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Business Review & Forecast: Some see Kingston business tax rate as unfair, burdensome

By Paul Kirby, Daily Freeman

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This is one of several stories that will appear in the Freeman's annual 'Business Review & Forecast' supplement on Sunday, Jan. 18, 2015.

KINGSTON >> A year ago, a report was released that suggested ways to close the gap between what Kingston homeowners and business pay in property taxes.

It was no secret that the discrepancy was wide.

Under this year's city budget, owners of commercial buildings in the city pay \$17.67 per \$1,000 of assessed property value. Homeowners pay \$9.76 per \$1,000.

The report, compiled by The Center for Research, Regional Education and Outreach at SUNY New Paltz, detailed some ways close the gap. One way — the best one, the report said — would be for city officials to convince the state to grant Kingston \$7 million during the next 10 years to ease the burden on homeowners as a shift toward a more equitable taxing system is made.

Gerald Benjamin — director of the center, the college's associate vice president for regional engagement and a former chairman of the Ulster County Legislature — said the "best option for Kingston" is a 10-year phase-in to lessen the gap between what homeowners and businesses pay in taxes.

But there's been little movement toward that end since the report's release.

And some local businesspeople, such as Karen Clark Adin, owner of Bop to Tottom, a specialty retail shop in Uptown Kingston, doubt much will happen to change the city's taxing mechanism.

Adin noted that in order to close the gap, city leaders would have to vote to shift more of the tax burden from commercial property owners to the homeowners.

"There is not the political will to make this a more balanced situation," said Adin, who has rented her store's space at 299 Wall St. for the past 14 years.

Former Kingston Mayor James Sottile pushed for such a shift, but members of the Common Council resisted.

In the 1980s, state legislation authorized municipalities in New York to tax residential and commercial property at different rates. The intent was to shift the tax burden from residential property owners to commercial property owners.

The dual rates were called “homestead” for residential and “non-homestead” for commercial properties.

At present, the city taxes business property at about 1.8 times the rate it taxes residential property. City commercial properties make up 31 percent of the tax base but currently pay 46 percent of the city’s total tax levy, according to the SUNY study.

Adin and others say the disparity cuts into profits, creates less in the way of sales tax, stymies charitable giving and prevents further economic development.

Adin noted that local businesses also pay a higher rate for electricity than residents.

“The profit margin gets slimmer and slimmer and slimmer,” she said. “If you are going into business, you analyze those costs every year, and it comes to the point where it’s not worth it. People are just going to close up.

“Businesses, like my own, support many local organizations, with donations and funding throughout the year,” Adin added. “There is a prevailing notion that anything in the cash register you get to take home, and that is just not the case.”

Adin also said it’s unlikely the state will give Kingston the \$7 million suggested in the SUNY study.

“I don’t see how that would happen,” she said. “Let’s face it, funds are very scarce today in ... [government], so I can’t see the state stepping up to the plate to facilitate this.”

Adin said the city must become kinder to businesses.

“It behooves Kingston to become much more business-friendly and to support the businesses that exist here,” she said.

Joe Deegan, of Deegan Sanglyn Commercial Real Estate, said change needs to be made, but over a period of time, perhaps even 20 years, to help increase the city’s commercial tax base.

If there is no change, he said, the number of business parcels in the city will shrink, leaving homeowners to pick up more of the tax burden anyway.

“The real solution is growing the commercial tax base,” he said. “It [the shift] is going to happen one way or the other. I would rather have it that we control the way it happens.”

On the other hand, Deegan said, more and more businesses from New York City are seeking to locate in such upstate locales as Kingston and are financially comforted by the cheaper rents.

He said a space that may go for \$100 per square foot in the city is likely to cost \$20 to \$40 per square foot in Kingston.

And taxes “are irrelevant” to those space-seekers, he said.

Deegan added, though, that this does not “dismiss” the argument for closing the gap between the homestead and non-homestead tax rates.

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