

Town of Lenox

Real Property Tax Exemptions Administration

FEBRUARY 2019



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

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Report Highlights

Town of Lenox

Audit Objective

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

Key Finding

- We reviewed 101 properties with agricultural, senior citizen, and veteran exemptions and found 62 (61 percent) lacked 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 Lenox (Town) is located in Madison 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	8,861
2018 Real Property Tax Levy	\$853,683
Total Exemptions Granted by Town	3,672
Total Parcels	4,872
Total Assessed Value of Parcels	\$515 million

Audit Period

January 1, 2017 - June 1, 2018

Real Property Tax Exemptions 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 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 1,234 parcels on the 2017 assessment roll, which reduced the taxable assessed value among all taxing jurisdictions¹ by about \$36.1 million.

The Assessor was appointed by the Board in February 2003 and also serves as the assessor for four other municipalities. The Assessor works approximately 20 hours per week 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 three school districts.

Of the Exemptions Tested, 61 Percent Lacked Adequate Supporting Documentation or Were Incorrect

We found exceptions with 62 of the 101 properties with exemptions that we reviewed. These exemptions lacked adequate supporting documentation to verify their eligibility or were incorrectly calculated. The properties with exceptions had their total taxable assessed value reduced by about \$5.9 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	Exempted Value of Exceptions ^a
Agricultural	94	\$7,032,056	20	17	85%	\$2,786,913
Senior Citizen	190	\$7,031,424	28	24	86%	\$1,462,080
Veteran	950	\$21,989,800	53	21	40%	\$1,612,275
Totals	1,234	\$36,053,280	101	62	61%	\$5,861,268

^a Total exempted value includes all taxing jurisdictions that provide the exemption (e.g. county, town, village and school 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 when certifying the assessment roll. Assessors must annually certify the assessment roll as accurate and complete for all exemptions regardless of which Assessor originally granted them.

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 an original application containing a soil map along with a soil group worksheet obtained from the county Soil and Water Conservation district office along with verification of gross sales. Renewal forms are required 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, 85 Percent Lacked Adequate Supporting Documentation

We reviewed 20 properties receiving agricultural exemptions and found that 17 lacked one or more pieces of supporting documentation necessary to verify their eligibility for the exemption. We found six properties lacked an original application, 17 lacked proof of income verification, seven did not have a required soil survey map, five did not have soil group worksheets and one did not have a renewal application on file (some properties contained multiple exceptions).

The Assessor indicated that many of the agricultural exemptions were granted by the previous Assessor and that supporting documentation such as the original applications are not easily accessible. However, the current Assessor acknowledged that she does not always verify if previously filed agricultural exemptions had an original application or required documentation. Because the exemptions granted to the 17 properties were not adequately supported, these property owners may have inappropriately received \$31,299 in County, Town and school district tax reductions for fiscal year 2018.

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 an original application along with proof of age and support for income reported. Renewal forms are required 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, 86 Percent Lacked Adequate Supporting Documentation or Were Incorrect

We reviewed 28 properties receiving a senior citizen exemption and found 24 (86 percent) lacked either one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions, or were calculated incorrectly. Specifically, 14 properties did not have an original application on file, 11 did not have a renewal application on file, 17 lacked proof of age eligibility, 10 lacked income support and three properties had an incorrect tax exemption rate applied²

² Two property owners received a higher exemption rate and one property owner received a lower exemption rate than they should have.

(some properties had multiple exceptions). Because these 24 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 \$15,247 in County, Town, Village and school tax reductions for fiscal year 2018.

In addition, the error made when applying the tax exemption rate for one property owner resulted in the owner paying \$110 more in taxes 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 schools 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, 40 Percent Lacked Adequate Supporting Documentation or Were Incorrect

We reviewed 53 properties receiving veteran exemptions, and found 21 properties (40 percent) lacking one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions. For example, 14 properties lacked original applications, 15 properties did not contain acceptable military records to prove honorable discharge³ and one property was inappropriately receiving a higher disability exemption due to an error in calculating the rate (some properties had multiple exceptions). These property owners may have inappropriately received \$9,014 in County, Town, and Village tax reductions for fiscal year 2018.

In addition, three property owners who qualified for an additional disability exemption or village veteran exemption were not receiving the exemption, resulting in the owners paying \$395 more in taxes for fiscal year 2018.

Local governments 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. However, the Assessor was unable to provide local laws⁴

³ While on site, the Assessor was able to contact the County Real Property Tax Services Office and obtain copies of DD214s (Certificate of Release or Discharge from Active Duty) for seven of the individuals originally missing them. However, the Town would not have had these copies on file during the preparation of the 2017 assessment roll.

⁴ We also followed up with officials from the Town, Village and the County's Real Property Tax Services Office who were unable to provide the local laws.

showing that the Village of Wampsville authorized veteran exemptions, which totaled \$328,320 and were granted to a total of 18 properties on the assessment roll. If the Village did not pass the local laws necessary to authorize these exemptions, then property owners may have inappropriately been granted Village tax reductions totaling \$1,681 for fiscal year 2018. The Assessor indicated that this exemption has been granted for longer than she has been the Town's Assessor, and that she has not verified that the Village had passed a local law to grant veteran exemptions.

The failure to maintain adequate records, verify and review information annually, correctly calculate exemptions and retain the authorizing local laws 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 Madison 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, accurate, and continue to meet eligibility requirements.
5. Obtain local laws from the Village that provide authorization for granting veteran exemptions and ensure the exemptions are applied correctly.

Appendix A: Response From Town Officials

SUPERVISOR:
ROCCO DI VERONICA

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February 7, 2019

Chief Examiner
OSC Regional Office
Room 409
333 E. Washington St.
Syracuse, NY 13202-1428

Dear Sir:

After review of this audit we are in agreement with the audit findings. This audit response is not serving as the CAP. Also, the corrections that have been planned and are currently being implemented are:

Agricultural Exemption

Proof of gross receipts is being collected from property owners who have the agricultural exemption or are applying for the exemption.
Proof of soil mapping is being reviewed and any additional documentation is being requested from the property owner.

Senior exemption

All seniors have been sent a renewal for their exemption.
All seniors have been requested to provide 2018 income totals.
All seniors have been required to prove that they are 65 years old as of March 1st.
Income of seniors is being reviewed by the assessor and the assessor's staff.

Veteran exemptions

Wampsville Village has passed and filed the Veteran exemption paperwork with their attorney. Any forms to complete the Veteran application are in the process of being updated.
Proof of combat is being reviewed.

Senior /Aged exemptions will be updated for the tentative May 1st assessment roll.
Agricultural exemptions will be updated by the tentative May 1st assessment roll.
Veteran's exemptions are currently being reviewed, as noted in the audit Madison County has provided some of the necessary DD214 discharge papers that were not on file.
The assessor will continue to work with Madison County Veterans agency to assure correct exemptions are being applied to the parcels.

Rocco DiVeronica
Town of Lenox, Supervisor

Fax to: 315-426-2119

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 10 properties and judgmentally⁵ selected 10 properties with agricultural exemptions which reduced the total taxable assessed value by a total of approximately \$3.1 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 18 properties and judgmentally selected 10 properties with senior citizen exemptions which reduced the total taxable assessed value by a total of \$2 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 41 properties and judgmentally selected 12 properties with veteran exemptions which reduced the total taxable assessed value by a total of \$3.5 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

⁵ 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 veteran 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 value for testing.

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

- We reviewed 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

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