



**Testimony of
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At Hearings,
Assembly Standing Committee on Real Property Taxation
On
Real Property Tax Budget Implementation and the STAR Programs
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The Community Service Society (CSS) is an independent nonprofit organization based in New York City that, for over 160 years, has provided innovative solutions to the most urgent problems facing low-income New Yorkers. We appreciate the opportunity the Committee has provided to make the case for renter inclusion in State policies that, like the STAR programs, attempt to provide hard-pressed New Yorkers with relief as local property taxes surge.

We applaud the Assembly and its leaders for the circuit breaker approach to property tax relief proposed in A.11838 last August 2008. Not only does the Assembly circuit breaker provide efficient tax relief in relation to need, based on a household's ability to pay, it includes renters in the mix of those affected by accelerating property taxes.

As a rule of thumb it is estimated that property tax comprises 20 to 25 percent of rent for low-income households (with incomes up to twice the federal poverty level.) Renters, particularly low-income renters, also grapple with rising property taxes that are passed along in the rents they pay each month, and drive rents up to increasingly unaffordable levels.

Our accompanying report, *Shorted Renters*, confirms that low-income renters across the State face unaffordable, high rent burdens, from Erie County to New York City to Suffolk County. Even in rent-regulated localities, rising property taxes are considered as operating costs when rent guideline increases are decided. We acknowledge that many New York homeowners face heavy tax burdens that call for State relief measures. But it needs to be recognized that renters also have a valid claim to property tax relief, although they are often overlooked.

The Renter-Owner Divide

New York is fairly evenly divided between homeowners and renters. In 2005, 56 percent of New Yorkers owned their homes, and 44 percent rented them. Although New York City accounts for 64 percent of 3.2 million renters in the State, but more than a million renters live across the rest of the State.

In reconsidering the approach to property tax relief, we need to recognize that there are marked differences between homeowners and renters in New York, largely with respect to income level and race/ethnicity. Low-income New Yorkers—those with incomes up to twice the poverty level, about \$34,000 for a family of three—are predominantly renters (70%) while higher income New Yorkers are predominantly homeowners (66%). Among white households, most (69%) are homeowners, while 67 percent of non-white households rent. Among low-income New Yorkers, there is also a clear renter-owner divide by race and ethnicity—46 percent of low-income whites own, 86 percent of non-whites rent.

As a result, state property tax relief policies, like STAR, that exclusively benefit homeowners, without corresponding relief for renters, inevitably result in a skewing of tax relief benefits to upper income, white New Yorkers, while they overlook the affordability pressures—due in part to rising property taxes—that beset low-income, minority New Yorkers who are predominantly renters. Our tax relief policies need to be fair to both homeowners and renters.

Rent Burdens Among Low-Income New Yorkers

There is a prevailing view in the State that the rent affordability crisis, high rent burdens in relation to household income, is primarily a New York City problem. The figures for low-income renters across the State suggest otherwise.

Statewide, low-income renters carried a median gross rent burden of 57 percent of household income in 2005. Most (58%) paid at least half their incomes toward housing-related costs. In nearly half the counties—28 out of 62 counties—the median gross rent burden for low-income families was over 50 percent. High-burden counties ranged from Erie (51%) to Suffolk (91%), and include the State's major urban areas, such as Buffalo, Rochester, the Albany capital area, and the New York City metroplex. New York City's median rent burden of 58% fell between the extremes. Only 6 counties had a median rent burden below 40 percent—the lowest was 36 percent, well above the federal affordability standard of 30 percent.

Despite differences in the rents and incomes of low-income New Yorkers from county to county, median gross rent burdens—the ratio of rent to income—were consistently high across the State. For poor renters, the effects are disastrous. Once rent and other housing costs were paid, poor renters, on average, had a residual income of \$110 monthly per household member, less than \$4 a day, to pay for non-housing necessities such as food, transportation, clothing, and medical costs.

The Existing Circuit Breaker Property Tax Credit

The Committee is aware that property tax relief for renters is not new to New York. Since 1978, overburdened low-income renters were eligible for benefits through a refundable income tax credit, known as the Circuit Breaker. Since 1987, the State expanded eligibility to those with incomes up to \$18,000 and those with rents up to a \$450 monthly maximum.

Unfortunately, the eligibility parameters have not been changed for twenty years. As a result, most low-income renters are presently excluded from benefits. CSS estimates that in 2005 about 58 percent of low-income renters were ineligible, either over the income or the rent limit, primarily because they paid more than the \$450 maximum rent. In 2005, the median gross rent for low-income households was \$600. Surprisingly, more than half (54%) of poor renters were ineligible for the same reasons, they were paying too much rent. Even if a household qualifies as eligible, the benefits for non-seniors, largely families with children, are meager—at most \$75 a year.

As it stands, the existing Circuit Breaker serves a dwindling constituency at a time when housing and local property taxes, let alone other basic living costs, are rising to unprecedented levels. If it is not replaced by a new Circuit Breaker, such as the one proposed by the Assembly, it badly needs to be resuscitated and modernized to reflect current realities in the rental market.

The Assembly Circuit Breaker (A.11838)

CSS believes the Assembly Circuit Breaker represents a major step forward toward a model of an equitable, cost-efficient, State approach to property tax relief that includes both renters and homeowners. The bulk of the benefits—an estimated \$1 billion out of \$1.6 billion—are relegated to overburdened homeowners. But renters, particularly low-income renters, stand to receive a significant measure of long-deserved, corresponding tax relief.

Our analysis, based on 2005 ACS data, indicates that 1.6 million New York renters would receive a mean benefit of \$254 in annual tax credits. For 1.3 million low-income renters the credit would average \$271 annually. Mean benefits are correspondingly higher and serve a wider income range of renters in high-burden counties (a mean of \$401 in Nassau County, \$369 in Suffolk County, \$321 in Manhattan). In counties with less pressured rental markets mean benefits are lower (\$157 in Erie County, \$182 in Monroe County, \$183 in Albany County) and the primary beneficiaries are low-income families.

Recommendations

CSS recommends that the State, during this period of reform, give serious consideration to consolidating its property tax relief policies, including the existing STAR programs and the existing circuit breaker, into a comprehensive circuit breaker approach that, like the Assembly model, and unlike STAR, provides cost-efficient relief where it is needed—to both homeowners and renters across the State.

If the State limits itself to adding another layer of property tax relief to the existing STAR and Circuit Breaker programs, we strongly support the Assembly circuit breaker in A. 11838 as a major step forward in providing reasonable relief to overburdened New Yorkers.

Moreover, if the existing Circuit Breaker continues to be part of the State's menu of relief programs, it badly needs to be resuscitated and modernized. It should be an embarrassment to New York that most low-income renters are ineligible for benefits that are meager. Maximum rent levels need to be either eliminated or increased to \$1,000 with an index for inflation. Income limits should be reset at low-income levels, twice the federal poverty level, as envisioned when the Circuit Breaker was first enacted. And tax credit benefits need to be increased to significant levels, particularly for non-senior renters, largely low-income New York families with children, who face increasingly unaffordable rent/tax burdens across the State.

Thank you.