

Town of Babylon

Tax Exemption Administration

SEPTEMBER 2019



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

Contents

Report Highlights	3
Tax Exemption Administration	4
How Do Assessors Properly Administer Exemptions?.....	4
The Assessor Properly Administered Most Real Property Tax Exemptions	4
What Are the Requirements for Granting Alternative Veterans Exemptions?.....	5
Most Exemptions Had All Documentation on File.....	5
What Are the Requirements for Granting Senior Citizens Exemptions?.....	6
Some Eligibility Documentation Was Not on File	6
What Are the Requirements for Granting Firefighters Exemptions?.....	7
Some Continued Eligibility Documentation Was Not on File	7
What Do We Recommend?	7
Appendix A: Specific Exemption Criteria	9
Appendix B: Response From Town Officials.....	10
Appendix C: Audit Methodology and Standards.....	12
Appendix D: Resources and Services	14

Report Highlights

Town of Babylon

Audit Objective

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

Key Findings

- The Assessor generally properly administered select real property tax exemptions.
- The Assessor did not maintain supporting documentation for granted exemptions for some exempted individuals.

Key Recommendations

- Ensure all applicants provide adequate supporting documentation before granting exemptions.
- Maintain eligibility documentation for all exemptions granted and file property tax exemptions by property tax map number.

Town officials agreed with our recommendations and indicated they are in the process of implementing corrective action.

Background

The Town of Babylon (Town), located in Suffolk County, includes the Villages of Amityville, Babylon and Lindenhurst, and nine hamlets.

The Town is governed by a five-member Town Council (Council). The Town Supervisor (Supervisor) is a Council member and serves as the chief executive and chief fiscal officer.

The Town Assessor (Assessor) is responsible for granting and tracking real property tax exemptions within the Town's boundaries, including County and school district exemptions. The Assessor was appointed in July 2014 and works 130 hours per month at the Town.

Quick Facts

2018 Expenditures	\$207.6 million
Area	53 Square Miles
Residents	212,355
Parcels of Land	69,844
Taxable Assessed Value^a	\$3.3 billion

^a Adjusted for the Town's equalization rate

Audit Period

December 1, 2017 – November 30, 2018

Tax Exemption 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 (wholly exempt property) while others reduce the taxes by varying degrees (partially exempt property). 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.

How Do Assessors Properly Administer Exemptions?

To properly administer real property tax exemptions, assessors need to:

- Maintain supporting documentation (i.e., local law, ordinance or resolution) for any exemptions granted that require authorization by local option.
- Ensure property owners submit completed applications with proper supporting documentation and meet eligibility requirements.¹
- Verify that exemption codes are properly selected and amounts are properly calculated in the Real Property Tax System (RPS), which is used to track assessment information and generate the annual assessment and tax rolls.
- Periodically verify that those granted exemptions continue to qualify for them.
- Retain supporting documentation for granted exemptions and consult with the New York State Office of Real Property Tax Services² (ORPTS) or the Suffolk County Real Property Tax Services Office, as necessary, for technical assistance.

The Assessor Properly Administered Most Real Property Tax Exemptions

Within the scope of this audit, we examined exemptions for Alternative Veterans,³ Persons of 65 Years of Age or Older (Senior Citizens)⁴ and Volunteer Firefighters and Ambulance Workers

¹ See Appendix A for eligibility requirements for the alternative veterans, senior citizens and firefighters exemptions.

² A division within the New York State Department of Taxation and Finance

³ New York State Real Property Tax Law (RPTL) Section 458-a

⁴ RPTL Section 467

(Firefighters).⁵ The Town granted a total of 11,352 of these selected exemptions on the fiscal year 2018 tax roll, collectively reducing the taxable assessed value among all taxing jurisdictions⁶ by more than \$718.6 million.⁷ Except for minor exceptions (six of 155 (3.87 percent)), the Assessor generally properly administered select real property tax exemptions. These properties with exceptions had their total taxable assessed value incorrectly adjusted by \$335,714.

Figure 1: Fiscal Year 2018 Real Property Exemptions and Exceptions^a

Exemption Type	Total Parcels With Exemptions	Total Exempted Assessed Value for Taxes ^b	Total Number of Exemptions Tested	Exceptions Identified From Records	Rate of Exception	Total Exempted Assessed Value of Exceptions ^b
Alternative Veterans	8,332	\$344,729,464	85	4	4.71%	\$218,750
Senior Citizens	2,270	\$350,670,536	45	2	4.44%	\$116,964
Firefighters	750	\$23,232,143	25	0	0%	\$0
Totals	11,352	\$718, 632,143	155	6	3.87%	\$335,714

^a Adjusted for the Town's equalization rate

^b Total exempted assessed value includes all taxing jurisdictions that provided the exemption (e.g., county, town, village, school, special district).

What Are the Requirements for Granting Alternative Veterans Exemptions?

Requirements related to Alternative Veterans exemptions 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 honorably discharged. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount from which a single property may be exempt. Furthermore, disabled veterans and veterans with combat service may receive an additional exemption based on supporting documentation.

Most Exemptions Had All Documentation on File

The Town granted 8,332 Alternative Veterans exemptions totaling \$344,729,464 in County, Town and School exempted assessed value. We reviewed 85 of these exemptions (1 percent) totaling \$6,620,536 of exempted assessed value and found that the Assessor generally administers these exemptions properly. However, the Assessor's office staff could not locate the documentation relating to two of the 85 exemptions examined. As a result, we could not determine whether these properties met the eligibility requirements to receive exemptions totaling \$120,536 in assessed value. Two additional applicants received exemptions to which they were not entitled, including one applicant who incorrectly received a combat exemption

⁵ RPTL Section 466-c [Suffolk]

⁶ The taxing jurisdictions allowing exemptions are County, Town, and School District.

⁷ All assessment and exemption amounts in this report have been adjusted for the Town's equalization rate. An equalization rate is the State's measure of a municipality's level of assessment, equal to the ratio of total assessed value to the municipality's market value.

totaling \$40,178 in assessed value and another who incorrectly received a period of war exemption totaling \$58,036 in assessed value.

The total difference between the assessment roll and our recalculations resulted in the assessment roll being overstated by \$218,750 for these four exceptions. The Town responded to our findings by sending a “notice of change of exemption status” memo to advise these applicants that the combat and/or period of war Alternative Veteran exemption(s) that they have been receiving will be removed as of the fiscal year 2020 tax roll.

Assessor’s office staff explained that they file property tax exemptions by year, not by parcel/property tax map number. Records dating prior to the fiscal year 2018 assessment roll are filed in the Town’s archive building. This filing system resulted in the Town being unable to locate pertinent documents, such as original applications, proof of ownership, Veteran’s Administration Disability Ratings and DD-214 documentation.⁸

What Are the Requirements for Granting Senior Citizens Exemptions?

The Senior Citizens exemption requires the property be used exclusively for residential purposes and that all owners be 65 or older (with certain exceptions), with varying income limits determined 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.

Some Eligibility Documentation Was Not on File

The Town granted 2,270 Senior Citizens exemptions totaling \$350,670,536 in County, Town and School exempted assessed value. We reviewed 45 of these exemptions (2 percent) totaling \$5,774,107 in exempted assessed value. The Assessor’s office staff could not locate the documentation relating to 12 of the 45 exemptions examined.

The Assessor’s office staff explained that records pre-dating the fiscal year 2018 assessment roll had been relocated to the Town’s archive building. Although the staff searched the archive building, they were unable to locate several of the records that we had requested. In those circumstances, proof of ownership was compared to copies of deeds from the Suffolk County Clerk’s Office obtained by the staff. The Town did not have proof of age on file for the owners of these 12 properties, but the applicants filled in their date of birth on their renewal applications.

In two of 45 files examined, we determined that the income basis used was incorrect. In one case, an IRA distribution was included, which caused a material difference, as the senior was granted a 20 percent exemption that was based on a higher income calculation. After backing out the IRA distribution, which should not have been included as income, we determined that the senior should have been granted a 50 percent exemption. For the second application, the Assessor’s office should have, but did not deduct eligible unreimbursed medical expenses from the income basis calculation. We determined that the income basis would have been reduced below the threshold, subsequently resulting in a higher income exemption percentage, from 45

⁸ The DD Form 214 is an official document issued by the Army, Air Force, Navy and Marines at the time of discharge or separation from military service. The DD214 shows your status as a separated or retired military member and the nature of your service including dates, awards and decorations and other important details.

to 50 percent. Had the income basis reflected a more accurate income, the senior citizens would have been entitled to a total of \$116,964 more than they received.

What Are the Requirements for Granting Firefighters Exemptions?

The Firefighters' exemption generally allows for 10 percent of the assessed value of real property owned by an enrolled member of an incorporated fire company, fire department, or incorporated voluntary ambulance service, or such enrolled member and spouse, or such deceased enrolled member's unremarried spouse or otherwise eligible shareholders of a cooperative apartment corporation, be exempt from taxation. This is provided that the applicant resides in the town which is served by such incorporated fire company, fire department, or incorporated voluntary ambulance service, the property is the applicant's primary residence, the property is used exclusively for residential purposes and the applicant has been certified by the authority having jurisdiction for at least five years as an enrolled member. If a member accrues more than 20 years of active service and is certified by a jurisdiction, the exemption amount applies for the remainder of their life so long as their primary residence is located within Suffolk County.

Some Continued Eligibility Documentation Was Not on File

The Town granted 750 Firefighters exemptions totaling \$23,232,143 in County, Town and School exempted assessed value. We reviewed 25 of these exemptions (3 percent) totaling \$831,250 in exempted assessed value and found that, while nine school districts adopted a Board resolution that permit the general Firefighters exemption, we could only locate four Board resolutions that permit the exemption to be carried forward to widows of deceased Firefighters. Assessor's office staff informed us that attempts were made to acquire such documentation; however, no information was received.

Assessor's office staff were unable to locate the original applications and supporting materials pertaining to proof of home ownership for 17 parcels of the 25 parcels reviewed at the archive building, so we were unable to determine, from the Town's records, if the required ownership proof was submitted by the applicants. Upon our request, the staff were able to obtain copies of property deeds from the Suffolk County Clerk's website for all 17 parcels, which did illustrate ownership.

While the Assessor generally administered select real property tax exemptions properly, the failure to maintain all necessary records increases the risk that individuals could receive exemptions to which they are not entitled on 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. Maintain documentation to support eligibility for all exemptions and file property tax exemptions by property tax map number for easy accessibility.

3. Consult with ORPTS or Suffolk County Real Property Tax Services, as necessary, for any technical assistance.

Appendix A: Specific Exemption Criteria

Alternative Veterans – Requirements related to Alternative Veterans 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 honorably discharged. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount from which a single property may be exempt. Furthermore, disabled veterans and veterans with combat service may receive an additional exemption based on supporting documentation.

Senior Citizens – The Senior Citizens exemption requires the property be used exclusively for residential purposes and that all owners be 65 years or older (with certain 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. The RPTL Section 467 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.

Firefighters – The Firefighters' exemption generally allows for 10 percent of the assessed value of real property owned by an enrolled member of an incorporated fire company, fire department or incorporated voluntary ambulance service, or such enrolled member and spouse, or such deceased enrolled member's unremarried spouse or otherwise eligible shareholders of a cooperative apartment corporation, be exempt from taxation provided that the applicant resides in the town which is served by such incorporated fire company, fire department or incorporated voluntary ambulance service, the property is the applicant's primary residence, the property is used exclusively for residential purposes and the applicant has been certified by the authority having jurisdiction for at least five years as an enrolled member. If a member accrues more than 20 years of active service and is certified by a jurisdiction, the exemption amount applies for the remainder of their life, so long as their primary residence is located within Suffolk County.

Appendix B: Response From Town Officials

Town of Babylon

Department of Assessment
200 E. Sunrise Highway
Lindenhurst, New York 11757
(631) 957-3014



RICH SCHAFFER
SUPERVISOR

July, 31, 2019

Office of the New York State Comptroller
Ira Mc Cracken, Chief Examiner
NYS Office Building
Room 3A10
250 Veterans Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

As Assessor of the Town of Babylon, I have reviewed the Report of Examination issued by the Tax Exemption Administration. The "key findings" indicated that in general the selected exemptions were administered properly.

In 2017/18 this department received approx. 11,000 exemption applications. We have a staff of 17 employees of which 8 work the exemption and 5 of them were new clerks. They must follow RPTL in relation to AGED, STAR ENHANCED, FIREFIGHTER, VETERANS, CLERGY, NON-PROFIT and DISABILITY. The applications are processed by one clerk and entered by another for quality control and must be ready for the tentative roll in May.

Maintaining and locating the support documentation that was used to grant the selected exemptions did prove to be challenge. Unfortunately, there were several boxes of original applications and microfilm that were missing in the town archives. The Town Clerk is in the process of organizing and managing a new retention system.

I appreciate your input during your visit and if you require any information please feel free to contact me.

Town of Babylon

Town Assessor

Antonio A. Martinez
Councilman
Deputy Supervisor

Jacqueline A. Gordon
Councilwoman

Terence F. McSweeney
Councilman

Anthony N. Manetta
Councilman

Corinne DiSomma
Receiver of Taxes

Geraldine Comitello
Town Clerk

An Equal Opportunity / Affirmative Action Employer

Town of Babylon

Department of Assessment
200 E. Sunrise Highway
Lindenhurst, New York 11757
(631) 957-3014



RICH SCHAFFER
SUPERVISOR

July 31, 2019

Unit Name: TAX EXEMPTION ADMINISTRATION
Audit Report Title: REPORT OF EXAMINATION
Audit Report Number: P7-19-24

For each recommendation included in the audit report, the following is our corrective action that will be taken.

Audit Recommendation:

Maintain eligibility documentation for all exemptions granted and file property tax exemptions by property tax map number.

Implementation Plan of Action:

I will be meeting with the Director of Information Technology and the Town Clerk to begin scanning all the exemptions submitted.

Implementation Date:

Beginning with the 2019/2020 assessment year.

Person Responsible for Implementation:

The Assessor, Town Clerk and I/T Director will be working on this scanning project.

Signed:

Name JOAN M. BALL
Title Assessor

7/31/19
Date

Antonio A. Martinez Councilman Deputy Supervisor	Jacqueline A. Gordon Councilwoman	Terence F. McSweeney Councilman	Anthony N. Manetta Councilman	Corinne DiSomma Receiver of Taxes	Geraldine Compitello Town Clerk
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An Equal Opportunity / Affirmative Action Employer

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 reviewed Council minutes and applicable local legislation to gain an understanding of the audit scope. We inquired with the Assessor about the real property exemption process and record keeping requirements.
- We randomly selected 85 Alternative Veterans exemptions (1 percent) totaling \$6,620,536 in County, Town and School exempted assessed value for further testing. We reviewed the record retained in the property folder to justify the exemption. We recalculated the exemption amount to determine if the property received the appropriate exemption and calculated the tax dollar effect of any exceptions found.
- We randomly selected 45 Senior Citizens exemptions (2 percent) totaling \$5,774,107 in County, Town and School exempted assessed value for further testing. We compared the age and ownership requirements, and determined whether income reported meets the eligibility as established by each municipality or as reported in the County's real property tax system. We noted whether the Assessor retained any record of income or age. We then reviewed the exemption calculation and calculated the tax dollar effect of any exceptions found.
- We randomly selected 25 Firefighters exemptions (3 percent) totaling \$831,250 in County, Town and School exempted assessed value for further testing. We reviewed the original application to determine whether the applicants had submitted all required documentation, including but not limited to a fire district roster. We recalculated the exemption amount and calculated the tax dollar effect of any exceptions found.
- We reviewed the assessment roll for any apparent irregularities in granting inappropriate exemptions.

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 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#lmg

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/pubs/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/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

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