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Alert

Real Estate Practice Group

New York State Transforms "STAR" Property Tax Exemption into Income Tax Credit

Syracuse, New York

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Governor Cuomo signed legislation on April 13, 2016 enacting two significant changes to the **NY School Tax Relief ("STAR" exemption program**. The STAR program provides homeowners a reduction in real property school taxes. Historically, the STAR exemption was shown on and immediately reduced homeowners' school tax bills.

The first change transforms the STAR exemption into a refundable personal income tax credit for homeowners. A "refundable income tax credit" is a reduction in income taxes that may result in a payment from the state to the taxpayer. Since the beginning of STAR, school districts in NY collected reduced revenue because of the STAR exemption and later received reimbursement from NYS for the cost of the exemption. With the legislation adopted this month, the "waiting period" is shifted to homeowners who will pay the full school tax bill upfront and receive reimbursement from NYS in the refundable income tax credit. There is no change to the amount of the STAR credit for homeowners, but the legislation means *homeowners* are now required to file for their refunds, *rather than school districts*.

The STAR changes only apply to **first-time homebuyers** and **current homeowners moving to new property** who took title to real property on or after the "taxable status date" for the 2016-2017 school year property taxes. In most communities, the applicable taxable status date was March 1, 2016, but some municipalities use a different date. In the City of Syracuse, for example, the applicable taxable status date was January 1, 2016. Homeowners who held title to their real property *and* were approved for STAR for the 2015-2016 school year may keep the traditional STAR exemption.

The second change to STAR applies to the "Enhanced STAR" program for individuals at least 65 years old. The legislation modifies the Enhanced STAR statute to **permit late filing of Enhanced STAR renewal applications** where "good cause" existed for the homeowner's failure to file. Governor Cuomo's office has indicated in an announcement that "good cause" should include a serious personal illness or hospitalization. Under the new law, homeowners must apply to the Commissioner of the NYS Department of Taxation and Finance before the date that school taxes are due to request an exemption. School taxes are generally due in September of each year. If the exemption is approved, the homeowner is permitted to file the Enhanced STAR renewal application late without interest or penalty.

Bousquet Holstein PLLC's Real Estate Practice Group assists individuals and business in all real property matters, including purchases and sales, tax credit and tax exemption programs, leasing and landlord-tenant matters, title examination, and land use. If you have questions about changes to NY's STAR program, or any other real estate questions, please contact **Natalie P. Hempson** or **Joshua S. Werbeck**.



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