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Power to Tax: Greater Poughkeepsie Library District v. Town of Poughkeepsie

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POWER TO TAX

N.Y. CONST. art. III, § 1

The legislative power of this state shall be vested in the senate and assembly.

N.Y. CONST. art. XVI, § 1

The power of taxation shall never be surrendered, suspended or contracted away, except as to securities issued for public purposes pursuant to law. Any laws which delegate the taxing power shall specify the types of taxes which may be imposed thereunder and provide for their review. Exemptions from taxation may be granted only by general laws. Exemptions may be altered or repealed except those exempting real or personal property used exclusively for religious, educational or charitable purposes as defined by law and owned by any corporation or association organized or conducted exclusively for one or more of such purposes and not operating for profit.

COURT OF APPEALS

Greater Poughkeepsie Library District v. Town of
Poughkeepsie¹⁷¹⁵
(decided July 8, 1993)

The legislature enacted a statute which created a Library District and set forth a method by which both the Town and City of Poughkeepsie would fund it by levying taxes.¹⁷¹⁶ Appellant, Town of Poughkeepsie, claimed that the statutory funding scheme violated articles III¹⁷¹⁷ and XVI¹⁷¹⁸ of the New York State

1715. 81 N.Y.2d 574, 618 N.E.2d 127, 601 N.Y.S.2d 94 (1993).

1716. *Id.* at 576, 618 N.E.2d at 128, 601 N.Y.S.2d at 95; 1987 N.Y. Laws 524.

1717. N.Y. CONST. art. III, § 1. This provision states: "The legislative power of this state shall be vested in the senate and assembly." *Id.*

1718. N.Y. CONST. art. XVI, § 1. This provision states:

Constitution because the legislature improperly delegated the power to tax, rather than exercising its power to administer taxing.¹⁷¹⁹ Additionally, the Town contended that the statute failed to conform to the Home Rule requirement of article IX of the New York State Constitution¹⁷²⁰ and failed to equalize the tax assessment as provided by article XVI, section 2 of the New York State Constitution.¹⁷²¹ The New York Court of Appeals

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Id.

1719. *Greater Poughkeepsie*, 81 N.Y.2d at 576, 618 N.E.2d at 128, 601 N.Y.S.2d at 95.

1720. *Id.*; N.Y. CONST. IX, § 2(b)(2). This provision states:

[The legislature] [s]hall have the power to act in relation to the property, affairs or government of any local government only by general law, or by special law only (a) on request of two-thirds of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such a membership, or (b), except in the case of the city of New York on certificate of necessity from the governor reciting facts which in his judgment constitute an emergency requiring enactment of such a law and, in such latter case, with the concurrence of two-thirds of the members elected to each house of the legislature.

Id.

1721. *Greater Poughkeepsie*, 81 N.Y.2d at 576, 618 N.E.2d at 128, 601 N.Y.S.2d at 95; N.Y. CONST. art. XVI, § 2. The provision states:

The legislature shall provide for the supervision, review and equalization of assessments for purposes of taxation. Assessments shall in no case exceed full value. Nothing in this constitution shall be deemed to prevent the legislature from providing for the assessment, levy and collection of village taxes by the taxing authorities of those subdivisions of the state in which the lands comprising the respective villages are located, nor from providing that the respective counties of the state may loan or advance to any village located in whole or in part within such county the amount of any tax which shall have been levied

held that the statute unconstitutionally delegated the power to tax, reversing the decisions of the lower courts.¹⁷²²

In 1987, the Greater Poughkeepsie Library District (hereinafter "District"), was created by a statute which called for the Town and City of Poughkeepsie to levy a tax to fund the District.¹⁷²³ A complex formula was used to determine the amounts that each entity would have to contribute.¹⁷²⁴ In 1991, the trustees of the District set forth an annual budget.¹⁷²⁵

The Town refused to pay their share of the amount stating that they could only raise \$423,309.¹⁷²⁶ The statute, however, did not provide authority for the Town to review or reduce the designated contribution.¹⁷²⁷ The District brought an article 78 proceeding in the supreme court to compel the Town to pay their

for village purposes upon any lands located within such county and remaining unpaid.

Id.

1722. *Greater Poughkeepsie*, 81 N.Y.2d at 580, 618 N.E.2d at 130, 601 N.Y.S.2d at 97; N.Y. CONST. art. III, § 1, art. XVI, § 1.

1723. *Greater Poughkeepsie*, 81 N.Y.2d at 576, 618 N.E.2d at 128, 601 N.Y.S.2d at 95.

1724. *Id.* at 577, 618 N.E.2d at 128, 601 N.Y.S.2d at 95. This formula determines the "amounts to be appropriated from the City and Town" by dividing the budget into two categories: 1) "an amount to be funded by real property taxes" and 2) funding from other sources. *Id.* This taxation process is initially done by taxing the City or Town on their proportionate share of "the assessed valuation of property" in the District, and it is referred to as the "apportionment formula" and is subject to the Town's and City's review. *Id.* If the amount is under \$300,000, an appropriation method is used hypothesizing contributions of 60% from the Town and City and 40% from other sources. *Id.* With this formula, the City is responsible for appropriating \$300,000 and the Town 60% of the over-all library budget minus \$300,000. *Id.* at 577-78, 618 N.E.2d at 128-29, 601 N.Y.S.2d at 95-96. If the other sources contribute more than 40%, the Town's contribution is reduced. *Id.* This process is not subject to review by the Town or City. *Id.*

1725. *Id.* at 578, 618 N.E.2d at 129, 601 N.Y.S.2d at 96. The formula hypothesizing contributions was utilized, since under the apportionment formula, the City would have been responsible for less than \$300,000.00. *Id.* As a result, the Town was responsible for \$536,000.00 *Id.*

1726. *Id.*

1727. *Id.*

full share.¹⁷²⁸ Conversely, the Town asserted as an affirmative defense that the “statutory method of determining its required appropriation” was an unconstitutional delegation to the District of the power to tax.¹⁷²⁹

The supreme court converted the proceeding into a declaratory judgment and held that the delegation was not improper and that the Town had a duty to pay its statutory share in full.¹⁷³⁰ The appellate division affirmed and held that the legislature did not improperly delegate its power to tax when it had enacted the statute creating the District.¹⁷³¹ On final appeal, the court of appeals reversed.¹⁷³²

The court of appeals first determined whether the statute itself actually delegated the power to tax or delegated only administrative functions.¹⁷³³ The delegation of administrative functions is constitutionally permissible,¹⁷³⁴ however, the actual power to tax lies solely with the Legislature,¹⁷³⁵ and may not be delegated to administrative agencies or departments.¹⁷³⁶

1728. *Greater Poughkeepsie Library Dist. v. Town of Poughkeepsie*, 187 A.D.2d 703, 704, 590 N.Y.S.2d 285, 286 (2d Dep’t 1992), *rev’d*, 81 N.Y.2d 574, 618 N.E.2d 127, 601 N.Y.S.2d 94 (1993).

1729. *Id.* at 704, 590 N.Y.S.2d at 286.

1730. *Id.*

1731. *Id.*; *see also* *Locust Valley Library v. Board of Education*, 54 Misc.2d 315, 282 N.Y.S.2d 376 (Sup. Ct. Nassau County 1967).

1732. *Greater Poughkeepsie*, 81 N.Y.2d at 577, 618 N.E.2d at 128, 601 N.Y.S.2d at 95.

1733. *Id.* at 578, 618 N.E.2d at 129, 601 N.Y.S.2d at 96.

1734. *Id.*; *see also* *Levine v. Whalen*, 39 N.Y.2d 510, 515, 349 N.E.2d 820, 822, 384 N.Y.S.2d 721, 723 (1976).

1735. N.Y. CONST. art. III, § 1; art. XVI, § 1. *See also* *Sonmax, Inc. v. City of New York*, 43 N.Y.2d 253, 257, 372 N.E.2d 9, 11, 401 N.Y.S.2d 173, 175 (1977) (stating that “[a]ll taxing power in the State of New York is vested in the Legislature”); *United States Steel Corp. v. Gerosa*, 7 N.Y.2d 454, 459, 166 N.E.2d 489, 491, 199 N.Y.S.2d 475, 478 (1960) (stating that “the State Legislature has the exclusive power to tax”).

1736. *See* *Brooklyn Children’s Aid Soc’y v. Prendergast*, 166 A.D. 852, 861, 151 N.Y.S. 720, 728 (2d Dep’t) (stating that taxation is legislative in nature and may not be delegated), *aff’d*, 215 N.Y. 705, 109 N.E. 1066 (1915); *Gautier v. Ditmar*, 204 N.Y. 20, 29, 97 N.E. 464, 468 (1912) (“taxation is the most delicate and highest attribute of sovereignty and cannot be delegated”) (citations omitted).

The court of appeals has found that “it would be incompetent for the Legislature to leave to a state officer or department the power to determine whether a tax should be levied, or at what rate, or upon what property.”¹⁷³⁷ Thus, if the District was held only to have administrative powers, then the delegation would have been constitutional, and the analysis would need not go any further. If, however, the District was found to have the power to tax, then the second part of the analysis would be to determine if the delegation was improper or whether it fell within constitutional guidelines.¹⁷³⁸

The court, in fact, found that the District only had administrative powers in taxing the City, because the legislature was found to have set a fixed amount and rate for the City to be administered by the District.¹⁷³⁹ However, the Town’s rate was found to be effected by: (1) the total budget; (2) amounts obtained from other sources; and (3) relative assessed property values within the District.¹⁷⁴⁰ The District, and the District’s trustees, alone, without any input from the legislature, control (1) the total budget and (2) amounts obtained from other sources.¹⁷⁴¹ Thus in effect the District set the tax rate, which constituted more than an exercise of administrative power.¹⁷⁴²

Citing *Gautier v. Ditmar*,¹⁷⁴³ the District argued that since the Town’s effective tax rate is capped, they are not exercising taxing power.¹⁷⁴⁴ Nevertheless, the court found this logic was faulty, since *Gautier* concerned “the interest rate on unpaid taxes, not the tax rate itself.”¹⁷⁴⁵ Additionally, in *Gautier* a maximum cap was fixed by the Legislature but in the present case, a

1737. *Gautier*, 204 N.Y. at 28, 97 N.E. at 467.

1738. *Greater Poughkeepsie Library Dist.*, 81 N.Y.2d at 578, 618 N.E.2d at 129, 601 N.Y.S.2d at 96.

1739. *Id.* at 579, 618 N.E.2d at 129, 601 N.Y.S.2d at 96.

1740. *Id.*

1741. *Id.*

1742. *Id.*

1743. 204 N.Y. 30, 97 N.E. 464 (1912).

1744. *Greater Poughkeepsie Library Dist.*, 81 N.Y.2d at 579, 618 N.E.2d at 129, 601 N.Y.S.2d at 96.

1745. *Id.* at 579, 618 N.E.2d at 129-30, 601 N.Y.S.2d at 96-97.

variable cap, which the District had control over, was utilized.¹⁷⁴⁶ Thus, the court of appeals found there to be a delegation of taxing power to the District.¹⁷⁴⁷

Next the court addressed whether such delegation was within constitutional guidelines.¹⁷⁴⁸ Despite the constitutional provision that the power to tax lies solely with the legislature, there is a narrow exception that allows the taxing power to be delegated to legislative bodies of municipalities and quasi-municipal corporations.¹⁷⁴⁹ This exception, however, does not apply to administrative agencies.¹⁷⁵⁰ To be more precise, only municipal corporations¹⁷⁵¹ and district corporations¹⁷⁵² have been found by the courts to qualify under the narrow exception and thus have the authority to exercise the kind of governmental powers warranting delegation of the power to tax.¹⁷⁵³

The New York Constitution, article VIII, section 3,¹⁷⁵⁴ however, "limit[ed] the creation of municipal and district corporations to counties, cities, villages, towns, school districts, fire districts and certain conservation districts."¹⁷⁵⁵ The

1746. *Id.* at 579, 618 N.E.2d at 130, 601 N.Y.S.2d at 96.

1747. *Id.* at 579, 618 N.E.2d at 129, 601 N.Y.S.2d at 97.

1748. *Id.* at 580, 618 N.E.2d at 130, 601 N.Y.S.2d at 98.

1749. *Id.*; *Foss v. City of Rochester*, 65 N.Y.2d 247, 253, 480 N.E.2d 717, 720, 491 N.Y.S.2d 128, 131 (1985). The *Foss* court stated that "the legislature has delegated the authority to tax to local legislative bodies . . . to be exercised by them within prescribed discretionary limits." *Id.*

1750. *Greater Poughkeepsie*, 81 N.Y.2d at 580, 618 N.E.2d at 130, 601 N.Y.S.2d at 98; see, e.g., *Gautier*, 204 N.Y. at 27, 97 N.E. at 467.

1751. GEN. CONST. LAW § 66(2) (McKinney Supp. 1994). The statute states that "[a] 'municipal corporation' includes a county, city, town, village and school district." *Id.*

1752. GEN. CONST. LAW § 66(3) (McKinney Supp. 1994). The statute describes a "district corporation" as any other territorial division of the State "which possesses the power to contract indebtedness and levy taxes or benefit assessments upon real estate or require the levy of such taxes or assessments." *Id.*

1753. *Greater Poughkeepsie*, 81 N.Y.2d at 580, 618 N.E.2d at 130, 601 N.Y.S.2d at 98.

1754. N.Y. CONST. art. VIII, § 3.

1755. *Greater Poughkeepsie*, 81 N.Y.2d at 581, 618 N.E.2d at 131, 601 N.Y.S.2d at 98.

limitation was intended to prevent “the further development of overlapping, independent taxing units.”¹⁷⁵⁶ As a result, special districts are treated more like administrative departments.¹⁷⁵⁷ “Special districts are still widely used today for creating and funding local services, but are subject to control by the municipal corporations they serve.”¹⁷⁵⁸

In recent years, of the twenty six special library districts that have been created to either limit or expand financial support to more than one municipality, none has been delegated the power to tax.¹⁷⁵⁹ The court concluded that a library district must be treated as an administrative department, rather than as an independent governmental unit primarily because it fails to provide for accountability to the legislature and voters.¹⁷⁶⁰ Since an administrative department may not be delegated the power to tax, the statute was deemed to be unconstitutional.¹⁷⁶¹

1756. *Id.*

1757. *Id.* at 582, 618 N.E.2d at 131, 601 N.Y.S.2d at 98.

1758. *Id.*

1759. *Id.*

1760. *Id.* Special library districts cannot be created as fully autonomous entities because they appoint, rather than elect their trustees. *See, e.g., Gaynor v. Marohn*, 268 N.Y. 417, 422, 198 N.E. 13, 16 (1935). Moreover, the districts have no legislative control whatsoever, and allow no voter input. *Greater Poughkeepsie*, 81 N.Y.2d at 582-83, 818 N.E.2d at 132, 601 N.Y.S.2d at 99.

1761. *Id.*

