

Town of Holland

Real Property Tax Exemptions

MARCH 2019



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

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Report Highlights

Town of Holland

Audit Objective

Determine whether select real property tax exemptions are properly supported by adequate documentation.

Key Findings

We reviewed 60 agricultural, veteran, disability and senior citizen exemptions totaling \$2.5 million, on properties with a total assessed value of \$16.4 million.

- Twenty-seven exemptions totaling \$1.5 million were not properly supported by adequate documentation.
- The Assessor allowed what appear to be ineligible agricultural woodland exemptions totaling \$91,000 on 269 acres.

Key Recommendations

- Ensure all applicants provide adequate supporting documentation before granting exemptions and then retain this documentation.
- Periodically monitor exemptions to ensure they comply with State or local laws.

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

Background

The Town of Holland (Town) is located in Erie County (County) and has a population of approximately 3,300. The Town is governed by an elected five-member Town Board (Board) composed of the Town Supervisor (Supervisor) and four Council members. The Board is responsible for overseeing Town operations and finances.

The Board-appointed Assessor is responsible for granting and tracking real property tax exemptions (exemptions) authorized by State and local laws.

Quick Facts

Agricultural, Senior Citizen, Veteran and Disability Exemptions

Number of Properties	301
Assessment Value	\$45 million
Number of Exemptions	369
Exemption Value	\$9.8 million

Audit Period

January 1, 2017 – September 7, 2018

We extended our audit scope period for certain exemptions back to when initial application was made, and reviewed original applications, supporting documentation and local laws.

Real Property Tax Exemptions

Why Should Exemptions Be Properly Supported?

Assessors annually determine real property assessed values for the tax roll, which is the basis for real property tax bills issued in the following year and provides for equitable tax apportionment among property owners. Assessors are also responsible for granting and monitoring various exemptions authorized by State and local laws, such as veteran, agricultural and senior citizen exemptions. While exemptions reduce eligible property owners' tax bills, they shift a greater tax burden to remaining non-exempt property owners. Therefore, it is imperative that assessors properly grant and monitor exemptions, which includes maintaining adequate supporting documentation and verifying eligibility.

Assessors are required to grant exemptions only after valid applications with proper supporting documentation are submitted to them. Assessors should retain these documents to demonstrate that a property was, and remains, eligible for an exemption, and periodically review and monitor the exemptions to ensure property owners and properties continue to meet exemption eligibility requirements. Certain exemptions (agricultural, veteran, disability and senior citizen) require annual, or periodic, updated documentation to maintain eligibility, while within certain circumstances other exemptions (i.e., agricultural) may be granted for longer periods of time, spanning several years.

Exemptions Were Not Properly Supported

We reviewed 60 out of 369 (16 percent) agricultural, veterans, disability and senior citizen exemptions totaling \$2.5 million, on properties with a total assessed value of \$16.4 million.¹ We found that 27 exemptions (45 percent), totaling approximately \$1.5 million, were not properly supported by adequate documentation to establish and/or maintain exemption eligibility.

Agricultural – We reviewed 23 agricultural exemptions totaling \$1.2 million on properties with a total assessed value of \$11.1 million. Seventeen exemptions totaling \$1 million lacked one or more pieces of supporting documentation necessary to verify exemption eligibility, and eight exemptions totaling \$181,800 lacked required soil survey forms. The Assessor also allowed what appears to be ineligible agricultural woodland exemptions totaling \$91,000 on 269 acres.

- Sixteen agricultural exemptions totaling \$478,000 were farmland district exemptions which require soil survey forms to be properly supported. However, these forms were not on file for eight exemptions totaling \$181,800. The Assessor told us that the forms should have been filed with the original applications and retained for the life of the exemptions, but she was not the assessor when the original applications were filed. Land

¹ Refer to Appendix C for sampling methodology.

assessment values are computed using information contained in these forms; therefore, without them, the current Assessor cannot verify the assessments' accuracy. After our fieldwork was completed, the Assessor located the soil survey forms reports for these properties and provided the forms to us.

Additionally, 12 of these exemptions totaling \$383,500 were not supported by documentation to demonstrate that the farms met the minimum gross sales eligibility requirements. The Assessor told us that she knew the farms were capable of generating sufficient revenues and therefore did not find it necessary to request proof of sales or income documentation from the property owners.

- One property owner was receiving agricultural woodland exemptions totaling \$108,400 on approximately 319 acres. However, the agricultural woodland exemption for a single farm operation is limited to 50 acres. As such, it appears there are ineligible agricultural woodland exemptions totaling \$91,000 on 269 acres.
- Seven exemptions totaling \$701,000 were for agricultural buildings and/or structures. Five of these exemptions totaling \$650,000 were supported by incomplete application forms, and the Assessor could not provide original documentation to support the exemption computations. However, the Assessor subsequently backdated and completed application forms for four exemptions totaling \$579,500.

Veteran – We reviewed 21 veteran exemptions totaling \$750,000 on properties with assessed values totaling approximately \$3.2 million. Ten exemptions totaling approximately \$516,000 did not have completed applications on file or sufficient documentation to establish eligibility. For example, a 100 percent eligible funds² exemption was granted to a resident with property assessed at \$197,300; however, the Assessor did not have documentation to demonstrate that the resident was eligible for the exemption, such as proof of military service or discharge or disability rating or documentation showing that eligible funds were used to purchase the property.

Disability – To qualify for the exemption for persons with disabilities, a property must be owned by one or more persons with certain qualifying disabilities who also satisfy certain income limitations. We reviewed all six disability exemptions totaling \$100,600 on properties with assessed values totaling approximately \$528,000 and found that, with the exception of minor discrepancies which we discussed with the Assessor, these exemptions were generally properly documented and supported.

² The Eligible Funds Exemption reduces the assessed value of a property that a veteran purchased with "eligible funds" (typically up to a maximum of \$5,000) that the veteran received upon discharge from active duty.

Senior Citizen – We reviewed 10 senior citizen exemptions totaling \$491,000 on properties with assessed values totaling \$1.5 million and found that all were properly documented and supported.

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 and shift the tax burden to other property owners.

What Do We Recommend?

The Assessor should:

1. Ensure all applicants provide adequate supporting documentation before granting exemptions.
2. Retain sufficient supporting documentation to demonstrate eligibility for all exemptions.
3. Periodically review all exemptions to ensure property owners and properties remain eligible.
4. Periodically verify gross sales requirements as required for agricultural exemptions granted.
5. Review and take appropriate action to ensure only eligible agricultural woodlands exemptions are granted.

Appendix A: Specific Exemption Criteria

Our audit focused on agricultural, disability, senior citizen and veteran exemptions from real property taxes in the Town. All real property in New York is subject to taxation unless specific legal provisions grant it exempt status. While certain exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

Following are the specific criteria for the exemptions included in our audit.

Agricultural – The agricultural exemption generally requires an average annual gross sales over the previous two years of \$10,000 for farms with seven or more acres of land, or \$50,000 for farms of less than seven acres. The exemption amount is calculated based on a New York State certified soil productivity value³ for each parcel. Property owners may also lease acreage to eligible farmers and also receive an exemption. Additionally, certain newly constructed or reconstructed buildings and structures used for farming operations may also qualify for a 10-year property tax exemption or may qualify for a permanent exemption for temporary green houses, silos and bulk milk tanks. The exemption will terminate if the building or structure ceases to be used for farming operations and/or the land is converted to nonagricultural use. Property owners receiving these exemptions are required to file an annual renewal form certifying the property's continued eligibility. Although this form does not require proof of income, assessors should periodically verify farm income to ensure the property remains eligible.

Senior Citizen – The senior citizen exemption requires the property be used exclusively for residential purposes and owned by a person 65 years or older, with varying income limits established by the Town. New York State Real Property Tax Law also allows income deductions, such as certain medical expenses, to be considered in calculating the exemption amount when adopted by the Town. Residents receiving this exemption are required to file a renewal form each year, along with supporting documentation to show their income is below the threshold.

Veteran – Requirements related to veteran exemptions vary, but typically include that the property is the primary residence of a United States Armed Services veteran (or a qualifying family member). The veteran must have actively served during certain eligible timeframes or received an expeditionary medal and was discharged under honorable conditions. Also veterans who used eligible funds such as pension, bonus or insurance money, compensation paid to prisoners of war and mustering out [discharge] pay qualify for partial exemption. 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, disabled veterans may receive an additional exemption based on supporting documentation.

³ The New York State Department of Agriculture and Markets Commissioner annually calculates a base agricultural assessment value using the data published by the United States Department of Agriculture for all farming in New York State that identifies the certified soil productivity value for each parcel.

Appendix B: Response From Town Officials

Town Clerk - Tax Collector
JILL ZIENTEK

Highway Superintendent
PATRICK F. JOYCE

Town Attorney
RONALD P. BENNETT

Assessor
TAMMY ADSITT

TOWN OF HOLLAND

MICHAEL KASPRZYK - SUPERVISOR

47 Pearl Street, PO Box 36, Holland, New York 14080

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Town Justices
CHRISTOPHER O'BRIEN
JILL ANDERSON

Council
WILLIAM KOLACKI
GEOFFREY HACK
ROBERTA HERR
KAREN L. KLINE

March 5, 2019

Office of the New York State Comptroller
Division of Local Government & School Accountability
Mr. Jeffrey D. Mazula, Chief Examiner 295
Main St., Suite 1032
Buffalo, NY 14203-2510

Re: Town of Holland
Real Property Tax Exemption Administration
2018M-232

Dear Mr Mazula:

The Town of Holland is in receipt of the Real Property Tax Exemption Audit Conducted this past year in the Town of Holland. The Town appreciates the time and effort the NYS OSC auditors took to review our exemptions and to prepare their findings.

The Town Board of the Town of Holland substantially agrees with the findings within the Office of the State Comptroller's audit report and the Town Assessor will:

- 1) Ensure all applications provide adequate supporting documentation before granting exemptions and retain those documents in a secure file as required under the NYS Records Retention and Disposition Schedule. Documentation for each exemption category will be verified and filled out completely before granting the exemption. This Plan of Action is being implemented immediately for the 2019 Roll.
- 2) Correctly apply statutory provisions to granted exemptions and consult with ORPTS or Erie County Real Property Tax Services Office, as necessary for any technical assistance.
 - a. The assessor has initiated the review, correction and/or request of supporting documentation required of those parcels receiving Agriculture exemptions which will be completed for the 2019 Roll.



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- b. The assessor has initiated the review and removal of exemptions on woodland of more than 50 acres owned by the same entity which will be completed for the 2019 Roll.
 - c. The assessor has sent out a letter with the Agriculture Assessment Renewal forms and new Applications for the 2019 Roll requiring the property owner to submit a copy of the 2017 Schedule F form from their 2017 Federal Income Tax Return or it's equivalent to verify their Farm income meets the requirements to receive the Exemption. If the property is leased the Income of the Leaser is required.
 - d. The assessor will request this income verification every 5 years going forward.
 - e. The assessor has initiated review of the Agriculture Buildings and/or Structures and is removing those Building Exemptions on parcels that are now leased and not eligible for the Exemption which will be completed for the 2019 Roll.
- 3) Periodically review all exemptions to ensure property owners and properties remain eligible. If the eligibility requirements are not met, the property owner will be notified in writing if the Exemption is removed.

Sincerely,

Michael Kaśprzyk, Supervisor
Town of Holland



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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed Board minutes, written policies and applicable State and local legislation to gain an understanding of the audit scope.
- We interviewed the Assessor and discussed the real property tax exemption process and recordkeeping requirements.
- We reviewed the 2017 Town tax roll to determine the total number of agricultural, veteran, disability and senior citizen exemptions and the corresponding assessed and exemption values. From this population, we judgmentally selected 60 exemptions for audit testing. We selected exemptions with higher values and parcels with multiple exemptions as these have a greater financial tax impact. We reviewed all documentation available to support the exemptions in our sample such as application forms, soil survey identification forms, income records and proof of military service, discharge and disability.
- We reviewed any available documentation relating to the exemptions and recalculated the exemption amounts to verify that the property owners received the appropriate exemption amount.

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 D: 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#lmgm

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/pubs/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.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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