

Town of Augusta

Real Property Tax Exemption Administration

JANUARY 2019



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

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Report Highlights

Town of Augusta

Audit Objective

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

Key Findings

- We reviewed 76 agricultural, senior citizen and veteran properties with exemptions and found 49 (64 percent) lacked supporting documentation (e.g., applications, renewal forms, income support and military records) to verify taxpayer eligibility.

Key Recommendations

- Ensure all applicants provide adequate supporting documentation before granting exemptions.
- Maintain documentation to support eligibility for all exemptions granted.
- Ensure previously granted exemptions are supported and continue to meet eligibility requirements.

Town officials agreed with our findings and indicated they plan to initiate corrective action.

Background

The Town of Augusta (Town) is located in Oneida County. The Town is governed by an elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four other members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor is the chief executive and chief financial officer. The elected Assessor is responsible for granting and tracking real property tax exemptions and determining the assessed values of properties for the assessment roll.

Quick Facts

Population	2,041
2018 Real Property Tax Levy	\$588,487
Total Exemptions Granted by Town	1,101
Total Parcels	1,216
Total Assessed Values of Parcels	\$71.7 million

Audit Period

January 1, 2017 - July 1, 2018

Real Property 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 while others reduce the taxes by varying degrees. 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.

We audited the administration of the agricultural, Persons 65 Years of Age or Older (senior citizens) and veteran real property tax exemptions. The Assessor granted these exemptions for 498 parcels on the 2017 assessment roll, which reduced the taxable assessed value among all taxing jurisdictions¹ by about \$15.5 million.

The Assessor was elected in 2007 and is serving in his second six-year term. The Assessor's Office has a part-time clerk. The Assessor works approximately 80 hours per month at the Town.

How Do Assessors Properly Administer Exemptions?

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

- Ensure applicants meet eligibility requirements and receive the proper calculated exemption amount.
- Verify that exemption codes are properly selected and amounts are properly calculated in the Real Property Tax System, which is used to track assessment information and generate the annual assessment and tax rolls.
- Retain supporting documentation for those granted exemptions and ensure supporting documentation exists for previously granted exemptions.

Assessors should consult with the New York State Office of Real Property Tax Services (ORPTS) or their county's Real Property Tax Services Office, as necessary, for technical assistance.

¹ This includes the County, Town, Village of Oriskany Falls (Village) and three school districts.

Of the Exemptions Tested, 64 Percent Lacked Adequate Supporting Documentation

We found exceptions with 49 of the 76 exemptions that we reviewed. These exemptions lacked adequate supporting documentation to verify their eligibility. The properties with exceptions had their total taxable assessed value reduced by about \$2.9 million (Figure 1).

Figure 1: Fiscal Year 2017 Real Property Exemptions and Exceptions

Exemption Type	Total Parcels with Exemptions	Total Exempted Value for Taxes ^a	Total Number of Exemptions Tested	Exceptions Identified from Records	Rate of Exception	Total Exempted Value of Exceptions ^a
Agricultural	265	\$10,512,678	30	26	87%	\$1,141,902
Senior Citizens	90	\$2,332,659	20	20	100%	\$1,720,691
Veterans	143	\$2,655,619	26	3	12%	\$85,055
Totals	498	\$15,500,956	76	49	64%	\$2,947,648

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

Although some of the missing documentation pre-dated the Assessor, the Assessor did not review and verify that exemptions granted by prior Assessors had the necessary supporting documentation when certifying the assessment roll. Assessors must annually certify the assessment roll as accurate and complete for all exemptions regardless of which Assessor originally granted them.

Since every exemption shifts the tax burden to other taxpayers, the rate of exceptions noted above can cause inequity among taxpayers to the extent that exemptions are inappropriately given.

What Are the Requirements for Granting Agricultural Exemptions?

The agricultural exemption generally requires an average annual gross sales over the previous two years of \$10,000 or more for farms with seven or more acres of land, or \$50,000 or more for farms of less than seven acres. The agricultural exemption amount is calculated based on a New York State certified soil productivity value for each parcel. Property owners may also lease acreage to eligible farmers and receive an agricultural exemption. Property owners receiving certain agricultural exemptions are required to file an original application containing a soil map along with a soil group worksheet obtained from the county Soil and Water Conservation district office along with verification of gross sales. Renewal forms are required each year certifying the property remains eligible for the exemption. Although the renewal form does not require proof of income, assessors should periodically verify farm income to ensure the property remains eligible.

Of the Agricultural Exemptions Tested, 87 Percent Lacked Adequate Supporting Documentation

We reviewed 30 properties receiving an agricultural exemption and found 26 exemptions lacked one or more pieces of supporting documentation necessary to verify their eligibility for the exemption. While all the properties had renewal applications on file, 18 lacked an original application and three lacked proof of income verification. In addition, 15 properties did not have a required soil survey map and seven did not have soil group worksheets (some properties contained multiple exceptions).

Town officials indicated that many of the agricultural exemptions were granted by the previous assessor. However, the current Assessor acknowledged that he does not verify if previously filed agricultural exemptions had an original application or required documentation. Because the exemptions granted to the 26 properties were not adequately supported, these property owners may have inappropriately received \$20,632² in County, Town and school district tax reductions for fiscal year 2018.

What Are the Requirements for Granting Senior Citizens Exemptions?

The senior citizens exemption requires the property to be used exclusively for residential purposes and owned by a person 65 years or older (with some familial exceptions), with varying income limits established by each municipality. Residents receiving the senior citizens exemption are required to file an original application along with proof of age and support for income reported. Renewal forms are required each year, along with supporting documentation to show their income is below the threshold. Additionally, 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.

All of the Senior Citizens Exemptions Tested Lacked Adequate Supporting Documentation

All 20 of the properties we reviewed receiving a senior citizens exemption lacked the necessary supporting documentation to verify the eligibility and accuracy of these exemptions. Specifically, all properties lacked proof of age eligibility, original applications, renewal applications and income support (i.e., income tax returns).

The Assessor explained that he did not obtain this documentation because he was accepting the Enhanced STAR applications and calculating income based on the Enhanced STAR income requirements when granting the senior

² The 2017 assessment roll is used to calculate the 2018 taxes. At the time of the audit, the 2018 tax rates were not available for the school districts within the Town. For this report, we calculated the tax impact using the 2017 tax rates for the schools.

citizen exemptions. In addition, if applicants were enrolled in the New York State Department of Taxation and Finance's Income Verification Program (IVP) the Assessor was using this as proof that they met the senior citizen income requirements.

However, the IVP does not provide income amounts, rather the Assessor is advised if the applicant is deemed eligible, not eligible or undeterminable for the Enhanced STAR exemption. Because the income eligibility requirements differ for the Enhanced STAR and senior citizen exemptions, the IVP should not be used to verify income when granting the senior citizen exemption. For example, the Enhanced STAR accepts the adjusted gross income from the federal and State income tax returns, which excludes nontaxable Social Security, while nontaxable Social Security is considered income for determining the eligibility for the senior citizens exemptions.

Because the 20 properties we tested did not have adequate support for the exemptions granted, there is a risk that the property owners may have inappropriately received a total of \$30,330 in County, Town, Village and school tax reductions for fiscal year 2018.

What Are the Requirements for Granting Veterans Exemptions?

Requirements related to veterans exemptions vary, but 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 discharged under honorable conditions. Local governments or school districts must pass a local law or resolution to establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. Furthermore, disabled veterans may receive an additional exemption based on supporting documentation.

Of the Veterans Exemptions Tested, 12 Percent Lacked Adequate Supporting Documentation

We reviewed 26 properties receiving veterans exemptions and found three properties (12 percent) lacking one or more pieces of supporting documentation to verify the eligibility and accuracy of these exemptions. For example, one property was lacking an original application, one property was lacking proof of honorable discharge and one property was missing adequate documentation of proof of combat service, and still received the additional 10 percent combat exemption. These property owners may have inappropriately received \$1,133 in County, Town, Village and school district tax reductions for fiscal year 2018.

Local governments must pass a local law or resolution to establish these exemptions, as well as raise or lower the maximum amount that a single property may be exempt from. However, the Assessor was unable to provide local laws³ showing that the Town and Village authorized veteran exemptions, which totaled \$992,072 and were granted to a total of 106 properties on the assessment roll. If the Town and Village did not pass the local laws necessary to authorize these exemptions, then property owners may have inappropriately been granted Town and Village tax reductions totaling \$6,871 for fiscal year 2018.

The failure to maintain adequate records, verify and review information annually and ensure that the local governments exercised the option to grant the exemptions increases the risk that individuals could receive exemptions to which they are not entitled on current and 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 correct applications with adequate supporting documentation before granting exemptions.
2. Correctly apply statutory provisions to granted exemptions and consult with ORPTS or Oneida County Real Property Tax Services Office, as necessary, for any technical assistance.
3. Retain supporting documentation (i.e., income support, age eligibility, etc.) to justify eligibility for all exemptions.
4. Ensure previously granted exemptions are supported and continue to meet eligibility requirements.
5. Obtain local laws from the Village that provide authorization for granting veteran exemptions and ensure the exemptions are applied correctly.

The Board should:

6. Review the veteran exemptions currently being granted by the Town and pass local laws to authorize the exemptions if it chooses to continue to allow them.

³ We also followed up with officials from the Town, Village and the County's Real Property Tax Services Office who were unable to provide the local laws.

Appendix A: Response From Town Officials

TOWN OF AUGUSTA

2319 North Rd.
Oriskany Falls, NY 13425
315 843 4811

January 8, 2019

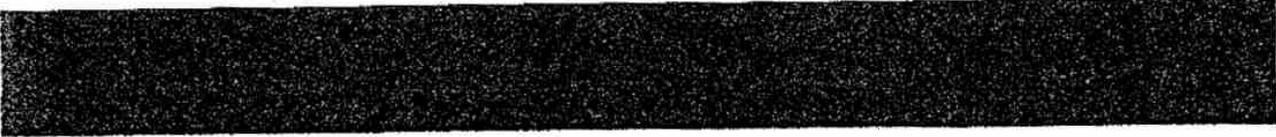
To: Rebecca Wilcox
Office of the State Comptroller

Re: Town of Augusta

Dear Ms Wilcox,

I am writing in regards to the recent audit conducted by your office in the Town of Augusta's Assessors office. Firstly I want to note that all of your staff that were involved were very professional. Through my many years here [REDACTED] has always made himself available to answer my constant questions. [REDACTED] is still answering questions.

While I am a realist to the fact that all of us must substantiate ourselves in our jobs, I feel that even if we were 100% compliant, your office would have to come up with something. After reviewing the audit results with [REDACTED] even I have a better grip on exemptions. Steve, our Assessor is already working on a plan of action to correct the loop holes in our exemptions. I don't feel that any of the tax burden was shifted incorrectly, but I concur that the paper trail is weak in some spots and needs some tweaking. It was quite clear that some of the inconsistencies were from a period of time before Steve started. I also feel because we are a small rural community and obviously the seniors are people that Steve has known forever, and some of the farmers have had multiple generations of family farming this same land things may be outdated. I do concur that the paper trail needs polishing up.



What I learned from my first audit from your office with [REDACTED] is public service is a privilege. This is not a path traveled by many, but you certainly serve many. I try to make a difference in our town, as I hope all our town employees do. I try to leave things better than they were, trying to be fair to everyone. I try to keep moving forward because undoubtedly I will stumble again. There is always someone who has the answer and I have to try and find that person and quite actually I usually find them in your office.

Thank you for your time. Please be on the look out for our plan of action.

Sincerely Yours,

Suzanne M Collins
Town Supervisor

cc: Town Board
Steve Roys

Appendix B: 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 audited the administration of the agricultural, Persons 65 Years of Age or Older (senior citizens) and veteran real property tax exemptions. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed local legislation authorizing selected exemptions and inquired with the Assessor about the real property exemption process and record keeping requirements.
- We randomly selected 19 properties and judgmentally⁴ selected 11 properties with agricultural exemptions which reduced the total taxable assessed value by a total of approximately \$1.5 million from the 2017 assessment roll for further testing. We reviewed the original application (if available) to determine whether all required documentation was submitted. This included a soil survey from the Soil and Water Conservation District, if available. We reviewed any income support to determine whether the farmer met the minimum requirements. If applicable, we also determined whether the property had a current agricultural exemption renewal form on file. If the property was leased to another farmer, we determined whether there was a current lease on file. We then recalculated selected exemptions with available supporting documentation to determine whether the property received the proper exemption amount. We then calculated the potential tax dollar effect of any exceptions found.
- We randomly selected 10 properties and judgmentally selected 10 properties with senior citizens exemptions which reduced the total taxable assessed value by a total of \$1.7 million from the 2017 assessment roll for further testing. Since adequate supporting documentation was not on file for any of the properties in our sample, we calculated the potential tax dollar effect for the 20 properties.
- We randomly selected 15 properties and judgmentally selected 11 properties with veterans exemptions which reduced the total taxable assessed value by a total of \$1.4 million from the 2017 assessment roll for further testing. We reviewed the records retained in the related property folders to determine if the exemptions were supported. We recalculated the exemption amounts to determine whether the property received the appropriate exemption amount. We then calculated the potential tax dollar effect of any exceptions found.
- We reviewed the 2017 assessment roll for any apparent irregularities in exemptions granted.

⁴ We examined the properties of all Board members and Town employees who worked in the Assessor's office to determine whether they received any agricultural, senior citizen or veterans exemptions on their properties. We included the identified exemptions in our judgmental sample for each exemption category. We also sorted all the exemptions in each category by amount and selected exemptions with the 10 highest values for testing.

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 C: 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#lgmg

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/lgli/pdf/cybersecurityguide.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

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