

Industrial Park Taxes: Town of Smithtown or Town of Islip?



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The Hauppauge Industrial Park ("HIP") is a good place to do business on Long Island for obvious reasons such as business-friendly zoning and highway accessibility. Also, it is well known that the great number of commercial properties creates a large tax base over which to spread the municipal levy, namely the Hauppauge School District taxes. That being said, a property's Town location, i.e. Islip versus Smithtown, makes a significant difference regarding the property tax bill. All else being equal, the Smithtown side properties are in an advantaged position to their Islip neighbors.

Property taxes relate to the town's valuation of the property. A higher valuation means a higher property tax bill. Tax certiorari lawyers like myself often litigate this valuation issue on our client's behalf. Take two hypothetical buildings in the HIP: (1) 1

Smithtown Street, Hauppauge; and (2) 1 Islip Street, Hauppauge. As you may guess, #1 is in Smithtown and #2 is in Islip. Both pay the great majority of their property taxes to the Hauppauge School District. Both properties have assessments (i.e. values by the town) at \$3,000,000. Yet #2 has been consistently a few percentage points higher on taxes. What gives?

The answer lies in what is called the Homestead Tax System employed by the Town of Islip. In most of Suffolk County, there is one uniform class of taxes and assessments. This means that a \$1,000,000 house, office building and restaurant all pay the same property tax bill as long as they are in the same municipal districts (school, town, etc.). The Town of Islip is different because it has elected to use the Homestead System, which is an option available pursuant to the New York State Real Property Tax Law. In short, the Homestead System shifts the tax burden away from residential class and onto the commercial class.

Homestead taxing jurisdictions divide all of the real property into two classes. The first class, called the homestead class, is 1-3 family housing. The second class, naturally called non-

homestead, includes everything else: offices, restaurants, retail, high-rise apartments, etc.

In Homestead jurisdictions like Islip, a disproportionate share of the tax burden is shouldered by the non-homestead. The winners in a Homestead jurisdiction are definitely the residential property owners, i.e. the voting public. These individuals will pay lower tax bills because of the shift onto the non-homestead class. Thus the losers in a Homestead jurisdiction are businesses. They will often pay a larger tax bill than they would if located in a jurisdiction that did not elect to adopt the Homestead system.

Let's go back to our two hypothetical properties in HIP. Property #1 will enjoy an advantaged position relative to his neighboring, property #2. It may only be a couple of percentage points, but over a number of years, the disparity can easily reach the tens of thousands of dollars.

Is the Homestead system perfectly fair? Probably not. If taxes are supposed to relate solely to value, then there is no reason why small businesses should bear the brunt in favor of residential taxpayers. Then again, what is the

alternative for places like the Town of Islip? The elected officials in that town can report something that most of Suffolk Towns cannot: the Town of Islip has chosen to lift some of the property tax burden off of working families and seniors. So who is going to argue with that?

A major problem is that property taxes are a zero sum proposition. If residential taxpayers are given breaks such as the Homestead system and even exemptions (enhanced STAR, veterans, fireman, etc.), then the commercial class must pay more to make it up. The other side of the coin is that if we want to be business-friendly in our property tax laws, this will result in an increased tax bill for residences.

One thing is for certain. All HIP taxpayers should be paying attention to their tax assessment. This number appears on the property tax bill each year. Commercial taxpayers should be reviewing this with their attorney to ensure that they are not being overcharged. Regardless of whether your property is in Smithtown or Islip, having a fair assessment is the most effective way to keep your property tax bill in check.