

# Town of Skaneateles

## Real Property Tax Exemption Administration

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NOVEMBER 2018

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

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# Report Highlights

## Town of Skaneateles

### Audit Objective

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

### Key Findings

- We reviewed 125 agricultural, senior citizens and veterans exemptions and found 84 (67 percent) lacked adequate supporting documentation (e.g., applications, renewal forms, income support and military records) to verify 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 Skaneateles (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	7,209
2018 Real Property Tax Levy	\$3.6 million
Total Exemptions Granted By Town	2,934
Total Parcels	4,283
Total Assessed Value of Parcels	\$1.5 billion

### Audit Period

January 1, 2017 – March 1, 2018

# Real Property Tax Exemption Administration

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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 citizens) and veterans real property tax exemptions. The Assessor granted these exemptions for 898 parcels on the 2017 assessment roll, which reduced the taxable assessed value among all taxing jurisdictions<sup>1</sup> by about \$179 million.

The Assessor was appointed by the Board in June 2016 and also serves as the Assessor for five other municipalities. The Assessor works approximately 64 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. Assessors should 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. Lastly, the assessors should 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.

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<sup>1</sup> The taxing jurisdictions allowing exemptions are County, Town, Village, School and special district.

## Of the Total Exemptions Tested, 67 Percent Lacked Adequate Supporting Documentation

We found exceptions with 84 of the 125 (67 percent) agricultural, senior citizens and veterans exemptions 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 \$35.4 million (Figure 1).

**Figure 1: Fiscal Year 2017 Real Property Exemptions and Exceptions**

Exemption Type	Total Parcels with Exemptions	Total Exempted Value for Taxes <sup>a</sup>	Total Number of Exemptions Tested	Exceptions Identified from Records	Rate of Exception	Total Exempted Value of Exceptions <sup>a</sup>
<b>Agricultural</b>	313	\$89,113,152	50	45	90%	\$20,489,394
<b>Senior Citizens</b>	152	\$42,990,222	20	20	100%	\$11,678,925
<b>Veterans</b>	433	\$46,641,943	55	19	35%	\$3,223,976
<b>Totals</b>	<b>898</b>	<b>\$178,745,317</b>	<b>125</b>	<b>84</b>	<b>67%</b>	<b>\$35,392,295</b>

<sup>a</sup> Total exempted value includes all taxing jurisdictions that provided the exemption (e.g., County, Town, Village, school, special district).

Although some of the missing documentation pre-dated the Assessor, the Assessor did not review and verify that exemptions granted by prior Assessors had the necessary supporting documentation. However, Assessors must annually certify the assessment roll as accurate and complete for all exemptions regardless of which Assessor originally granted them.

Every exemption shifts the tax burden to other taxpayers. Therefore, the rate of exceptions noted above (67 percent) can cause inequity among taxpayers for financing local government operations 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 for farms with seven or more acres of land, or \$50,000 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.

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## **Of the Agricultural Exemptions Tested, 90 Percent Lacked Adequate Supporting Documentation**

We reviewed 50 properties receiving an agricultural exemption and found 45 lacked one or more pieces of supporting documentation necessary to verify their eligibility for the exemption. Only one of the properties contained an original application with income verification for an agricultural land exemption. This original application was filed along with subsequent renewal applications for that parcel. The four others with applications were for agricultural buildings and did not require income verification. The remaining 45 properties lacked supporting documentation to show the farming operations met the income requirements and lacked an original application. In addition, 22 of these properties did not have a required soil survey map, 13 did not have renewal applications, and 11 did not have soil group worksheets (some properties contained multiple exceptions). We also found one property that did not have the required lease agreement.

Town officials indicated that they believe the original applications were discarded by a previous Assessor while cleaning up. However, the current Assessor acknowledged that he does not verify that previously filed agricultural exemptions had an original application or require income verification for renewals. Because the exemptions granted to the 45 properties were not adequately supported, these property owners may have inappropriately received \$156,020<sup>2</sup> in County, Town, school and special district tax reductions for fiscal year 2018.

## **What Are the Requirements for Granting Senior Citizens Exemptions?**

The senior citizens 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 citizens 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.

## **All of the Senior Citizens Exemptions Tested Lacked Adequate Supporting Documentation**

All 20 of the properties we reviewed receiving a senior citizens exemption lacked one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions. Specifically, all properties lacked proof of age

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<sup>2</sup> 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 of Skaneateles and the school districts within the Town. For this report, we calculated the tax impact using the 2017 tax rates for the schools and Village.

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eligibility, 18 lacked income support (e.g., income tax return), and two did not have a renewal form on file.

The Assessor explained that he determines the qualifying income based on supporting documentation provided and will note the income calculated on the renewal application but will shred any accompanying supporting documentation because it contains sensitive and confidential information. We observed that the Assessor did write the income amount on the application for 19 of the 20 exemptions we reviewed. However, with no supporting documentation attached, there is no way to determine the legitimacy of the income amount. Because the 20 properties we tested did not have adequate support for the exemptions granted, there is a risk that the property owners may have inappropriately received a total of \$82,997 in County, Town, Village and school tax reductions for fiscal year 2018.

In addition, the Assessor expressed concern that he cannot verify the income provided by the property owner with certainty. For example, the Assessor explained there are several properties with assessed values near or greater than \$1 million that are receiving senior citizens exemptions based on the income support provided to the Assessor meeting the income thresholds. However, the Assessor acknowledged he has no mechanism to verify with certainty that the income presented is all of the property owner's income.

For example, two properties with full market values of \$1.2 million and \$800,000 received senior citizens exemptions because the income reported by the property owner to the Assessor was within the limits established by local law of \$29,000 to \$37,400. Specifically, the \$1.2 million property's total taxable value was exempted by \$522,000 at the County and Town levels and \$600,000 at the school level, resulting in a total net savings on the property tax bill of \$12,708. Meanwhile, the property valued at \$800,000 had its County, Town, school and Village assessments reduced by \$400,000 each, resulting in a total tax savings of \$10,062. However, because the Assessor shreds and does not maintain income support received such as income tax returns or other supporting documentation, we were unable to determine the legitimacy of the income amount.

## **What Are the Requirements for Granting Veterans Exemptions?**

Requirements related to veterans 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.



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## **Of the Veterans Exemptions Tested, 35 Percent Lacked Adequate Supporting Documentation**

We reviewed 55 properties receiving veterans exemptions and found 19 properties (35 percent) lacked one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions. For example, 11 properties lacked an original application, 17 did not contain acceptable military records to prove honorable discharge, and one was lacking supporting documentation regarding disability (some properties had multiple exceptions). These property owners may have inappropriately received \$13,265 in County and Town tax reductions for fiscal year 2018.

We also reviewed the 2017 assessment roll's summary page for any noticeable errors or inconsistencies and followed up to determine whether the related exemptions were proper. Our testing found that one property was incorrectly granted a veterans exemption totaling \$133,200 on the school tax portion of its assessment. The exemption was not proper because none of the component school districts within the Town passed a resolution to allow this exemption on school taxes. This correlates to \$1,952 in taxes that were passed on to other taxpayers in the school districts. Had the Assessor reviewed the assessment rolls exemption summary, this error could have been detected. The Assessor told us that the County had advised him of the error and the exemption was removed from the 2018 assessment roll.

The failure to maintain adequate records, require annual renewals, verify and review information annually or correctly calculate exemptions 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.
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. Periodically verify farm income to ensure properties receiving agricultural exemptions remain eligible.



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5. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
  6. Review the assessment roll's exemption summary annually for noticeable errors and make necessary changes.

# Appendix A: Response From Town Officials

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November 5, 2018

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

Re: Town of Skaneateles  
Real Property Tax Exemption Administration  
#2018M-173

Dear Officials of the NYS Comptroller's Office:

The Town of Skaneateles is in receipt of the Real Property Tax Exemption Audit conducted this year in the Town of Skaneateles. The Town appreciates the time and effort the NYS OSC auditors took to review our exemptions and to prepare their findings.

The Town Board of the Town of Skaneateles with substantially agrees with the findings within the Office of the State Comptroller's audit report but wish to express some background to some of the exceptions noted in the report.

1. Agriculture Exemptions lacked adequate supporting documentation and original applications. It is believed that the previous Assessor did not realize that the original applications needed to be retained. The current Assessor is aware of this and will keep original applications along with the supporting documentation.
2. Senior Citizens Exemptions lacked adequate supporting documentation: As stated in the report our Assessor personally saw and verified the documentation that the senior presented in order to approve the exemption. Our Assessor did not want to keep copies of these documents in his office as they contain social security numbers and other sensitive information.

Audit Recommendations:

1. Ensure all applications provide adequate supporting documentation before granting exemptions.
  - a. *The Town Assessor and his Clerk have reviewed this report and, in the future, will comply with not only seeing supporting documentation but will keep copies of all supporting documentation in a secure file as required under the NYS Records Retention and Disposition Schedule. Documentation for each exemption category will be verified before granting the exemption.*

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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.
    - a. *The Assessor will apply statutory provisions to all organizations and individuals that receive property exemptions and will consult with Onondaga County Real Property Tax Services for any needed technical assistance.*
  3. Retain supporting documentation (i.e., income support, age eligibility, etc.) to justify eligibility for all exemptions.
    - a. *As stated under #1 all supporting documentation will not only be visually noted by the Assessor but copies of all supporting documentation to justify the eligibility will be retained in the Assessor's office and the Assessor will meet MU-1 requirements of the NYS Archives Record Retention and Disposition schedule for all records in his office.*
  4. Periodically verify farm income to ensure properties receiving Agricultural exemptions remain eligible.
    - a. *Beginning in 2019 the Assessor will require all Agricultural Exemptions to refile Schedule F from their income tax return. Schedule F is used to report income and losses from farming activities. This schedule will be required every four years to justify the income requirements under this exemption. The Assessor will set up a notification process in their computer program that will automatically identify when properties need to be verified. In addition, the Assessor will review all Agriculture Exemptions and will require soil survey maps, soil group worksheets, leases and renewal applications and all statutory requirements for the exemption to be considered.*
  5. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
    - a. *The Assessor will yearly review all exemptions and obtain copies of all supporting documents needed to determine if they still meet the eligibility requirements to receive the exemption. Residents will be notified in writing if they no longer are eligible for the exemption.*
  6. Review the assessment roll's exemption summary annually for noticeable errors and make necessary changes.
    - a. *A careful review of the assessment roll's exemption summary will be conducted annually by the Town Assessor to correct any noticeable errors.*

Sincerely,

Janet L. Aaron  
Town Supervisor

## Appendix B: Audit Methodology and Standards

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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 citizens) and veterans 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 30 properties and judgmentally<sup>3</sup> selected 20 properties with agricultural exemptions which reduced the total taxable assessed value by a total of \$23.3 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 10 properties and judgmentally selected 10 properties with senior citizens exemptions which reduced the total taxable assessed value by a total of \$11.7 million from the 2017 assessment roll for further testing. We noted whether any record of income or age was retained and 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 43 properties and judgmentally selected 12 properties with veterans exemptions which reduced the total taxable assessed value by a total of \$7.9 million from the 2017 assessment roll for further testing. We reviewed the records retained in the related property folders to determine whether the exemptions were supported. We recalculated the exemption amounts to determine whether the property received the appropriate exemption amount. We then calculated the tax dollar effect of any exceptions found.

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<sup>3</sup> 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 or veterans exemptions on their properties. We included the identified exemptions in our judgmental sample for each exemption category. We also sorted all the exemptions in each category by amount and selected exemptions with the 10 highest values for testing.

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- We reviewed the 2017 assessment roll for any apparent irregularities in exemptions granted and followed up on the only property receiving a veterans exemption for school taxes. We inquired and reviewed the record retained in the property folder to determine whether the exemption was proper.

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

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://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](http://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](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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

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

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[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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