



Town of Sempronius

Real Property Tax Exemptions Administration

2023M-66 | August 2023

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Report Highlights

Town of Sempronius

Audit Objective

Determine whether the Town of Sempronius (Town) Assessor properly administered select real property tax exemptions.

Key Findings

The Assessor did not properly administer all of the real property tax exemptions we reviewed.

- The Assessor did not ensure applicants provided documentation required to grant an exemption or maintain the documentation.
- Of the 278 property tax exemptions totaling \$6.2 million, we reviewed 58 exemptions totaling \$2.7 million and found that 32 exemptions (55 percent) totaling \$1.4 million lacked one or more pieces of documentation needed to verify eligibility and the Assessor’s exemption calculation.

Because each exemption impacts the tax roll, a miscalculated or inappropriately granted exemption can cause inequity among taxpayers.

Key Recommendations

- Ensure applicants provide supporting documentation before granting exemptions, retain documentation to support eligibility and periodically verify that those granted exemptions qualify.
- Review data entered in the Real Property Tax System (RPTS) periodically to ensure accuracy.

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

Background

Real property is defined as land and permanent structures attached to it.

Some properties are exempt from property taxes and others are partially exempt (e.g., real property used for agriculture). Real property exemptions can be mandated by New York State (NYS) law or subject to a local option.

The Assessor, appointed by the Town Board (Board), determines the assessed values of properties and grants and monitors real property tax exemptions within the Town’s boundaries. The Assessor must maintain documentation to support the real property exemptions granted.

The Assessor’s assessment roll, which is reduced by the real property exemptions, is used to create property tax bills.

The Town, located in Cayuga County, is governed by the elected five-member Board.

Quick Facts	
Exemptions	278
Exemptions Value	\$6.2 million
Parcels	709
Taxable Assessed Value	\$76.2 million

Audit Period

January 1, 2022 – May 5, 2023

Real Property Tax Exemptions Administration

How Does an Assessor Properly Administer Exemptions?

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner's tax payment. To ensure a town's tax levy is fair and equitable, it is important that an assessor verify that every property owner qualifies for exemptions they are granted.

An assessor needs to:

- Ensure property owners submit completed applications with proper supporting documentation and meet eligibility requirements.¹
- Verify that exemption amounts are properly calculated in the RPTS.
- Annually certify the assessment roll as accurate and complete for all exemptions.
- Periodically verify that those granted exemptions continue to qualify for them.
- Retain supporting documentation for granted exemptions and consult with the NYS Office of Real Property Tax Services, as necessary, for technical assistance.

The Assessor Did Not Ensure Property Tax Exemptions Had Supporting Documentation and Were Calculated Accurately

The Assessor granted 278 exemptions on the 2022 assessment roll, collectively reducing the Town's 2023 taxable assessed value by approximately \$6.2 million. We reviewed the supporting documentation for 58 property tax exemptions, which included agricultural, veteran, senior citizen and other exemptions totaling approximately \$2.7 million, and found that 32 exemptions (55 percent) totaling approximately \$1.4 million in Town-exempted assessed value lacked one or more pieces of supporting documentation to verify eligibility and the accuracy of the exemption calculation.

¹ See Appendix A for additional information regarding eligibility requirements.

Figure 1: 2022 Real Property Tax Exemptions

Exemptions Granted			Exemptions Tested			
Type	Count	Value	Count	Value	Exceptions	
					Count	Value
Agricultural	91	\$3,174,670	45	\$2,378,540	24	\$1,294,987
Senior Citizen	81	138,382	1	29,994	1	29,994
Wholly Exempt (Nonprofit/ Governmental)	53	2,145,200				
Veteran	49	595,290	9	127,740	7	107,820
Solar or Wind Energy System	3	10,600	2	8,100		
Forestland	1	106,080	1	106,080		
Total	278	\$6,170,222	58	\$2,650,454	32	\$1,432,801

Exemptions granted may have lacked the original application, soil group worksheet,² income support, proof of age or property information. Additionally, two of these unsupported exemptions were incorrectly entered into the RPTS, resulting in exemptions granted that were \$15,907 more than they should have been. In total, property owners received \$4,632 in Town tax reductions on a total levy of \$246,430 in 2023 for these unsupported exemptions.

The unsupported exemptions occurred because the Assessor did not ensure that all applicants provided adequate supporting documentation before exemptions were granted for their properties, retain documentation to support eligibility for exemptions or periodically verify that those granted exemptions continued to qualify for them. Additionally, because the Assessor enters all data into the RPTS without independent review, errors ultimately occurred and went undetected.

Every exemption shifts the tax burden to the non-exempt properties. Therefore, the rate of exceptions noted above (55 percent) can cause inequity among taxpayers to the extent that exemptions are miscalculated or inappropriately granted.

² A soil group worksheet prepared by the Soil and Water Conservation District Office must be filed as part of the agricultural land exemption. The worksheet certifies the number of acres in each mineral or organic soil group for the parcel and is used to calculate the NYS certified soil productivity value for the parcel. The exemption amount is calculated based on this value.

What Do We Recommend?

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
2. Retain documentation to support eligibility for all exemptions.
3. Periodically verify that property owners that were granted exemptions continue to qualify for them.
4. Review data entered in the RPTS periodically to ensure accuracy.

Appendix A: Criteria for Commonly Granted Exemptions

Agricultural – The agricultural exemption generally requires average annual gross sales over the previous two years of at least \$10,000 for farms with seven or more acres of land, or \$50,000 for farms of less than seven acres. The amount is calculated based on a NYS certified soil productivity value for each parcel. Property owners may receive an agricultural exemption if they lease acreage to eligible farmers. Certain newly constructed or reconstructed agricultural structures are allowed a 10-year property tax exemption from any increase in the property's assessed value resulting from the improvement. Property owners receiving the agricultural exemption, pursuant to Section 305 of the NYS Agriculture and Markets Law, are required to file a renewal form each year certifying the property remains eligible for the exemption and the operation continues to meet the income requirements. Although the renewal form does not require proof of income, assessors should be periodically verifying farm income to ensure the property remains eligible.

Veteran – The requirements related to veteran exemptions vary, but typically include that the exempted property be the primary residence of, and owned by, 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. These exemptions include amounts for wartime or Cold War service, with increased exemption amounts for combat service. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. Furthermore, a disabled veteran may receive an additional exemption based on supporting documentation.

Senior Citizen – The exemption requires the property be used exclusively for residential purposes and owned by a person 65 years or older (with some familial exceptions) for a consecutive 12 months (unless an exception applies) 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. NYS Real Property Tax Law also allows income deductions, such as certain medical expenses, to be considered in calculating the exemption amount when adopted by local law. Furthermore, 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. Corporations cannot meet requirements for the senior citizen exemption.

Appendix B: Response From Town Officials

TOWN OF SEMPRONIUS
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16 West Main St
Suite 522
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I do agree with your findings from the audit conducted at the Town of Sempronius in 2023.

Thanks,

Kevin Court, Supervisor

Town of Sempronius

Appendix C: 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed the Town Clerk, Supervisor and Assessor and reviewed Board meeting minutes and local legislation to gain an understanding of the property tax exemption process and recordkeeping requirements.
- We reviewed the Town's local laws and resolutions to determine whether the types of property exemptions granted on the 2022 assessment roll were authorized.
- We reviewed the exemptions granted for the 2022 assessment roll, which was used to generate 2023 taxes. From the total exemptions, we removed municipal-owned and non-profit properties. From the remaining exemptions, we calculated the Town's exemption value as a percentage of the overall assessment. Specifically, we focused on higher-risk exemptions and:
 - We used our professional judgment to select a sample of all 23 properties with exemptions in the 50-99 percent range with Town exempted value totaling approximately \$1.1 million.
 - We used our professional judgment to select all 14 remaining exemptions with Town exempted value over \$50,000 totaling approximately \$1.2 million.
 - From the remaining exemptions, we used a random number generator to randomly select eight agricultural (13 percent), five veterans (10 percent) and one senior citizen (1 percent), based on the percentage of exemptions by type remaining. Town exempted value for these exemptions totaled \$258,998.
 - We used our professional judgment to select all seven exemptions, with exempted value totaling \$111,875, of Town officials, employees or family members not included in the other samples.
- For these 58 selected exemptions, we reviewed available documentation supporting the eligibility and calculation of the exemption to determine whether the exemptions had supporting documentation (such as applications, soil group worksheets, income support, proof of age or property information, proof of military service, proof of disability or annual renewal forms), met eligibility requirements, were properly calculated and coded. We recalculated the exemption amounts and calculated the tax dollar effect or any exceptions.
- We reviewed exemption summary reports generated from the RPTS, and the data input screens within the RPTS, to determine whether information was entered accurately.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

The Board has the responsibility to initiate corrective action. 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 D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.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/local-government/required-reporting

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

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