

Town of Lysander

Real Property Tax Exemption Administration

JANUARY 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

Report Highlights	1
Real Property Tax Exemption Administration	2
How Do Assessors Properly Administer Exemptions?	2
Of the Exemptions Tested, 12 Percent Lacked Adequate Supporting Documentation.	3
What Are the Requirements for Granting Agricultural Exemptions?	3
Of the Agricultural Exemptions Tested, 9 Percent Lacked Adequate Supporting Documentation	3
What Are the Requirements for Granting Senior Citizen Exemptions?	4
Of the Senior Citizen Exemptions Tested, 20 Percent Lacked Adequate Supporting Documentation or Were Incorrectly Calculated	4
What Are the Requirements for Granting Veteran Exemptions?	5
Of the Veteran Exemptions Tested, 10 Percent Lacked Adequate Supporting Documentation.	5
What Do We Recommend?	5
Appendix A – Response From Town Officials	7
Appendix B – Audit Methodology and Standards	9
Appendix C – Resources and Services	11

Report Highlights

Town of Lysander

Audit Objective

Determine whether the Town Assessor properly administered select real property tax exemptions.

Key Findings

- We reviewed 116 properties with agricultural, senior citizen and veteran exemptions and found 14 (12 percent) lacked adequate supporting documentation (e.g., applications, renewal forms, income support and military records) to verify taxpayer eligibility.

Key Recommendations

The Assessor should:

- Ensure all applicants provide adequate supporting documentation before granting exemptions.
- Maintain documentation to support eligibility for all exemptions granted.
- Ensure previously granted exemptions are supported and continue to meet eligibility requirements.

Town officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The Town of Lysander (Town) is located in Onondaga County. The Town is governed by an elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four other members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor is the chief executive and chief financial officer. The Board-appointed sole Assessor is responsible for granting and tracking real property tax exemptions and determining the assessed values of properties for the assessment roll.

Quick Facts

Population	23,026
2018 Real Property Tax Levy	\$3.4 million
Total Exemptions Granted by Town	8,562
Total Parcels	9,767

Audit Period

January 1, 2017 - June 1, 2018

Real Property Tax Exemption Administration

All real property in New York State (State) is subject to taxation unless specific legal provisions grant it exempt status. Real property tax exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner's ability to pay taxes, the desire of the State and local governments to encourage certain economic or social activities and other such considerations. Certain exemptions provide full relief from taxation while others reduce the taxes by varying degrees. Some exemptions apply to taxes levied for county, city/town/village, special district and school purposes, whereas others pertain only to some of these. Lastly, while some exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria. These reductions in property taxes are paid for by increases in property taxes on other local taxpayers with the exception of the School Tax Relief (STAR) exemption, which is funded directly by the State. The assessment roll's accuracy is essential for fair and equitable property taxation.

We audited the administration of the agricultural, Persons 65 Years of Age or Older (senior citizen) and veteran real property tax exemptions. The Assessor granted these exemptions for 2,189 parcels on the 2017 assessment roll, which reduced the taxable assessed value among all taxing jurisdictions¹ by about \$151 million.

The Assessor was appointed by the Board in December 2008 and also serves as the Assessor for the neighboring Town of VanBuren.² The Assessor's Office has one full-time clerk, one part-time clerk and a full-time data collector. The Assessor works approximately 80 hours per month at the Town.

How Do Assessors Properly Administer Exemptions?

To properly administer real property tax exemptions, assessors need to:

- Ensure applicants meet eligibility requirements and receive the proper calculated exemption amount.
- Verify that exemption codes are properly selected and amounts are properly calculated in the Real Property Tax System, which is used to track assessment information and generate the annual assessment and tax rolls.
- Retain supporting documentation for those granted exemptions and ensure supporting documentation exists for previously granted exemptions.

Assessors should consult with the New York State Office of Real Property Tax Services (ORPTS) or their county's Real Property Tax Services Office, as necessary, for technical assistance.

¹ The taxing jurisdictions allowing exemptions are County, Town, Village and School District.

² The Village of Baldwinsville is located within the Town of Lysander and the Town of VanBuren. The Village has opted not to be an assessing unit and therefore uses the assessment rolls prepared by the towns.

Of the Exemptions Tested, 12 Percent Lacked Adequate Supporting Documentation

We found exceptions with 14 of the 116 exemptions that we reviewed. These exemptions lacked adequate supporting documentation to verify their eligibility. The properties with exceptions had their total taxable assessed value reduced by about \$3.6 million (Figure 1).

Figure 1: Fiscal Year 2017 Real Property Exemptions and Exceptions

Exemption Type	Total Parcels with Exemptions	Total Exempted Value for Taxes ^a	Total Number of Exemptions Tested	Exceptions Identified from Records	Rate of Exception	Total Exempted Value of Exceptions ^a
Agricultural	254	\$26,418,834	32	3	9%	\$1,261,107
Senior Citizen	762	\$41,679,179	25	5	20%	\$1,755,250
Veteran	1,173	\$82,557,719	59	6	10%	\$622,957
Totals	2,189	\$150,655,732	116	14	12%	\$3,639,314

^a Total exempted value includes all taxing jurisdictions that provided the exemption (e.g., county, town, village, school).

Since every exemption shifts the tax burden to other taxpayers, the rate of exceptions noted above can cause inequity among taxpayers to the extent that exemptions are inappropriately given.

What Are the Requirements for Granting Agricultural Exemptions?

The agricultural exemption generally requires an average annual gross sales over the previous two years of \$10,000 or more for farms with seven or more acres of land, or \$50,000 or more for farms of less than seven acres. The agricultural exemption amount is calculated based on a New York State certified soil productivity value for each parcel. Property owners may also lease acreage to eligible farmers and receive an agricultural exemption. Property owners receiving certain agricultural exemptions are required to file a renewal form each year certifying the property remains eligible for the exemption. Although the renewal form does not require proof of income, assessors should periodically verify farm income to ensure the property remains eligible.

Of the Agricultural Exemptions Tested, 9 Percent Lacked Adequate Supporting Documentation

We reviewed 32 properties receiving an agricultural exemption and found three exemptions lacked one or more pieces of supporting documentation necessary to verify their eligibility for the exemption. The Assessor required documentation to verify income for all the agricultural exemption renewals we tested. However, we found one property that did not have the required lease agreement, one property

did not have a required soil survey map and one property receiving an agricultural greenhouse exemption that lacked an application for the exemption. Because the exemptions granted to the three properties were not adequately supported, these property owners may have inappropriately received \$39,778³ in County, Town and school district tax reductions for fiscal year 2018. The Assessor requested additional supporting documentation from these property owners after being informed of the omissions.

What Are the Requirements for Granting Senior Citizen Exemptions?

The senior citizen exemption requires the property to be used exclusively for residential purposes and owned by a person 65 years or older (with some familial exceptions), with varying income limits established by each municipality. Residents receiving the senior citizen exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold. Additionally, all owners or trustees of a property must meet the requirements to be eligible for the exemption, unless the property is retained for life use by a person otherwise eligible for the exemption.

Of the Senior Citizen Exemptions Tested, 20 Percent Lacked Adequate Supporting Documentation or Were Incorrectly Calculated

We reviewed 25 properties receiving a senior citizen exemption and found five (20 percent) lacked either one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions, or was calculated incorrectly. Specifically, one property lacked proof of age eligibility, two properties had an incorrect tax exemption rate applied, one property's income was erroneously calculated and one property received an exemption in error as their calculated income was over the income threshold (some properties had multiple exceptions). Because these five properties we tested did not have adequate support or were calculated incorrectly, there is a risk that the property owners may have inappropriately received a total of \$9,618 in County, Town and school district tax reductions for fiscal year 2018.

The Assessor explained that when senior citizen exemption applications are received, the qualifying income is calculated based on the supporting documentation provided and the exemption percentage for each taxing jurisdiction is determined. The Board of each taxing jurisdiction establishes its own percentage reduction by adopting a resolution or local law. However, the Assessor was unable to provide resolutions that authorized three school districts to grant \$842,050 in senior citizen exemptions to a total of 18 properties on the

³ The 2017 assessment roll is used to calculate the 2018 taxes. At the time of the audit, the 2018 tax rates were not available for the Village and the school districts within the Town. For this report, we calculated the tax impact using the 2017 tax rates for the schools and the Village.

assessment roll. As a result, property owners may have inappropriately been granted school district tax reductions totaling \$21,812 for fiscal year 2018.

What Are the Requirements for Granting Veteran Exemptions?

Requirements related to veteran exemptions vary, but typically include that the primary residence is of a veteran (or a qualifying family member) of the United States Armed Services who actively served during certain eligible time frames or received an expeditionary medal and was discharged under honorable conditions. Local governments or school districts must pass a local law or resolution to establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. Furthermore, disabled veterans may receive an additional exemption based on supporting documentation.

Of the Veteran Exemptions Tested, 10 Percent Lacked Adequate Supporting Documentation

We reviewed 59 properties receiving veteran exemptions and found six properties (10 percent) lacked one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions. For example, one property lacked an original application; four did not contain acceptable military records to prove honorable discharge; and one property was missing adequate documentation of proof of combat service, but received the additional 10 percent combat exemption (some properties had multiple exceptions). These property owners may have inappropriately received \$2,400 in County, Town and school district tax reductions for fiscal year 2018.

In addition, one property owner who qualified for an additional disability exemption was not receiving the exemption, resulting in the owner paying \$183 more in taxes for fiscal year 2018.

The failure to maintain adequate records, verify and review information annually, correctly calculate exemptions and retain authorizing Board resolutions increases the risk that individuals could receive exemptions to which they are not entitled on current and future tax rolls. If exemptions were not properly granted, it could result in higher property tax bills for other property owners.

What Do We Recommend?

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.

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2. Correctly apply statutory provisions to granted exemptions and consult with ORPTS or Onondaga County Real Property Tax Services Office, as necessary, for any technical assistance.
 3. Retain supporting documentation (i.e., income support, age eligibility, etc.) to justify eligibility for all exemptions.
 4. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
 5. Obtain resolutions from the school districts for the senior citizen exemptions they have authorized and ensure the exemptions are applied correctly.

Appendix A: Response From Town Officials

TOWN OF LYSANDER OFFICE OF THE SUPERVISOR

Joseph P. Saraceni
Supervisor
Tel: (315) 638-4264

8220 LOOP ROAD
BALDWINSVILLE, NEW YORK 13027
FAX: (315) 635-1515

David J. Rahrle
Comptroller
Tel: (315) 635-1443

January 17, 2019

Office of the New York State Comptroller
Division of Local Government & School Accountability
PSU – CAP Submission
110 State Street – 12th Floor
Albany, NY 12236

Re: Town of Lysander
Real Property Tax Exemption Administration
#2018M-221

Dear Officials of the NYS Comptroller's Office:

I would like to thank the Office of the New York State Comptroller for its audit of the Town of Lysander's Exemption administration to determine whether we were properly administering select real property tax exemptions. While I was confident in our processes and personnel, I also realized that this would be a tremendous opportunity to fine tune our operation. This was evident based on the audits findings.

While we received extremely high marks as far as our exceptions were concerned there were still areas of improvement that were identified and the town agrees with its findings. It is the obligation of the Assessor's Office to maintain assessments as close to full market value as possible. In doing so we work in conjunction with New York State and strive to consistently apply all New York State Property Tax Laws inclusive of assessment procedures, records retention, and exemption administration. Based on the state's findings the Town Board of Lysander supports the Corrective Action Plan (CAP) as presented by our Assessor, Theresa Golden, in that we will:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
 - a. The Assessor and clerical staff will review applications (new or renewal) for required documentation. Incomplete applications will be held and missing information requested from the property owner. Exemptions will be granted after applications are complete, including copies of required documentation.
2. Correctly apply statutory provisions to granted exemptions and consult with ORPTS or Onondaga County Real Property Tax Services Office, as necessary, for any technical assistance.
 - a. The Assessor will apply statutory provisions to all applicants that receive exemptions and will request technical assistance from Onondaga county or ORPTS, as needed. In addition, clerical staff will be encouraged to attend exemption training classes offered online or locally.

-
3. Retain supporting documentation (i.e., income support, age eligibility, etc.) to justify eligibility for all exemptions.
 - a. Copies of all supporting documentation to justify exemption eligibility will be attached to each application. Exemption files will be retained in the Assessor's office, as required by the NYS Archives Record Retention and Disposition Schedule.
 4. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
 - a. The Assessor and clerical staff will review continued eligibility of all exemptions during the annual renewal process. Exemptions without a renewal requirement will be reviewed yearly and supporting documentation requested, as needed.
 5. Obtain resolutions from the school districts for the senior citizens exemptions they have authorized and ensure the exemptions are applied correctly.
 - a. The Assessor will obtain a copy of the resolution approving the senior citizen income scale, from each school district. The senior citizen exemptions will be granted based on the applicable income scale by school district.

These actions are taking place as I prepare this letter and will be undertaken by our town assessor and her staff. Again, I would like to thank the Office of the New York State Comptroller for this review and specifically thank [REDACTED] for his professionalism during the audit process.

Sincerely,

Joseph P. Saraceni
Lysander, Town Supervisor

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We audited the administration of the agricultural, Persons 65 Years of Age or Older (senior citizen) and veteran real property tax exemptions. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed local legislation authorizing selected exemptions and inquired with the Assessor about the real property exemption process and record keeping requirements.
- We randomly selected 22 properties and judgmentally⁴ selected 10 properties with agricultural exemptions which reduced the total taxable assessed value by a total of \$6.6 million from the 2017 assessment roll for further testing. We reviewed the original application (if available) to determine whether all required documentation was submitted. This included a soil survey from the Soil and Water Conservation District, if available. We reviewed any income support to determine whether the farmer met the minimum requirements. If applicable, we also determined whether the property had a current agricultural exemption renewal form on file. If the property was leased to another farmer, we determined whether there was a current lease on file. We then recalculated selected exemptions with available supporting documentation to determine whether the property received the proper exemption amount. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 15 properties and judgmentally selected 10 properties with senior citizen exemptions which reduced the total taxable assessed value by a total of \$5.6 million from the 2017 assessment roll for further testing. We reviewed available supporting documentation for income and age and determined whether the reported income met the income eligibility requirements. We also recalculated the exemption amounts based on reported income. We then calculated the tax dollar effect of any exceptions found.
- We randomly selected 48 properties and judgmentally selected 11 properties with veteran exemptions which reduced the total taxable assessed value by a total of \$9.3 million from the 2017 assessment roll for further testing. We reviewed the records retained in the related property folder to determine whether the exemptions were supported. We recalculated the exemption amounts to determine whether the property received the appropriate

⁴ We examined the properties of all Board members and Town employees who worked in the Assessor's office to determine whether they received any agricultural, senior citizen or veteran exemptions on their properties. We included the identified exemptions in our judgmental sample for each exemption category (if applicable). We also sorted all the exemptions in each category by amount and selected exemptions with the 10 highest values for testing.

exemption amount. We then calculated the tax dollar effect of any exceptions found.

- We examined the 2017 assessment roll for any apparent irregularities in exemptions granted.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

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SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief Examiner

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