

**Tahawus Tract State Land Purchase:  
Tax Implications for the Town of Newcomb**



The Adirondack Council

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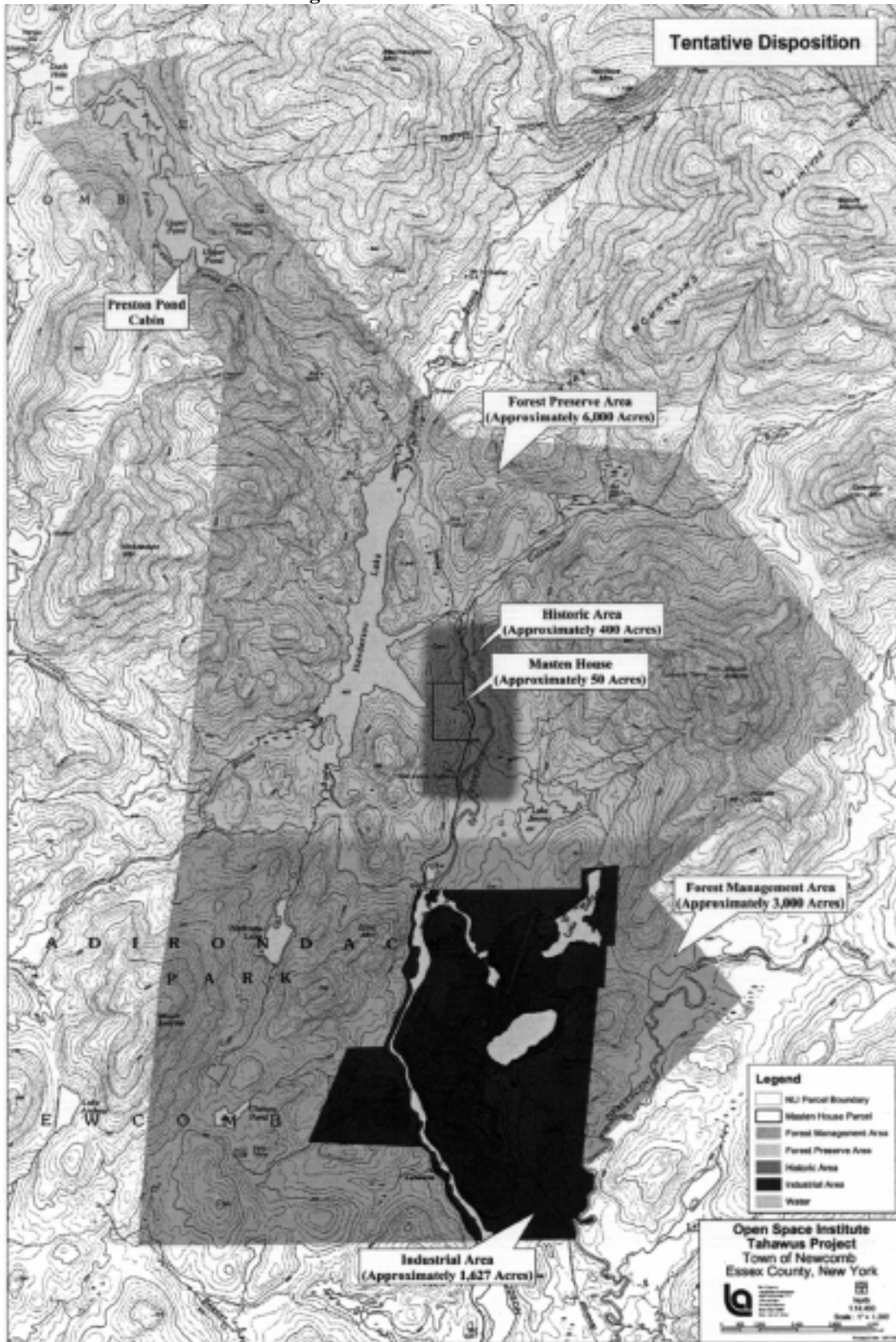
**Summary**

New York State's proposed acquisition of 6,300 acres of land adjacent to the Adirondack High Peaks Wilderness Area will result in a more than \$343,000 increase in the taxable value of lands on the Newcomb tax rolls, and could result in more than \$10,000 annual increase in tax revenue for the town, county and school district.<sup>i</sup>

**Background**

On May 21, 2003 Governor George E. Pataki announced that New York State had reached an agreement to preserve more than 10,000 acres of land in the heart of the Adirondack Park (See the shaded area in Figure 1)<sup>ii</sup>. The three party agreement will be completed in two phases. In the first phase, approved by the Adirondack Park Agency (APA) in July 2003, the Open Space Institute (OSI), using a loan from the State's Clean Water Revolving Loan Fund, as well as its own funds, will purchase approximately 10,000 acres now owned by National Lead (NL) Industries, a Texas-based mining company. In the second phase, subject to subdivision approval by the APA, OSI will create four parcels from the 10,000 acres including a 6,300 acre parcel intended to be State Forest Preserve, and three private land parcels: one for an historic area, a parcel for the Masten House and one for a private forest management area. Then New York State intends to purchase approximately 6,300 acres from OSI, land that is immediately adjacent to the High Peaks Wilderness Area, for inclusion in the State Forest Preserve.<sup>iii</sup>

Figure 1: Tahawus Tract Purchase



The Adirondack Council anticipates that this property (the lightly shaded area in Figure 1) will be classified as wilderness — or an area where motor vehicles and bicycles are prohibited allowing “visitors exceptional opportunities for solitude in remote forest settings” and unifying it with the High Peaks Wilderness Area.

This State land acquisition will help protect the headwaters of the Hudson River, allow more people to camp near the High Peaks Wilderness, and will have important tax implications for the Town of Newcomb. This report explains these tax implications, and estimates the increased amount of tax revenue. In order to better understand the tax implications of this land deal, the next section of this paper offers a brief introduction to provisions of the State’s Real Property Tax law as they apply to forested lands.

### **Private Lands and the 480-a Tax Exemption**

According to Section 480-a of the New York State Real Property Tax Law, forest landowners, such as National Lead, are eligible to receive property tax breaks of up to 80 percent of their land’s assessed value, provided they manage these forests for ten years using a State-approved management plan. Near the turn of the 20<sup>th</sup> Century, lawmakers created these tax exemptions to provide incentives for maintaining forests over the long-term. If the landowner were taxed at the full value of the property, lawmakers feared the yearly tax burden would create an incentive to harvest trees immediately, and contribute to the degradation of the entire Adirondack Park.

### **State Forest Preserve and Local Property Tax**

Lawmakers also created a provision in the Real Property Tax Law that helps Adirondack local governments. In some Adirondack counties, the State is a major landowner. If the State were exempt from taxation, lawmakers feared that Adirondack residents would unfairly bear the cost of providing services. To keep this from happening, lawmakers required the State to pay property taxes on its holdings.

But unlike private landowners, the State is not eligible for timberland tax abatements on its property. Counties can collect tax on the full -assessed value of State Land. *Therefore, when New York State purchases land in the Adirondack Park from a private landowner, it is very often the case that the taxable value of the land increases, allowing local governments to collect more tax.*

### **Research Questions and Methodology**

This study attempted to answer two questions about how the State’s purchase of the 6,300 acres adjacent to the High Peaks will affect the Town of Newcomb. First, we estimated the change in the taxable value of parcels in the Tahawus tract. Then we estimated the additional tax collected on these parcels.<sup>iv</sup>

Because exact figures on the total acreage under the 480-a program within the 6,300 acres to be included in the Forest Preserve are not available, we assume that two complete tax map parcels (80.00-2-1.000 and 81.00-3-1.000), located in the northernmost section of National Lead’s holdings, will be included in the State’s purchase. We also believe that least a portion of another parcel (90.00-1-2.000) will be part of the sale, but because this parcel had no tax abatements, it is not included in this analysis.<sup>v</sup>

Current tax breaks listed on the rolls for parcel 80.00-2-1.000 and 81.00-3-1.000 are the result of inclusion in the 480-a program.<sup>vi</sup> By eliminating these abatements, we arrived at the new total taxable value. Then we calculated tax by multiplying this new total taxable value by current tax rates for the Town of Newcomb, listed in Appendix A, and dividing by 1,000. An explanation of these calculations is listed below:

Step 1 (Assessed Value – Exemptions = Taxable Value);

Step 2 (Taxable Value x Tax Rates / 1000 = Tax).

### Study Results

Table 1 shows the current taxable value, the Adirondack Council’s estimates of taxable value for the two parcels without abatements, and the percent increase in taxable value.

Parcel ID Number	Current	Estimated	Net Gain
80.00-2-1.000	2,406,086	2,534,989	129,903
81.00-3-1.000	74,383	289,211	214,828
Total	\$2,480,469	2,824,200	<b>\$343,731</b>

As the table makes clear, the combined taxable value of the two parcels increases by more than **\$343,000**, an increase of more than 13.8 percent.

*This increase is significant because the town can choose to use this revenue for additional goods and services. They could also choose to decrease local property taxes to adjust for the change in the tax base.*

Because taxable value on the property has increased, the next question is how much more tax could the Town of Newcomb collect? Table 2 shows how much tax the Town of Newcomb currently receives by category and total tax. The table also shows how much tax the Town could receive based on the change in taxable value of the two parcels.

	Taxable Value	School Tax	County Tax	General	Highway	Fire	Total
Current	2,480,469	30,589	9,082	21,680	9,748	1,360	72,460
Estimated	2,824,200	34,828	10,340	24,684	11,099	1,549	82,501
Difference	\$343,731	4,239	1,259	3,004	1,351	189	<b>\$10,041</b>

As Table 2 makes clear, the Town of Newcomb could receive slightly more than \$10,000 in additional tax revenue every year. For Newcomb schools, this amounts to an increase of 13.86 percent, or \$4,239, from the combined tax collected on the two parcels.

### **Stumpage Fees**

In previous tax analyses of State land acquisitions in the Adirondack Park, officials have expressed concern that analysts did not take the tax on tree cutting into account. Landowners are required to pay a six percent fee on the current market value of the trees cut during the year. This revenue, called the “stumpage” tax, is collected by the County and shared by the town and the local school district. The Essex County Treasurer reported that no stumpage was collected from National Lead properties in 2002. Although the County collected “stumpage” fees of around \$10,000 from all National Lead property in the Town of Newcomb in 2001, it is likely that these trees were cut in the portion of the Tahawus tract to be retained as working forest.<sup>vii</sup> On these lands, the new owner would pay stumpage fees on the trees it cuts. Overall, we estimate the revenue generated from stumpage will remain about the same.

### **Conclusion**

Both tables show that the State’s acquisition of lands in the Adirondacks will benefit the Town of Newcomb. Because New York State must pay property tax on the full taxable value of the land, the Town of Newcomb’s tax base will increase by more than \$343,000, and we estimate the town will receive more than \$10,000 in additional annual tax revenue.

## Appendix A

Town of Newcomb Tax Rates	
Category	Dollars Per Thousand
School	12.33209
General	8.740345
Highway	3.930018
County	3.661351
Fire	0.548416

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### NOTES

<sup>i</sup> Several people patiently answered questions and provided information for this project including: Dan Luciano at the Open Space Institute; Bruce Barnard, at DEC; Bernie Roy at the Essex County Real Property Office, Michael Diskin at the Essex County Treasure's Office; George Canon, Town of Newcomb Supervisor and Lowell Stringer, Chairman of the Town of Newcomb Assessors.

<sup>ii</sup> Map provided by the Open Space Institute.

<sup>iii</sup> We estimate that 6,300 acres is located within three tax map parcels including 80.00-2-1.000, 81.00-3-1.000 and a portion of 90.00-1-2.000.

<sup>iv</sup> The Essex County Real Property Tax Services provided information on parcel acreage, assessed values, exemptions and local and county tax rates.

<sup>v</sup> Per discussions with Mr. Stringer, although portions of the property on 90.00 -1-2.000 were enrolled in 480-a, exemptions have not been listed in the Essex County Real Property tax rolls since 1994. In other words, National Lead has not received a tax break in this property since 1994.

<sup>vi</sup> This report calculates exemptions using "final" exemptions for 2002, instead of "tentative exemptions" because tentative exemptions are subject to change based on landowner appeal.

<sup>vii</sup> From a conversation with Bruce Barnard, DEC Private Lands Services.