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NEW PALTZ CONSOLIDATION: LOCAL TAXES & THE CETC

This document summarizes the expected impacts of consolidation and the Citizen Empowerment Tax Credit (CETC) on Town-Village property tax rates. The impacts are estimates based on recent budgets, not guarantees – actual tax bills will depend on decisions made by the consolidated government.

Critical Context: The Citizen Empowerment Tax Credit (CETC)

The CETC is an annual payment that New York State provides to municipalities that successfully reorganize. If Town-Village consolidation occurs, the credit is expected to result in an additional \$1,000,000 in annual revenue for the Town of New Paltz. Though the CETC is contingent on annual state funding, the state has consistently funded the credit and has reliably funded more than 20 municipalities with it since 2011.

New York State requires that at least 70% of CETC funds be allocated toward tax reduction. While local governments are allowed to put as much as 100% of CETC funds toward tax reduction, the financial planning in the proposed consolidation agreement was developed based on a 70% approach that gives the Town more budgetary flexibility. Using the 2024-2025 Village budget and the 2025 Town budget as the baseline, and factoring in the expected CETC tax credit, the continuation of existing services, transition costs, and minimal additional changes, impacts on post-consolidation town property taxes can be estimated. Note that school property taxes and county property taxes would not be impacted by consolidation.¹

Tax Impact Analysis for the Village

Village taxpayers currently pay both Village and Town taxes. Consolidation would mean the end of Village taxes and a shift from a small, concentrated tax base to one that is more than three times larger. This broader distribution of costs results in significant net savings even before CETC funds are applied – an estimated 7 to 9 percentage point *decrease*. The figures below compare current combined Town-Village taxes to projected post-consolidation Town taxes for Village residents, factoring in the CETC.

- If 70% of CETC is applied to taxes: an approximate 12 to 14 percentage point *decrease*
- If 100% of CETC is applied to taxes: an approximate 13 to 15 percentage point *decrease*

Tax Impact Analysis for the Town-Outside-Village (TOV)

For TOV taxpayers, consolidation will mean taking on and paying for a share of the service responsibilities currently paid for by only the Village. If there were no CETC funds, the baseline tax impact for the TOV would be an estimated 1 to 3 percentage point *increase*. However, the CETC was specifically created in recognition of this scenario, and in New Paltz the CETC revenue would more than offset this increase. The figures below compare current combined TOV taxes to projected post-consolidation TOV taxes, factoring in the CETC.

- If 70% of CETC is applied to taxes: an approximate 2 to 4 percentage point *decrease*
- If 100% of CETC is applied to taxes: an approximate 4 to 6 percentage point *decrease*

Other factors may impact costs and future tax rates as a result of consolidation. This document simply details the baseline tax implications based on recent budgets and expected efficiencies.

¹ Tax analysis conducted by the Laberge Group. Estimates incorporate expected staffing changes known at this time, though those changes are minimal and staffing needs could change over time.