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Changes to the STAR Tax Rebate Program that Will Impact All Beneficiaries

Over the past couple of months our office has received calls from worried property owners wondering and asking us: “Do I have re-register to obtain the STAR tax benefits I am already receiving?” The short answer, unfortunately, is yes. To continue to receive the benefits of the tax credit property owners will have to re-register.

The STAR Tax Rebate Program

The STAR (New York State School Tax Relief Program) was enacted in 1997 and is a program funded by New York State which was implemented to reduce school district property taxes on the primary residences of certain New York property owners while maintaining funding to school districts.

The STAR Program is broken down into two separate programs: 1) Basic STAR and 2) Enhanced STAR. Only the widely used Basic STAR will be impacted by the recent changes. The Enhanced STAR is for eligible senior citizens age 65 and over. Since the Enhanced STAR is not being impacted by the recent changes, we’ll save our discussion of this program for a future newsletter; however, if you would like more information about Enhanced STAR contact our office.

The Basic STAR tax rebate is available to any New York State property owner’s primary residence where the resident owner and their spouse’s annual income is less than \$500,000. The qualifying property owner(s) receives an exemption of \$30,000 from the true value of their property. Rather than the property owner paying school district tax on the full value of their property, they pay what they would have paid if their property value was \$30,000 less, and the difference is made up (paid) by the state, which makes the program a form of state aid. The STAR program’s purpose is to lower the school district tax burden on property owners without negatively impacting the overall revenue of school districts.

The Changes

Before the recent changes, a qualifying property owner would register for the STAR program with their local tax assessor once a year. When property owners would initially register they would also complete an optional income verification form. The income verification form authorizes The New York State Department of Taxation and Finance to review the property owner’s income tax returns each year to confirm that the property owner continued to meet the program’s annual income guidelines so that the property owner would not have to re-register every year and instead would undergo an automatic verification and renewal of STAR benefits.

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NEWSLETTER

MEMBER OF NEW YORK STATE BAR ASSOCIATION, WESTCHESTER COUNTY BAR ASSOCIATION AND YONKERS LAWYERS’ ASSOCIATION

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Property owners will now be required to re-register to maintain the STAR benefits. The good news is that they will not have to do so to keep their Fiscal Year 2013 benefits; rather, they must re-register by April 2014 to obtain Fiscal Year 2014 benefits. The state has not yet clarified how often they may require property owners to re-register; although the legislation does provide that the state cannot require re-registration more than once every three years. The state has also not yet clarified where or how re-registration will occur; rather, the state's current response to questions is that they are still working on determining how the changes will be implemented and that they will send notices to property owners by mail.

The Bigger Picture: Why the Change and Burden Shifting

The program is being changed as a result of Governor Andrew Cuomo's Fiscal Year 2014 Budget. As is the case with all state budgets, a package of legislation and amendments must be passed in the state legislature in order to achieve what the budget is proposing. This stage is complete.

Gov. Cuomo's stated reason for altering the STAR program is to root out fraudulent use of the STAR program. The changes to the program also provide for new and enhanced penalties for abusers of the program. More importantly, for those that fail, forget, or were unaware they had to re-register, they will not continue receiving the benefits.

Despite the program's stated purpose of stamping out fraud, many see the changes to the program as an additional way for the cash strapped state to transfer costs/retain funds by transferring the expenditures to the presumed "better off" property owners. Skeptics of the changes argue that many will fail, forget, or not know that they have to re-register; as such, the state will not provide these otherwise qualifying households the tax benefits of the program. In turn, the state will retain millions of dollars it would have paid to school districts on behalf of property owners and the property owners will pay school district tax on the full value of their property rather than the reduced amount they are eligible to pay under the program.

This shifting of cost from the state to property owners is one in a series of legislative amendments and State agency regulation changes made by the Cuomo administration which are designed to shift expenses and retain government funds while placing the burden and cost on property owners. Another such change or money generating program alteration can be found in the creation of the Tenant Protection Unit (TPU) and changes to the Department of Community Renewal (DHCR) regulations, that create new and enhanced penalties against property owners. The stated purpose of the TPU and DHCR changes is also fraud prevention.

Our office also provides legal services in the areas of commercial & residential closings, civil litigation, landlord & tenant law, general business law, DHCR representation, cooperative apartment & condo representation, property management company support and representation, tax certiorari, zoning, and housing and building code violation matters.

For more information or to discuss the specifics of your situation, contact James G. Dibbini, Esq. at 914-965-1011 or jdibbini@dibbinilaw.com.