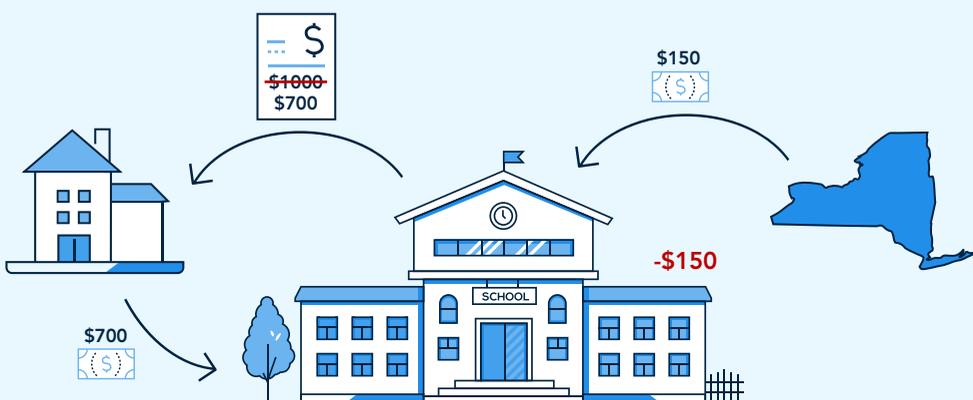
Before STAR: School districts sent levy bill to taxpayers. In this case, if the district needed \$1,000 it would send a bill for that for that amount to the taxpayer.



STAR Exemption: The state will send districts money so they can reduce tax bills. If the district needs \$1,000, the bill to the taxpayer is for \$700 and the state sends the difference (\$300). The taxpayer sees a smaller bill and the school district receives the same funds.



STAR Credit: The school district sends the resident a bill for \$1,000. Before it's due (unless the checks are late), the state sends the resident a check for \$300. The resident then sends the district \$1,000. The taxpayer sees a larger bill but receives state support directly; the district receives the same funds.



STAR Exemption reimbursement cut (proposed): The district sends the resident a \$700 bill and the state sends the district \$150 instead of \$300. The taxpayer sees a smaller bill and the school district receives a net \$850 instead of \$1,000– a cut of \$150 that the district must make up somewhere. For next year, federal money will cover the difference, but after that it will be up to the districts.



STAR Programs And How They Impact Schools

Background

The first iteration of the New York State School Tax Relief (STAR) Exemption program was established in 1997. This program, along with its successor the STAR Credit program, provides property tax relief for most owner-occupied, primary residences in New York State.

The STAR Exemption program provides a partial exemption to property owners on their school property taxes, lowering each STAR Exemption enrollee's individual tax bill. The property owners pay their reduced tax bill and the state covers the exemption amount, paying that directly to the school district. New Yorkers over the age of 65 who meet certain income eligibility requirements are also eligible for the STAR Enhanced Exemption, further reducing their tax bill. This increased exemption is also reimbursed directly to school districts.

In 2016, a new program called the STAR Credit program was rolled out to replace the STAR Exemption program. Under this program, property owners pay their full tax bill, with no exemptions. This bill is then offset by the state reimbursing each property owner directly with a STAR Credit payment in line with the benefit they would have received under the STAR Exemption program. Homeowners who purchased their home prior to 2016 are able to remain in the STAR Exemption program; however, those who purchased their home in 2016 or later may only enroll in the STAR Credit program.

Beginning in 2019, homeowners enrolled in the STAR Exemption benefit program will no longer see an annual increase in their exemption amount. Homeowners enrolled in the STAR Credit program will be eligible for up to a 2% increase in their benefit amount year to year.

Executive Budget Proposal

For the first time, the FY 2022 Executive Budget proposal included the state's STAR Exemption payment to school districts in the Executive School Aid runs. This was included because the Executive Budget proposed to reduce state reimbursement school districts receive through the STAR program statewide by \$1.3 billion for FY 2022. This reduction in STAR payments to schools would be backfilled for FY 2022 by utilizing federal funds allocated through the Coronavirus Relief and Response Supplementary Allocation Act.

Utilizing federal funds to supplant current state support to school districts, while assisting districts in their budgeting process for the 2021-2022 school year, poses a threat to school districts' long-term financial health throughout the state. Without additional federal funds in future years, any reductions in STAR Exemption payments would result in a cost shift from the state to local school districts, who would have no way to make up for this lost revenue due to the property tax cap.

A publication of the Association of School Business Officials of New York
© 2021 ASBO New York. All Rights Reserved.

Contact: Brian Cechnicki, Executive Director | brian@asbonewyork.org
Association of School Business Officials of New York (ASBO New York)
453 New Karner Road, Albany, NY 12205 | 518-434-2281 | www.asbonewyork.org