

**New York State Department of Environmental Conservation  
Division of Lands & Forests, Bureau of Private Land Services**

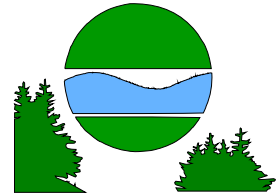
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**RAY BROOK OFFICE**

**SUBJECT:**

**DATE:**

**480A SNOWFLAKE # 01**

**HOW TO FIGURE PENALTIES ON 480A LANDS**

**Updated 05/01/2007**

I've received quite a number of questions on how to figure penalties on lands that are being removed, for one reason or another, from 480a. I am writing this to help illustrate how the process should be undertaken. This is my understanding, at present, on how these computations should be performed.

There are three subsections in Section 480a of the Real Property Tax Law (RPTL) that deal with these penalties directly. These are Subsections 7.(c), 7.(d), & 7.(e). Subsection 7.(c) sets the interest rate that will be charged to penalties, Subsection 7.(d) sets the penalty if the property is totally removed from 480a and Subsection 7.(e) sets the penalty if only a portion of the property is removed from the law. I have enclosed a photocopy of those subsections. If you need a copy of the law, contact me and I will forward one to you. All information given here will be based on these subsections (of course!)

Essentially the law states that, to figure the penalty on a piece of property that is to be removed from §480a RPTL, go back to the first year of enrollment, up to 10 years maximum. Compute the tax savings that the landowner had due to the §480a exemption for that year and multiply that figure by 2.5. To this is added the interest for that year, which, as stated in §480a is a minimum of 12%, accrued, **without compounding**, (this is a change from my previous memo on calculating the penalties - and was provided by an attorney for the NYS Office of Real Property Services) in subsequent years. It can actually be higher than 12% as §984a gives the method of ascertaining the interest rate, which essentially says that the Commissioner of Taxation & Finance shall set, on or before July 15 of each year, the interest rate based on US treasury securities. If this rate is higher than 12% then that is the rate to be used. Subsection 7.(e) states that the multiplier factor on partial conversions will be 5 instead of 2.5 and that the penalties are assessed only on the portion removed from 480a. When figuring the assessment, this portion is assessed as it existed under the 480a exemption, not a higher assessment for a "development lot" or other, smaller, higher valued parcel.

I will now use an example of a "landowner" who has run into a slight problem and forced a violation. Several assumptions are being made but real numbers can be inserted in place of the "assumed" ones. This landowner has had 500 acres under the law for five years. (This would also apply to a landowner who may want to liquidate his timber and

wants to get out of the 480a constraints “NOW!”.) His combined property taxes (Town, County, & School), we’ll assume, stayed constant for those five years at \$6.25/acre (as my kids are wont to say - yeah right!). We are also going to assume that the interest rates as set by the Commissioner were constant at 7%. I will the chart below to illustrate (hopefully) how this would work:

<b>EXAMPLE 480a PENALTY CALCULATION</b>					
<b>Year↔ Description↑</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Normal Taxes for Year <sup>1</sup> : (500ac x \$6.25)	\$3,125.00	\$3,125.00	\$3,125.00	\$3,125.00	\$3,125.00
Taxes w/ 480a: Assuming 80% exemption	\$625.00	\$625.00	\$625.00	\$625.00	\$625.00
Taxes Saved under 480a:	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00
Penalty Factor <sup>2</sup> :	2.5	2.5	2.5	2.5	2.5
Taxes Saved x Penalty Factor:	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00	\$6,250.00
12% Interest x # of Years:	60.00%	48.00%	36.00%	24.00%	12.00%
Interest on above <sup>3</sup>	\$3,750.00	\$3,000.00	\$2,250.00	\$1,500.00	\$750.00
Computed Penalty for Year:	\$10,000.00	\$9,250.00	\$8,500.00	\$7,750.00	\$7,000.00
Running Total of Penalty:	\$10,000.00	\$19,250.00	\$27,750.00	\$35,500.00	\$42,500.00

<sup>1</sup> Total taxes that would have been levied without 480a exemption.

<sup>2</sup> Penalty factor would be 5 for removal of part of a 480a property.

<sup>3</sup> Interest rate set by Commissioner of Taxation and Finance less than 12%.

The figure of \$42,500.00 is the penalty that would have to be paid in order to get out of 480a “immediately” or if there was a violation which removed the property from 480a. If he had not gone under 480a he would have only paid \$15,625.00 in taxes for the 5 years he was under Adding the taxes he did pay plus the penalty the total figure comes to \$45,625.00. The interest rate really is a factor here as you can see if you carry this example out to the maximum 10 years. That results in a penalty of \$103,750.00 (with the taxes added in a total of \$110,000.00)!

By law the calculation of this penalty is the responsibility of the County Treasurer. Obviously they consult with the County Real Property office and the Assessor for the Town (and School District if separate).

I hope that this helps clarify the issue, especially the with use of the chart. These figures and formulas could easily be placed in a spreadsheet for calculation as above.



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