

Guidance on the Implementation of the MCI Abatement in Section 65 of Chapter 20 of the Laws of 2015

- The benefit provides building owners of rent regulated class 2 properties an abatement equal to 50% of the economic loss as a result of changes in the amortization schedule for major capital improvements (MCIs).
- The increase in the amortization schedule for rent regulated buildings with 35 units or less is changed from 7 to 8 years (1 additional year); more than 35 units from 7 to 9 years (2 additional years).
- The formula for determining the amount of the abatement is: $0.5 \times \text{MCI cost} \times ((\text{increase in months in the amortization schedule} - \text{either 12 or 24 months}) / \text{total new amortization period in months} - 96 \text{ months or } 108 \text{ months})$
 - Ex. The property owner replaces a boiler for a building with less than 35 units, which costs the owner \$10,000.
 - $0.5 \times \$10,000 \times (12 \text{ months}) / (96 \text{ months})$
 - $\$5,000 \times 0.125$
 - \$625 is the MCI abatement to the property owner
- The abatement will be granted for MCIs approved by the New York State Division of Housing and Community Renewal (DHCR) after June 15, 2015 according to the new amortization schedule.
- The Department will create an application form for filing for the tax abatement, which will require at a minimum, the amount of the MCI approved by the NYS Division of Housing and Community Renewal and the number of units in the eligible building. The Department will be posting this application form online in the coming months.
- There is no deadline for the submission of the application form. The abatement will be applied in the tax year commencing after the approval of the application, beginning with the 2016/17 tax year commencing on July 1, 2016.

- Qualified properties will be eligible for the abatement for one tax year. The abatement or a portion thereof cannot be carried over to the next year if the abatement reduces the tax liability to an amount below \$0. In addition, the abatement for a specific MCI increase is not renewable in subsequent years.
- The abatement will not reduce or offset any other tax benefit provided, calculated or approved by the city or state.

What is the effect of existing SCRIE/DRIE/J51 abatements on the MCI tax credit? Do those abatements reduce the tax bill against which the MCI tax credit is abated?

SCRIE, DRIE and J51 ultimately reduce a property owner's liability. The MCI abatement will be applied prior to SCRIE/DRIE credits and J-51 abatements since those benefits are carried over to subsequent years and the intent of the MCI abatement is not to reduce other tax benefits.

Is there a deadline for submitting the MCI Abatement application?

The Department will accept all applications submitted by the property owner after the receipt of the order from the New York State Division of Housing and Community Renewal (DHCR), and apply approved applications in the next tax year if the application is received before May 15th. The issue of whether the application will have a filing deadline will be addressed when regulations for the abatement program are prepared. Until regulations are promulgated, all applications will be accepted.

When will the application for the MCI abatement be made available by the Department of Finance?

The online abatement application will be available by February 5, 2016.