

# Property Tax Cap and Spending Cap vs Spending Cap

The Property Tax Cap and Spending Cap, as written in the Proposed City of Rochester Charter Amendment 43-a Limitation on Budget Increase Amendment A, protects the property taxpayer. While still allowing for spending increases, there are several safeguards against unreasonable increases in the Property Tax Rate, unlike a Spending Cap only. For example, it requires that the Property Tax Rate can only be increased by the amount of the National Consumer Price Index for the previous year and severely limits the effect of reassessments. City government will have to find new spending money over and above the maximum allowed set property tax rate increase someplace else. The Proposed City of Rochester Charter Amendment 43-a Limitation on Budget Increase amendment under Item E Total Expenditures states: **“Total expenditures for any given budget year shall not exceed the amount of funds reasonably calculated to be derived by the tax rate established herein, increased by the other revenues generated by the municipality.”** This will promote an incentive to increase the tax base while looking for inventive ways to save money, instead of the easy way out by just raising property taxes.

A Spending Cap, while sounding good, allows for as much money as needed to be raised by property taxes to reach a set goal in the total budget increase. As shown below it can be twice as much as a Property Tax and Spending Cap. City government would get increased spending, regardless of performance, paid for by an increase in the Property Tax Rate to meet their spending goal. City government will push for a Spending Cap because it is the easiest way to get more money. (If it was you spending someone else’s money, wouldn’t you rather have a percentage of \$89.9 million rather than a percentage of \$18.81?) A Spending Cap will get you to an \$8,000 property tax bill twice as fast as a Property Tax Cap and Spending Cap as shown by the examples below.

If the Property Tax Rate Cap and Spending cap were already in place and all the money for the spending cap came from the same property tax base used for the 2007 tax rate, the chart below shows the differences in the property tax increase for this year.

A house assessed at :	Property Tax & Spending Cap	Spending Cap Only	City Manager Proposed
\$100,000 would see a property tax increase of	\$77.00	\$158.00	\$399.00
\$150,000 would see a property tax increase of	\$115.50	\$237.00	\$598.00
\$200,000 would see a property tax increase of	\$154.00	\$316.00	\$798.00
\$250,000 would see a property tax increase of	\$192.50	\$395.00	\$998.00
\$300,000 would see a property tax increase of	\$231.00	\$474.00	\$1197.00

The National Consumer Price Index-All for the last six years.

2002	2.4%
2003	1.9%
2004	3.3%
2005	3.4%
2006	2.5%
2007	4.1%

The figures used above were created using information from:

2007 City of Rochester Adopted Budget at 89.9 million

2007 City of Rochester tax rate of \$18.81

Department of Labor- National Consumer Price Index-All 2007 annual rate of 4.1%

This document produced by Cliff Newton and is believed to be approximate and accurate using the above information.