

**STAR Tax Exemption**  
Real Estate In-Depth September, 2013  
By: Edward I. Sumber  
Board Counsel

Most New York State homeowners are familiar with the STAR Exemption program otherwise known as the School Tax Relief Program. The Real Property Tax Law was amended during the administration of Governor George Pataki to create a partial exemption from school taxes for most owner-occupied primary residences in New York State. New York State has now implemented a new registration requirement giving New Yorkers until December 31, 2013 to register with the Department of Taxation and Finance in order to receive the STAR Exemption in 2014.

**The New Requirement**

Every homeowner is urged to visit the New York State Government's tax website which provides information about how to register under the new law. What the new law requires is that every homeowner who wants to receive the STAR exemption register with the Department of Taxation and Finance so that the local municipality can be notified as to whether the individual has annual income which is less than \$500,000.00 and is seeking the tax exemption only in connection with one principal residence. For compliance with the new registration process by December 31, a web portal has been established by the Department of Taxation and Finance as follows: <http://www.tax.ny.gov/pit/property/star13/default.htm>. In addition, a phone number has been established where individuals can ask questions at 518-457-2036. An online tutorial and video is also available for individuals wanting to comply.

**What is the School Tax Relief (STAR) Exemption?**

Real Property Tax Law §425, which established school tax relief provides a partial exemption from school taxes for most owner-occupied primary residences in New York State. The STAR Exemption does not apply to county, town, city, village or similar taxes unless the city property taxes include funding for the school system, i.e. Yonkers is an example in which the STAR Exemption would apply to City Taxes. There are two types of partial exemptions known as the Basic STAR and the Enhanced STAR.

**Basic STAR**

The Basic STAR Exemption is available for owner-occupied primary residences where the income of the resident owners and their spouses totals less than \$500,000.00 per annum. The exemption consists of a \$30,000.00 reduction of the full value of a primary residence from school taxes.

**Enhanced STAR**

The Enhanced STAR is provided in connection with the primary residences of senior citizens where at least one member of a couple is 65 years of age or older. The combined income of both husband and wife for 2012 must be \$81,900.00 or less. The exemption is applicable to the tax year 2014.

### **Motivation for New Registration Requirement**

Apparently, studies by the New York State government indicated that as many as 20% of the STAR Exemptions granted to individuals and to couples were improper. This came about because individuals applied for STAR Exemptions on multiple properties or did not qualify based upon income requirements. In order to eliminate fraud, a registration requirement is being imposed and anyone who fails to comply will likely be denied the exemption without otherwise complying with the disclosure of their income.

### **Does the STAR Exemption Take Money Away from Our School Districts?**

The STAR Exemption program was intended to lower the school tax burden for individuals. It does not lower the overall revenue of a given school district. Any differential is made up by the State of New York in the form of increased state aid to the school district. The popularity of the STAR Exemption has resulted in a significant increase in the cost to New York State which projects that by 2015-16, the STAR Exemption disbursements from the State will exceed \$3.7 Billion Dollars.

New York State offers approximately 200 types of real property tax exemptions. The STAR Exemption is unique in two ways. Firstly, it is the only exemption funded by the State. All other exemptions simply shift the burden to other property taxpayers by increasing the mil rate of those not receiving the particular exemption. Secondly, other exemptions target specific owners such as veterans or senior citizens. The STAR Exemption applies to all homeowners unless they are precluded as a result of a high income level or a different primary residence.

### **The Office of Real Property Tax Services (ORPTS)**

The ORPTS is a division of the New York State Department of Taxation and Finance. This division of the Agency oversees local property assessment administration and provides the standards to county and municipal officials to ensure fairness in the standards for property assessments. ORPTS also maintains a statewide database of all parcels receiving the STAR Exemption. Statistics indicate that approximately 65% of the residences in the State receive STAR Exemptions and of the 1,178,894 parcels surveyed for 2010 and 2011, Basic STAR was applicable to 650,525 parcels and 117,315 parcels received an enhanced STAR Exemption.

### **Consequences of Duplicate and Inappropriate STAR Exemptions**

The New York State law establishing the STAR Exemption permits only one exemption for a primary residence. Audits conducted by ORPTS found that almost 20% of all parcels in various municipalities were receiving STAR Exemptions for more than one primary residence or were owned by individuals who did not otherwise qualify. The study by ORPTS was conducted in 46 different municipalities. In many instances, the STAR Exemption given to one property owner with respect to multiple properties involved individuals with properties in multiple municipal jurisdictions. The new legislation is intended to spot improper applications for STAR Exemptions from homeowners who have properties in different municipalities in the State. An individual with a primary residence in Orange County who also has a home in the Hamptons, will no longer be able to make application for and receive STAR Exemptions for both properties. Similarly, exemptions for seasonal properties (not a primary residence) will be more readily identifiable based upon tax return filings which will be collated by the Department of Taxation and Finance.

### **How to Apply for a STAR Exemption**

As of June 2013, the New York State Department of Taxation and Finance Office of Real Property Tax Services issued a new application form for the School Tax Relief (STAR) Exemption. This form, designated as Form RP-425, can be easily completed and requires a certification that 1) the property owned is a primary residence; and 2) that the applicants' 2012 aggregate income was less than \$500,000.00. The form notes that anyone who misrepresents his or her primary residence, age or income will be subject to a \$100.00 penalty and prohibited from filing for a STAR Exemption for a period of five years, as well as being subject to criminal prosecution. Some communities (the City of White Plains for example) may establish their own procedures. Taxpayers should be vigilant about the December 31, 2013 filing deadline unless their local government initiates alternative procedures.

\* \* \* \*

Legal Column author Edward I. Sumber, Esq. is the principal attorney in the law firm of Edward I. Sumber, P.C. The firm has been counsel to the Hudson Gateway Association of Realtors, Inc. since 1974 and the firm was responsible for incorporating the Hudson Gateway Multiple Listing Service, Inc. in 1976. For information about Edward I. Sumber, P.C. go to <http://www.sumberlaw.com/>.