



**Advisory Opinion on Tax Cap Impact on Libraries – Updated 11/29/11**

The tax cap legislation (S.5856/A.8518), which was passed by the Legislature and signed into law by the Governor on 6/24/11 (Chapter 97 Part A), even though it does not specifically mentions libraries, was intended by the Legislature and Governor to cover libraries.

For the purpose of the tax cap law, state policymakers have placed all types of libraries into the local government section of the legislation under the category of "special districts". Therefore for libraries the impact of the tax cap law is the following:

- The tax cap limits annual levy growth to the lesser of 2% or the rate of inflation, subject to certain limited exemptions and adjustments for growth in the full value of taxable real property due to physical and quantity change.
- The tax cap does not include a levy necessary for expenditures resulting from (i) court orders or judgments arising out of tort actions for any amount that exceeds 5% of the local government's tax levy for the prior fiscal year, and (ii) increases in pension contributions above a certain threshold attributable to system-wide contribution rate increases above 2 percentage points.
- A library board can propose a budget that exceeds the tax cap by a 60% vote of their total board and if budget requires voter approval, must be approved by simple majority of voters (+50%).
- Capital or Bonded Projects are not exempt from tax cap, but still require simple majority of voters for approval. If the resulting budget requires an increase in the levy above the cap then the board must approve the resulting budget by a 60 percent vote.
- The tax cap does not apply to the first fiscal year after a local government is newly established.
- The State Comptroller shall determine the tax levy limit in the first fiscal year for a local government that assumes the liabilities of a dissolved local government, and in the first fiscal year following the consolidation of local governments.

For example, a library (such as a special legislative district public library, school district public library, a municipal public library, or an association library) has its own tax levy limit if it (i) has a separate, independent elected or appointed governing board, and (ii) can require a municipality or school district to levy a tax on its behalf (which includes, where applicable, a tax levy approved by voters, i.e. Section 259/Chapter 414). To the extent the budget of a library is comprised of revenues generated by a tax levy of a municipality or school district that the municipality or school district is required to impose on behalf of the library, those tax revenues fall within the tax levy limit of the library. To the extent the budget of that library is comprised of revenues generated by the taxing authority of a municipality (such as a town or village), and that municipality is not required to impose that tax levy on behalf of the library, those tax revenues fall within the tax levy limit of the municipality.

