Long Island Regional Planning Council Releases Island-wide Property Tax Alternatives Study

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Recognizing the need to reduce our region's reliance on property taxes to fund local services, the Long Island Regional Planning Council commissioned a Property Tax Alternatives Study to analyze and encourage new strategies that could shift hundreds of millions of dollars from the burden currently borne by homeowners.

The results of the study, presented as options for consideration by taxpayers and elected representatives, were released April 17. The complete report is available at www.lirpc.org, click on "Tax Alternatives for Long Island" on the home page.

"The Long Island Regional Planning Council is pleased to announce the release of its just completed Property Tax Alternatives Study," said John Cameron, Jr. Chairman of the Long Island Regional Planning Council. "The year-long study assessed the Island's high dependence upon the property tax system to fund local government operations, best management practices utilized by other governments around the country and potential alternate sources of funding. The Council looks forward to the public debate on the property tax issue."

Conducted by Public Financial Management Group (PFM) and the National Center for Suburban Studies at Hofstra University, the independent, non-partisan study examines numerous alternatives to property taxes employed around the country and provides estimates of revenue that might be collected. According to the study, the combination of continued local cost-saving initiatives and alternate revenue sources offers the potential to strengthen the region's economy and key demographic groups by distributing the tax burden more equitably and rationally. In the 2010 Long Island Regional Comprehensive Sustainability Plan, or Long Island 2035, the LIRPC identified property taxes as a significant impediment to the economic well-being of the Nassau-Suffolk region. With the advent of the New York State property tax cap and other policy changes, including the recent federal cap on the deduction for state and local taxes, the LIRPC considered it important to re-visit the property tax analysis and re-examine whether the property tax represents the best method to finance the operations of its municipalities and schools.

The resulting analysis shows that while the State property tax cap, which was implemented in 2012, assisted in controlling property tax growth, Nassau and Suffolk County consistently rank among the highest property tax counties in the nation. Moreover, the tax cap may not be sustainable, so high property taxes may continue to burden Long Island residents and businesses and limit regional prosperity.

Notably, the study stops short of definitive recommendations on alternatives, leaving the choices for change in the hands of taxpayers and their elected representatives. The study identified the primary alternatives to the property tax for Long Island as follows:

- New sales and use tax collections: the collection of state sales tax from purchasers via internet sales, among other new sources of revenue, could potentially generate $92 million per year.
- Sales and use tax rate increase: an increase from Long Island's existing local rate of 4.25 percent to New York City's rate of 4.5 percent would generate an increase in revenue of $160 million in 2018 and provide the funds needed to reduce property taxes by 1.4 percent
- Local sales tax on motor fuel: lifting the $0.08 per gallon cap on the State's gas tax could generate $50 million per year

- Increases in excise taxes: taxes on sugared beverages, vape and e-cigarettes could generate $126 million per year
- Tax on medical and recreational marijuana: a tax on medical and recreational marijuana could generate $75 million
- Introducing a "Circuit Breaker": these mechanisms provide a reduction by preventing property taxes from going above a certain percentage of the taxpayer's annual income
- Institute a local income tax: a local income tax rate of one percent of gross earnings would generate $1.4 billion for local services
- Local government efficiency measures: new cost-saving efforts amongst Long Island local government are estimated to save tens of millions of dollars.

"I was pleased to meet with the representatives from LIRPC and hear innovative strategies to address the property tax burden, and I look forward to continuing our dialogue," said Laura Curran, Nassau County Executive.

"Financing government operations can be challenging and that is why it's important to continue to re-evaluate our policies and produce data-driven solutions to incentivize economic growth," said Suffolk County Executive Bellone. "I thank LIRPC for their stewardship and analysis. Their review will assist government leaders across Long Island with our ability to deliver the services that the public deserves while providing property tax relief for our residents."

The study, which does not include commercial real estate taxes or the costs and confusion of the property assessment system, points out that "there is no perfect tax" and that "moving the dial" will produce "winners and losers" – as the current system does particularly for those, such as Millennials, seniors and minorities whose taxes do not reflect their ability to pay.

The Long Island Regional Planning Council serves as the Island's Chief Planner and a leading advocate for issues affecting the economic, environmental and social well-being of Long Island's businesses, institutions and residents. The LIRPC in assessing the Island's future sustainability conducts research, surveys and studies, which address regional needs, issues and opportunities.

For a copy of the full report please visit lirpc.org.