

Understanding equalization rates

Or how can I be certain I pay only my share of school taxes?

School districts decide how much tax revenue to collect – they do not decide who will pay what portion of those taxes. That decision is made by the local municipality’s elected or paid property assessor(s):

- The assessor assigns a market value for each property based upon a strict formula established by the New York Office of Real Property Services (ORPS). This procedure ensures that each parcel is valued fairly relative to other parcels in the district and across the state.
- Assessors are charged with periodically updating assessed values to reflect current market values. Unfortunately, the process is expensive and is politically painful for local officials and taxpayers—so, many municipalities simply do not update their tax rolls. Further, since every municipality has its own assessor, assessment practices naturally vary from one municipality to another,
- To adjust for these factors, ORPS reviews property sales within each municipality and based on market trends assigns a corrective figure—an equalization rate—to better reflect actual market values.

What is the equalization rate?

The equalization rate simply defines the relationship of a property’s assessed value to its full value. For example:

An equalization rate of 0.80 means that a property is assessed at 80 percent of its full value.

Assume a property is assessed at \$80,000 and the equalization rate is 0.80:

Full Value = Assessed Value/Equalization Rate

Full Value = \$80,000/0.80

Full Value = \$100,000

How are equalization rates used?

At tax time, officials use the equalization rate to adjust property values so that all properties within a district are at market value. This ensures that all taxpayers within all municipalities pay the same tax rate based on the full value (not the assessed value) of their properties.

How do schools become involved?

When tax bills arrive, most taxpayer questions and complaints related to individual tax bills are issues with the assessment process and/or taxpayers’ misunderstanding of equalization rates. Taxpayers, however, are inclined to “shoot the messenger” and place the blame upon the school.

This sounds simple, so what's the problem?

Equalization rates muddy the taxpayer waters!

Let's look at the Anytown School District. The Anytown school district covers parts of two towns, Smithville and Jonesboro. Neither community has been reassessed (or revalued) in 10 years. Anytown has announced a tax levy of \$300,000. The tax levy must be divided between the two towns.

	Smithville	Jonesboro
Total assessed value	\$8 million	\$10 million
ORPS equalization rate	0.80	0.50
Full value	\$10 million	\$20 million
TOTAL ANYTOWN TAXABLE PROPERTY + \$30 million		
% of full value (i.e., % of levy) for each town	33.33% ¹	66.66% ²
Tax levy to be raised from each town	\$100,000 ³	\$200,000 ⁴

¹ Smithville represents 1/3 (\$10 million/\$30 million) of the total full value of the district.

² Jonesboro will pay \$100,000 (1/3 of the tax levy).

³ Smithville represents 2/3 (\$20 million/\$30 million) of the total full value of the district.

⁴ Jonesboro will pay \$200,000 (2/3 of the tax levy).

This all makes sense—until we compare tax rates for the two towns!

Use the equation: Tax rate = Tax Levy/Total Assessed Value

- Tax Rate for Smithville = \$100,000/\$8,000,000 = **\$12.50**/\$1,000 Assessed Value
- Tax Rate for Jonesboro = \$200,000/\$10,000,000 = **\$20.00**/\$1,000 Assessed Value

Now try explaining to the people Jonesboro why their tax rate is so much higher than their neighbors in Smithville!

Exaggerated? Check out this chart for 2011-12 Fonda Fultonville CSD!

Town	Equalization Rate	School Tax Rate (per \$1,000)
Amsterdam	0.10	\$159.50
Chleston	100	\$15.95
Florida	0.56	\$28.48
Glen	0.64	\$24.92
Palatine	0.59	\$27.03