

## Summary of 2016 STAR Transition Legislation

Part A of Chapter 60 of the Laws of 2016 gradually converts the School Tax Relief (STAR) program from a real property tax exemption (Real Property Tax Law §425) to a personal income tax credit (Tax Law § 606(eee)).

- *New exemptions barred, replaced by credits:* The law prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. **However, a new homeowner may receive a new personal income tax credit in the form of a check.**
  - The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill.
  - The assessor may not approve any STAR exemption applications submitted after the taxable status date specified above; any such approval is void. Instead, the assessor will notify the applicant of the ability to claim the STAR credit by registering with the NYS Dept. of Taxation and Finance.
- *Pre-existing exemptions unaffected:* A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

### Eligibility requirements

The eligibility requirements for the new STAR income tax credit are essentially identical to those of the existing STAR exemption. Most notably:

- The property must be owned by, and the primary residence of, the applicants (this determination is based on the facts as of December 31 of the taxable year, rather than as of the local taxable status date).
- The income of the applicants would have to be less than the applicable limit (for Basic STAR, \$500,000; for Enhanced STAR, \$84,550 in 2016, adjusted annually for inflation).
  - The term “income” for this purpose means the combined federal adjusted gross income of the property owners, and their spouses, who reside on the property as of December 31 of the taxable year. Taxable distributions from IRAs and annuities are subtracted from adjusted gross income for this purpose.
- For Enhanced STAR, all owners must be at least 65 years of age as of December 31, unless the owners are spouses or siblings, in which case at least one owner must be 65.
  - If owned by a married couple, only one of whom is 65 years of age or older, the credit, once allowed, will not be disallowed after the death of the older spouse if the surviving spouse is 62 years of age or older.

## **Credit amount**

The value of the STAR credit within each school district portion is the same as the value of the tax savings under the STAR exemption.

- The STAR credit amount is the lesser of (a) the Basic or Enhanced STAR tax savings, whichever is applicable, for the school district portion containing the taxpayer's primary residence, or (b) the taxpayer's qualifying taxes.
  - Qualifying taxes are the school taxes levied on the taxpayer's primary residence for the taxable year that were actually paid by the taxpayer during the taxable year.
  - If a taxpayer pays only a portion of the school district taxes levied on their primary residence the credit allowable to that taxpayer will be the pro-rata share of the total credit amount.
  - In city school districts in cities with a population of 125,000 or more, these calculations are based upon the combined city and school district taxes, rather than just the school district taxes.

## **Application Procedure**

- A taxpayer who has acquired a new primary residence may register with the Department to receive the STAR credit.
- By September 15 of each year (or as soon thereafter as practicable) the Department will determine the eligibility of those taxpayers who registered by July 1 (or such later date as may have been established by the Commissioner). Eligible taxpayers who register by July 1 will be issued the STAR credit by September 30 of the applicable year (or as soon thereafter as practicable).
- The Commissioner will notify school districts at least 30 days prior to the levy of school district taxes to place a statement on the tax bills of eligible taxpayers that reads substantially as follows: "A STAR reimbursement check of \$\_ will be mailed to you upon issuance by the NYS Tax Department."
- If an advance payment exceeds a taxpayer's qualifying taxes for the applicable year, the excess amount must be added back as tax on the taxpayer's personal income tax return for that year.
- If the Department determines that an advance payment was issued in an excessive amount or to an ineligible or incorrect taxpayer, the Department may recoup the improperly issued amount.
- A taxpayer who applies for but fails to receive an advance payment, or who has received an advance payment that he or she believes is less than the amount due, may request payment of the deficiency from the Department.
- A qualified taxpayer who registers after July 1 is still eligible for the STAR credit but should not expect to receive the check by September 30.

## **Voluntarily Switching from the Exemption to the Credit**

- A homeowner who is receiving the STAR exemption and who wishes to switch to the STAR credit may do so by renouncing the exemption in the manner provided by RPTL § 496 and registering for the STAR credit. All owners of the property must jointly renounce the exemption. Any such renunciation is irrevocable.
- The homeowner must pay any required taxes, interest and penalties attributable to the renounced STAR exemption on or before December 31 of the year for which they wish to claim the credit.