

State Tax Observations

Changes on the Horizon for NYS Property Tax STAR Exemption Program

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New York State (NYS) currently ranks third highest among the states in property tax collection. On average – according to one source – it collects nearly \$7,000 per home. Fortunately, there is one luminous point of relief shining on New Yorkers, and it is the STAR program. The program, whose acronym is short for School Tax Relief, gives homeowners an average credit of almost \$900 to offset the property tax due. Beginning in 2019, however, changes in the program may affect a homeowner's eligibility and could require action to preserve and maximize benefits.

What is the STAR Program?

The NYS STAR program gives New York homeowners a reduction in property (school district) taxes on their primary residence if their income is \$500,000 or less. Depending on when taxpayers originally registered for the STAR program, this reduction in taxes could come in one of two forms. Longtime homeowners generally see a line item reduction on their school tax bill (the "STAR Exemption"), while more recent owners receive a rebate check from the State (the "STAR Credit").

How is the STAR Program changing and who will be impacted?

STAR Exemption recipients with incomes greater than \$250,000 and no more than \$500,000 will no longer get a reduction on their school district tax bill. Instead, these homeowners will receive a check for the STAR Credit before the school tax bill is due. They will then pay the full school district tax bill later on.

Homeowners with incomes of \$250,000 or less can continue to receive the exemption, but they may actually be better off registering for the STAR Credit and receiving a check instead. The reason? The rebate check is eligible for an annual increase of up to 2%. Not so for the STAR exemption; future exemptions are going to be capped at the 2019 level.

Why are the changes taking place?

Governor Andrew Cuomo asserts that the new rebate model is more efficient than the exemption model. Rather than the school districts giving an exemption to taxpayers and then seeking reimbursement from the State, the credit check will come directly from the State. Further, the State will be able to determine whether recipients actually qualify for the credit, thereby preventing fraud.

Some skeptics suspect the change is an accounting strategy fueled by political motivations. By issuing checks to taxpayers directly, Albany can treat the payments as a reduction in tax revenue. Conversely, reimbursements to local school districts are treated as General Fund expenditures. In an era where increases in government spending are scrutinized by the public, the move mitigates the appearance of spending growth.

What actions should homeowners take?

This month, NYS sent out 100,000 letters to STAR participants regarding the elimination of the exemption for those at higher income levels. Most homeowners will not need to do anything because NYS has automatically switched them to the STAR credit program. Other homeowners, for whom NYS did not have enough information, must complete their STAR credit registration online.

Homeowners with incomes of \$250,000 or less who want to switch from the STAR Exemption to the STAR Credit for 2019 must register with the State by the local deadline. They will also need to register with the State to start the STAR credit. The [deadlines](#) are online. Homeowners registering late will continue to receive the exemption for 2019 and receive a check starting in 2020.

Homeowners who no longer qualify for the up-front exemption might want to check with their lender to be sure their mortgage escrow account is sufficiently funded.

When the STAR program letters are received, NYS homeowners should take action where needed. Don't be left in the dark.

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