



*New York State Assembly, Sheldon Silver, Speaker
Legislative Commission on State-Local Relations
Assemblymember Tim Gordon, Chair*

Special District Defined

What is a special district? The answer varies from different jurisdictional vantage points so as to defy a generic response. As used by the U.S. Census Bureau, other states and even by different agencies within New York State, the term has different meanings. All the special districts discussed throughout *The Legal Framework for Providing Local Government Services* have three features in common. First, each is located in a defined geographic area or “district” within a municipality or, in some cases, more than one municipality. Second, each serves as a funding vehicle and operational means by which certain public improvements and/or services are provided to benefit the inhabitants of the district. And third, real property within the district is subject to a “special” levy or assessment to finance the “special” improvement. While there are many differences among the various kinds of special districts, these features are held in common.

Specifically, the term “special district” in *The Legal Framework for Providing Local Government Services* is based on the definition of special district as provided in subdivision 16 of section 102 of the Real Property Tax Law (RPTL) to mean “a town or county improvement district, district corporation or other district established for the purpose of carrying on, performing or financing one or more improvements or services intended to benefit the health, welfare, safety or convenience of the inhabitants of such district, and in which real property is subject to special ad valorem levies or special assessments for the purposes for which such district was established.” The types of districts included in the definition are school districts, fire districts, fire alarm districts, fire protection districts, joint fire districts, town improvement districts, county districts,

business improvement districts, and districts created by Special Act of the State Legislature, including special district public libraries.

The criterion of a special levy or assessment distinguishes special districts as defined in the RPTL from special districts as defined by the U.S. Census Bureau. The report issued every five years by the U.S. Census Bureau, the *Census of Governments*, defines special district governments based on autonomy to mean “independent, special-purpose governmental units (other than school districts). They exist as separate entities, have substantial fiscal independence, and have administrative independence from general purpose local governments or function for multiple governments.”

The definitions of the RPTL and the U.S. Census Bureau overlap in some cases. Fire districts, for example, are independent, autonomous district corporations governed by an elected board of fire commissioners and as such are included in the U.S. Census Bureau’s definition of special district government. Fire districts assess a special ad valorem levy on real property within the district and are also included in the definition of special district in the RPTL.

Town improvement districts, the most common kind of special district in New York State, are not separate, independent entities, but rather are governed by the town board of the town in which they are established. They are included in the RPTL definition but are not included in the U.S. Census definition.

Publications and other information available from the Office of the State Comptroller provide expert guidance in the establishment and financing of special districts. Even within the Comptroller’s office, however, the term “special district” has various meanings. For example, a video entitled “Everything You Wanted to Know About Special Districts but Didn’t Know Whom to Ask” refers only to town improvement districts and county districts. And the Comptroller’s 2004 Financial Data for Local Governments

includes 20 districts in a “districts” category under Special Purpose Units, but it is not clear what districts are included. These are only two examples of the different meanings attached to the term “special district,” and are referenced here simply to illustrate the need to clarify the use of the term.

Finally, special districts need to be distinguished from various local districts that do not provide services but rather serve as convenient administrative designations of local organization for certain functions, such as: county welfare districts; consolidated health districts, which apportion costs of town and village health services where jointly provided; agricultural districts, which establish bounds of agricultural lands to receive special tax treatment; and soil and water conservation districts, which are involved in conservation practices under Federal, State and local programs.

Special Ad Valorem Levy and Special Assessment

General purpose local governments, i.e., counties, cities, towns and villages, are financed primarily by an ad valorem levy upon **all** taxable real property within the local government to provide general benefit to the **entire** community. “Ad valorem” is a Latin phrase that means “according to value;” thus, an “ad valorem levy” is a tax or fee that is imposed proportionately based upon the **value** of the property benefited. Special districts are financed primarily by a special ad valorem levy or special assessment on taxable real property located **within the district** for municipal improvements or services especially beneficial to the **particular** real property being assessed and beyond benefits conferred by general taxation.

“Special ad valorem levy” as defined in subdivision 14 of Section 102 of the Real Property Tax Law is: “a charge imposed upon benefited real property **in the same manner and at the same time** as taxes for municipal purposes to defray the cost, including operation and maintenance, of a special district improvement or service” Taxes for

municipal purposes are based on a rate per \$1,000 of assessed value of taxable real property. Special ad valorem levy is also referred to as an “ad valorem assessment” and “ad valorem basis.”

“Special assessment” as defined in subdivision 15 of Section 102 of the Real Property Tax Law is: “a charge imposed upon benefited real property **in proportion to the benefit received** by such property to defray the cost, including operation and maintenance, of a special district improvement or service” In apportioning benefit, the municipal governing board may use various criteria, including commercial vs. undeveloped residential property, consumption, assessed value, frontage property, square feet of land, or a combination of these criteria. Special assessment is also referred to as “benefit assessment” and “benefit basis.”

Following is a sample town property tax bill showing ad valorem levies to finance general town purposes, and special ad valorem levies and special assessments to finance special district purposes.

SAMPLE

Town Property Tax Bill

<u>Taxing Purpose</u>	<u>% Change from Prior Year</u>	<u>Taxable Assessed Value or Units</u>	<u>Rates Per \$1,000 or Unit</u>	<u>Tax Amount</u>
County Tax	0.8	\$51,900	10.995192	570.64
Town Tax	0.7	51,900	7.701361	399.70
Highway Tax	0.8	51,900	5.145153	267.03
Chargebacks	19.9	51,900	1.930526	100.19
Ambulance District	14.1	51,900	1.294912	67.21
Fire District	4.0	51,900	2.834170	147.09
Water District Water Use	0.4	75	.804565	60.34 274.53
Sewer District Sewer Use	0.4	75	1.760154	132.01 100.24
Special District Public Library	7.1	51,900	2.557743	132.74
			TOTAL	\$2,251.72
			TAXES DUE	

Note: The county tax, town tax, highway tax and chargebacks are ad valorem levies to finance general town purposes. The district charges are special ad valorem levies and special assessments to finance district purposes.