

Town of Bath

Real Property Tax Exemptions Administration

JANUARY 2019



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

Contents

- Report Highlights 1**

- Real Property Tax Exemptions Administration. 2**
 - How Does the Assessor Properly Administer Exemptions? 2
 - The Assessor Did Not Ensure Property Tax Exemptions Were Appropriate. 3
 - Exemptions Lacked Applications and Supporting Documentation. 3
 - Exemptions Were Calculated Incorrectly 4
 - The Certification Process Was Incomplete 5
 - The Assessor Did Not Notify the County When Transferred Property Had Exemptions 6
 - What Do We Recommend? 6

- Appendix A — Specific Exemption Criteria 7**

- Appendix B – Response From Town Officials 9**

- Appendix C – Audit Methodology and Standards 11**

- Appendix D – Resources and Services. 13**

Report Highlights

Town of Bath

Audit Objective

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

Key Findings

We reviewed properties with 125 agricultural, non-profit and not-for-profit, senior citizen, volunteer firefighter, veteran and other exemptions. The Assessor:

- Granted exemptions without required applications, renewal forms or other supporting documentation.
- Incorrectly calculated granted exemptions.
- Did not report the transfer of all property with exemptions to the County as required.

Key Recommendations

The Assessor should:

- Ensure granted exemptions are authorized, supported, accurately calculated and continue to meet eligibility requirements.
- Report the transfer of property with exemptions to the County to ensure the new owner is billed for the prorated share of taxes.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town of Bath is located in Steuben County (County). The Town is governed by an elected Town Board (Board) composed of the Town Supervisor and four Board members.

The Board-appointed Town Assessor (Assessor) is responsible for granting and monitoring real property tax exemptions within the Town. The Assessor determines the assessed values of properties for the assessment roll, which is then used to create the tax bills for the following year's tax rolls. The Assessor must retain documentation that properties are eligible for exemptions. The Assessor's clerk assists with these responsibilities.

Quick Facts

2018 Total Parcels	5,170
2018 Total Exemptions	3,701
2018 Town Taxable Assessed Value	\$613 million

Audit Period

January 1, 2017 – October 2, 2018

Real Property Tax Exemptions Administration

In New York State (NYS), the real property tax is based on the value of real property.¹ Counties, cities, towns, villages, school districts and special districts each raise money through the real property tax. The amount of a particular property's tax bill is determined by two things: the property's taxable assessment and the tax rates of the taxing jurisdictions in which the property is located.

The taxable assessment is determined by the assessor and should be based on the market value of the property less any applicable property tax exemptions. The tax rate is determined by the amount of the tax levy to be raised from all, or part, of a town, and the town's total taxable assessed value. Therefore, the accuracy of the assessment roll is essential for fair and equitable property taxation.

Though all real property in an assessing unit is assessed, not all of it is taxable. Some properties are completely exempt from paying property taxes, such as religious or government owned properties. Other properties are partially exempt, such as those of veterans and senior citizens who qualify for an exemption on part of the property tax on their homes, and land and buildings used for agricultural purposes. While some exemptions are mandated by NYS law, others are subject to local option and/or local determination of eligibility criteria.

How Does the Assessor Properly Administer Exemptions?

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner's tax payment. To ensure the Town's tax levy is fair and equitable, it is important that the assessor determine every exemption is legitimate. To properly administer real property tax exemptions, the assessor needs to:

- Ensure property owners submit completed applications with proper supporting documentation and meet eligibility requirements.²
- Verify that exemption amounts are properly calculated in the Real Property Tax System.
- 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 (ORPTS), as necessary, for technical assistance.

¹ Real property is defined as land and any permanent structures attached to it.

² See Appendix A for eligibility requirements for agricultural, non-profits, senior citizens, veterans, persons with disabilities and volunteer firefighter exemptions. These exemptions are the most common non-NYS School Tax Relief (STAR) exemptions granted.

- Notify the County when a property with an exemption transfers to new owners who do not qualify for the exemption to ensure the new owner is billed for the prorated share of taxes.

The Assessor Did Not Ensure Property Tax Exemptions Were Appropriate

The Town granted a total of 1,278 non-STAR property tax exemptions for non-municipal-owned property on the 2018 assessment roll, collectively reducing the Town’s 2019 taxable assessed value by more than \$92.7 million. We reviewed 125 exemptions totaling \$52.1 million and identified issues with 21 exemptions totaling \$848,961 (two percent).

Figure 1: 2018 Real Property Tax Exemptions

Type of Exemption	Total Exemptions ^a	Total Town Exemption Value ^a	Total Number of Exemptions Tested	Total Town Exempted Value Tested	Exceptions Identified from Records	Total Town Exempted Value Exceptions
Agricultural	263	\$21,404,671	43	\$3,281,114	11	\$532,976
Senior Citizens	164	\$4,618,363	9	\$500,100	5	\$287,100
Veterans	700	\$6,382,558	36	\$380,405	3	\$22,885
Volunteer Firefighter	14	\$42,000	14	\$42,000	2	\$6,000
Non-Profit and Not-for-Profit	39	\$18,283,500	10	\$12,138,100	0	\$0
Disability	26	\$982,987	2	\$128,000	0	\$0
Other	72	\$41,067,319	11	\$35,618,000	0	\$0
Total	1,278	\$92,781,398	125	\$52,087,719	21	\$848,961

^a Excludes STAR and municipal-owned property exemptions

Every exemption shifts the tax burden to the non-exempt properties. Therefore, the rate of exceptions noted above (17 percent) can cause inequity among taxpayers to the extent that exemptions are miscalculated or inappropriately granted.

Exemptions Lacked Applications and Supporting Documentation

We reviewed the files related to the 125 granted exemptions totaling \$52.1 million and found 16 (13 percent) totaling \$738,693 in Town-exempted assessed value lacked one or more pieces of supporting documentation to determine eligibility

or verify the accuracy of the exemption calculation. For example, exemptions granted may have lacked a current soil group worksheet,³ proof of age or veteran status,⁴ the original application⁵ or volunteer firefighter status (Figure 2). These property owners received \$3,058 in 2019 Town tax reductions for these unsupported exemptions.

Figure 2: Insufficient Supporting Documentation

Type of Documentation	Number of Exemptions Lacking Documentation ^a	Total Town Exempt Value Lacking Documentation
Soil Group Worksheet	3	\$330,833
Proof of Age	4	\$233,100
Property Information	6	\$191,760
Veteran Status	2	\$16,000
Original Applications	1	\$3,000
Volunteer Firefighter Status	1	\$3,000

^a Some exemptions were lacking multiple pieces of documentation.

Exemptions Were Calculated Incorrectly

We found five of the 109 exemptions (5 percent) with sufficient supporting documentation (all agriculture exemptions) totaling \$507,566 were incorrectly calculated. These agricultural exemptions were incorrect because the soil group worksheet information was incorrectly entered in the software used to calculate the exemption amounts. These incorrect exemption calculations had a net exemption difference of \$118,646 for property owners in fiscal year 2018.

Of the 16 exemptions that lacked sufficient documentation, we were unable to determine if six were correctly calculated. However, seven exemptions totaling \$216,100 were calculated correctly if the property owners qualified for the exemptions and three exemptions were improperly calculated. Specifically, the Assessor granted two senior and one veterans exemption totaling \$34,865 less than the appropriate amounts because she limited the percentage of residential land (and therefore, the exemption), but was unable to provide any explanation or documentation to support this aspect of the calculations.

³ A soil group worksheet prepared by the soil and water conservation district office must be filed as part of the agriculture 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.

⁴ Five property owners had different last names than the birth certificates or proof of veteran service that were maintained in their file. Without documentation supporting a name change (e.g., a marriage certificate), we were unable to determine if they were eligible for the exemptions.

⁵ NYS establishes legal minimum retention periods for retaining records, including records for real property tax exemptions. Generally, the minimum retention period for real property tax exemption applications and supporting documentation is six years after the expiration of the exemption.

The Certification Process Was Incomplete

Although the Assessor certified the assessment roll was accurate, including exemptions granted prior to her tenure,⁶ she did not review the exemptions granted by previous assessors to ensure they had supporting documentation, were correctly calculated and continued to be eligible. Additionally, the Assessor did not review the clerk's work.

We found one property owner was granted an exemption for the property's full assessed value when it was not eligible for the exemption because it was vacant land that was not being used for not-for-profit purposes. As a result, the landowner was granted exemptions totaling \$109,700 from 2010 through 2018, which resulted in inappropriate Town tax reductions totaling \$1,146 over the nine years. The Assessor removed this exemption once we brought it to her attention.

Additionally, the Assessor did not require or maintain sufficient documentation for the exemptions she granted as detailed in the following examples.

- The Assessor does not periodically verify farm income when property owners submit their renewal forms.⁷ The Assessor is approving income-driven exemptions without knowing whether the property owners' information is accurate and complete because she lacks the ability to verify income with an outside governmental entity. Assessors receive income verification for the STAR exemption from ORPTS; however, this information is not available for the agricultural or senior citizens exemptions. The Assessor must rely on the supporting documentation provided by the property owners.
- Most of the non-veteran exemptions reviewed have annual renewal requirements. The veteran exemptions and exemptions for volunteer firefighters⁸ do not require annual renewals. We found the Assessor did not verify that these properties are still eligible for the exemption. For veteran and volunteer firefighter exemptions tested with applications, the average time since the granting of the exemptions was more than 15 years and more than 10 years, respectively. When annual renewals are not required, it is especially important to periodically verify that properties are still eligible for exemptions because the Town could inappropriately continue to grant an exemption to a property that has changed owners or status (i.e., no longer the person's primary residence).

⁶ The current Assessor provisionally assumed the assessor duties in October 2017, and was officially appointed on March 12, 2018. She previously worked as the clerk.

⁷ Although the renewal form does not require proof of income, the Assessor should periodically verify farm income to ensure the property remains eligible.

⁸ Town certified members with 20 or more years of service receive lifetime exemptions as long as their primary residence is in the County.

The Assessor Did Not Notify the County When Transferred Property Had Exemptions

We reviewed all nine 2017 transferred properties with non-STAR exemptions totaling \$37,443 in Town exempted value. We found the new owners were no longer eligible for exemptions on six properties. The Assessor properly notified the County for proration of taxes for four of the properties, but did not notify the County for proration for two (22 percent) of the properties. As a result, the taxes for the two properties for a portion of the 2017 and all of the 2018 Town tax revenue totaling \$101 was absorbed by other taxpayers. While minimal in the two instances, the weakness could allow more substantial errors to go undetected in the future.

What Do We Recommend?

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting correctly calculated exemptions and maintain documentation to support eligibility for all exemptions.
2. Ensure previously granted exemptions are supported, accurately calculated and continue to meet eligibility requirements.
3. Report the transfer of exempt property to the County to ensure the new owner is billed for the prorated share of taxes.

The Board should:

4. Consult with the Town Attorney regarding recovery and the potential legal impacts the Towns may face from prior years' erroneous exemptions.

Appendix A: Specific Exemption Criteria

Agricultural — 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 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.

Non-Profits and Not-for-Profits — The requirements related to these exemptions vary, but generally require the property be owned by a non-profit corporation or association organized or conducted for specified purposes and used exclusively for these purposes. Most owners must file an application prescribed by ORPTS or comparable application form. If neither type of form is filed, the assessor may grant the exemption provided she personally inspects the property and certifies in writing that it satisfies all of the requirements for exemption. Some exemptions require annual renewal applications.

Senior Citizens — 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 citizens 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 citizens exemption.

Veterans — The 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 were 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,

disabled veterans may receive an additional exemption based on supporting documentation.

Persons with Disabilities — The persons with disabilities exemptions require that the property be used exclusively for residential purposes and owned or occupied by one or more individuals with a documented disability and income below limits established by each municipality. Residents receiving the exemptions are required to file a renewal form each year along with supporting documentation that income is below the threshold. Furthermore, Local Law allows for an exemption for an improvement on residential property to the extent of any increase in valuation when used for facilitating and accommodating use and access by a resident owner who is physically disabled or if a physically disabled member of the household resides at the property.

Volunteer Firefighter — Members of an incorporated volunteer fire company or fire department who have been enrolled for at least five years are eligible for an exemption to residential property that is the member's primary residence. Residents are required to fill out an application and member certification based on Town established certification procedures. Once members reach 20 years of service, they receive a lifetime exemption as long as their primary residence is located in the County.

Appendix B: Response From Town Officials

Town of Bath Assessor's Office

Courtney L. Divens, Assessor

January 7th, 2019

REF: 2018 Audit response and corrective action plans

Fax: 518-486-6479

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

I, Courtney L. Divens, Town of Bath, Assessor, feels the recent audit conducted by New York State Comptroller's was done accurately. The audit was handled to the best of my ability as the exemptions audited were in place or have been in place for many years prior to my appointment of position in March of 2018.

Exemptions incorrectly calculated and or missing documentation:

Missing documentation for agricultural soil group sheets (due to splits or consolidations were never updated accordingly.)

All agricultural exemptions missing any supporting documentation were either corrected immediately or have been pulled with documentation to follow up with the property owners for the upcoming 2019 renewal exemption year; to include new soil group work sheets and income verification. All exemptions are calculated by computer software.

Veterans exemption missing supporting documentation was updated accordingly to keep exemption in place; name change due to marriage/divorce wasn't updated this was corrected immediately.

Senior citizen's exemption that had residential percentages honoring less than 100% exemption was reviewed and corrected if deemed necessary. One instance was a multifamily residence so therefore the primary owner was not entitled to 100% of the exemption being granted as he occupies a percentage of the dwelling. This exemption was verified and found to be calculated correctly while audit was still being conducted.

Exemption granted for ineligible property:

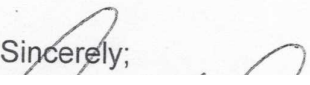
An exemption was granted in 2010 and never followed up with from prior Assessor for property to be exempt. At time of audit findings, the exemption in question was removed immediately and a letter of was mailed to the appropriated property owner.

Two parcels that had no documentations with resolutions to honor or keep exemptions in place; these exemptions were removed immediately and letters were sent to the appropriate property owners.

Pro-rated exemptions:

Pro-rated taxes were audited and of the six properties four had been turned into the county and the other two were still in pending status to be submitted as the transfers had just been finalized. All pro-rated taxes were turned into the county during the audit process.

The assessor and clerk will continue to verify income and all applications which accommodate exemptions in new or renewal status and that they are being filled out completely, accurately, and have all requirements necessary prior to granting and implementing exemptions.

Sincerely; 

Courtney L. Divens
Assessor
Town of Bath
110 Liberty Street
Bath, NY 14810
607-776-6383

Telephone: (607) 776-6383; email: astassessor@townofbathny.org; fax: (607) 776-4691
Room 107, Bath Municipal Building ♦ Bath, New York 14810

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 Town and County officials and reviewed Board minutes and local legislation to gain an understanding of the property tax exemption process and recordkeeping requirements.
- We reviewed Town laws and resolutions to determine if the types of property tax exemptions granted on the 2018 assessment roll were authorized.
- We reviewed the exemptions granted for the 2018 assessment roll, which is used to generate 2019 taxes. From the total exemptions, we removed STAR exemptions (applied to school district taxes and overseen by the State) and municipal-owned property. From the remaining exemptions, we calculated the Town's exemption value as a percent of the overall assessment. We then selected a judgmental sample of all 27 properties with exemptions in the 75-99 percent range with Town exempted value totaling \$2.19 million. We then judgmentally selected all 21 exemptions with Town exempted value over \$500,000 totaling \$47.76 million. From the remaining exemptions we randomly selected five percent each of agriculture (13 exemptions with Town exempted value totaling \$1.01 million), senior citizens (eight exemptions with Town exempted value totaling \$418,600), veteran exemptions (35 exemptions with Town exempted value totaling \$374,405), and persons with disabilities (two exemptions with Town exempted value totaling \$128,000) because the total of the exemptions for these categories represented 93 percent of the remaining exemptions. We also judgmentally selected all five exemptions of Town officials and employees not included in the other samples with Town exempted value totaling \$160,530. Finally, we judgmentally selected all 14 volunteer firefighter exemptions totaling \$42,000 because they are a specific exemption for Steuben County. For these 125 selected exemptions, we reviewed available documentation supporting the eligibility and calculation of the exemption to determine whether the exemptions had supporting documentation (such as soil group worksheets, proof of age, proof of military service, applications, renewal forms and income support), met eligibility requirements, were properly calculated and properly coded. We recalculated the exemption amounts and calculated the tax dollar effect of any exceptions.
- We reviewed the 49 properties with exemptions that transferred ownership in 2017 and identified nine properties transferred with non-STAR exemptions. We inquired with the Assessor to determine whether she notified the County of these transfers and whether the taxes were prorated. We also reviewed documentation of County notification.

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 Clerk's office.

Appendix D: 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

Local Government and School Accountability Help Line: (866) 321-8503

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief Examiner

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Chemung, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)