

**NEW YORK STATE AND NEW YORK CITY LEGISLATIVE
SUMMARY FOR THE YEAR 2005**

NEW YORK CITY DEPARTMENT OF FINANCE

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2005 NEW YORK STATE AND NEW YORK CITY LEGISLATIVE SUMMARY

The following are brief summaries of New York State and New York City laws enacted during 2005 that affect City taxes and other areas within the Department of Finance's jurisdiction. Citations are provided after each summary for readers who wish to consult the laws themselves.

ECONOMIC DEVELOPMENT INCENTIVES

Lower Manhattan Benefit Programs

Lower Manhattan Retail Space Exempted From Commercial Rent Tax

Beginning December 1, 2005, premises in Lower Manhattan used primarily for selling tangible goods directly to the ultimate consumer are exempt from the commercial rent tax.

- Chapter 2 (Part A), NYS Laws of 2005

Tenants in World Trade Center Area Exempted From Commercial Rent Tax

Beginning August 30, 2005, all tenants in the "World Trade Center Area," as delineated in the law, are exempt from the commercial rent tax.

- Chapter 2 (Part A), NYS Laws of 2005

Lower Manhattan Commercial Rent Tax Reduction Program Expanded

The existing commercial rent tax special reduction program for Lower Manhattan has been liberalized for leases (other than subleases) that commence on or after July 1, 2005 but before July 1, 2009, and have a term of at least five years. For such leases, the benefit is available for space in any non-residential or mixed-use building south of Canal Street, regardless of when it was constructed or received its certificate of occupancy. The new provision allows a base rent reduction for the first five years of the lease term. The first year's reduction equals the full rent paid for the year; for each of the following four years, the reduction equals the lesser of the first year's rent or the actual rent paid during such year. Unlike the current program, the new benefit is not reduced during the last two years of the benefit period.

- Chapter 2 (Part A), NYS Laws of 2005

Sales Tax Exemption Granted For Purchases Related to Lower Manhattan Commercial Office Space

As part of a package of incentives to encourage businesses to locate in Lower Manhattan, State and City sales tax exemptions have been adopted for tangible personal property and related installation services purchased by a tenant or landlord, and for tangible personal property purchased by a contractor or repairperson, for use directly and exclusively to furnish, equip, alter or improve leased commercial office space in Lower Manhattan. Generally, the exemption applies only where the property is to become an integral component part of the building; however, except for purchases by contractors or repairpersons, this restriction does not apply if the office space is in the World Trade Center site, the World Financial Center or the Battery Park City area. (However, in no case is the exemption available for property used to construct or expand a building.) To qualify for the exemption, the lease must be for at least 10 years beginning on or after September 1, 2005, and purchases must be made on or after that date but during the first year of the lease. The new exemption contains various other provisions, including special rules for existing tenants in the area and sunset dates.

- Chapter 2 (Part C), NYS Laws of 2005

Lower Manhattan REAP Business Tax Credit Extended to Additional Firms

The City's Relocation and Employment Assistance Program (REAP) provides tax credits against the general and banking corporation taxes, the unincorporated business tax and the utility tax, for relocating and adding employees at qualifying premises in designated areas of the City. In 2004, a \$3,000-per-employee credit was made available to eligible firms relocating to Lower Manhattan (for this purpose, roughly the area below Houston Street). Under 2005 amendments, the Lower Manhattan REAP (LMREAP) credit is extended to taxpayers referred to as Special Eligible Businesses (SEB's). An SEB is a firm whose purchase contract or lease for eligible space is entered into after June 30, 2005, and that had employees in Manhattan before its relocation, a disqualifying condition under the preexisting LMREAP. In order to be eligible for the credit, an SEB must actually relocate to eligible premises at least 250 employees or a sufficient number of employees to increase its payroll in the City by 25 percent, whichever is less. Various limits apply in determining the number of jobs that are eligible for the credit, including, in years following the year of relocation, limits on the number of qualifying jobs added through expansion rather than relocation.

- Chapter 2 (Part E), NYS Laws of 2005

Lower Manhattan Energy Program Extended

The sunset date for new applicants to qualify for benefits under the City's Lower Manhattan Energy Program has been extended from July 1, 2005 to July 1, 2007. Under this program, energy suppliers sell discounted energy to eligible businesses and are reimbursed for their foregone revenue by means of credits against their City utility taxes.

(As mentioned in the following section, the Energy Cost Savings Program, generally available in Upper Manhattan and the other boroughs, has also been extended.)

- Chapter 149, NYS Laws of 2005

Sunset Date Accelerated for Lower Manhattan Commercial-to-Residential Conversion Benefit

Section 421-g of the Real Property Tax Law grants tax exemptions or abatements for qualifying conversions of nonresidential buildings into Class A multiple dwellings. A provision that set as one of the qualifying conditions that a Building Department permit for the conversion had to be issued no later than June 30, 2007 has been amended to shorten the deadline by one year, to June 30, 2006.

- Chapter 2 (Part B), NYS Laws of 2005

Other Benefit Programs

Commercial Rent Tax Special Reduction Benefit Extended to Industrial and Manufacturing Space in Manhattan's Special Garment Center District

The commercial rent tax special reduction program that has been in effect in Lower Manhattan since 1995 has been extended to certain premises in Manhattan's Special Garment Center District, as defined in the City's zoning resolution. To qualify for the reduction, the lease for the space must commence on or after July 1, 2005, and the premises must be used for industrial and manufacturing activities involving the assembly of goods to create a different article, or the processing, fabrication or packaging of goods. The reduction is available for up to 120 months.

- Chapter 727, NYS Laws of 2005

Commercial Expansion Program Abatement Benefits Liberalized For Industrial and Manufacturing Tenants

The City's Commercial Expansion Program (CEP) provides benefits to commercial tenants of qualifying space in designated commercial and manufacturing zones, except those in Manhattan below 96th Street. The benefits take the form of real estate tax abatements provided to building owners; the owners are required to pass the savings on to their eligible tenants through rent reductions. Under 2005 statutory amendments, eligibility requirements are eased and benefits are enhanced for new industrial and manufacturing tenants in the designated zones and in the Manhattan Special Garment Center District delineated in the City's zoning resolution. A qualifying industrial or manufacturing firm that enters into a lease for three years or more on or after July 1, 2005 is eligible for a tax abatement/rent reduction for up to 120 months, instead of the former 60-month maximum. Existing requirements concerning building size and age do not

apply to the newly eligible firms, and other requirements are eased, including those relating to expenditures for building improvements and employment levels.

- Chapter 727, NYS Laws of 2005

GCT and UBT Relocation Credits Offered For Moves to Industrial Business Zones

For tax years beginning after 2005, a qualifying taxpayer that relocates to an industrial business zone (as designated by the commission established under this new law) where it will engage in industrial and manufacturing activities will be eligible for a one-time refundable credit against the general corporation tax or unincorporated business tax. The amount of the credit is \$1,000 for each full-time employee (or two part-time employees) at eligible premises in the IBZ, but the total credit cannot exceed the lesser of \$100,000 or the actual cost of relocating furniture, fixtures, equipment, machinery and supplies to the premises. The amount of the credit allowed must be added to entire net income to the extent that relocation costs were deducted in the current or preceding tax year. To qualify for the credit, a taxpayer must have engaged primarily in industrial and manufacturing activities at one or more locations either within the City or outside the State for at least 24 months before the relocation, and must relocate to premises within the designated IBZ where it will continue to engage in such activities. In addition, the contract to purchase or lease the relocation premises must be entered into after June 30, 2005.

- Chapter 635, NYS Laws of 2005

Energy Cost Savings Program Extended

The sunset date for new applicants to qualify for benefits under the City's Energy Cost Savings Program has been extended from July 1, 2005 to July 1, 2007. Under this program, energy suppliers sell discounted energy to eligible businesses and are reimbursed for their foregone revenue by means of credits against their City utility taxes. (As mentioned in the preceding section, the Lower Manhattan Energy Program has also been extended.)

- Chapter 149, NYS Laws of 2005

REAL PROPERTY TAX

City Real Estate Tax Payment Rules Revised

Local legislation has implemented the following changes in the rules applicable to the payment of real estate taxes and related charges to the Department of Finance (these changes are described in more detail in Finance Memorandum 05-4, which is available at the Department's website--www.nyc.gov/finance):

¶ For real estate taxes that become due on or after July 1, 2005, payment is required in equal quarterly installments if the property, regardless of its class, is assessed at not more than \$80,000, and in equal semiannual installments if the property is assessed at more than \$80,000. Formerly, a \$40,000 threshold applied to properties in Classes Three and Four. (For cooperative buildings, the threshold is applied based on average apartment value, determined by dividing the building's total assessed value by the number of residential units.) The new \$80,000 threshold will also apply in determining the grace period for payment of real estate tax installments without interest and the interest rate that applies to late payments; in addition, a difference in the treatment of certain taxpayers based on whether the taxes are paid through a mortgage escrow agent has been eliminated.

¶ A new method applies in calculating the discount for prepayment of real estate taxes. The discount is the amount determined by multiplying the "prepaid" amount by the discount percentage. (A discount percentage is to be fixed each year by the City Council; if not set by the Council, a statutory percentage of 1.5 percent will apply.) For quarterly payers: if the full year's tax is paid by July 15, the discount percentage is applied to the total tax; if the final three installments are paid by October 15, two-thirds of the discount percentage is applied to the total of the three installments; and if the last two installments are paid by January 15, one third of the discount percentage is applied to the total of the two installments. For semiannual payers, a discount is allowed only if the full year's tax is paid by July 1; in that case, the discount percentage is applied to the total tax for the year.

¶ The Commissioner of Finance is authorized to promulgate rules that provide a discount, at a percentage up to twice the regular discount percentage, to taxpayers who voluntarily pay their taxes by electronic funds transfer, and, where it is determined to be in the City's best interests, to taxpayers whose annual tax bills exceed \$1 million.

¶ For purposes of certain real estate-related charges collected by the Department of Finance for other City agencies, the interest rate applicable to delinquent real estate taxes on the property will be the rate used in calculating interest for late payment of such charges.

¶ If a real estate tax or charge is marked paid on the Department of Finance's records due to a misapplied payment or other error, and the mistake is later corrected, interest will not be imposed on the restored balance due until the Department sends a bill for the amount due, which states the date by which it must be paid to avoid interest.

- NYC Local Law 62 of 2005

Senior Citizen Rent Increase Exemption (SCRIE) Program Extended to Disabled Persons

A program that exempts limited-income senior citizens from rent increases on their rent-controlled or rent-regulated apartments has been extended to disabled persons, regardless

of age, who satisfy certain requirements. The exemption applies to rent increases that would cause an eligible tenant's rent to exceed one-third of household income. Landlords are compensated for their lost rental income by means of real estate tax abatements. To qualify as a disabled person under the new provisions, an individual must currently be receiving social security disability insurance, supplemental security income, veterans' disability payments, or certain other disability payments under federal law. An income eligibility ceiling is established for disabled persons based on the maximum income eligibility level for cash supplemental security income benefits under federal law. The new benefit (referred to as DRIE) takes effect on October 10, 2005.

- Chapter 188, NYS Laws of 2005 and NYC Local Law 76 of 2005

SCRIE Income Ceiling Increased

The income eligibility ceiling for the senior citizen rent increase exemption program (but not for purposes of the disabled-person benefit described above) has been increased from \$24,000 to \$25,000 beginning July 1, 2005, to \$26,000 beginning July 1, 2006, to \$27,000 beginning July 1, 2007, to \$28,000 beginning July 1, 2008 and to \$29,000 beginning July 1, 2009.

- Chapter 205, NYS Laws of 2005 and NYC Local Law 75 of 2005

Assessment Increases Limited For Additions or Improvements to Small Multiple Dwellings

Beginning with the City assessment roll completed in 2005, new limitations apply to increases in assessments attributable to additions to or improvements of Class Two dwellings containing fewer than 11 residential units. Under the new restrictions, the increase in a property's assessed value due to the additions or improvements is limited to one-third of the increase that would otherwise apply. The remainder of such increase will be subject to existing assessment increase limitations--eight percent per year or 30 percent over five years--that apply to multiple dwellings with fewer than 11 units. The new law does not apply to the construction of new buildings or structures, or in cases in which the work results in a building that contains more than 10 residential units.

- Chapter 711, NYS Laws of 2005

Class Shares Adjusted For City's FY 2006 Real Estate Tax Levy

Article 18 of the Real Property Tax Law requires that the adjusted base proportions of the four real property tax classes in the City (which determine the share of the total tax levy that each class must bear) be revised each year to reflect relative changes in market values, subject to a five-percent limit on the increase in any class's share of the levy. For City FY 2006 only, the five-percent limit on increases has been reduced to two percent.

The measure provides for the issuance of revised real estate tax bills for FY 2006 in place of the bills mailed prior to its enactment.

- Chapter 139, NYS Laws of 2005

Alternative Veteran's Exemption Ceilings Increased

For purposes of the alternative veteran's exemption provided by section 458-a of the Real Property Tax Law, localities have been authorized to increase the dollar ceilings on the exemptions granted. For assessment rolls completed in 2006 and later years, New York City has increased the ceilings to \$54,000 for the basic exemption, \$36,000 for the additional combat zone exemption and \$180,000 for the additional disability exemption. (The City ceilings prior to the change were \$45,000, \$30,000 and \$150,000, respectively.) In addition to authorizing the exemption ceiling increases, State enactment requires that real estate tax bills issued for fiscal years beginning after 2006 must show the full value that each exemption reflected on the bill represents.

- Chapter 256, NYS Laws of 2005 and Local Law 136 of 2005

J-51 Restrictions on Cooperative and Condominium Benefits Lifted For Certain Mitchell-Lama Projects

Under the J-51 program, which provides real estate tax exemptions and abatements for alterations and improvements to qualifying multiple dwellings, benefits are not available to cooperative and condominium buildings whose average assessed value per unit is more than \$40,000. That restriction has been eliminated for limited-profit housing companies organized and operating as mutual companies under Article 2 of the Private Housing Finance Law ("Mitchell-Lamas"), provided they make a binding agreement to remain in the Mitchell-Lama program for at least 15 years from the commencement of J-51 benefits.

- Chapter 275, NYS Laws of 2005

Mitchell-Lama Projects Made Eligible For J-51 Benefits Despite Government Rehabilitation Subsidies

A provision of the J-51 law denied benefits to Mitchell-Lama projects for alterations or improvements financed with grants or loans from a federal, state or local government agency. That provision has been made inapplicable where the housing company signs a binding agreement to remain in the Mitchell-Lama program for at least 15 years following commencement of the J-51 benefits.

- Chapter 279, NYS Laws of 2005

J-51 Rules Liberalized For Work to Remediate Lead-Based Paint Hazards

J-51 benefits for work to eliminate lead-based paint hazards have been extended to cover work in the common areas of a building and in both vacant and occupied apartments. Formerly, only work in an apartment occupied by a child below age seven could qualify. Certain other changes have also been made in the rules concerning abatement of lead-based paint hazards.

- NYC Local Law 74 of 2005

Valuation Cap For Small Claims Assessment Review Procedure Increased

One condition for invoking the small claims assessment review procedure under the Real Property Tax Law is that the property's equalized assessed value may not exceed a specified dollar amount, or if it does exceed that amount, that the reduction requested may not exceed 25 percent of the property's assessed value. Under a recent amendment, the dollar amount specified in this provision has been increased from \$150,000 to \$450,000, effective for small claims assessment review petitions filed on and after July 12, 2005.

- Chapter 215, NYS Laws of 2005

New Standards and Training Requirements Adopted For New York City Assessment Personnel

New York City assessors and professional appraisal staff engaged in assessing real property for tax purposes will be subject to new minimum qualification standards and new training and education requirements as established under rules and regulations issued by the State Board of Real Property Services. As part of its new responsibilities, the State Board is mandated to develop training courses and examinations leading to the certification of assessors. In certain cases, the State Board is authorized to waive training requirements for assessors who are members of, or whose credentials have been recognized by, designated professional assessment organizations. The new requirements take effect April 1, 2006; however, affected personnel are given two years from that date to comply with the training and certification requirements.

- Chapter 139, NYS Laws of 2005

Excluded Area Expanded Under Section 421-a Multiple Dwelling Exemption Program

For purposes of the real estate tax exemption for newly constructed multiple dwellings granted under section 421-a of the Real Property Tax Law, a designated area of Manhattan, referred to as the Manhattan Exclusion Zone, is excluded from the general operation of the program under a special provision of the City's Administrative Code. Effective March 7, 2006, that provision is modified to expand the exclusion zone to

include additional, designated parts of the far west side of Manhattan between 28th Street and 41st Street. (Under the law, developers in the exclusion zone may be eligible for benefits by committing to increasing the housing stock of low- and moderate-income apartments.)

- NYC Local Law 22 of 2005

As-of-Right Section 421-a Benefits Restricted in Greenpoint-Williamsburg Waterfront Area of Brooklyn

Certain projects in the Greenpoint-Williamsburg Waterfront Exclusion Area of Brooklyn (as defined in the law) have been made ineligible for as-of-right multiple dwelling exemption benefits under section 421-a of the Real Property Tax Law; to obtain those benefits, developers will be required to include in their projects specified numbers of affordable housing units and meet certain other conditions. The new requirements are effective June 21, 2005 but do not affect benefits conferred before that date.

- Chapter 110, NYS Laws of 2005

Assessment Methodology Prescribed For Subsidized Residential Rental Property

For assessment rolls completed in 2006 and later years, special rules will apply in determining the assessed value of residential rental property where at least 20 percent of the units are rented to limited-income tenants pursuant to an agreement with a federal, state or local government agency. Among other requirements, the assessed value determination must be based on the income approach as applied to the actual net operating income, after deducting reserves required under any governmental program. In addition, net operating income may not include certain governmental subsidies that are used to offset project development costs in order to provide for lower initial rents.

- Chapter 714, NYS Laws of 2005

Cross Reference: See also real property tax legislation summarized in the Economic Development Incentives section beginning on page 1.

BUSINESS INCOME TAXES

Various Unincorporated Business Tax Rules Revised to Promote Conformity With General Corporation Tax

In an effort to bring the unincorporated business tax into closer conformity with the general corporation tax, the following UBT amendments have been adopted:

¶ For tax years beginning after 2004, the books and records method of allocating business income will no longer be the preferred allocation method under the UBT.

Instead, taxpayers will be required to use the three-factor allocation formula, unless it fails properly to reflect New York City income. A taxpayer that validly used the books and records method for the two tax years before the 2005 tax year may make a revocable election to continue to use that method through its 2011 tax year. For partnerships or other entities making the election, a continuity-of-ownership test must be satisfied for the election to continue during the entire period.

¶ For tax years beginning after 2004, personal property rented to the taxpayer will be included in the property factor of the business allocation formula, and will be valued at eight times the annual rent payable. (Such a rule already applies to rented real property.)

¶ In calculating the receipts factor of the business allocation formula, receipts from the performance of services will be allocated to the City to the extent that the services are performed in the City. (This rule replaces the one that allocates service receipts based on the location of the office out of which the employee performing the services works.) For taxpayers with total gross receipts of less than \$100,000, the new rule applies for tax years that begin on or after July 1, 2005; for those whose gross receipts are under \$300,000, the rule is effective for years beginning on or after July 1, 2006; and for all other taxpayers, it takes effect for years beginning on or after July 1, 2007.

¶ UBT provisions that reduced certain tax benefits related to highly leveraged merger and acquisition transactions have been repealed, retroactive to years beginning on or after January 1, 2000, the effective date of the repeal of comparable general corporation tax provisions.

- Chapter 633, NYS Laws of 2005

Cross Reference: See also business income tax legislation summarized in the Economic Development Incentives section beginning on page 1.

COMMERCIAL RENT TAX

Cross Reference: See commercial rent tax legislation summarized in the Economic Development Incentives section beginning on page 1.

SALES TAX

Clothing/Footwear Exemption Restored For NYC Sales Tax Purposes But Again Suspended For State Sales Tax Purposes and Replaced by Tax Holidays

A state and local sales tax exemption covering items of clothing and footwear costing less than \$110 has been suspended in recent years. However, beginning September 1, 2005, the exemption has been restored for purposes of the City's four percent sales tax. At the same time, the suspension of the state exemption has been continued until March 31,

2006, or, if certain conditions are met, until March 31, 2007. (During the state suspension period, several one-week tax holidays are scheduled.)

- Chapters 285, 241, 61 (Part J) and 63 (Part A), NYS Laws of 2005

Metropolitan Commuter Transportation District Sales Tax Increased

The special sales tax imposed in the twelve-county Metropolitan Commuter Transportation District, which includes New York City, has been increased from .25 percent to .375 percent, effective June 1, 2005. (In 2003, temporary New York State and New York City sales tax increases were adopted, totaling .375 percent. Those increases expired on May 31, 2005; thus, as of June 1, 2005, the combined sales tax rate in New York City, including the MCTD tax, is 8.375 percent.)

- Chapters 61 (Part BB) and 63 (Part A), NYS Laws of 2005

Manhattan Parking Tax Enforcement Provisions Made Permanent

Special rules designed to improve the enforcement of New York State and City sales taxes on Manhattan parking charges, which expired on November 30, 2004, have been reinstated and made permanent. These rules impose special record-keeping and filing requirements on Manhattan parking facility operators and allow State Tax Department staff to enter and observe the business operations at these facilities.

- Chapter 61 (Part R), NYS Laws of 2005

Hotel Room Occupancy Fee Imposed to Fund Improvements to Javits Convention Center

Beginning April 1, 2005, a fee of \$1.50 per day is imposed on the occupancy of every hotel room or suite in the City, except occupancy by a permanent resident (a person who occupies the room or suite for at least 90 consecutive days). The new fee is administered and collected in the same manner as the sales tax on hotel room occupancies. Revenues from the fee will be used to help fund the renovation and expansion of the Javits Convention Center, including the development of one or more hotels around the Center.

- Chapter 3, NYS Laws of 2004 (this chapter was approved at the end of 2004 and was not reported in the 2004 legislative status report)

Energy Produced By Cogeneration Facilities Owned By Certain Cooperative Housing Corporations Exempted From Sales Tax

Metered energy services produced by a cogeneration facility owned or operated by a cooperative housing corporation with at least 1,500 apartments, and sold to its tenants or occupants, are exempt from state and local sales taxes beginning March 1, 2006. To qualify for the exemption, the facility must have been in operation before January 1,

2004, or must be the replacement for such pre-2004 facility. Where the new exemption applies, fuel or other energy sources used to power the cogeneration facility will not qualify for the production exemption otherwise available. (See also the Miscellaneous section of this report for a measure exempting such energy sales from the City utility tax.)

- Chapter 758, NYS Laws of 2005

Waste Material Removal Services Exempted From Sales Tax

Beginning December 1, 2005, the service of removing waste material from a transfer station or construction and demolition debris processing facility regulated by the NYS Department of Environmental Conservation is exempted from state and local sales taxes, provided the waste material was not generated by the facility.

- Chapter 321, NYS Laws of 2005

Residential Solar Energy Installations Exempted From State Sales Tax

Beginning September 1, 2005, the sale and installation of residential solar energy systems equipment are exempted from state sales tax. Localities, including the City, are given the option of adopting the same exemption for local sales tax purposes.

- Chapter 306, NYS Laws of 2005

State-Chartered Credit Unions Exempted From Sales Taxes

Under federal law, federally-chartered credit unions are exempted from state and local sales taxes. Legislation has been enacted to exempt state-chartered credit unions from New York State and local sales taxes, effective March 1, 2008. As an interim measure to encourage federally-chartered institutions to convert to a New York charter, beginning March 1, 2006 federal credit unions may convert and maintain their exempt status for state and local sales tax purposes.

- Chapter 591, NYS Laws of 2005

Coin-Operated Car Wash Exemption Expanded

The state and local sales tax exemption for coin-operated car wash services, which required that the washing, waxing or vacuuming equipment be operated by the customer, has been modified to cover such services performed by automated equipment without assistance by the customer. The modification is effective December 1, 2005.

- Chapter 528, NYS Laws of 2005

Partial Sales Tax Exemption for Amusement Park Admission Charges Extended

A partial sales tax exemption on amusement park admission charges, which had been set to expire on April 1, 2005, has been extended until October 1, 2006. The exemption, equal to 75 percent of the admission charge, applies where the admission fee entitles patrons to ride at least 75 percent of the park's rides at no extra cost.

- Chapter 14, NYS Laws of 2005

Cross Reference: See also sales tax legislation summarized in the Economic Development Incentives section beginning on page 1.

MISCELLANEOUS

Expiring City Tax Authorizations Extended

Various state laws, some dating back to the 1970's, have enabled the City to impose or increase the rates of certain taxes, but have been subject to sunset provisions that must be extended periodically. Those laws, which were set to expire at the end of 2005, have been extended until the end of 2008. The affected taxes and rates are:

¶ the current higher rate tables for the City resident personal income tax, which specify a maximum rate of 3.2 percent, and the 14 percent personal income tax surcharge;

¶ the City minimum personal income tax and the current higher minimum income tax rate of 2.85 percent;

¶ the current higher City cigarette tax rate of \$1.50 per pack;

¶ the special City sales tax on credit rating and credit reporting services;

¶ the special City sales tax on certain personal services, such as beauty, barbering, manicuring and health salon services and services sold by weight control and gym facilities; and

¶ the higher rates of the City general corporation tax, currently 8.85 percent on taxable income, 1.5 mills on business and investment capital, .75 mill on subsidiary capital and a \$300 fixed-dollar minimum tax.

- Chapter 636, NYS Laws of 2005

Metered Sales to Tenants of Energy Produced by Certain Cooperative Housing Corporations Exempted From City Utility Tax

Beginning January 1, 2006, metered sales of energy to tenants of certain cooperative housing corporations are exempted from the City utility tax. The exemption applies to cooperative corporations with at least 1,500 apartments that own or operate a cogeneration facility that was in place before January 1, 2004 (or that replaces such a facility), and that make metered sales of the energy produced to the development's tenants or occupants. (See also the Sales Tax section of this report for a measure exempting such energy sales from state and local sales taxes.)

- NYC Local Law 88 of 2005

State Tax Department Empowered to Seek Offsets of City Tax Refunds Against State Tax Debts

The State Commissioner of Taxation and Finance has been authorized to enter into an agreement with the City Commissioner of Finance under which overpayments of City income and excise taxes can be applied against warranted tax debts owed to the State. (Under legislation enacted in 2004, the City was authorized to claim certain State tax overpayments to satisfy warranted City tax debts.)

- Chapter 61 (Part O), NYS Laws of 2005

State Tax Shelter Voluntary Compliance Initiative Includes City Personal Income Tax

As part of a new State legislative program designed to crack down on abusive tax shelters, a period running from October 1, 2005 to March 1, 2006 has been designated during which taxpayers may avoid substantial new penalties by voluntarily disclosing participation in such shelters and filing amended returns. Although mainly covering New York State taxes, this voluntary compliance initiative also encompasses the City's personal income tax. (Taxpayers that qualify for relief under the State VCI, and that are subject to the City's unincorporated business tax or general or banking corporation tax, may be eligible for a waiver of certain City tax penalties in accordance with Settlement Procedures described in Finance Memorandum 05-7, available at the Department's web site--www.nyc.gov/finance.)

- Chapters 61 (Part N) and 63 (Part A), NYS Laws of 2005

Towing Threshold Increased For Vehicles With Parking Violations Judgments

Effective August 10, 2005, vehicles cannot be towed because of outstanding judgments for parking violations against the owner unless the total amount owed, including interest, is more than \$350. Formerly, the threshold was \$230.

- NYC Local Law 65 of 2005

Cross Reference: See also Economic Development Incentives section beginning on page 1.