



Town of Gilboa

Real Property Tax Exemptions Administration

2024M-81 | September 2024

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Report Highlights

Town of Gilboa

Audit Objective

Determine whether the Town of Gilboa (Town) Assessor Chair (Assessor) properly administered select real property tax exemptions.

Key Findings

The Assessor did not properly administer forest land, religious and veteran’s real property tax exemptions.

Of the 408 forest land, religious and veteran’s real property tax exemptions granted in 2022 and 2023, we reviewed 154 of the exemptions totaling \$667,938 that the Assessor granted to 23 property owners. We determined that 85 of the exemptions totaling approximately \$644,523 that were granted to the 23 property owners lacked one or more pieces of documentation the Assessor and we needed to verify the property owners met the exemption criteria. As a result, we could not confirm the exemptions were properly granted or calculated.

The Assessor’s unsupported exemptions represent 55 percent of the exemptions we reviewed, or 97 percent of the exemption values we reviewed, and included:

- 45 unsupported exemptions granted in 2022 that totaled \$323,029.
- 40 unsupported exemptions granted in 2023 that totaled \$321,494.

Recommendations

The audit report includes two recommendations to help the Assessor improve the administration of select real property tax exemptions.

Town officials agreed with our recommendations and have indicated they planned to initiate corrective action.

Audit Period

January 1, 2022 – March 31, 2024

Background

Real property is defined as land and permanent structures attached to it.

Some properties are exempt from property taxes (e.g. property used for religious purposes) and others are partially exempt (e.g., real property used for as a veteran’s residence). Real property tax exemptions can be mandated by New York State (NYS) law or subject to a local option.

The Town is located in Schoharie County and is governed by the elected five-member Town Board (Board). The elected Assessor:

- Determines the assessed values of properties and grants exemptions that affect the town, county and school tax bills,
- Monitors real property tax exemptions within the Town’s boundaries, and must
- Maintain documentation to support the real property tax exemptions granted.

The Assessor’s assessment roll, which is reduced by the real property tax exemptions, is used to create property tax bills.

Quick Facts

2022	
Town Taxable Assessed Value	\$8,443,099
Town Exemption Value	\$738,155
2023	
Town Taxable Assessed Value	\$8,454,903
Town Exemption Value	\$741,017

Real Property Tax Exemptions Administration

How Should The Assessor Properly Administer Exemptions?

Granted exemptions reduce the taxable assessed value of a property and, therefore, the owner's tax payment. To ensure a town's tax levy is fair and equitable, it is important that an assessor verifies that every property owner qualifies for exemptions they are granted.

An assessor needs to ensure property owners submit:

- Completed applications with proper supporting documentation and meet eligibility requirements for veterans', forest land and religious exemptions.¹
- Annual commitment letters for forest land exemptions.
- Annual organizational purpose renewals and annual property use renewals for religious exemptions.

An assessor also needs to:

- Periodically verify that property owners granted exemptions continue to qualify for them.
- Retain supporting documentation for granted exemptions and consult with the NYS Office of Real Property Tax Services, as necessary, for technical assistance.
- Verify that exemption amounts are properly calculated in the Real Property Tax System.
- Annually certify the assessment roll as accurate and complete for all exemptions.

The Assessor Did Not Maintain Documentation to Support Eligibility For Select Exemptions

As shown in Figure 1, the Assessor granted 203 veterans', forest land and religious exemptions on the 2022 assessment roll, collectively reducing the taxable assessed value by \$418,989. For the 2023 assessment roll the Assessor granted 205 of these exemptions, collectively reducing the taxable assessed value by \$414,931. These exemption values granted for the 2022 and 2023 assessment rolls represent approximately 16 percent of all exemptions the Assessor granted. Specifically, the Town's own taxable assessed value totaling \$8.4 million in each 2022 and 2023 was reduced by \$144,233 in 2022 and \$142,299 in 2023 because of these exemptions.

¹ See Appendix A for additional information regarding eligibility requirements.

Figure 1: Real Property Tax Exemptions Granted

Type	2022		2023	
	Count	Value	Count	Value
Forest Land	21	\$11,859	21	\$11,781
Religious	27	364,800	27	364,800
Veterans	155	42,330	157	38,350
Totals	203	\$418,989	205	\$414,931

The Assessor annually certified the assessment roll and verified that exemption amounts were accurate; however, supporting documentation for exemptions was not always maintained and, therefore, the Assessor was unable to support that all of the exemptions granted were valid.

We reviewed the supporting documentation of exemptions for 23 property owners in both 2022 and 2023.² These owners' properties represented 154 of the 408 (38 percent) real property tax exemptions selected for testing for the two-year period, totaling \$667,938 or approximately 13 percent of all exemptions issued in these two years. (Figure 2).

Figure 2: Select Real Property Tax Exemptions Reviewed

Type	2022		2023	
	Count	Value	Count	Value
Forest Land	6	\$4,008	6	\$4,008
Religious	18	309,300	18	309,300
Veterans	56	21,977	50	19,345
Totals	80	\$335,285	74	\$332,653

Of these, we determined that the Assessor granted 45 exemptions in 2022 and 40 exemptions in 2023, for a two-year total of 85 exemptions totaling approximately \$644,523, or 97 percent of the exemption values we reviewed, that lacked one or more pieces of supporting documentation to verify eligibility and the accuracy of the exemption calculation (Figure 3). Specifically, the Town's portion of the two-year total exemptions lacking documentation was \$109,468 in 2022 and \$108,804 in 2023.

² See Appendix C for methodology.

Figure 3: Exemptions Lacking Supporting Documentation

Type	2022		2023	
	Count	Value	Count	Value
Forest Land	3	\$480	0	\$0
Religious	18	309,300	18	309,300
Veterans	24	13,249	22	12,194
Totals	45	\$323,029	40	\$321,494

For example:

- The three forest land exemptions exceptions had the initial required documentation but were missing the annual commitment letters for 2022.
- The 36 religious exemption exceptions (18 in each of the years) were missing both the initial required applications and the annual renewal forms.
- The 46 veterans' exemptions exceptions (24 in 2022 and 22 in 2023) were missing various documentation required for the first year of exemption including original applications, military discharge forms and Veteran's Administration letters.

The exceptions occurred because the Assessor did not ensure that all applicants provided the required documentation needed to confirm property owners met the exemption criteria before granting and calculating property exemptions or did not retain documentation to support eligibility for exemptions. The Assessor also did not periodically verify that property owners granted exemptions continued to qualify for them.

In conclusion, when the Assessor does not request and retain sufficient documentation to support exemptions or periodically review existing exemptions for continued eligibility, there is an increased risk of illegitimate exemptions. Exemptions reduce the taxable assessed value of a property and, therefore, reduce the property owner's tax payment, which in turn shifts the tax burden to other property owners.

What Do We Recommend?

The Assessor should:

1. Obtain and retain the documentation needed to support eligibility for all property tax exemptions.
2. Periodically verify that property owners who were granted exemptions continue to qualify for them.

Appendix A: Criteria for Commonly Granted Exemptions

Veterans: The requirements related to veteran exemptions vary, but typically include that the exempted property be the primary residence of, and owned by, 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. These exemptions include amounts for wartime or Cold War service, with increased exemption amounts for combat service. Towns may pass local laws that establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. Furthermore, a disabled veteran may receive an additional exemption based on supporting documentation. Applications and discharge forms are required for these exemptions, and letters from the Veteran's Administration for veteran's disability exemptions. However, annual renewals are not required.

Forest Land: Privately owned real property certified as an eligible tract of forest land by the NYS Department of Environmental Conservation (DEC) is partially exempt from taxation. To qualify for exemption, the owner must annually commit the property to continued forest crop production for the next succeeding 10 years.

Religious (non-profit): Real property that (1) is owned by a nonprofit corporation or association organized or conducted exclusively for one or more specific purposes (religious, educational, charitable, hospital, or moral or mental improvement of adults or children) and (2) is used exclusively for carrying out one or more of these purposes is wholly exempt from taxation. Annual renewal forms are required for both the organization's purpose and the use of the land.

Appendix B: Response From Town Officials

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ALICIA TERRY, SUPERVISOR
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September 9, 2024

Ann C. Singer - Chief of Municipal Audits – Binghamton Regional Office
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Division of Local Government & School Accountability
State Office Building, Room 1702
44 Hawley Street
Binghamton, NY 13901-4417

RE: Town of Gilboa
Real Property Tax Exemptions Administration
Report of Examination 2024M-81

Dear Ms. Singer:

The Town of Gilboa is pleased to respond to the Report of Examination prepared by the Division of Local Government and School Accountability. The risk assessment and examination process undertaken with your office was beneficial to the entire Town, as it was undertaken across all departments. It was very helpful to identify items that needed improvement, as well as confirming those actions the Town of Gilboa undertakes that are considered best practices for Towns. All the State Comptroller's staff assigned to the Town of Gilboa were very informative, helpful and a pleasure to work with.

The Town agrees that the Assessors need to improve their documentation for exemptions. The Town also agrees that periodic review of qualifications for exemptions should occur. A corrective action plan has been developed will be submitted within the required timeframe to the State Comptroller's Office.

If you have any questions regarding our response or corrective action plan, please feel free to reach out to me.

Sincerely,

Alicia Terry, Supervisor

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed the Town Clerk, Supervisor and Assessor and reviewed Board meeting minutes and local legislation to gain an understanding of the property tax exemption process and recordkeeping requirements.
- We reviewed the exemptions granted for the 2022 and 2023 assessment rolls, which were used to generate 2023 and 2024 county, town and school taxes. We selected samples of properties receiving veterans', forest land and religious exemptions because during our risk assessment we identified documentation issues with these exemption categories.
 - We used our professional judgment to select a sample of 20 properties receiving veterans' exemptions in 2022 using random number generators to select a few exemptions in each veterans' exemption category. If the property received more than one veterans' exemption, we reviewed all veterans' exemptions provided to the property. Each property reviewed received a Town and County exemption (56 in total). We reviewed the exemptions on the same properties, if applicable, in 2023 as well (50 in total).
 - We used our professional judgment to select two of the seven properties receiving forest land exemptions in 2022 using a random number generator, each receiving a Town, County and School exemption (six in total). We reviewed the exemptions on the same properties in 2023 as well (six in total).
 - We used our professional judgment to select the largest dollar value religious exemption in 2022 and included other properties by the same owner receiving religious exemptions, six in total, each receiving a Town, County and School exemption (18 total exemptions). We reviewed the exemptions on the same properties in 2023 as well (18 total exemptions).
- For these 154 selected exemptions, we reviewed available documentation supporting the eligibility and calculation of the exemption to determine whether the exemptions had supporting documentation (such as applications, military discharge forms, Veteran's Administration letters, annual commitment letters for forest land exemptions, and annual organizational purpose and property use renewal forms for religious exemptions), met eligibility requirements, were properly calculated and

coded. We recalculated the exemption amounts and calculated the tax dollar effect of any exceptions.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

The Board has the responsibility to initiate corrective action. 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.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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