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THE CITY OF NEW YORK  
DEPARTMENT OF FINANCE  
OFFICE OF TAX POLICY

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**ANNUAL REPORT  
ON TAX  
EXPENDITURES**

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**FISCAL YEAR 2015**

BILL DE BLASIO, MAYOR • JACQUES JIHA, PH.D., COMMISSIONER

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MAYOR

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REPORT PREPARED BY THE  
OFFICE OF TAX POLICY  
FEBRUARY 2015



## EXECUTIVE SUMMARY

New York City furthers its social and economic objectives through a variety of programs. Some programs are funded by direct governmental appropriations while others are funded by reductions in tax liability and are referred to as “tax expenditures.” This report, mandated by the New York City Charter, identifies and describes tax expenditure programs related to taxes administered by the City and provides tax expenditure estimates based on available data. The City administers approximately 60 real property, business income, and excise tax expenditure programs.

- Tax expenditures related to the real property tax totaled approximately \$5.2 billion in Fiscal Year 2015. Housing and economic development-related incentives comprised 50 percent and 36 percent of real property tax expenditures, respectively. The five largest real property tax expenditure programs accounted for 58 percent of the cost of annual real property tax expenditures.

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**Five Largest FY 2015 NYC Real Estate  
Tax Expenditure Programs**  
(\$ Millions)

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421-a New Multiple Dwellings	\$1,111
Industrial & Commercial Incentive Program	\$686
NYC Housing Authority	\$517
Co-op/Condo Abatement	\$399
Urban Development Corporation	\$272

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- Business income and excise tax expenditures that could be quantified were valued at \$1.1 billion in Tax Year 2011. Many of these programs are designed to foster economic development by, for example, reducing City energy costs for eligible businesses or providing relocation incentives. The five largest business income and excise tax expenditure programs accounted for 87 percent of the quantifiable cost of annual business income and excise tax expenditures.

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**Five Largest TY 2011 NYC Business Income and  
Excise Tax Expenditure Programs**  
(\$ Millions)

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Insurance Corporation Non-Taxation	\$437
Business & Investment Capital Tax Limitation	\$308
Single Sales Factor	\$125
Cooperative Housing Corporation Four-Tenths Mill Rate on Capital	\$35
Regulated Investment Company Management Fees	\$34

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- City sales tax expenditures that could be quantified for Tax Year 2011 were estimated at \$941 million. City-funded personal income tax credits, reported for TY 2012, were worth \$253 million.

This report is organized in several parts that cover tax expenditure programs by tax. Parts II to IV cover the main tax expenditure categories summarized above. Part V summarizes audits and evaluations of City tax expenditures. Appendices provide supplemental information pertinent to City tax expenditures, including estimated average taxes paid per worker and general descriptions of NYC taxes.

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## TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	1
<b>PART I: DEFINITION OF TAX EXPENDITURES</b> .....	3
<b>PART II: REAL PROPERTY TAX EXPENDITURES</b>	
Overview .....	5
Detailed Program Descriptions .....	9
City Programs .....	10
State Programs .....	47
Public Agencies .....	58
<b>PART III: BUSINESS INCOME AND EXCISE TAX EXPENDITURES</b>	
Overview .....	71
Detailed Program Descriptions .....	73
<b>PART IV: NEW YORK CITY TAX EXPENDITURES DERIVED FROM NEW YORK STATE-ADMINISTERED CITY TAXES</b>	
Overview .....	99
Sales Tax Expenditures .....	99
Personal Income Tax Expenditures .....	110
<b>PART V: SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES</b>	
New York City Economic Development Corporation Local Law 62 Report .....	121
<b>APPENDICES</b>	
I. New York City Charter Section 240 .....	123

II. Description of Major New York City Taxes .....	124
III. Average New York City Taxes per Worker .....	129
IV. Real Property Tax Expenditure Statistical Supplement .....	130
<b>INDEX</b> .....	149

## CHARTS

Chart 1	Real Property Tax Expenditures by Purpose .....	6
Chart 2	Real Property Tax Expenditures by Source .....	8

## TABLES

Table 1	City Programs: Real Property Tax Expenditures .....	10
Table 2	City Programs: Real Property Tax Expenditures, Borough Distribution .....	12
Table 3	State Programs: Real Property Tax Expenditures .....	47
Table 4	State Programs: Real Property Tax Expenditures, Borough Distribution .....	48
Table 5	Public Agencies: Real Property Tax Expenditures .....	58
Table 6	Public Agencies: Real Property Tax Expenditures, Borough Distribution .....	59
Table 7	Business Income and Excise Tax Expenditures .....	72
Table 8	Tax Expenditure Estimates for Selected Exemptions from the Sales Tax Base .....	104
Table 9	New York City Personal Income Tax: Components of Adjusted Gross Income .....	114
Table 10	New York City Personal Income Tax: Summary of Deductions and Credits .....	115

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## INTRODUCTION

Tax expenditures are deviations from the basic tax structure that reduce taxes for specific taxpayers or groups of taxpayers. Tax expenditures have traditionally been used to alter the distribution of the tax burden and to create incentives for taxpayers to change economic behavior. They provide economic benefits and are often used as alternatives to direct governmental allocations. The federal government and most states currently produce tax expenditure reports. In New York City, the first annual Tax Expenditure Report was produced in 1990.

The New York City Charter requires the City to provide a full accounting of local tax expenditure programs. Section 240 of the Charter mandates that an annual City tax expenditure report include:

- a comprehensive list of City-specific tax expenditures;
- the citation of legal authority and the objectives and eligibility requirements of each tax expenditure;
- data (as available) on the number and kinds of taxpayers that benefit from City tax expenditure programs and the total value of these programs;
- data on the number and kinds of taxpayers that carry forward tax benefits to future years and the total value of these carry-forwards;
- data (as available) on the economic and social impact of City tax expenditure programs; and
- a list and summary of all evaluations and audits of City tax expenditure programs conducted during the previous two years.

The Fiscal Year 2015 New York City Tax Expenditure Report includes detailed distributional information for City real property tax expenditure programs and, where available, for other tax expenditure programs. Such data are intended to help policy makers evaluate the impact of tax benefit programs.

Part I provides the criteria that define City tax expenditures and the methodology used to identify and estimate the cost of such expenditures. Parts II and III describe tax expenditures for the real property tax and business income and excise taxes, respectively. Part IV describes tax expenditures for the City's sales tax and personal income tax, which are administered by New York State. Part V summarizes audits and evaluations of City tax expenditures that have been conducted during the previous two years.

Appendices provide the text of the main provisions of New York City Charter Section 240, the Finance Department's taxes-per-worker calculations and ranking of industry sectors, and supplemental statistical data for real property tax expenditures.

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## PART I

### DEFINITION OF TAX EXPENDITURES

The definition of a normal tax structure and identification of specific tax expenditures is subjective and controversial. Some proponents of tax expenditure reporting recommend that tax expenditure lists should be as inclusive as possible, encompassing all deductions or credits that reduce the taxable base from 100 percent of income and wealth. Others recommend a more narrow definition, focused on targeted measures that provide preferential treatment. This latter approach assumes that the definition of the taxable entity and the general rate schedule are part of the “normal” tax system.

This report utilizes the more targeted approach. In accordance with City Charter requirements, it identifies provisions of City-administered taxes that are intended to confer special tax benefits. This approach focuses attention on the information needed for local policy evaluation and public accountability.

Tax expenditures are defined as revenue losses attributable to a provision of the tax law that allows a special exclusion, exemption, or deduction or that provides a special credit, preferential rate of tax, or deferral of tax liability. This report classifies a provision of the tax law as a tax expenditure if the following conditions are met:

- City-Specific - The tax expenditure derives from a tax administered by the City.
- Targeted Preference - The tax provision is “special” in that it is targeted to a narrow class of transactions or taxpayers.
- Clear Exception - The tax provision constitutes a clear exception to a general provision of the tax laws.

### Methodology

#### Application of City Tax Expenditure Criteria

Parts II and III of this report cover tax expenditures related to the following City-administered taxes: real property tax, banking corporation tax, commercial rent tax, general corporation tax, real property transfer tax, unincorporated business tax, and utility tax. Part II, which covers the real property tax, includes programs that exist throughout New York State and others that are granted by means of public authorities. Tax expenditures related to the State-administered mortgage recording tax are included in Part III and those derived from the personal income tax and sales and use tax, both City taxes administered by the State, are discussed in Part IV.

Tax exemptions provided to government entities and to non-profit organizations that serve the public at large are not included as City tax expenditures because such exemptions are routinely granted by states and municipalities and generally reflect conformity with federal law.

## Definition of Tax Expenditures

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### Data

Data provided in this report relate to various periods as indicated in the following table. Exceptions are noted where applicable.

Tax	Period Reported
Property Tax	City Fiscal Year 2015 (July 1, 2014 - June 30, 2015) Based on the final assessment roll except where stated otherwise.
Business Income Taxes Sales and Use Taxes Excise Taxes other than Commercial Rent Tax	Tax Year 2011
Commercial Rent Tax	Tax Year 2012 (July 1, 2011 - June 30, 2012)
Personal Income Tax	Tax Year 2012

All estimates are derived from Department of Finance data, except where noted otherwise. Data for Payments-in-Lieu-of-Taxes (PILOTs) are based on Department of Finance data and information provided by the City's Office of Management and Budget.

### Measurement

In Parts II and III, the tax expenditure information provided for each item represents a direct mathematical calculation of the tax revenue foregone.<sup>1</sup> The estimate is not intended to represent the potential revenue gain for the City if the expenditure were eliminated. For example, the absence of a tax expenditure item may lead taxpayers to take advantage of other tax relief programs. In certain cases, the elimination of a tax expenditure item may even result in a revenue loss if the benefit had been stimulating other taxable economic activity. The data provided in this report do not take into account the effect of tax expenditures on the economic behavior of taxpayers or on the City's overall economy.

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<sup>1</sup> For purposes of the real property tax, the calculation is based on the assumption that the City would have sufficient authority under the New York State Constitution's tax limit to levy the tax if property tax exemptions were eliminated.

## PART II

### REAL PROPERTY TAX EXPENDITURES

#### Overview

The City's real property tax, its single largest revenue source, is expected to raise \$20.8 billion, or roughly 43 percent of total tax revenue, in FY 2015. Real property tax programs will provide benefits through 314,348 exemptions and 388,900 abatements.<sup>1</sup> These exemptions and abatements will result in a total tax expenditure of about \$5.2 billion in FY 2015.<sup>2</sup>

The City's property tax programs can generally be categorized as: (1) building-wide incentives for spurring construction; or (2) tax relief to individual homeowners or tenants. The City derives its authority for providing real property tax expenditures from a variety of New York State laws, provisions in the City Charter, the City Administrative Code, and agency regulations. Sunset dates are included for many programs to allow for periodic review of continuing need and, if necessary, to institute revisions in the law. Annual reports are mandated for some programs. Tax expenditures are largely granted and administered by various City agencies. The City also uses State-wide programs and public agencies to provide housing and economic development incentives to the local real estate market.

A statistical appendix provides information on the distribution of housing units by residential exemption program, borough and property type.

#### Tax Expenditure Purposes

Property tax expenditures support residential, commercial and individual assistance programs.

##### Residential

Housing benefits comprised 50 percent of property tax expenditures, with a value of \$2.6 billion in FY 2015. Various programs provide incentives for new construction or rehabilitation of small homes and/or multi-family buildings. Some programs are combined with additional financial assistance to target benefits for low- and middle-income housing. Several housing programs vary benefits on the basis of geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building. The single largest residential incentive program covers Limited-Profit Housing Companies, otherwise known as Mitchell-Lama housing, with about 100,000 units.

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<sup>1</sup>A tax exemption provides relief through a reduction in taxable assessed value. A tax abatement reduces real property tax liability through a credit rather than a reduction in taxable value. A single property may qualify for both an exemption and abatement of taxes.

<sup>2</sup> The School Tax Relief (STAR) program is locally administered through a real property tax exemption. However, it does not qualify as a local tax expenditure because the State bears the cost of the program. Consequently, the STAR program has been excluded from the report.

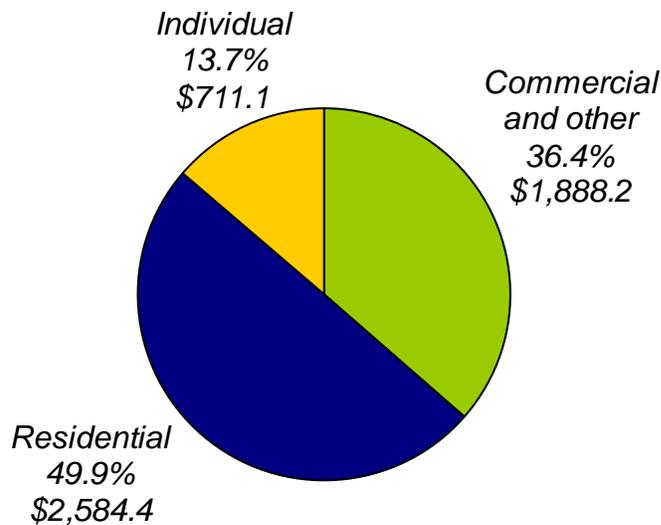
## Real Property Tax

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### Commercial/Other

The value of commercial/other incentives was \$1.9 billion, or 36 percent of total property tax expenditures. Total benefits comprised 18,616 exemptions and 9,740 abatements (including the recently enacted Superstorm Sandy abatement). Properties assisted by the commercial programs range from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs frequently provide more extensive benefits to industrial construction and renovation. (In Chart 1, the commercial category includes the Chrysler Building and certain other tax expenditures; see Table 1.)

**Chart 1**  
**Real Property Tax Expenditures by**  
**Purpose FY2015**  
**Total: \$5,183.7 million**



### Individual Assistance

The smallest real property tax expenditure category, programs for individual assistance, totaled \$711 million. There were 116,057 exemptions that reduced taxes for veteran and senior citizen homeowners, while the Senior Citizen Rent Increase Exemption (SCRIE) provided relief to 57,325 senior citizen renters. Senior citizen programs are based on the income of the qualifying individual who legally owns or occupies the property. The City's Co-op/Condo Abatement Program reduced the FY 2015 tax bills of about 262,000 class two co-op and condo owners by \$399 million.

### **Tax Expenditure Sources**

The major sources of tax expenditures include City and State programs and public agencies. Various State programs are included in this report since the City administers the related exemptions and these programs serve as channels for housing and economic development incentives in the City (see Chart 2, next page).

#### **City Programs**

This category includes local incentives granted directly by the City for housing, commercial development, and individual assistance, and state programs in which participation is at the discretion of the locality. These tax expenditures totaled \$3.1 billion, or 60 percent of all property tax expenditures. Residential incentives accounted for 50 percent of City program expenditures and were valued at \$1.5 billion. Another 27 percent of City program tax expenditures resulted from commercial/other programs, and the remaining 23 percent went to individuals.

#### **State Programs**

These are predominantly residential programs that have many of the same goals as the City programs but are not exclusive to City taxpayers. For these programs, the net tax expenditure is displayed after deducting Payments-in-Lieu-of-Taxes (PILOTs) and Shelter Rent. Of the total \$427 million of property tax expenditures in this category, 86 percent was granted to low- and middle-income housing, with the largest proportion going to Limited-Profit Housing Companies.

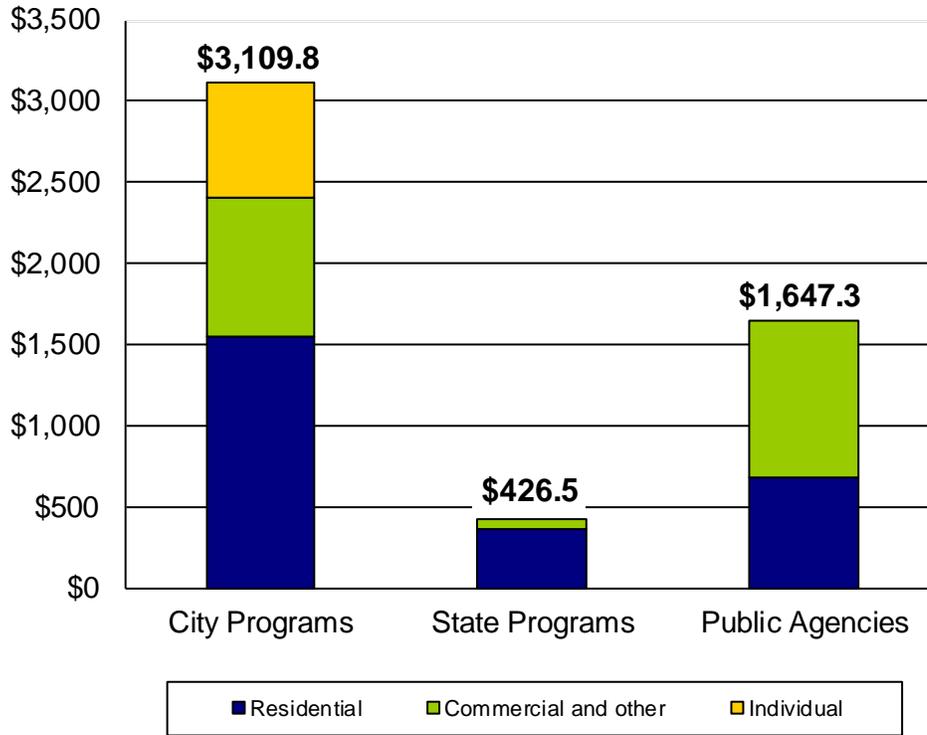
#### **Public Agencies**

Although tax exemptions are granted to all public authorities, the exempt properties included in this report benefit certain taxpayers rather than the public at large. The agencies include the City's Industrial Development Agency, the New York City Housing Authority, the State Urban Development Corporation and the regional Port Authority of New York and New Jersey. Commercial and industrial projects accounted for about \$972 million of the \$1.6 billion in tax expenditures attributable to public agencies. The New York City Housing Authority accounted for about 75 percent of the \$675 million in residential tax expenditures in this category.

# Real Property Tax

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Chart 2  
Real Property Tax Expenditures by Source  
FY 2015  
Total: \$5,183.7 million



## Detailed Program Descriptions

The following sections provide information on tax expenditures within the real property tax. Table 1 lists City programs, with a distribution by borough in Table 2. Similarly, Table 3 covers state programs, with borough analysis in Table 4. Public Agencies are reviewed on a citywide basis in Table 5, with borough analysis in Table 6. Terms are described below.

**Number of Exemptions:** This column provides the number of exemptions under each program. Certain properties may be eligible for more than one exemption, such as the Veterans and Senior Citizen exemptions. As a result, the number of exemptions does not coincide with the number of parcels receiving exemptions.

**Exempt Assessed Value:** Exemptions exclude from the tax rolls a portion of the assessed value, whether the result of new construction (for example, the Industrial and Commercial Incentive Program) or tax relief programs targeted to individuals (Senior Citizen Homeowner Exemption). When a program provides an abatement of property taxes, this column is marked “N/A” and the value of the abatement can be found in the column marked “Tax Expenditures.”

### Tax Expenditures:

*Exemptions:* For exemption programs, expenditures were determined by applying the appropriate tax rates to the exempt values in each category. Exemption categories were analyzed to determine the amount of exemption attributable to each of the City’s four tax classes.

*Abatements:* Abatement benefits are direct dollar offsets to property tax liability. They are often based upon factors that are unrelated to assessed values. For example, an abatement granted to a landlord under the SCRIE program is based upon the cumulative amount of rent increases not collected from eligible senior citizen renters living in the apartment building.

**Residential/Commercial:** In Tables 1, 3, and 5, the number of exemptions, exempt assessed value, and tax expenditure are further detailed between residential and commercial use. The residential category includes those properties designated as tax class one or two. The commercial category includes all others, including properties that combine residential and commercial use.

**Gross Tax Expenditures:** In Tables 3 and 5, gross tax expenditures are determined by applying the appropriate tax rates to the exempt values, using the same methodology that was applied for Tax Expenditures in Table 1, but not accounting for any offsetting revenues.

**Payments-in-Lieu-of-Taxes (PILOTs):** Although exempt from taxation, certain properties may be contractually obligated to make payments to the City. Additionally, certain housing programs require payment of taxes based on a shelter rent formula, defined as gross rent less utility costs. Though available by exemption, this information may not be currently available by property type.

**Net Tax Expenditures:** These values are determined by reducing the gross tax expenditures by applicable PILOTs. Tax abatements, which are credits used to reduce tax liability (rather than assessment reductions), are included in this column.

## Real Property Tax

**Table 1**  
**CITY PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES**  
**Fiscal Year 2015**

Program	Number of Exemptions & Abatements	Exempt Assessed Value <sup>1</sup> (\$ millions)	Tax Expenditure (\$ millions)
<b>HOUSING DEVELOPMENT</b>	<b>220,955</b>	<b>11,534.6</b>	<b>1,610.1</b>
J-51 Exemption	21,747	1,322.7	170.1
Residential	21,720	1,320.6	169.9
Commercial	27	2.1	0.2
J-51 Abatement	114,536	N/A	89.6
Residential	114,486	N/A	88.7
Commercial	50	N/A	0.8
421-a, New Multiple Dwellings	73,594	8,652.1	1,110.7
10-year exemption	16,733	1,997.8	251.2
15-year exemption	36,471	2,321.2	303.1
20-year exemption	278	2,516.6	320.7
25-year exemption	20,112	1,816.4	235.7
Residential	62,874	8,046.3	1,046.0
Commercial	10,720	605.7	64.7
421-b, New Private Housing	3,116	17.2	3.3
HPD Division of Alternative Management	1,015	236.4	30.4
Lower Manhattan Conversion Exemption <sup>2</sup>	2,566	259.5	33.1
Lower Manhattan Conversion Abatement <sup>2</sup>	3,055	N/A	41.3
420-c, Low-Income Housing	1,326	1,046.7	131.6
Rehabilitation of Single-Room Occupancy Housing	0	N/A	0.0
<b>INDIVIDUAL ASSISTANCE</b>	<b>449,179</b>	<b>1,115.2</b>	<b>711.1</b>
Senior Citizen Homeowner Exemption (SCHE)	53,921	679.2	119.5
Senior Citizen Rent Increase Exemption (SCRIE)	57,325	N/A	138.5
Disabled Person Rent Increase Exemption (DRIE) <sup>3</sup>	9,124	N/A	18.6
Veterans Exemption	62,136	373.0	24.0
Low Income Disabled Homeowner Exemption	5,048	62.9	11.1
Physically Disabled Crime Victims Exemption	6	0.1	0.0
Co-op/Condo Abatement	261,619	N/A	399.4

*(continued)*

1 When the program provides an abatement rather than an exemption, this column is marked "N/A".

2 The Lower Manhattan Conversion program was enacted as part of the Commercial Revitalization Program, described later.

3 Revised FY14 DRIE recipients: Citywide, 8,807; Manhattan, 2,681; Bronx, 2,005; Brooklyn, 2,649; Queens, 1,403; Staten Island, 69.

Totals may not add due to rounding.

**Real Property Tax**

**Table 1 (continued)**  
**CITY PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES**  
**Fiscal Year 2015**

Program	Number of Exemptions & Abatements	Exempt Assessed Value <sup>1</sup> (\$ millions)	Tax Expenditure (\$ millions)
<b>ECONOMIC DEVELOPMENT</b>	<b>7,451</b>	<b>6,806.6</b>	<b>759.7</b>
Industrial & Commercial Incentive Program	6,417	6,394.7	685.8
Industrial & Special Commercial	2,112	2,096.8	225.5
All Other Commercial Projects	4,305	4,297.9	460.3
Industrial & Commercial Abatement Program	302	N/A	14.3
Other Commercial & Industrial Programs	732	411.9	59.5
Major League Sports Facilities	1	411.9	44.0
Commercial Expansion Program	731	N/A	15.5
<b>OTHER</b>	<b>8,658</b>	<b>204.6</b>	<b>28.9</b>
Chrysler Building	1	204.6	21.9
"Green Roof" Abatement	0	N/A	0.0
Solar Electric Generating System Abatement	1,285	N/A	3.0
Superstorm Sandy Abatement	7,372	N/A	4.0
<b>TOTAL: CITY PROGRAMS</b>	<b>686,243</b>	<b>19,660.9</b>	<b>3,109.8</b>
Total Residential	210,158	10,926.7	1,544.3
Total Commercial/Industrial	18,248	7,414.4	825.5
Total Individual Assistance	449,179	1,115.2	711.1
Other	8,658	204.6	28.9

# Real Property Tax

**Table 2  
CITY PROGRAMS  
REAL PROPERTY TAX EXPENDITURES BY BOROUGH  
Fiscal Year 2015**

Program	CITYWIDE		MANHATTAN		THE BRONX	
	Number of Exemptions & Abatements	Tax Expenditure (\$ millions)	Number of Exemptions & Abatements	Tax Expenditure (\$ millions)	Number of Exemptions & Abatements	Tax Expenditure (\$ millions)
<b>HOUSING DEVELOPMENT PROGRAMS</b>	<b>220,955</b>	<b>1,610.1</b>	<b>41,322</b>	<b>873.7</b>	<b>101,820</b>	<b>159.5</b>
J-51 Exemption	21,747	170.1	2,341	59.4	13,403	50.0
J-51 Abatement	114,536	89.6	11,952	24.6	83,970	26.9
421-a, New Multiple Dwellings	73,594	1,110.7	20,373	639.1	3,704	47.4
421-b, New Private Housing	3,116	3.3	6	0.0	205	0.2
HPD Division of Alternative Management	1,015	30.4	562	22.2	213	3.6
Lower Manhattan Conversion Exemption	2,566	33.1	2,566	33.1	0	0.0
Lower Manhattan Conversion Abatement	3,055	41.3	3,055	41.3	0	0.0
420-c, Low-Income Housing	1,326	131.6	467	54.1	325	31.3
<b>INDIVIDUAL ASSISTANCE PROGRAMS</b>	<b>449,179</b>	<b>711.1</b>	<b>164,716</b>	<b>375.7</b>	<b>34,382</b>	<b>41.1</b>
Senior Citizen Homeowner Exemption (SCHE)	53,921	119.5	2,249	8.4	4,777	8.7
Senior Citizen Rent Increase Exemption (SCRIE)	57,325	138.5	18,882	49.5	9,921	18.7
Disabled Person Rent Increase Exemption (DRIE)	9,124	18.6	2,805	6.0	2,047	3.2
Veterans Exemption	62,136	24.0	5,749	5.5	4,862	1.5
Low-Income Disabled Homeowner Exemption	5,048	11.1	168	0.6	458	0.8
Phys. Disabled Crime Victims Exemption	6	0.0	1	0.0	0	0.0
Co-op/Condo Abatement	261,619	399.4	134,862	305.6	12,317	8.2
<b>ECONOMIC DEVELOPMENT PROGRAMS</b>	<b>7,451</b>	<b>759.7</b>	<b>1,157</b>	<b>250.2</b>	<b>798</b>	<b>81.3</b>
Industrial & Commercial Incentive Program	6,417	685.8	659	191.0	742	79.1
Industrial & Commercial Abatement Program	302	14.3	28	4.4	39	1.9
Major League Sports Facilities	1	44.0	1	44.0	0	0.0
Commercial Expansion Program	731	15.5	469	10.8	17	0.3
<b>OTHER</b>	<b>8,658</b>	<b>28.9</b>	<b>4,353</b>	<b>24.1</b>	<b>41</b>	<b>0.3</b>
Chrysler Building	1	21.9	1	21.9	0	0.0
"Green Roof" Abatement	0	0.0	0	0.0	0	0.0
Solar Electric Generating System Abatement	1,285	3.0	524	0.3	37	0.3
Superstorm Sandy Abatement	7,372	4.0	3,828	2.0	4	0.0
<b>TOTAL: CITY PROGRAMS</b>	<b>686,243</b>	<b>3,109.8</b>	<b>211,548</b>	<b>1,523.8</b>	<b>137,041</b>	<b>282.2</b>

*(continued)*

## Real Property Tax

**Table 2 (continued)**  
**CITY PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES BY BOROUGH**  
**Fiscal Year 2015**

	<b>BROOKLYN</b>		<b>QUEENS</b>		<b>STATEN ISLAND</b>	
	Number of Exemptions & Abatements	Tax Expenditure (\$ millions)	Number of Exemptions & Abatements	Tax Expenditure (\$ millions)	Number of Exemptions & Abatements	Tax Expenditure (\$ millions)
<b>HOUSING DEVELOPMENT PROGRAMS</b>	<b>52,325</b>	<b>382.9</b>	<b>23,050</b>	<b>185.2</b>	<b>2,438</b>	<b>8.8</b>
J-51 Exemption	5,539	47.6	461	11.9	3	1.1
J-51 Abatement	13,786	25.4	4,340	11.8	488	0.8
421-a, New Multiple Dwellings	31,793	267.6	17,480	153.5	244	3.2
421-b, New Private Housing	474	0.6	735	0.8	1,696	1.6
HPD Division of Alternative Management	233	4.5	7	0.1	0	0.0
Lower Manhattan Conversion Exemption	0	0.0	0	0.0	0	0.0
Lower Manhattan Conversion Abatement	0	0.0	0	0.0	0	0.0
420-c, Low-Income Housing	500	37.0	27	7.1	7	2.1
<b>INDIVIDUAL ASSISTANCE PROGRAMS</b>	<b>87,816</b>	<b>118.6</b>	<b>138,511</b>	<b>153.6</b>	<b>23,754</b>	<b>22.1</b>
Senior Citizen Homeowner Exemption (SCHE)	15,184	34.4	24,707	54.4	7,004	13.4
Senior Citizen Rent Increase Exemption (SCRIE)	16,129	38.4	11,992	31.2	401	0.7
Disabled Person Rent Increase Exemption (DRIE)	2,768	5.8	1,438	3.4	66	0.2
Veterans Exemption	12,735	4.3	26,085	8.6	12,705	4.2
Low-Income Disabled Homeowner Exemption	1,393	3.2	1,843	4.1	1,186	2.4
Phys. Disabled Crime Victims Exemption	2	0.0	1	0.0	2	0.0
Co-op/Condo Abatement	39,605	32.5	72,445	52.0	2,390	1.1
<b>ECONOMIC DEVELOPMENT PROGRAMS</b>	<b>2,619</b>	<b>145.2</b>	<b>2,318</b>	<b>258.4</b>	<b>559</b>	<b>24.5</b>
Industrial & Commercial Incentive Program	2,420	140.7	2,059	250.8	537	24.3
Industrial & Commercial Abatement Program	101	3.3	114	4.5	20	0.2
Major League Sports Facilities	0	0.0	0	0.0	0	0.0
Commercial Expansion Program	98	1.3	145	3.2	2	0.0
<b>OTHER</b>	<b>2,200</b>	<b>1.7</b>	<b>1,078</b>	<b>1.8</b>	<b>986</b>	<b>0.9</b>
Chrysler Building	0	0.0	0	0.0	0	0.0
"Green Roof" Abatement	0	0.0	0	0.0	0	0.0
Solar Electric Generating System Abatement	139	0.6	260	1.3	325	0.6
Hurricane Sandy Abatement	2,061	1.0	818	0.6	661	0.4
<b>TOTAL: CITY PROGRAMS</b>	<b>144,960</b>	<b>648.4</b>	<b>164,957</b>	<b>599.1</b>	<b>27,737</b>	<b>56.3</b>

Note: Totals may not add due to rounding.

## Real Property Tax

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### J-51 Program, Residential Alterations and Rehabilitation

#### Citation

NYS Real Property Tax Law, Section 489  
NYC Administrative Code, Section 11-243

#### Policy Objective

Encourage the rehabilitation of existing residential structures by providing tax exemptions and abatements.

#### Description

J-51 benefits vary based on government involvement in the rehabilitation of the property, its location, and the extent and nature of the improvement.

Government-assisted projects receive enriched benefits, including a tax exemption for 34 years (30 years at full exemption followed by a four-year period of declining exemption) on the increase in assessed value due to renovation or rehabilitation, and an abatement that may equal the actual claimed cost, applied at a rate of 12.5 percent annually, for up to 20 years. Rehabilitation of formerly City-owned buildings receiving substantial government assistance through a program for affordable housing may also receive a 34-year exemption and an abatement of up to 150 percent of the reasonable cost of rehabilitation. In 1993, these enriched exemption and abatement benefits were extended to conversions of class A multiple dwellings and rehabilitation of class A buildings that are not entirely vacant, pursuant to the above conditions.

Properties that undergo renovations that qualify as Major Capital Improvements, such as the replacement of heating, plumbing or roofing systems, installation of new windows, or exterior and parapet wall repainting, may receive an exemption for 14 years (10 years at full exemption followed by a four-year period of declining exemption). Existing taxes may be abated for up to 90 percent of the reasonable cost of rehabilitation, at a rate of 8½ percent per year, for as long as 20 years. Buildings in designated areas of Manhattan below 96th Street are eligible for abatement of taxes on the building assessment, not the land, up to \$2,500 per unit. Moderate rehabilitation projects, where there is a significant improvement to at least one major building-wide system, receive a 34-year tax exemption and an abatement of no more than 20 years for up to 100 percent of the reasonable cost. A major requirement is that the property remains substantially occupied during the rehabilitation.

Rental units must remain under rent regulation during the benefit period. Benefits are also available to cooperatives, condominiums, and Mitchell-Lama housing, with some limitations.

Under 2013 legislation, the deadline for completing projects in order to qualify for J-51 benefits, formerly December 31, 2011, was extended to June 30, 2015. That legislation also added restrictions on benefits for certain projects completed on or after December 31, 2011: (1) with some exceptions, J-51 benefits will not be allowed for alterations or improvements to cooperative or condominium buildings with an average unit assessed value of \$30,000 or more unless the work was carried out with substantial governmental assistance; and (2) no benefits

## Real Property Tax

will be granted for the conversion of a non-residential building into a Class A multiple dwelling unless the conversion was carried out with substantial governmental assistance.

### Distributional Information

In FY 2015, the J-51 program provided 21,747 exemptions and 114,536 abatements to 560,380 units. The exempt assessed value of these properties was \$1,322.7 million. This total exempt value was distributed according to property type as shown in the table below. Additional distributional information appears in Appendix IV.

<b>J-51 Benefits by Property Type</b>				
Property Type	Exemptions		Abatements	
	Units	Exempt Assessed Value	Units	Abatement
1-3 Family	0.3%	0.1%	0.1%	0.5%
Condos	16.4%	23.6%	6.1%	17.2%
Co-ops	8.6%	6.3%	41.9%	23.4%
Rentals	74.0%	69.2%	51.7%	57.6%
Mixed Use	0.5%	0.7%	0.2%	1.2%
	100.0%	100.0%	100.0%	100.0%

### Tax Expenditure

\$259.7 million; consists of \$170.1 million in exemption-related and \$89.6 million in abatement-related tax expenditures.

## **Real Property Tax**

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### **Section 421-a, New Multiple Dwellings**

#### **Citation**

NYS Real Property Tax Law, Section 421-a  
NYC Administrative Code, Sections 11-245, 11-245.1, 11-245.1-a and 11-245.1-b

#### **Policy Objective**

Promote construction of multi-family residential buildings with at least three dwelling units by providing a declining exemption on the new value created by the improvement.

#### **Description**

The Section 421-a Program is used to promote multi-family residential construction by providing a declining exemption on the new value created by the improvement. The program has been amended since its initial enactment in the early 1970's to expand benefits based on location and other qualifying conditions, which include: (a) substantial government assistance; (b) at least 20 percent of the units must be reserved for low- and moderate-income occupants; or (c) participation in the lower-income housing production program. All projects are eligible for exemption during the construction period, but not exceeding three years.

Depending on the area of the City in which the project is located, the date construction commenced and other factors, the project may qualify for a 10-year, 15-year, 20-year, or 25-year exemption following the construction period exemption. Each exemption begins with a period of full exemption on the assessed value of the new construction followed by a period during which the exemption is phased out. Through local legislative action, the City may limit benefits in certain situations.

In 2013, special legislation was enacted to allow 421-a benefits for projects constructed on specifically designated blocks and lots in high density districts of Manhattan where benefits were formerly not permitted, provided the developers meet certain requirements regarding the availability of affordable housing and comply with other statutory conditions. The parcels in question are lots 13 and 14 of block 51, lots 17, 18 and 21 of block 90, lots 7, 8, 10, 11, 57 and 111 of block 1010, lots 33, 34 and 35 of block 1259, and lot 10 of block 123.

In 2014, special legislation was enacted to allow 421-a benefits for a project in the Bronx consisting of unsubsidized dwellings with fewer than four units, provided certain conditions are met. (Generally, multiple dwellings with fewer than four units are eligible for benefits only if they are receiving governmental subsidies for the development of affordable housing.) The project is located on lots 1667 through 1708 and 1801 through 1964 of block 3432.

The 421-a program is administered by the City's Department of Housing Preservation and Development.

Otherwise eligible projects can qualify for 421-a benefits if construction commences before June 15, 2015.

**Distributional Information**

In FY 2015, the City provided 62,874 residential exemptions under the 421-a program. Rental buildings and condominium apartments received a large percentage of these exemptions. Overall, there were 168,622 units receiving tax benefits with an exempt value of \$8,652.1 million. This total exempt value was distributed according to property type as shown in the table below. Additional distributional information appears in Appendix IV.

<b>421-a Benefits by Property Type</b>		
<b>Property Type</b>	<b>Units</b>	<b>Exempt Assessed Value</b>
1 - 3 Family	10.2%	2.1%
Condos	29.9%	33.8%
Co-ops	3.2%	3.2%
Rentals	49.4%	53.3%
Mixed Use	7.3%	7.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Tax Expenditure**

\$1,110.7 million

## **Real Property Tax**

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### **Section 421-b, New Private Homes**

#### **Citation**

NYS Real Property Tax Law, Section 421-b

#### **Policy Objective**

Promote new private home construction by making home ownership more affordable to a larger segment of the population.

#### **Description**

The 421-b program provides a declining eight-year property tax exemption for the construction of one- and two-family homes. There are no geographic restrictions.

As in other programs, the building assessment is exempt during the construction period, not to exceed two years. Thereafter, the property is fully exempt for an additional two years. In the third year, the exemption is reduced to 75 percent and declines by 12½ percent in each subsequent year, until the ninth year when the property becomes fully taxable. The exemption is applicable only to the value of the new construction. During the exemption period, the property owner must pay a minimum tax, which is based on the lesser of: (a) the assessed valuation during the tax year immediately preceding the tax year in which construction was commenced; or (b) in the case of new construction, the assessed valuation of the land appearing on the tax roll in the first year after completion of construction.

The 421-b program has been periodically extended, most recently to projects commenced between July 1, 2002 and June 30, 2006 and completed no later than July 1, 2011.

In 2004, the State legislature expanded the program to include certain owner-occupied multiple dwellings containing up to four dwelling units. To qualify, the multiple dwelling must be in a government-assisted project located on property acquired by the federal government through foreclosure of a federally-insured mortgage and conveyed to an approved owner for rehabilitation pursuant to an agreement with the federal government. In addition, the project must have commenced between July 1, 2002 and June 30, 2006 and been completed no later than July 1, 2008.

#### **Distributional Information**

In FY 2015, the City provided 3,116 exemptions worth \$17.2 million in exempt assessed value. One- to three-family homes in Staten Island accounted for 50 percent of the 4,830 units that received benefits from this program. Additional distributional information appears below and in Appendix IV.

**Real Property Tax**

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**421-b Benefits by Property Type**

Property Type	Units	Exempt Assessed Value
1 - 3 Family	99.6%	98.5%
Condos	0.1%	1.4%
Co-ops	0.0%	0.0%
Rentals	0.2%	0.1%
Mixed Use	0.0%	0.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Tax Expenditure**

\$3.3 million

## **Real Property Tax**

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### **Department of Housing Preservation and Development - Division of Alternative Management Programs (DAMP)**

#### **Citation**

NYS Private Housing Finance Law, Section 577

#### **Policy Objective**

Return City-owned residential properties to private ownership.

#### **Description**

The Division of Alternative Management Programs operates several programs that select alternative managers for residential properties foreclosed by the City for nonpayment of taxes, with the goal of returning these properties to the tax roll. These programs are known as the Community Management Program (CMP), the Tenant Interim Lease Program (TILP), the Private Ownership and Management Program (POMP), and the Urban Homesteading Program. These programs differ in the kind of alternative manager they select.

The CMP selects not-for-profit community housing organizations to manage and upgrade occupied City-owned residential buildings in their neighborhoods. The goal of the program is to sell a building to its tenants as a low-income cooperative for \$250 per unit.

The TILP helps organized tenant associations develop occupied City-owned buildings into economically self-sufficient, low-income tenant-owned cooperatives. The program provides training to the tenant associations, and the rental income is used to cover operating expenses, repairs, and management fees.

The POMP provides private real estate firms an opportunity to manage, repair and eventually purchase occupied City-owned buildings. Firms that pass an initial screening enter into a contract with DAMP, which allocates community development funds and capital budget funds to cover major repairs and the difference between operating costs and rent collections for the first six months. After a year of successful management under City supervision, the building may be sold to the private firm.

Under the Urban Homesteading Program, organized low- and moderate-income families with construction skills can rehabilitate and purchase vacant buildings as low-income cooperatives. Participants receive financial and technical assistance from the City.

Properties sold through DAMP receive certain real property tax breaks on the residential portion of the property for a forty-year period. For properties in the program in FY 1990, the taxable assessed value of the residential portion is equal to \$3,500 per dwelling unit. For properties that have entered the program since FY 1990, the taxable assessed value per unit is subject to the terms of the applicable City Council resolution. Commencing July 1, 1990 and applicable to all properties in the program, the taxable assessed value per dwelling unit is

subject to limited increases of 6 percent annually and 20 percent over any five-year period. Any assessed value in excess of these amounts is fully exempt.

**Distributional Information**

In FY 2015, there were 1,015 DAMP exemptions on properties containing 20,216 units. The total exempt assessed value was \$236.4 million. These benefits were distributed by property type as shown in the table below. Additional distributional information appears in Appendix IV.

<b>DAMP Benefits by Property Type</b>		
<b>Property Type</b>	<b>Units</b>	<b>Exempt Assessed Value</b>
1 - 3 Family	0.1%	0.0%
Condos	0.0%	0.0%
Co-ops	75.3%	75.3%
Rentals	24.4%	24.4%
Mixed Use	0.2%	0.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

**Tax Expenditure**

\$30.4 million

## Real Property Tax

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### Commercial Revitalization Program and Commercial Expansion Program

#### Description

In 1995, at the City's request, the State Legislature enacted the Commercial Revitalization Program designed to increase tenant occupancy in office and retail space in lower Manhattan and in certain other areas of the City and to reduce building obsolescence by encouraging investment in older commercial space or conversion to residential use. The program provides tax incentives through the real property and commercial rent taxes and energy subsidies through the Energy Cost Savings Program.

In 2000, the State Legislature enacted the Commercial Expansion Program in order to promote the development of commercial and industrial areas outside of Manhattan's central business districts.

The components of these programs are listed below. Since some of the components are part of other City tax expenditure programs, more detailed descriptions of program benefits are provided separately, either as part of write-ups on general programs or as stand-alone entries. The detailed write-ups can be found on the pages indicated below.

#### Commercial Revitalization Program: Lower Manhattan

	<u>page</u>
Real Property Tax Abatement <sup>1</sup>	23
Commercial Rent Tax Abatement	78
Energy Cost Savings Program	78
Conversion of Non-Residential Buildings to Residential Use	27

#### Commercial Expansion Program: Special Garment Center District and Designated Areas Outside of Manhattan's Central Business Districts

	<u>page</u>
Real Property Tax Abatement <sup>1</sup>	25
Relocation and Employment Assistance Program (REAP)	81
Industrial and Commercial Incentive Program / Industrial and Commercial Abatement Program	39

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<sup>1</sup> As part of the Commercial Revitalization Program, a tax abatement program was created for commercial leases in selected areas of Manhattan above 96<sup>th</sup> street and the other boroughs. This program (sections 499aa through 499hh of the Real Property Tax Law) was expanded as part of the Commercial Expansion Program.

## Commercial Revitalization Program: Commercial Leases in Lower Manhattan

### Citation

NYS Real Property Tax Law, Sections 499a – 499h

### Policy Objective

Promote more productive use of older commercial properties in Lower Manhattan by stimulating economic activity.

### Description

At the request of the City, the State Legislature enacted the Commercial Revitalization Program in 1995 to promote economic activity in lower Manhattan and certain other areas of the City.<sup>1</sup> The Real Property Tax Abatement Program was, and still is, an integral part of the revitalization strategy to increase tenant occupancy of office and retail space and encourage investment in older commercial space.

The real property tax abatement is granted for space that has been leased (new, renewal, or expansion lease) for office or retail purposes. For leases with a term of five years or more, the abatement lasts for five years. In years one, two and three, the abatement is equal to the tax liability per square foot, not to exceed \$2.50 per square foot, for all leases commencing on or after April 1, 1997. The abatement for years four and five is equal to two-thirds and one-third, respectively, of the abatement initially granted. The program also provides a more limited abatement for leases with a minimum term of three years but less than five years. The abatement in the initial year equals the tax liability per square foot, but not exceeding \$2.50 per square foot. In years two and three, the abatement is equal to two-thirds and one-third, respectively, of the abatement in the initial year. The minimum three-year lease term is an option available only to tenants who employ no more than 125 people at the eligible premises. Tenants employing more than 125 people must sign leases with a minimum term of 10 years.

The program imposes other eligibility requirements as follows:

- The space leased must be located in a non-residential or mixed-use building constructed prior to 1975 and located in the statutorily designated Abatement Zone.
- There are mandatory minimum required expenditures for tenant improvements and/or common areas.
- Pursuant to an amendment enacted in 2014, the lease must be signed within the eligibility period that will end March 31, 2016. Additionally, the benefit period cannot extend beyond March 31, 2022.

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<sup>1</sup> The original Commercial Revitalization Program included a tax abatement program for commercial leases in selected areas elsewhere in the City. This benefit is now part of the Commercial Expansion Program.

## **Real Property Tax**

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In 2006, the program was extended to private elementary or secondary school premises.

### **Tax Expenditure**

See pages 25-26.

## **Commercial Expansion Program: Commercial and Industrial Leases in Special Garment Center District and in Areas Outside Manhattan's Central Business Districts**

### **Citation**

NYS Real Property Tax Law, Sections 499-aa through 499-hh

### **Policy Objective**

Encourage businesses to locate in Manhattan above 96<sup>th</sup> Street (or in the mid-town Special Garment Center District), the Bronx, Brooklyn, Queens, and Staten Island.

### **Description**

This program, originally enacted in 1995, was extended and amended in 2000 as part of the City's Commercial Expansion Program. The program provides a real property tax reduction for space that has been leased (new, renewal or expansion lease) for commercial, office or industrial purposes within Expansion areas — all manufacturing districts and most commercial areas outside Manhattan's central business districts. The tax abatement is passed through to the tenant as a reduction in rent. The program excludes any space occupied or used for retail, hotel or residential purposes.

To be eligible, the premises must be located in a non-residential or mixed-use building with a minimum aggregate floor area of 25,000 square feet. The building and the premises must meet statutory deadlines concerning completion of construction and lease commencement date. Finally, the program requires minimum improvements to the premises, varying by the length of the lease and the number of employees that will be located at the premises.

The program provides the same tax benefits and structure as the Real Property Tax Abatement program under the Commercial Revitalization Program. Qualifying leases with a term of five years or more are eligible for a five-year tax abatement while qualifying leases with a term of at least three years but less than five years are eligible for the three-year benefit.

Under legislation enacted in 2005, the program was liberalized to promote manufacturing and industrial activity within the Expansion areas as well as in the Manhattan Special Garment Center District, as defined in the City's zoning resolution. "Industrial and manufacturing activities" are defined as activities involving the assembly of goods to create a different article, or the processing, fabrication or packaging of goods. A qualifying 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. Space in any non-residential or mixed-use building can qualify for the benefit, regardless of the building's size or when it was constructed. Other program conditions have also been eased for qualifying firms, including those related to expenditures for building improvements and employment levels. In 2006, amendments modified and clarified the 2005 changes. Under 2014 legislation, the end of the eligibility period has been extended from June 30, 2014 to June 30, 2016.

## **Real Property Tax**

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### **Tax Expenditure**

\$15.5 million [real property tax abatements for commercial leases in Commercial Revitalization Program and Commercial Expansion Program areas].

**Lower Manhattan Conversion: Non-Residential Buildings to Residential Use**

**Citation**

NYS Real Property Tax Law, Section 421-g

**Policy Objectives**

To promote more productive use of non-residential buildings in Lower Manhattan

**Description**

Created as part of the Commercial Revitalization Program, section 421-g provides a real property tax exemption on the increase in assessed value due to conversion of non-residential buildings to residential use. The program also provides for an abatement of existing property taxes.

To qualify for tax benefits, the building must be in the statutorily defined Lower Manhattan Abatement Zone and a permit for conversion must be issued between July 1, 1995 and June 30, 2006. If, after conversion, more than 12 percent of the building's aggregate floor area consists of commercial, community facility and accessory use space, the exemption and abatement will be reduced by the difference between the percentage of space so used and 12 percent. If more than 25 percent of the aggregate floor space is used for commercial, community facility or accessory use, the exemption and abatement will be revoked. For the purpose of this statute, "accessory use space" will be deemed not to include home occupation or accessory parking space located not more than 23 feet above the curb level. Notwithstanding any other provision of State or local law relating to rent stabilization, the rents of dwelling units in an eligible building are subject to control while the building is receiving a tax exemption and/or abatement.

The program provides a tax exemption for 12 years, including the first eight years at 100 percent. In the remaining four years, the exemption percentage declines at a rate of 20 percentage points in each year. The tax abatement granted for the first ten years is equal to the property's taxes in its first year of participation in the program. In years 11 through 14 of the abatement period, the abatement percentage is reduced by 20 percentage points each year. If the property has been designated as a landmark prior to completion of conversion, the exemption and abatement periods are increased by extending the 100 percent exemption period to nine years and the full abatement period to 11 years.

**Tax Expenditure**

\$74.4 million; consists of \$33.1 million in exemption-related and \$41.3 million in abatement-related tax expenditures.

## Real Property Tax

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### Section 420-c, Low-Income Housing Exemption

#### Citation

NYS Real Property Tax Law, Section 420-c

#### Policy Objective

Assist nonprofit organizations in providing affordable housing for low-income tenants.

#### Description

The section 420-c program, enacted in 1993, provides a 100 percent exemption from real property taxes for qualifying low-income housing located in New York City. Under 2004 legislation, and applicable to exemption applications approved on or after September 28, 2004, the exemption generally applies to property owned by an entity wholly controlled by a charitable or social welfare organization recognized as exempt under the U.S. Internal Revenue Code, where the property provides housing accommodations to persons and families of low income, participates in or has participated in the federal low-income housing tax credit program, and is subject to a regulatory agreement with the City's Department of Housing Preservation and Development. The exemption terminates upon the expiration or termination of the regulatory agreement. Applications approved prior to September 28, 2004 were subject to different ownership and certain other requirements.

#### Distributional Information

In FY 2015, there were 1,326 Section 420-c exemptions on properties containing 41,797 units. The total exempt assessed value was \$1,046.7 million. An estimated 92 percent of all units were rentals, with most of the remaining units being devoted to other uses such as adult care facilities and homes for the indigent. Additional distributional information appears in Appendix IV.

420-c Benefits by Property Type		
Property Type	Units	Exempt Assessed Value
1 - 3 Family	0.3%	0.1%
Condos	0.0%	0.0%
Co-ops	1.7%	2.1%
Rentals	92.4%	84.3%
Mixed Use	5.6%	13.5%
Total	100.0%	100.0%

#### Tax Expenditure

\$131.6 million

## **Rehabilitation of Single-Room Occupancy Housing**

### **Citation**

NYS Real Property Tax Law, Section 488-a  
NYC Administrative Code, Section 11-244

### **Policy Objective**

Encourage the rehabilitation of existing single-room occupancy housing units.

### **Description**

Dating back to 1980, this program is designed to encourage the rehabilitation of multiple dwellings used for single-room occupancy by providing tax exemption and abatement for eligible improvements to a qualifying building. Eligible improvements include the upgrading or replacement of heating systems, electrical systems, elevators, plumbing, sprinklers, fire escapes and roofing, and other work necessary to meet code requirements. Qualifying buildings can receive tax exemption for 32 years on any increase in assessed value that results from eligible improvements, and an annual tax abatement, for up to 20 years, equal to 12½ percent of the reasonable cost of eligible improvements as certified by the Department of Housing Preservation and Development. The annual abatement cannot exceed the taxes otherwise payable for the year, and the total abatement cannot exceed the lesser of (a) 150 percent of the certified reasonable cost or (b) the actual cost of the eligible improvements.

This program has been extended periodically, most recently to eligible improvements commenced before December 31, 2015 and completed within 36 months from commencement.

### **Tax Expenditure**

None

## Real Property Tax

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### Senior Citizen Homeowner Exemption (SCHE)

#### Citation

NYS Real Property Tax Law, Section 467  
NYC Administrative Code, Section 11-245.3

#### Policy Objective

To provide real property tax relief to elderly homeowners with limited incomes.

#### Description

This program provides a partial exemption of the assessed value of the legal residence occupied in whole or in part by the owner(s) of the property. To qualify for the benefit, the following conditions must be met: (a) all owners must be at least 65 years of age, except that if the property is owned by a married couple or siblings, only one of them must meet the age criterion; (b) combined household income may not exceed specified limits detailed below; and (c) the owner must have held title to the property for a minimum of 12 consecutive months, although exceptions may apply when a qualifying property is sold and a new one purchased. There are two instances in which a property will qualify for SCHE although the qualifying senior citizen does not hold title to the property: (1) the property is held in trust for the benefit of a person or persons who meet the income and age requirements; or (2) the person or persons hold a legal life estate in the property. Eligible tenant-shareholders of cooperative apartments can also claim SCHE benefits. For purposes of this program, the co-op tenant-shareholder is deemed to own that portion of the property represented by his or her proportionate share of the outstanding stock of the corporation. A co-op tenant-shareholder who resides in a dwelling subject to Article II, IV, V, or XI of the Private Housing Finance Law may be eligible for an exemption under the SCHE program if he or she is not eligible for a rent increase exemption pursuant to the Senior Citizen Rent Increase Exemption program. The reduction in taxes realized by the cooperative housing corporation must be credited against the amount of taxes payable by the eligible shareholder. The SCHE exemption applies only to the portion of the property used for residential purposes.

The income eligibility ceiling has been raised several times since the program's inception.

Beginning in FY 2010, a 50-percent exemption is available for homeowners with incomes no greater than \$29,000. For homeowners with incomes between \$29,001 and \$31,999, the tax exemption is reduced by five percentage points for each \$1,000 increment in income above \$29,000. For those with incomes between \$32,000 and \$37,399, the exemption percentage declines by five percentage points for each \$900 increment in income above \$31,999.

The Senior Citizen Homeowner Exemption does not include a sunset provision.

**Distributional Information**

In FY 2015, there were 53,921 exemptions (representing 84,553 housing units) with an exempt value of \$679.2 million. The following table gives a distribution of these households by income range. Additional distributional information appears in Appendix IV.

Percentage Exemption	Income Range	Number of Exemptions	Percent of Total Exemptions	Exempt Assessed Value (\$ millions)
50%	\$0-\$29,000	39,430	73.1%	522.4
45%	\$29,000-\$29,999	817	1.5%	10.0
40%	\$30,000-\$30,999	854	1.6%	9.0
35%	\$31,000-\$31,999	737	1.4%	7.0
30%	\$32,000-\$32,899	606	1.1%	5.4
25%	\$32,900-\$33,799	547	1.0%	3.9
20%	\$33,800-\$34,699	494	0.9%	3.1
15%	\$34,700-\$35,599	492	0.9%	2.3
10%	\$35,600-\$36,499	401	0.7%	1.4
5%	\$36,500-\$37,399	352	0.7%	1.0
	Income Unspecified <sup>1</sup>	<u>9,191</u>	<u>17.0%</u>	<u>113.5</u>
TOTAL		53,921	100.0%	679.2

<sup>1</sup> Senior Citizen Homeowner Exemptions are aggregated for each cooperative building. As a result, incomes cannot be specified for individual apartment owners.

**Senior Citizen Homeowner Exemption  
Benefits by Property Type**

Property Type	Units	Exempt Assessed Value
1 - 3 Family	82.2%	74.6%
Condos	1.8%	4.2%
Co-ops	10.8%	16.7%
Rentals	4.2%	3.5%
Mixed Use	1.0%	1.1%
Total	100.0%	100.0%

**Tax Expenditure**

\$119.5 million

## **Real Property Tax**

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### **Senior Citizen Rent Increase Exemption (SCRIE) / Disabled Person Rent Increase Exemption (DRIE)**

#### **Citation**

NYS Real Property Tax Law, Sections 467-b, 467-c  
NYC Administrative Code, Sections 26-405, 26-406, 26-509, 26-601 to 26-616

#### **Policy Objective**

To eliminate rent increases for elderly and disabled tenants with limited incomes who meet certain income guidelines.

#### **Description**

The Senior Citizen Rent Increase Exemption program (SCRIE) exempts an eligible renter from increases in rent above one-third of total household income. In return, the landlord receives a real property tax abatement equal to the amount of rent forgiven. If the total rent increase exemption applicable to a property exceeds the taxes due, a real property tax refund is granted.

Tenants may be eligible for the SCRIE program if they are at least 62 years old and have a total household income that does not exceed \$29,000. Under legislation enacted in 2014, the SCRIE and DRIE household income eligibility ceilings were increased to \$50,000 for Fiscal Years 2015, 2016 and 2017. (New York State will reimburse the City for the added cost of the SCRIE program, but not the DRIE program, due to the income ceiling increase.) The definition of “income” excludes payments made to individuals because of their status as victims of Nazi persecution as defined in P.L. 103-286. Once tenants qualify for the program, increases in their Social Security income are excluded from the determination of total household income. Furthermore, the tenant must reside in a rent-controlled, rent-stabilized or rent-regulated (such as Mitchell-Lama housing) unit.

Legislation enacted in 2005 extended the SCRIE program to tenants, regardless of age, who qualify as “persons with disabilities.” To qualify as a disabled person, an individual must be receiving social security disability insurance or supplemental security income benefits under federal law (or currently receiving medical assistance benefits based on prior eligibility for SSDI or SSI), or receiving a veterans disability pension or disability compensation benefits. To be eligible for the DRIE benefit, the combined income of all members of the disabled person’s household cannot exceed the maximum income above which he or she would not be eligible to receive cash supplemental security income under federal law.

#### **Tax Expenditure**

SCRIE: \$138.5 million  
DRIE: \$18.6 million

### Veterans Exemption

#### Citation

NYS Real Property Tax Law, Sections 458 and 458-a  
NYC Administrative Code, Sections 11-245.45, 11-245.5, 11-245.6 and 11-245.7

#### Policy Objective

Provide property tax relief to qualified veterans in recognition of their service to the country and community.

#### Description

Partial tax exemptions are granted under two sections of the State Real Property Tax Law. The original program, under Section 458, granted tax exemptions to veterans who had purchased real property using a bonus, pension, or insurance, or compensation received as a prisoner of war. The exemption granted is equal to the amount of eligible funds, not to exceed \$5,000, or, effective July 1, 2015, \$7,500; the property is, however, fully subject to tax for educational purposes. A total exemption of up to \$10,000 is provided, for all purposes, for suitable handicapped-designed housing made necessary as the result of a war-related disability.

A veteran who sells a property that has been granted a section 458 veterans exemption and purchases a new property any time thereafter may be granted a section 458 exemption for the new property, provided such property qualifies for this exemption. The statute requires that the money received from the sale of the first property equal or exceed the amount of eligible funds used for its purchase and that such funds be subsequently used to purchase the second property.

New veterans exemptions are granted under Section 458-a, based upon service rendered. An exemption equal to 15 percent of the property's assessed value is granted to eligible veterans who served during a specified period of war; an additional 10 percent exemption is available to eligible veterans who served in a combat zone; and an additional exemption may be granted to eligible disabled veterans equal to the product of 50 percent of the veteran's disability rating. However, these exemptions are subject to dollar limitations, which were increased in 2005 pursuant to State and local law and became effective with the assessment roll for FY 2006-2007, as follows: (a) the period of war exemption may not exceed \$54,000, or \$54,000 multiplied by the latest class ratio, whichever is less; (b) the combat zone exemption may not exceed \$36,000, or \$36,000 multiplied by the latest class ratio, whichever is less; and (c) the disability exemption may not exceed \$180,000, or \$180,000 multiplied by the latest class ratio, whichever is less. The 458-a exemption does not apply to taxes levied for school purposes.

Section 458 or 458-a exemptions may be granted to properties held in trust for the benefit of a person or persons who would otherwise be eligible for these exemptions but for the fact that they do not hold legal title to the property. Veterans who own and occupy cooperative apartments, except those in Mitchell-Lama developments or other projects subject to Article

## Real Property Tax

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II, IV, V or XI of the State Private Housing Finance Law, are also eligible for a veterans exemption. The property or cooperative apartment must be used exclusively for residential purposes and be the primary residence of the veteran or the surviving spouse who has not remarried. If the property is not used exclusively for residential purposes, the non-residential portions of the property are fully taxable.

### Distributional Information

In FY 2015, there were 62,136 exemptions in this program with a total exempt value of \$373.0 million. These properties represented 80,728 units, which were primarily located outside Manhattan. Queens accounted for 42 percent of total units. These benefits were distributed by property type as shown below. Additional distributional information appears in Appendix IV.

<b>Veterans Benefits by Property Type</b>		
Property Type	Units	Exempt Assessed Value
1 - 3 Family	76.2%	54.4%
Condos	1.4%	4.2%
Co-ops	18.6%	39.6%
Rentals	3.2%	1.4%
Mixed Use	0.6%	0.4%
Total	100.0%	100.0%

### Tax Expenditure

\$24.0 million

## Low-Income Disabled Homeowners

### Citation

NYS Real Property Tax Law, Section 459-c  
NYC Administrative Code, Section 11-245.4

### Policy Objective

To provide real property tax relief to disabled homeowners with limited incomes.

### Description

This program provides a partial real property tax exemption for disabled homeowners whose household incomes do not exceed specified levels. A 50-percent exemption is available where income does not exceed a base amount. A declining exemption, ranging from 45 percent to 5 percent, is available where income exceeds that amount. The income ceilings have been raised periodically. Beginning in FY 2010, the income ceiling for the 50-percent exemption is \$29,000. For purposes of the declining exemption schedule, the income ceiling to qualify for the minimum 5 percent exemption is \$37,399 as of July 1, 2009.

For purposes of the exemption, a person is considered disabled if he or she has a physical or mental impairment which substantially limits such person's ability to engage in one or more major life activities. Major life activities include: caring for oneself, performing manual tasks, walking, seeing, hearing, speaking, breathing, learning and working. The person must: (a) be certified to receive social security disability insurance or supplemental security income benefits; (b) be certified to receive Railroad Retirement Disability benefits; (c) have received a certificate from the State Commission for the Blind and Visually Handicapped stating that such person is legally blind; or (d) be certified to receive a United States Postal Service or Department of Veterans Affairs disability pension.

The property must be used exclusively for residential purposes or only that portion used for residential purposes shall be entitled to exemption. The property must also be the legal residence of and occupied by the eligible disabled person. An exception is permitted where the disabled person is absent while receiving health-related care as an inpatient of a residential health care facility. The exemption is also applicable to eligible owners of cooperative apartments. No parcel that receives an exemption under section 459-c may receive an exemption pursuant to section 467 (Senior Citizen Homeowner Exemption), although in certain cases an eligible homeowner is given the option of choosing whichever exemption is more beneficial.

### Tax Expenditure

\$11.1 million

## **Real Property Tax**

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### **Physically Disabled Crime Victims**

#### **Citation**

NYS Real Property Tax Law, Section 459-b

#### **Policy Objective**

To provide real property tax relief to crime victims or good Samaritans who suffer a disability as a result of a crime.

#### **Description**

State law authorizes the City to provide a tax exemption for the assessed value of improvements made to one-, two- or three-family homes that facilitate and accommodate the use and accessibility needs of physically disabled crime victims or good Samaritans. A qualifying crime victim is a person who personally suffers a physical injury as the direct result of a crime. A good Samaritan is a person who is not a law enforcement officer, but who: (a) apprehends a person who committed a crime or a felony in his or her presence; (b) acts to prevent or attempts to prevent a crime; or (c) assists a law enforcement officer in making an arrest. The qualifying crime victim or good Samaritan must be an occupant of the property for which an exemption is sought and may be the property owner, a member of the homeowner's household, or a resident. The physical disability must be permanent and must substantially limit one or more of the individual's major life activities.

The amount of the exemption is based upon the assessed value of the improvements made to accommodate the physically disabled person. The exemption continues as long as the improvements remain necessary to facilitate and accommodate the use and accessibility of the disabled person.

#### **Tax Expenditure**

Less than \$100,000

**Class Two Cooperatives and Condominiums, Partial Tax Abatement**

**Citation**

NYS Real Property Tax Law, Section 467-a

**Policy Objective**

Provides partial property tax relief to owners or tenant-shareholders of class two condominiums or cooperatives to reduce the disparity in property taxation between residential real property in class one and class two residential property held in condominium or cooperative form of ownership.

**Description**

A program was enacted in 1996 to provide partial tax relief for dwelling units owned by condominium owners or cooperative tenant-shareholders who, as of the applicable taxable status date, own no more than three dwelling units in any one property held in condominium or cooperative form of ownership. Units held by sponsors or their successors in interest are not eligible for the abatement. Additionally, properties that already receive a tax exemption or abatement based upon a State or local law are not eligible for this abatement except in certain specified circumstances.

The abatement program had been scheduled to expire at the end of Fiscal Year 2012 (July 1, 2011 – June 30, 2012), but 2013 legislation extended it until the end of Fiscal Year 2015 and revised the benefits. Before the revision, units with an average assessed value greater than \$15,000 were eligible for an abatement equal to 17.5 percent of the unit’s taxes, while units with an average assessed value of \$15,000 or less were eligible for a 25 percent abatement. Under the revised program, units that are the owner’s primary residence are allowed benefits as follows:

Average Assessed Value of Residential Units	Benefit Amount Per Year		
	FY 2013	FY 2014	FY 2015
\$50,000 or less	25.0%	26.5%	28.1%
\$50,001 - \$55,000	22.5%	23.8%	25.2%
\$55,001 - \$60,000	20.0%	21.2%	22.5%
\$60,001 and above	17.5%	17.5%	17.5%

Beginning with Fiscal Year 2013, a unit that is not the owner’s primary residence is no longer eligible for an abatement; however, if the owner had received an abatement in Fiscal Year 2012, the abatement will be phased out over the next two years through a 50 percent reduction in Fiscal Year 2013 and a 75 percent reduction in Fiscal Year 2014. Thus, beginning in Fiscal Year 2015, the abatement is fully phased out for units that are not the owner’s primary residence.

## Real Property Tax

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### Distributional Information

A total of 35,335 condominium units and 226,284 cooperative apartments benefited from this program in FY 2015. Additional distributional information appears in Appendix IV.

<u>Class Two Coop/Condo Partial Tax Abatement</u>		
<u>Property Type</u>	<u>Units</u>	<u>Abatement</u>
Condos	13.5%	19.1%
Coops	86.5%	80.9%
<u>Total</u>	<u>100.0%</u>	<u>100.0%</u>

### Tax Expenditure

\$399.4 million

## **Industrial and Commercial Incentive Program (ICIP) / Industrial and Commercial Abatement Program (ICAP)**

### **Citation**

NYS Real Property Tax Law, Sections 489-aaaa — 489-llll; 489-aaaaaa — 489-kkkkkk  
NYC Administrative Code, Sections 11-256 — 11-267; 11-268 — 11-276

### **Policy Objective**

Encourage economic development by means of tax exemptions and abatements for construction or rehabilitation of commercial, industrial, or mixed-use structures.

### **Description**

#### **Industrial and Commercial Incentive Program**

The Industrial and Commercial Incentive Program (ICIP) replaced the Industrial and Commercial Incentive Board (ICIB) in November 1984. ICIP differs from the original program in two important respects: 1) benefits are granted on an “as-of-right” basis rather than at the discretion of a board, and are structured to encourage development outside Manhattan’s business districts; and 2) the new program includes clear guidelines regarding the qualifying conditions that determine eligibility for tax exemptions.

#### *Industrial Projects*

ICIP provides tax exemptions and, in some cases, abatements of pre-existing tax liability for industrial construction work. An industrial property is any building or structure in which, after completion of industrial construction work, at least 75 percent of the total net square footage is used or immediately available and held out for manufacturing activities. Unlike commercial projects, the eligibility requirements and benefits for industrial projects are uniform across the City.

The exemption period consists of 16 years in which the increase in assessed value due to the industrial construction work is fully exempt, followed by a nine-year phase-out period in which the exemption percentage is reduced by 10 percentage points each year. To qualify for the exemption, the minimum required expenditure (MRE) is equal to 10 percent of the initial assessed value.

Industrial projects can also qualify for a tax abatement if their MRE is equal to 25 percent of the initial assessed value. The abatement is equal to a percentage of the real property tax imposed on the property for the tax year immediately preceding the effective date of the project’s Certificate of Eligibility and commences in the first tax year immediately following completion of the industrial construction work. In tax years one through four, the abatement percentage is equal to 50 percent; in tax years five and six, 40 percent; in tax years seven and eight, 30 percent; in tax years nine and ten, 20 percent; and in tax years 11 and 12, 10 percent.

## Real Property Tax

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### *Commercial Projects*

With a few exceptions, ICIP benefits are targeted to encourage commercial development in Manhattan above 96<sup>th</sup> Street, the Bronx, Brooklyn, Queens and Staten Island. Through a combination of legislation and designation by the ICIP Boundary Commission, the City has been divided into development areas for the purpose of determining the availability of ICIP incentives.

*1. Excluded Area:* With the exception of benefits for renovation projects and construction of “smart” office buildings, there are currently no ICIP benefits available for commercial construction work in Manhattan below 96<sup>th</sup> Street. Prior to January 1, 1993, a portion of the Excluded Area had been designated as a Deferral Area. As the name implies, the tax liability on the increase in assessed value resulting from commercial construction work for eligible projects in the Deferral Area was postponed, not forgiven. Projects that received deferral benefits are required to repay the obligation in 10 equal installments commencing in the eleventh year following the effective date of the certificate of eligibility.

*2. Renovation Area:* Since February 1, 1995, the eligibility for ICIP benefits has been limited to renovation projects south of 59<sup>th</sup> Street in Manhattan. Renovation construction work encompasses rehabilitation, renovation, expansion or modernization of an existing building or structure. Benefits are structured to provide an exemption equal to 100 percent of the increase in assessed value resulting from the renovation construction work for the first eight years, followed by a four-year phase-out in which the exemption percentage declines by 20 percentage points in each year.

*3. New Construction of “Smart” Office Buildings:* As of December 31, 1996, tax incentives for new construction of “smart” office buildings have been restricted to Lower Manhattan (roughly, the area south of Murray Street). To qualify as a “smart” building, the property must meet certain physical and technological requirements as set forth in the statute. Such projects receive an exemption equal to 100 percent of the increase in assessed value resulting from such construction work for four years followed by a four-year phase-out, declining by 20 percentage points in each year.

The following designations and benefits apply to areas in Manhattan north of 96<sup>th</sup> Street as well as the Bronx, Brooklyn, Queens and Staten Island.

*1. Special Exemption Areas:* These areas are designated by the Boundary Commission based on criteria that indicate such areas need deeper tax incentives to encourage commercial construction work. Special exemption areas also include areas designated as empire zones in accordance with Article 18-b of the General Municipal Law. Projects in special exemption areas receive the same tax exemption as industrial projects, i.e. 16 years of full exemption followed by a nine-year phase-out period.

*2. Regular Exemption Areas:* Areas not designated as Special Exemption Areas are considered Regular Exemption Areas. Commercial projects receive a tax exemption equal to 100 percent of the increase in assessed value for the first eight years following the effective date of the certificate of eligibility. This is followed by a four-year phase-

out period in which the exemption percentage declines by 20 percentage points each year. By year 13, the exemption is fully phased-out.

3. *Revitalization Areas:* The ICIP program was amended as part of the City's Commercial Expansion Program. Within Regular or Special Exemption areas, an area may be designated as a Revitalization Area, which may be any area of the City, except in Manhattan south of 96<sup>th</sup> Street, that is zoned C4, C5, C6, M1, M2 or M3. The importance of the Revitalization Area designation is that it eliminates the two- or four-year waiting period for eligibility where commercial projects had more than 15 percent of the total net square footage used for manufacturing; and it allows a pro rata tax abatement for the industrial portion of a mixed-use project (commercial and industrial) in which less than 75 percent but at least 25 percent of the total square footage of the building or structure is used for manufacturing or immediately available for manufacturing use. An abatement is available outside Revitalization Areas only if at least 75 percent of the structure is used for manufacturing or immediately available for manufacturing use.

In 2007, the State Legislature extended ICIP program sunset dates by one year, allowing applications for benefits to be filed until June 30, 2008 and building permits to be obtained by July 31, 2008.

### **Industrial and Commercial Abatement Program**

In 2008, the ICIP program was replaced by a new Industrial and Commercial Abatement Program (ICAP). However, the ICIP program will generally continue to apply to construction work performed pursuant to a building permit issued before August 1, 2008 and to construction work performed pursuant to additional building permits issued on or after August 1, 2008 if at least one permit was issued before that date and the work was described in an application for a certificate of eligibility filed on or before June 30, 2008. Under the new ICAP program, tax abatements are available for qualifying commercial or industrial construction work for varying periods ranging up to 25 years, depending on geographical area, type of construction and other factors. Property used by a utility (other than certain facilities known as "peaking units") is not eligible for any abatement and property used partly for retail purposes is subject to certain limitations on benefits. In general, the determination of the abatement takes into account the real estate tax on the property before and after construction, referred to as the "initial tax" and the "post-completion tax." No abatement is allowed unless the post-completion tax exceeds the initial tax by more than 15 percent, and the abatement is for only the amount by which the post-completion tax exceeds 115 percent of the initial tax. In specified circumstances, the abatement may be increased during the benefit period (referred to as "inflation protection"). A sunset provision in the ICAP legislation requires benefit applications to be filed not later than March 1, 2017. (Detailed information about the ICAP program can be found at the Department of Finance website, [www.nyc.gov/finance](http://www.nyc.gov/finance).)

### **Tax Expenditure**

\$685.8 million from ICIP exemptions; \$14.3 million from ICAP.

## **Real Property Tax**

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### **Major League Sports Facilities, Madison Square Garden**

#### **Citation**

NYS Real Property Tax Law, Section 429

#### **Policy Objective**

Ensure the viability of a major league sports facility in New York City.

#### **Description**

The City has provided a full real property tax exemption for Madison Square Garden. The exemption is contingent upon the continued use of the Garden by professional major league hockey and basketball teams for their home games.

#### **Tax Expenditure**

\$44.0 million

## **The Chrysler Building**

### **Citation**

Chapter 279, §11, NY Laws of 1859, as amended

### **Policy Objective**

Provide revenue to support the educational mission of The Cooper Union for the Advancement of Science and Art.

### **Description**

The Chrysler Building, a landmarked commercial office building on East 42nd Street in Manhattan, is situated on land owned by The Cooper Union for the Advancement of Science and Art, an educational institution in Manhattan's East Village. Under the terms of the exemption provision contained in Cooper Union's statutory charter (Chapter 279, §11, NY Laws of 1859), as interpreted by the New York courts (*Cooper Union v. Sexton*, 247 A.D. 371 (1936) and *Cooper Union v. Wells*, 180 N.Y. 537 (1905)), the Chrysler Building, although not itself used for educational purposes, is exempt from real property taxation. In accordance with the terms of the lease between Cooper Union and the operator of the building, amounts equivalent to the real estate taxes that would be due on the building but for the exemption are payable to Cooper Union to further its educational purposes.

### **Tax Expenditure**

\$21.9 million

## **Real Property Tax**

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### **“Green Roof” Abatement**

#### **Citation**

NYS Real Property Tax Law, Sections 499-aaa through 499-ggg

#### **Policy Objective**

Help control and capture stormwater in order to reduce the burden on the City’s sewer system.

#### **Description**

A one-year real estate tax abatement is provided for the construction of a “green roof” on a Class One, Two or Four building in the City. Generally, a “green roof” is an addition to a roof, covering at least 50 percent of the rooftop space, which includes, among other things, a growth medium and a vegetation layer. For city fiscal years beginning before 2014, the amount of the abatement is \$4.50 per square foot of green roof, limited to the lesser of \$100,000 or the building’s tax liability for the year in which the abatement is claimed. For city fiscal years beginning on and after July 1, 2014, the abatement amount is \$5.23 per square foot, limited to the lesser of \$200,000 or the building’s annual tax. However, for the fiscal year beginning July 1, 2014, the aggregate amount of all abatements allowed is limited to \$750,000; for the following four fiscal years, the total of all abatements is limited to \$1 million per year. If total annual abatements exceed these ceilings, approved applicants will receive pro rata abatements as determined by the Department of Finance. The abatement program is scheduled to sunset at the end of FY 2019 fiscal year.

#### **Tax Expenditure**

None

**Solar Electric Generating System Abatement**

**Citation**

NYS Real Property Tax Law, Sections 499-aaaa through 499-gggg

**Policy Objective**

Help reduce greenhouse emissions and provide cleaner, more reliable energy.

**Description**

A four-year tax abatement is provided for the construction of a solar electric generating system in a Class One, Two or Four building in the City. If the system is placed in service on or after August 5, 2008 and before January 1, 2011, the amount of the abatement is 8.75 percent of eligible solar electric generating system expenditures. For systems placed in service on or after January 1, 2011 and before January 1, 2013, the amount of the abatement is 5 percent of the eligible expenditures. For systems placed in service on or after January 1, 2013 and before January 1, 2014, the amount of the abatement is 2.5 percent of the eligible expenditures. For systems placed in service on or after January 1, 2014 and before January 1, 2017, the amount of the abatement is 5 percent of the eligible expenditures. The abatement is claimed in the City fiscal year following the approval of the abatement and in the following three fiscal years. The abatement in any year is, however, limited to the lesser of \$62,500 or the taxes payable on the building in that year. Eligible system expenditures include reasonable expenditures for materials, labor costs and certain other costs directly related to the construction or installation of the system. Abatement applications must be filed no later than March 15, 2017.

**Tax Expenditure**

\$3.0 million

## Real Property Tax

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### Superstorm Sandy Abatement

#### Citation

NYS Real Property Tax Law §467-h and NYC Administrative Code §11-243.1

#### Policy Objective

Assist property owners whose buildings were damaged by Superstorm Sandy and later rebuilt.

#### Description

Certain properties in Class One (1 – 3 family homes), Class Two (larger residential buildings) and Class Four (commercial properties other than utility properties) that were damaged by Superstorm Sandy, which occurred on October 29 and 30, 2012, and were later rebuilt have been made eligible for a partial real property tax abatement for Fiscal Year 2015. To be eligible for the abatement, (1) the property's assessed value for Fiscal Year 2014 must have been lower than the Fiscal Year 2013 assessment as a result of damage caused by Sandy, (2) the property's assessed value for Fiscal Year 2015 must be higher than the assessed value for Fiscal Year 2014, and (3) the assessed value for Fiscal Year 2015 must be higher than that for Fiscal Year 2013. For Class One properties and Class Two properties with fewer than 11 apartments, the abatement equals the amount by which a property's annual tax for Fiscal Year 2015 exceeds the annual tax for Fiscal Year 2013. For other Class Two properties and Class Four properties, a partial abatement is determined under a formula that takes into account a portion of the assessed valuation attributable to the reconstruction work, and applies to that portion the applicable tax rate for Fiscal Year 2015. If the square footage of a property for Fiscal Year 2015 exceeds that for Fiscal Year 2013, the partial abatement is reduced to reflect the increase in square footage.

#### Distributional Information

Slightly over 39 percent of the abatement went to one-, two- and three-family homeowners in Brooklyn, Queens and Staten Island. Appendix IV has additional distributional information.

<b>Superstorm Sandy Abatements by Property Type</b>		
<u>Property Type</u>	<u>Units</u>	<u>Abatement</u>
1 - 3 Family	11.3%	39.1%
Condos	20.8%	14.5%
Coops	1.0%	1.3%
Mixed Use	4.3%	21.5%
Rentals	62.6%	23.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### Tax Expenditure

\$4.0 million

## Real Property Tax

**Table 3**  
**STATE PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES**  
**Fiscal Year 2015**

	Number of Exemptions	Exempt Assessed Value (\$ millions)	Gross Tax Expenditure (\$ millions)	PILOTS (\$ millions)	Net Tax Expenditure (\$ millions)
Limited Profit Housing Cos.	291	2,463.7	313.3	73.7	239.6
Residential	245	2,302.1	296.0	73.7	222.3
Commercial	46	161.6	17.3	0.0	17.3
Limited Dividend Cos.	19	63.5	8.2	3.0	5.2
Redevelopment Cos.	395	1,020.6	130.8	49.9	80.9
Residential	362	1,001.0	128.7	49.9	78.8
Commercial	33	19.7	2.1	0.0	2.1
Housing Development Fund Cos.	283	592.3	70.8	20.7	50.1
Residential	200	344.9	44.4	20.7	23.7
Commercial	83	247.3	26.4	0.0	26.4
Urban Development Action Area Program	9,744	141.9	24.8	0.0	24.8
State Assisted Housing	78	242.2	28.0	2.0	26.0
Residential	34	95.9	12.3	2.0	10.3
Commercial	44	146.3	15.6	0.0	15.6
<b>TOTAL: STATE PROGRAMS</b>	<b>10,810</b>	<b>4,524.1</b>	<b>575.8</b>	<b>149.2</b>	<b>426.5</b>
Total Residential	10,604	3,949.3	514.3	149.2	365.1
Total Commercial/Industrial	206	574.9	61.4	0.0	61.4

Totals may not add due to rounding.

## Real Property Tax

**Table 4**  
**STATE PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES BY BOROUGH**  
**Fiscal Year 2015**

Program	CITYWIDE		MANHATTAN		THE BRONX	
	Number of Exemptions	Net Tax Expenditure (\$ millions)	Number of Exemptions	Net Tax Expenditure (\$ millions)	Number of Exemptions	Net Tax Expenditure (\$ millions)
Limited Profit Housing Companies	291	239.6	67	102.2	85	57.1
Limited Dividend Companies	19	5.2	2	2.4	13	1.8
Redevelopment Companies	395	80.9	96	49.2	147	9.2
Housing Development Fund Companies	283	50.1	75	19.3	81	12.7
Urban Development Action Area Program	9,744	24.8	909	3.9	2,215	4.2
State Assisted Housing	78	26.0	31	10.7	22	6.7
<b>TOTAL: STATE PROGRAMS</b>	<b>10,810</b>	<b>426.5</b>	<b>1,180</b>	<b>187.8</b>	<b>2,563</b>	<b>91.7</b>

Program	BROOKLYN		QUEENS		STATEN ISLAND	
	Number of Exemptions	Net Tax Expenditure (\$ millions)	Number of Exemptions	Net Tax Expenditure (\$ millions)	Number of Exemptions	Net Tax Expenditure (\$ millions)
Limited Profit Housing Companies	103	50.3	31	29.0	5	0.9
Limited Dividend Companies	4	1.1	0	0.0	0	0.0
Redevelopment Companies	129	12.3	15	10.0	8	0.1
Housing Development Fund Companies	99	12.4	19	4.2	9	1.5
Urban Development Action Area Program	4,718	11.8	1,867	4.8	35	0.0
State Assisted Housing	15	4.7	9	3.4	1	0.4
<b>TOTAL: STATE PROGRAMS</b>	<b>5,068</b>	<b>92.6</b>	<b>1,941</b>	<b>51.5</b>	<b>58</b>	<b>2.9</b>

Totals may not add due to rounding.

## Limited-Profit Housing Companies

### Citation

NYS Private Housing Finance Law, Article 2  
NYS Real Property Tax Law, Section 414

### Policy Objective

Maintain and increase low- and middle-income housing stock in New York State.

### Description

The Limited-Profit Housing Companies Law was adopted in the 1950s to assist in the construction of low- and middle-income housing. These privately-managed rental and co-op projects, commonly known as Mitchell-Lama housing, were constructed with financing assistance from the City or the State. In return for 40- to 50-year mortgages at interest rates of four to eight percent, the respective government maintains supervisory rights to establish tenant-income restrictions, set rent levels, impose co-op resale restrictions, and establish waiting list procedures.

Real property taxes for Mitchell-Lama projects are based on the greater of 10 percent of shelter rent (gross rent less utilities) or a specified percentage of the assessed value of the property multiplied by the applicable tax rate. In addition, the City receives payments-in-lieu-of-taxes (PILOTs) from a small number of Mitchell-Lama projects.

The enabling legislation does not have a sunset provision.

### Distributional Information

In FY 2015, there were 245 residential and 46 commercial exemptions under this program. The residential properties contained 99,314 units with a total exempt assessed value of \$2.3 billion. Sixty-two percent of units receiving benefits were co-ops. Twenty-four percent of units were Bronx co-ops (the location of Co-op City). Rental units receiving benefits were primarily located in the Bronx, Brooklyn, and Manhattan. Twenty-eight percent of the exempt assessed value was attributable to Manhattan co-ops. More distributional information is in Appendix IV.

## Real Property Tax

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<b>Limited-Profit/Mitchell Lama (Residential Only)</b>		
<b>Benefits by Property Type</b>		
<u>Property Type</u>	<u>Units</u>	<u>Exempt Assessed Value</u>
Co-ops	61.8%	66.2%
Rentals	38.2%	33.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

### **Net Tax Expenditure** (after PILOTs)

\$239.1 million

## Limited-Dividend Housing Companies

### Citation

NYS Private Housing Finance Law, Article 4  
NYS Real Property Tax Law, Section 414

### Policy Objective

Maintain and increase low- and middle-income housing stock in New York State.

### Description

The Limited-Dividend Housing Companies (LDHC) program was one of the earliest attempts to channel private investment into affordable housing for low- and middle-income households. Private developers, who financed garden apartment cooperative developments for which they were receiving a limited return on investment, received a 50-year real property tax exemption. However, they were required to comply with State regulations on eligibility of purchasers, co-op sale prices, and operating surpluses. Although the original exemptions for all LDHC projects have expired, the then-existing Board of Estimate approved a 14-year phase-in of full taxation, recognizing the hardship an abrupt change in tax liability would have on co-op owners.

The enabling legislation does not have a sunset provision.

### Distributional Information

Distributional information for this program is grouped with several other programs under the label "Other Residential" and can be found in Appendix IV.

### Net Tax Expenditure (after PILOTs)

\$5.2 million

## **Real Property Tax**

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### **Redevelopment Companies**

#### **Citation**

NYS Private Housing Finance Law, Article 5  
NYS Real Property Tax Law, Section 423

#### **Policy Objective**

Encourage low- to moderate-income housing through private financing.

#### **Description**

This program was a precursor to the Limited Profit Housing Company Program (Mitchell-Lama). The participants are largely institutional investors, such as insurance companies and pension funds, which provide financing for the development of rental and co-op units. Participants are granted a 25-year tax exemption that may be extended through City Council action in exchange for accepting a limited rate of return on their investment and for complying with City regulations regarding tenant eligibility, rent levels and restrictions of co-op sales.

The enabling legislation does not have a sunset provision.

#### **Distributional Information**

Distributional information for this program is grouped with several other programs under the label “Other Residential,” and can be found in Appendix IV.

#### **Net Tax Expenditure** (after PILOTs)

\$80.9 million

## Housing Development Fund Companies (HDFC)

### Citation

NYS Private Housing Finance Law, Article 11  
NYS Real Property Tax Law, Section 414

### Policy Objective

To provide low- and moderate-income housing, both publicly and privately financed, through a variety of programs.

### Description

Housing Development Fund Companies (HDFC) is an umbrella term for a wide range of projects developed by non-profit organizations. Special exemptions are adopted by the City Council under the authority of Article 11, depending upon the nature of the program in which the project is involved.

Projects that are entitled to full exemptions include housing constructed in the 1960s and early 1970s under the Federal Section 236 Program, housing renovated through the Capital Budget Homeless Housing Program, and some properties participating in the SRO Loan Program. In addition, new housing for the elderly and handicapped developed under Federal Section 202 also receives this tax benefit.

In 1995, this legislation was amended by adding a provision granting local legislative bodies the authority to exempt from real property taxes projects to which the municipality has made loans under Section 576 of the Private Housing Finance Law (for acquisition, rehabilitation or construction) for housing for low-income households. Thirty percent of a project's residents must be households previously residing in emergency shelter facilities.

This enabling legislation does not have a sunset provision.

### Distributional Information

In FY 2015, there were 200 residential and 83 commercial exemptions under this program, with a total of 17,677 units and an exempt assessed value of \$592.3 million. Units in rental properties made up 84 percent of the program. These benefits were distributed by property type as shown below. Additional distributional information appears in Appendix IV.

## Real Property Tax

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### Housing Development Fund Company Benefits by Property Type

Property Type	Units	Exempt Assessed Value
1 - 3 Family	0.0%	0.0%
Condos	0.0%	0.0%
Co-ops	1.1%	0.6%
Rentals	84.1%	57.6%
Mixed Use	14.9%	41.8%
Total	100.0%	100.0%

### Net Tax Expenditure (after PILOTs)

\$50.1 million

**Urban Development Action Area Projects (UDAAP)**

**Citation**

NYS General Municipal Law, Section 696

**Policy Objective**

To encourage the construction of residential housing in designated areas.

**Description**

This exemption is granted to property developed on formerly City-owned land in designated Urban Development Action Area Projects (UDAAP). While UDAAP encompasses a wide range of housing development programs, the most notable examples are the Nehemiah and the Mutual Housing Association of New York (MHANY) Programs, which provide housing in the Brownsville and East New York sections of Brooklyn.

UDAAP sites receive real property tax exemptions only on the assessed value of improvements, 10 years at 100 percent of assessed value, followed by a 10-year declining exemption. In 1999, the State Legislature amended the statute to provide that for projects consisting of new construction the land value shall be the lesser of: (a) the assessed value immediately prior to commencement of construction; or (b) the assessed value of the land appearing on the assessment roll in the first year after completion of construction.

The enabling legislation does not have a sunset provision.

**Distributional Information**

In FY 2015, there were 9,744 exemptions under this program representing 19,851 units with an exempt assessed value of \$141.9 million. One-, two-, and three-family houses in Brooklyn and the Bronx received the largest proportion of UDAAP benefits. Additional distributional information appears in Appendix IV.

## Real Property Tax

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### Urban Development Action Area Project Benefits by Property Type

Property Type	Units	Assessed Value
1 - 3 Family	88.4%	72.9%
Condos	3.1%	15.1%
Co-ops	0.1%	0.3%
Rentals	5.8%	7.8%
Mixed Use	2.6%	3.9%
Total	100.0%	100.0%

### Net Tax Expenditure (after PILOTs)

\$24.8 million

**Miscellaneous State-Assisted Housing**

**Citation**

NYS Real Property Tax Law, Section 422

**Policy Objective**

Encourage the creation of housing for a target population.

**Description**

Section 422 provides tax exemptions for real property owned by not-for-profit corporations and used exclusively to provide housing and auxiliary facilities for a target population. This population includes, but is not exclusive to, faculty members, students, and employees (and their immediate families) attending or employed by a college or university; nurses, interns, resident physicians and other related personnel at hospitals and medical research institutions; and handicapped or elderly persons with low incomes. For Section 8 projects providing housing for the elderly, the City Council is authorized to grant a full exemption during construction, followed by a partial exemption.

The laws relating to these programs do not have sunset provisions.

**Distributional Information**

Distributional information for this program is grouped with several other programs under the label “Other Residential” and can be found in Appendix IV.

**Net Tax Expenditure** (after PILOTs)

\$26.0 million

## Real Property Tax

**Table 5**  
**PUBLIC AGENCIES**  
**REAL PROPERTY TAX EXPENDITURES**  
**Fiscal Year 2015**

	Number of Exemptions	Exempt Assessed Value (\$ millions)	Gross Tax Expenditure (\$ millions)	PILOTs (\$ millions)	Net Tax Expenditure (\$ millions)
Industrial Development Agency	447	2,748.9	293.7	85.0	208.7
Economic Development Corp.	234	2,434.2	260.3	32.0	228.2
NYC Housing Authority	1,282	4,216.6	540.3	22.9	517.4
Residential	1,141	4,116.8	529.7	22.9	506.8
Commercial	141	99.8	10.7	0.0	10.7
Urban Development Corporation	268	2,413.6	272.3	0.0	272.3
Residential	209	663.4	85.3	0.0	85.3
Commercial	59	1,750.2	187.0	0.0	187.0
NYS Power Authority	22	988.3	108.7	0.0	108.7
Battery Park City Authority	3,666	2,303.3	267.7	94.0	173.7
Residential	3,601	994.8	127.9	44.9	83.0
Commercial	65	1,308.5	139.8	49.1	90.7
World Trade Center, Port Authority	4	1,153.3	123.2	10.6	112.7
Teleport, Port Authority	21	99.0	10.6	0.0	10.6
Trust for Cultural Resources	251	128.6	15.0	0.0	15.0
<b>TOTAL: PUBLIC AGENCIES</b>	<b>6,195</b>	<b>16,485.7</b>	<b>1,891.8</b>	<b>244.5</b>	<b>1,647.4</b>
Total Residential	4,951	5,775.0	742.8	67.8	675.0
Total Commercial/Industrial	1,244	10,710.8	1,149.0	176.7	972.4

Totals may not add due to rounding.

## Real Property Tax

**Table 6  
PUBLIC AGENCIES  
REAL PROPERTY TAX EXPENDITURES BY BOROUGH  
Fiscal Year 2015**

	CITYWIDE		MANHATTAN		THE BRONX	
	Number of Exemptions	Gross Tax Expenditure (\$ millions)	Number of Exemptions	Gross Tax Expenditure (\$ millions)	Number of Exemptions	Gross Tax Expenditure (\$ millions)
Industrial Development Agency	447	293.7	115	64.1	66	111.1
Economic Development Corp.	234	260.3	22	196.8	11	11.1
NYC Housing Authority	1,282	540.3	260	264.1	233	89.8
Urban Development Corporation	268	272.3	36	175.1	4	1.3
NYS Power Authority	22	108.7	3	3.0	5	10.6
Battery Park City Authority	3,666	267.7	3,666	267.7	0	0.0
World Trade Center, Port Authority	4	123.2	4	123.2	0	0.0
Teleport, Port Authority	21	10.6	0	0.0	0	0.0
Trust for Cultural Resources	251	15.0	251	15.0	0	0.0
<b>TOTAL: PUBLIC AGENCIES</b>	<b>6,195</b>	<b>1,891.8</b>	<b>4,357</b>	<b>1,109.0</b>	<b>319</b>	<b>223.8</b>

	BROOKLYN		QUEENS		STATEN ISLAND	
	Number of Exemptions	Gross Tax Expenditure (\$ millions)	Number of Exemptions	Gross Tax Expenditure (\$ millions)	Number of Exemptions	Gross Tax Expenditure (\$ millions)
Industrial Development Agency	136	26.1	120	89.2	10	3.3
Economic Development Corp.	32	41.0	12	7.2	157	4.2
NYC Housing Authority	485	131.7	288	47.4	16	7.3
Urban Development Corporation	31	63.4	196	29.9	1	2.5
NYS Power Authority	3	7.9	8	84.7	3	2.6
Battery Park City Authority	0	0.0	0	0.0	0	0.0
World Trade Center, Port Authority	0	0.0	0	0.0	0	0.0
Teleport, Port Authority	0	0.0	0	0.0	21	10.6
Trust for Cultural Resources	0	0.0	0	0.0	0	0.0
<b>TOTAL: PUBLIC AGENCIES</b>	<b>687</b>	<b>270.2</b>	<b>624</b>	<b>258.4</b>	<b>208</b>	<b>30.5</b>

Totals may not add due to rounding.

## **Real Property Tax**

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### **Industrial Development Agency (IDA)**

#### **Citation**

NYS General Municipal Law, Section 917  
NYS Real Property Tax Law, Section 412-a

#### **Policy Objective**

Encourage business expansion and increase employment in New York City.

#### **Description**

The City's Industrial Development Agency (IDA) assists eligible manufacturing, industrial and commercial businesses interested in large-scale expansion or modernization through the purchase of land, buildings, machinery and equipment. The IDA helps businesses gain access to the capital markets through the sale of industrial revenue bonds, the interest from which is exempt from some or all taxes. The result is lower-cost project financing.

All real property acquired or constructed with the use of IDA financing is exempt from real property taxation. The exemption benefits are passed on to the project owners through leaseback arrangements. Lease payments are equivalent to debt service on bonds plus payments-in-lieu-of-taxes (PILOTs) on land and buildings.

The enabling legislation does not have a sunset provision.

#### **Net Tax Expenditure** (after PILOTs)

\$208.7 million

**Economic Development Corporation (EDC)**

**Citation**

NYS Real Property Tax Law, Section 412

**Policy Objective**

To encourage real estate development that protects and enhances the City’s job and income base.

**Description**

The Economic Development Corporation (EDC) is a non-profit local development corporation, acting as an independent entity under contract to the City to assist and promote real estate development. EDC assists developers in all the stages of a project, from planning and design to negotiations, financing, and construction. A major focus of EDC efforts is development outside Manhattan. EDC also leases City-owned property and then subleases it to private developers for construction of commercial and industrial projects. Ground lease agreements include a rental formula for payments-in-lieu-of-taxes (PILOTs) on both the land and project buildings.

The enabling legislation for EDC does not have a sunset provision.

**Net Tax Expenditure** (after PILOTs)

\$228.2 million

## **Real Property Tax**

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### **New York City Housing Authority (NYCHA)**

#### **Citation**

NYS Public Housing Law, Section 52  
NYS Real Property Tax Law, Section 414

#### **Policy Objective**

Provide housing for low-income residents of New York City.

#### **Description**

Except for New York State-assisted projects, NYCHA property is exempt from direct taxation. City-aided projects are exempt for a period of 50 years. Federally-aided projects may be exempt for up to 60 years. (Upon the expiration of the initial 50- or 60-year exemption period, an additional 50- or 60-year exemption period may be granted.) However, by law, the City may require payments-in-lieu-of-taxes (PILOTs) from NYCHA projects. The fixed annual PILOT for NYCHA's City-funded projects is \$109,000. For the Federally aided projects, NYCHA pays a PILOT based on net routine operating expenses, which may vary annually. As assessed value for the State projects has been held constant for many years, there is a substantial implicit tax expenditure.

As of June 30, 2014, the New York City Housing Authority operated 334 developments with 178,557 apartments with approximately 405,000 residents. NYCHA also administers a citywide Section 8 Leased Housing Program in private rental apartments for 88,529 households.

#### **Distributional Information**

In FY 2015, there were 1,141 residential exemptions representing 228,475 housing units with an exempt assessed value of \$4.1 billion. There were 141 commercial exemptions with an exempt assessed value of \$99.8 million. NYCHA benefits were distributed throughout all boroughs. Manhattan, Brooklyn, and the Bronx had the greatest proportion of NYCHA exempt value. Rental properties comprised 99 percent of NYCHA residential exemptions. Additional distributional information appears in Appendix IV.

NYCHA provided data for 176,278 households living in public housing as of June 30, 2014. Based on these data, the distribution of households is as follows:

## Real Property Tax

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Household Income Range	Number of Households	Percent of Total Households
Annual Income Under Review	1,457	0.8%
\$0 - 9,999	52,549	29.8%
\$10,000 - 12,499	13,430	7.6%
\$12,500 - 14,999	14,619	8.3%
\$15,000 - 19,999	22,895	13.0%
\$20,000 - 24,999	15,243	8.7%
\$25,000 - 29,999	11,402	6.5%
\$30,000 - 34,999	9,239	5.2%
\$35,000 - 39,999	7,982	4.5%
\$40,000 - 44,999	6,067	3.4%
\$45,000 - 49,999	4,973	2.8%
\$50,000 and over	<u>16,422</u>	<u>9.3%</u>
Total	176,278	100.00%

Source: New York City Housing Authority, Department of Research and Management Analysis.

### Net Tax Expenditure (after PILOTs)

\$517.4 million

## Real Property Tax

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### Urban Development Corporation (UDC)

#### Citation

NYS Unconsolidated Laws, Title 16, Chapter 24  
NYS Real Property Tax Law, Section 412

#### Policy Objective

To create and retain jobs in New York State, with particular emphasis on targeting economically distressed areas.

#### Description

Created in 1968, the Urban Development Corporation (UDC) is a New York State agency that finances, constructs and operates residential, commercial, industrial and civic facilities. An important tool in the State's economic development program, the UDC provides financing and technical assistance to businesses and local governments. Examples of UDC-assisted projects include the Columbia University Telecommunications Center, the Jacob K. Javits Convention Center, and the Roosevelt Island housing development.

The UDC exemption does not have a sunset provision.

#### Distributional Information

In FY 2015, there were 209 residential and 59 commercial exemptions under this program. The residential properties contained roughly 12,200 units with an exempt assessed value of \$663.4 million. The exempt assessed value of the commercial properties was \$1.75 billion. More distributional information is in Appendix IV.

<b>UDC Benefits by Property Type</b>		
<b>Property Type</b>	<b>Units</b>	<b>Exempt</b>
		<b>Assessed Value</b>
1 - 3 Family	0.0%	0.0%
Condos	1.5%	0.5%
Coops	65.5%	14.5%
Mixed Use	0.1%	72.5%
Rentals	32.9%	12.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

#### Net Tax Expenditure (after PILOTs)

\$272.3 million

**New York Power Authority**

**Citation**

NYS Public Authorities Law, Article 5, Title 1  
NYS Real Property Tax Law, Section 412

**Policy Objective**

Provide low-cost electric energy through seven investor-owned utilities and 51 municipal and cooperative systems.

**Description**

The New York Power Authority finances, constructs, and operates electric generating and transmission facilities. Construction is financed through the sale of tax exempt bonds. Revenues from the sale of power to public agencies, industries, investor-owned utilities and municipalities throughout the State cover the costs of debt service and project operations. In the New York metropolitan area, the Authority directly provides low cost power to government agencies promoting economic development.

The Power Authority's enabling legislation does not have a sunset provision.

**Net Tax Expenditure** (after PILOTs)

\$108.7 million

## Real Property Tax

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### Battery Park City Authority (BPCA)

#### Citation

NYS Public Authorities Law §1981 and NYS Real Property Tax Law §412

#### Policy Objective

Manage the development of a mixed commercial/residential community whose amenities serve the larger New York community.

#### Description

The Battery Park City Authority (BPCA) was created in 1968 by the Battery Park City Act. In cooperation with the City and the private sector, the Authority has developed a mixed-use community, combining residential and commercial properties with public facilities (schools, parks, etc.) and utilities. Under a 1981 agreement with a developer, four office towers containing six million square feet of space were completed in 1987.

PILOT payments remitted annually by the Authority, as stipulated in the 1986 Amendment to the Settlement Agreement between BPCA and the City of New York, are currently used as additional support for City housing programs. The Housing New York Agreement provides for BPCA revenues to back bond issues as well; in this regard, \$400 million in net proceeds from bonds issued by the Housing New York Corporation will allow for the increase of low- and moderate-income housing production throughout the City. The enabling legislation does not have a sunset provision.

#### Distributional Information

In FY 2015, there were 3,601 residential exemptions with an exempt value of \$994.8 million, providing tax relief for 3,588 condominiums and 4,849 rental apartments. There were 65 commercial exemptions with an exempt value of \$1.3 billion. Additional distributional information appears in Appendix IV.

<b>BPCA Benefits by Property Type</b>		
<u>Property Type</u>	<u>Units</u>	<u>Exempt Assessed Value</u>
Condos	42.3%	20.6%
Mixed Use	0.6%	56.8%
Rentals	57.1%	22.6%
<u>Total</u>	<u>100.0%</u>	<u>100.0%</u>

#### Net Tax Expenditure (after PILOTs)

\$173.7 million

**Teleport Center, Port Authority of NY and NJ**

**Citation**

NYS Unconsolidated Laws, Title 17, Chapter 26  
NYS Real Property Tax Law, Section 412

**Policy Objective**

Provide state-of-the-art communications technology with the goal of encouraging the economic development of the New York-New Jersey region.

**Description**

The Teleport Center, located on land owned by the Port Authority of New York and New Jersey, is a joint venture among the Authority, Merrill Lynch and Western Union, developing and utilizing the latest technology in worldwide telecommunications. The Center provides fiber-optic links with the participating companies' Manhattan offices.

The Port Authority's enabling legislation does not contain any sunset provisions.

**Net Tax Expenditure** (after PILOTs)

\$10.6 million

## **Real Property Tax**

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### **World Trade Center, Port Authority of NY and NJ**

#### **Citation**

NYS Unconsolidated Laws, Title 17, Chapter 5, §6611

#### **Policy Objective**

To encourage economic development in the New York-New Jersey region, and, specifically, in the Lower Manhattan area.

#### **Description**

The World Trade Center (WTC), owned and operated by the Port Authority of New York and New Jersey, is in the process of being redeveloped in the aftermath of the events of September 11, 2001.

Although exempt from taxation, the WTC makes payments-in-lieu-of-taxes (PILOTs) to the City. The PILOTs are based on the rental of private space in the WTC multiplied by a fixed amount per square foot. The PILOTs are adjusted to reflect increases in assessments of comparable office buildings in the financial district and tax rate changes.

The enabling legislation that exempts World Trade Center property from taxation contains no sunset provision.

#### **Net Tax Expenditure** (after PILOTs)

\$112.7 million

**Trust for Cultural Resources of the City of New York, Museum of Modern Art**

**Citation**

NYS Arts and Cultural Affairs Law, Sections 20.33 and 21.11

**Policy Objective**

To support the expansion and operating costs of cultural institutions deemed to be essential for the general and economic welfare of the State and City.

**Description**

In 1976, the legislature enacted legislation that provides for the creation of cultural trusts (public benefit corporations). The legislation further provides that: (1) the trust shall submit annual financial reports to the governor and mayor; and (2) the State comptroller and the City's chief fiscal officer are authorized to examine the books and records of the trust at least once every three years or, in lieu thereof, accept from the trust an external examination made by a certified public accountant acceptable to such officer.

The only trust that has been created to date is for the Museum of Modern Art in New York City. As a result, a 52-story tower was developed adjacent to the museum, containing six floors dedicated to the Museum and 260 residential condominiums.

The residential portion of the building is exempt from City real property taxes. However, the condominiums make payments to the trust, equivalent to real property taxes. These payments are used primarily to defray administrative costs of the trust, fund the debt service on the mixed-use facility and provide the cultural institution with funds for operating expenses.

**Tax Expenditure**

\$15.0 million

## Real Property Tax

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## **PART III**

### **BUSINESS INCOME AND EXCISE TAX EXPENDITURES**

#### **Overview**

The tax expenditures in this section derive from provisions of New York City tax law concerning the following business income and excise taxes: General Corporation Tax; Unincorporated Business Tax; Banking Corporation Tax; Utility Tax; Mortgage Recording Tax; Real Property Transfer Tax; and Commercial Rent Tax. Appendix II has descriptions of each tax, including the tax rate and base.

Certain tax benefits are explicitly designed to foster economic development. Other tax expenditures, while created for economic development purposes, are also intended to reflect the unique economic activity in which certain industries are engaged. For example, there are special rules for allocating net income for the broadcasting, publishing and mutual fund industries. Still other tax expenditures are created for social objectives, such as to assist the dramatic arts or to promote certain types of scientific research.

Table 7 summarizes business income and excise tax expenditures for Tax Year 2011. Estimates are based on Department of Finance data, unless otherwise noted. The estimates are stated on a tax year rather than New York City fiscal year basis. Tax expenditures are not quantifiable for some programs.

Following the summary table is a description of each program. Descriptions include legal citations and, where applicable, information regarding the years to which tax benefits can be carried forward. The number of businesses that benefit from particular tax expenditure programs is provided where available.

## Business Income and Excise Taxes

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Table 7

### BUSINESS INCOME AND EXCISE TAX EXPENDITURES Tax Year 2011

PROGRAM	AMOUNT (\$ millions)
<b><u>Quantifiable</u></b>	
Insurance Corporation Non-Taxation .....	437
Business and Investment Capital Tax Limitation .....	308
Single Sales Factor .....	125
Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital .....	35
Special Allocation Rule: Regulated Investment Company Management Fees .....	34
Commercial Revitalization Program: Lower Manhattan/Garment Center District .....	31
International Banking Facility Deduction.....	30
Relocation and Employment Assistance Program .....	27
Energy Cost Savings Program Credit .....	24
Real Estate Investment Trusts .....	14
Film Production Credit .....	14
Biotechnology Credit .....	3
School Bus Operation Deduction .....	1
Dramatic or Musical Arts Performance Exemption .....	*
Employment Opportunity Relocation Costs Credit and Industrial Business Zone Credit .....	*
Real Property Tax Escalation Credit .....	0
TOTAL QUANTIFIABLE TAX EXPENDITURES .....	1,083

#### **Not Quantifiable**

Air Pollution Control Facilities Deduction  
Credit Line Mortgages  
Owner, Lessee or Fiduciary that Holds, Leases or Manages Real Property  
Purchase and Sale of Property or Financial Instruments for Taxpayer's Own Account  
Small Corporation Exemption From Alternative Taxes  
Special Allocation Rules:  
    Credit Card Interest  
    Newspaper and Periodical Publishers' Advertising Sales Receipts  
    Radio/TV Commercial Receipts  
    Certain Service Receipts of Registered Securities or Commodities Brokers or Dealers

\* indicates less than \$1 million.

**Insurance Corporation Non-Taxation**

**Citation**

Chapter 649, Section 11, NYS Laws of 1974

**Policy Objective**

Promote the New York City insurance industry.

**Description**

Corporations with income allocable to New York City are normally subject to City taxation. Except for out-of-state insurance companies insuring City property against fire loss or damage, insurance companies operating in the City are not subject to taxation on income from their insurance services, or on income from their non-insurance activities, such as real estate or financial services activities.

Prior to 1974, New York City taxed all insurance companies on premiums received on risks located or resident in the City. This tax was discontinued in 1974.

**Tax Affected**

General Corporation Tax

**Tax Expenditure**

\$437 million

## **Business Income and Excise Taxes**

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### **Business and Investment Capital Tax Limitation**

#### **Citation**

NYC Administrative Code, Section 11-604(1)(F)

#### **Policy Objective**

Limit the City tax liability of corporations that have low taxable income but large net worth.

#### **Description**

A corporation subject to taxation in New York City determines its tax liability by making three alternative calculations (net income, net income plus compensation paid to certain shareholders and business and investment capital), comparing the results to a sliding scale fixed minimum amount and paying the largest of the four amounts. Beginning in Tax Year 2009, a corporation's tax on New York City allocated business and investment capital is limited to a maximum of \$1 million.

#### **Tax Affected**

General Corporation Tax

#### **Tax Expenditure**

\$308 million

#### **Number of Beneficiaries**

22 corporations

**Single Sales Factor**

**Citation**

NYC Administrative Code, §11-508(i), 11-604.3(a)(10) and 11-642(b)(1-a).

**Policy Objective**

To encourage firms to locate their business operations in New York City.

**Description**

Before 2009, the general corporation tax and unincorporated business tax utilized a three-factor business allocation formula, the factors being property, payroll and receipts. Under legislation adopted in 2009, a transition from the three-factor formula to a single-factor formula utilizing only receipts is being phased in over a 10-year period beginning in tax year 2009. The 10-year phase-in to a single receipts factor formula also applies, beginning in 2009, to a corporation subject to the banking corporation tax that is substantially engaged in providing management, administrative or distribution services to a regulated investment company (a mutual fund).

**Taxes Affected**

Unincorporated Business Tax  
General Corporation Tax  
Banking Corporation Tax

**Tax Expenditure**

\$125 million. Estimate is for City Fiscal Year 2012.

**Number of Beneficiaries**

Approximately 29,000 firms

## **Business Income and Excise Taxes**

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### **Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital**

#### **Citation**

NYC Administrative Code, Section 11-604.1.E

#### **Policy Objective**

Promote cooperative housing corporations in New York City.

#### **Description**

Capital allocated to New York City is normally taxed at the rate of 0.15 percent. However, cooperative housing corporations are taxed at a rate of 0.04 percent on capital allocated to the City.

#### **Tax Affected**

General Corporation Tax

#### **Tax Expenditure**

\$35 million

#### **Number of Beneficiaries**

3,873 corporations

**Special Allocation Rule: Regulated Investment Company (RIC) Management Fees**

**Citation**

NYC Administrative Code, Sections 11-508(e-2), 11-604.3(a)(5) and 11-642(a)(G)(2)

**Policy Objective**

Promote the activities of managers of RICs (commonly known as mutual funds) in New York City.

**Description**

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed. However, a mutual fund management company's receipts from management, administration or distribution services rendered to the mutual fund are allocated based on the percentage of the RIC's shareholders domiciled in New York City.

The allocation of receipts is based upon the RIC's average "monthly percentage," which is calculated by dividing:

- (a) the number of shares in the RIC that are owned on the last day of the month by shareholders domiciled in the City by;
- (b) the total number of shares in the RIC outstanding on that date.

Once calculated, the RIC's average monthly percentage for the taxable year is multiplied by the management company's receipts from management, administration or distribution services.

**Taxes Affected**

Banking Corporation Tax  
General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

\$34 million. Estimate includes GCT and UBT only.

## **Business Income and Excise Taxes**

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### **Commercial Revitalization Program: Lower Manhattan/Garment Center District**

#### **Citation**

Commercial Rent Tax:  
NYC Administrative Code, Section 11-704(i)

Energy Cost Savings:  
NYS General City Law, Section 25-aa to 25-cc  
NYS Tax Law, Section 1201-c  
NYC Administrative Code, Section 11-1105.1

#### **Policy Objective**

Stimulate economic activity in Lower Manhattan and the midtown Garment Center District and promote the more productive use of City real estate.

#### **Description**

The Commercial Revitalization Program was established in 1995 to increase tenant occupancy in office and retail space in certain areas of the City and to reduce building obsolescence by encouraging investment in older commercial space or conversion to residential use. In addition to real property tax benefits, the program provides Commercial Rent Tax (CRT) relief and energy subsidies through the Energy Cost Savings Program.

#### **Commercial Rent Tax Abatement**

Tenants eligible for the real property tax abatement program described above are also eligible to receive a special reduction in calculating their liability for the CRT. A tenant leasing space in a pre-1975 building owned by a government entity may also qualify for the CRT benefit if it meets certain eligibility requirements.

The benefit is a reduction in the amount of rent otherwise subject to the CRT and can be claimed starting on the rent commencement date of the lease. The reduction is available for a period of up to 60 months.

In general, in order to determine the reduction, the 60-month period is divided into five 12-month periods. For the first 12-month period (the “base year” period) the reduction is equal to the actual rent paid. For the second and third 12-month periods, the reduction is equal to the lesser of the rent paid during each period or the base-year rent paid. For the fourth and fifth 12-month periods, the reduction is equal to two-thirds and one-third, respectively, of the lesser of the rent paid during each period or the base-year rent paid.

A modified CRT benefit is available to eligible tenants who enter into minimum three-year leases, rather than five-year terms.

The following enhancements, enacted in 2005, supplement the original program:

## **Business Income and Excise Taxes**

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- An enhanced special reduction benefit is available for leases in Lower Manhattan (except subleases) with a term of at least five years that commence between July 1, 2005 and June 30, 2015. As to such leases, the two-thirds and one-third limits described above will not apply, and leased space can qualify for the reduction regardless of when the building was constructed or received its certificate of occupancy. The special reduction will not be available after March 31, 2022.
- A CRT special reduction is allowed for premises located in Manhattan's Special Garment Center District (as defined in the City's zoning resolution) that are used for industrial and manufacturing activities. The special reduction applies to eligible leases commencing on or after July 1, 2005, and is available for up to 120 months, but in no case after June 30, 2020.
- Lower Manhattan retail premises, defined as premises used primarily for the selling of tangible goods to ultimate consumers, are exempted from the CRT beginning December 1, 2005. Also exempted from the tax are tenants in a defined area of Lower Manhattan referred to as the World Trade Center Area.

### **Energy Cost Savings**

Eligible occupants of commercial space in renovated or newly constructed buildings located in a defined area of Lower Manhattan may receive a reduction in their electricity costs. Eligibility for the benefit depends on several factors, including investment in the building, occupancy of premises in the building by eligible users (generally commercial tenants), and compliance with certain sub-metering and notice requirements.

In general, the reduction in energy charges is provided as a rebate in the form of a reduced energy bill from the utility to the building's landlord, who, in turn, is required to pass along the benefit to eligible tenants. The utility recoups the special rebate by claiming a credit for the amount against its gross receipts tax otherwise payable to the City. Application for benefits must be made after June 30, 1995 and before July 1, 2015, and, in any case, before a building permit for the required construction or renovation is issued.

### **Taxes Affected**

Commercial Rent Tax  
Utility Tax

### **Tax Expenditure**

CRT special reduction benefit for leases: \$6 million (July 1, 2011 – June 30, 2012)  
CRT Garment Center District reduction: Less than \$1 million  
CRT Lower Manhattan retail premises: Not available  
UTX Energy Cost Savings: \$25 million

## **Business Income and Excise Taxes**

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### **International Banking Facility Deduction**

#### **Citation**

NYC Administrative Code, Section 11-641(f)

#### **Policy Objective**

Promote international banking activities in New York City.

#### **Description**

Beginning in December 1981, the Federal Reserve Board permitted banking offices in the United States to establish international banking facilities (IBFs). This allowed banking offices to conduct a deposit and loan business with foreign residents without being subject to reserve requirements or interest rate ceilings. In addition, several states, including New York, have encouraged banking institutions to establish IBFs by granting favorable tax treatment under State or local law for IBF operations.

Both New York City and State allow banking corporations to deduct the adjusted eligible net income of an IBF, and to exclude IBF payroll, receipts and deposits from the numerator and denominator of the income allocation formula, in calculating taxable income under their banking corporation taxes. Alternatively, a bank can elect to include its IBF's results in calculating its net income, but to exclude IBF payroll, receipts and deposits from the numerator (while including them in the denominator) of its income allocation formula. As a result, banking offices in New York can, through their IBFs, conduct transactions with foreign residents in a regulatory environment broadly similar to that of the Eurocurrency market without having to use an offshore facility. (Beginning with Tax Year 2015, New York State's special treatment of IBFs is eliminated.)

#### **Tax Affected**

Banking Corporation Tax

#### **Tax Expenditure**

\$30 million

#### **Number of Beneficiaries**

25 banking corporations

**Relocation and Employment Assistance Program (REAP)**

**Citation**

NYC Administrative Code, Sections 11-503(i), 11-604.17, 11-643.7, 11-1105.2 and Chapters 6-b and 6-c of Title 22

**Policy Objective**

Promote business development in Manhattan north of 96th Street, in Lower Manhattan and in the other boroughs of New York City.

**Description**

A credit is available for certain taxpayers that relocate all or part of their business operations to eligible premises located in Upper Manhattan (the area above 96th Street), Lower Manhattan (approximately the area below Houston Street), or the other boroughs, from outside New York City. Under the original program, a business income tax credit of \$500 per eligible employment share, generally the equivalent of one full-time employee, was available for the year of relocation and for a maximum of eleven succeeding tax years. Legislation enacted in 1995 increased the business income tax credit to \$1,000 per eligible employment share for recipients that received their certificate of eligibility on or after July 1, 1995. Under legislation enacted in 2000, firms that relocate to “revitalization areas” in Upper Manhattan or the other boroughs may qualify for a credit of \$3,000 per eligible employment share; starting in 2004, a \$3,000 credit is also available to eligible firms that relocate to Lower Manhattan.

Taxpayers must be certified annually by the City in order to participate in this program. A firm must receive its certificate of eligibility or file a preliminary application and fulfill certain requirements before July 1, 2015 to be eligible to receive REAP benefits.

**Taxes Affected**

Banking Corporation Tax  
General Corporation Tax  
Unincorporated Business Tax  
Utility Tax

**Tax Expenditure**

\$27 million

**Number of Beneficiaries**

210 firms

## **Business Income and Excise Taxes**

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### **Energy Cost Savings Program (ECSP) Credit**

#### **Citation**

NYS General City Law, Sections 25-s to 25-u  
NYC Administrative Code, Section 11-1105.1 and Chapter 6 of Title 22

#### **Policy Objective**

To promote business development in designated parts of Manhattan and in the other boroughs of New York City.

#### **Description**

The ECSP program applies to industrial and commercial companies that relocate to Manhattan north of 96th Street or the other boroughs or that occupy new or improved space in these areas. Manufacturing firms that own or lease space in a building located in Manhattan south of 96th Street may also qualify for ECSP benefits. In addition, certain other eligible businesses in lower Manhattan may be eligible for ECSP benefits (see Commercial Revitalization Program).

An eligible user that purchases electricity or gas from a utility supervised by the Public Service Commission is entitled to receive from the utility a special rebate, which will reduce its monthly utility bills. Utilities deduct the rebates they grant from their City utility gross receipts tax payments.

The ECSP reduction in energy costs is calculated as a percentage of the cost of delivery. Eligible firms receive a 45 percent discount off of the delivery portion of the electric bill and 35 percent off of gas delivery costs. Tying the reduction to delivery costs enables businesses to purchase the electric or natural gas commodity in the deregulated market and realize additional savings. ECSP benefits must be received directly from a PSC-supervised utility, which will receive a credit for rebate amounts against its utility gross receipts tax payments.

The current deadline for new applicants to qualify for benefits is July 1, 2015.

#### **Tax Affected**

Utility Tax

#### **Tax Expenditure**

\$24 million

**Real Estate Investment Trusts (REITs)**

**Citation**

NYC Administrative Code, Sections 11-603.7 and 11-2102.e

**Policy Objective**

Promote REITs as investment vehicles.

**Description**

New York City generally conforms to federal tax treatment of Real Estate Investment Trusts (REITs). To the extent that the REIT passes its income to the shareholders, the REIT pays no City corporate tax on that income. The dividend or distributed gain is taxed at the shareholder level. Any undistributed income the REIT possesses is subject to taxation. To the extent that they are taxable, REITs are subject to only two of the four alternate tax bases that apply to other General Corporation taxpayers. The tax liability of a REIT is determined by utilizing only the net income and fixed dollar minimum corporate tax bases. Under legislation adopted in 2009, special rules apply to “captive” REITs required to be included in combined returns.

Legislation enacted in 1994 provided eligible REITs tax relief against the NYC Real Property Transfer Tax (RPTT). The measure was intended to encourage the purchase of NYC properties by REITs by providing a 50 percent RPTT rate reduction during a two-year period for qualifying transfers of property made in connection with the formation of a REIT.

Legislation enacted in 1996 made the above benefit permanent and extended the benefit to certain transfers to preexisting REITs. Through legislative extensions, the reduced tax rate for transfers of real property into existing REITs has been continued until August 31, 2017.

**Taxes Affected**

General Corporation Tax  
Real Property Transfer Tax

**Tax Expenditure**

GCT: Not available  
RPTT: \$14 million, representing 7 transactions

## **Business Income and Excise Taxes**

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### **Film Production Credit**

#### **Citation**

NYS Tax Law, Section 1201-a (b) (and Chapter 62 (Part Y), NYS Laws of 2004)  
NYC Administrative Code, Sections 11-503(m) and 11-604.20 (and NYC Local Law 24 of 2006)

#### **Policy Objective**

To encourage the production of films and television programs in the City.

#### **Description**

Beginning in tax year 2005, a credit is allowed against the general corporation tax and the unincorporated business tax based on specified costs incurred after August 19, 2004 in producing qualifying films and television programs in the City that are completed after December 31, 2004. The credit is equal to 5 percent of the eligible production costs, but a cap of \$12.5 million, rising to \$30 million beginning in 2006, is placed on the total amount of credits that can be claimed by all taxpayers during a calendar year. Claimed credits that exceed the annual cap are treated as if they had been applied for on the first day of the following year.

The film production credit program expired on December 31, 2011. Some taxpayers may file for their 2011 credit the following year.

#### **Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

#### **Tax Expenditure**

\$14 million

#### **Number of Beneficiaries**

20 firms

**Biotechnology Credit**

**Citation**

NYS Tax Law, Section 1201-a(d), NYC Administrative Code, Sections 11-503(o) and 11-604.21

**Policy Objective**

To encourage emerging biotechnology companies to locate and expand in the City.

**Description**

Biotechnology firms with not more than 100 full-time employees, at least 75 percent of whom are employed in the City, with total annual product sales not exceeding \$10 million, and that meet certain other conditions, are eligible for a credit against the general corporation tax or unincorporated business tax based on qualifying expenditures for research and development property, qualified research expenses and qualified high-technology training costs. A taxpayer is allowed a credit of up to \$250,000 for a tax year in which its in-City employment level is at least 105 percent of its base year employment; if the increase in jobs is less than 105 percent, the credit is limited to 50 percent of the amount otherwise allowable and the total annual credit cannot exceed \$125,000. The credit can only be claimed for three consecutive years. The total of all biotechnology credits allowed during any calendar year cannot exceed \$3 million; if the cap is exceeded, the credits are to be prorated under rules adopted by the Commissioner of Finance.

The credit is available only for tax years beginning on or after January 1, 2010 and before January 1, 2016.

**Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

\$3 million

**Number of Beneficiaries**

30 firms

## **Business Income and Excise Taxes**

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### **School Bus Operation Deduction**

#### **Citation**

NYC Administrative Code, Section 11-602.8(a)(4)

#### **Policy Objective**

To encourage lower charges for bus services used for educational, charitable or religious purposes.

#### **Description**

Income derived from the operation of school buses, where the customer is a school district or a corporation or association organized and operated exclusively for religious, charitable or educational purposes, is excludable from taxable income.

#### **Tax Affected**

General Corporation Tax

#### **Tax Expenditure**

\$1 million

**Dramatic or Musical Arts Performance Exemption**

**Citation**

NYC Administrative Code, Sections 11-701.17 and 11-704.e

**Policy Objective**

Promote the dramatic and musical arts in New York City.

**Description**

A tenant that uses taxable premises for a dramatic or musical arts performance for less than four weeks where there is no indication prior to or at the time that the performance commences that it will continue for less than four weeks is exempt from the Commercial Rent Tax. Under this provision, a dramatic or musical arts performance is defined to include theater plays, musical comedies and operettas. It does not include cabaret or nightclub shows, circuses, aqua shows, ice skating, radio or television performances.

In addition, premises used for the production and performance of a theatrical work are eligible for a Commercial Rent Tax benefit for up to 52 weeks.

**Tax Affected**

Commercial Rent Tax

**Tax Expenditure**

Less than \$1 million

## **Business Income and Excise Taxes**

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### **Employment Opportunity Relocation Costs Credit and Industrial Business Zone Credit**

#### **Citation**

NYC Administrative Code, Sections 11-503(f), 11-503(n), 11-604.14, 11-604.17-b and Title 22, Chapter 6-D

#### **Policy Objective**

Promote employment in New York City.

#### **Description**

Taxpayers may be allowed a tax credit for certain costs incurred in relocating commercial or industrial “employment opportunities” to New York City from an area outside New York State. “Employment opportunity” means the creation of a full-time position and the hiring of an employee for the position. In order to be eligible for the credit, a taxpayer must relocate to the City a minimum of 10 employment opportunities.

The allowable credit may not exceed \$300 and \$500, respectively, for each commercial and industrial position relocated.

**Industrial Business Zone Credit.** Legislation enacted in 2005 provides a new employment relocation costs credit, in place of the above credit, for industrial and manufacturing firms that satisfy certain conditions. The new credit is a one-time, refundable credit of \$1,000 for each full-time employee (or two part-time employees) relocating to premises in an industrial business zone, as designated by a newly created Industrial Business Zone Boundary Commission. The credit, available in years after 2005, cannot exceed the lesser of \$100,000 or the actual cost of relocating furniture, fixtures, equipment, machinery, and supplies.

#### **Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

#### **Tax Expenditure**

Less than \$1 million

**Real Property Tax Escalation Credit**

**Citation**

NYC Administrative Code, Sections 11-503(e) and 11-604.13

**Policy Objective**

Encourage businesses to relocate to New York City.

**Description**

Certain taxpayers that have relocated to leased premises in New York City from a location outside New York State and that have created at least 100 full-time industrial or commercial employment opportunities in the City are allowed a tax credit for the amount of additional lease payments actually paid to the taxpayer's landlord that are based solely and directly upon increased real property taxes imposed upon the relocation premises.

Before a taxpayer can claim the credit, the taxpayer's eligibility must be approved and certified by the City. The credit can be claimed annually for the length of the lease term, or for a period not to exceed ten years from the date of relocation, whichever period is shorter.

**Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

None

## **Business Income and Excise Taxes**

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### **Air Pollution Control Facilities Deduction**

#### **Citation**

NYC Administrative Code, Sections 11-507(9) and 11-602.8(g)

#### **Policy Objective**

Improve the quality of air in New York City.

#### **Description**

Eligible taxpayers are entitled to a special deduction for expenditures paid or incurred during the taxable year for the construction, reconstruction, erection or improvement of Air Pollution Control Facilities. Such facilities must be certified by the New York State Commissioner of Environmental Conservation or the State commissioner's designated representative in accordance with applicable provisions of the Environmental Conservation Law, the State sanitary code and regulations, permits or orders issued pursuant thereto.

#### **Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

#### **Tax Expenditure**

Not available

## **Credit Line Mortgages**

### **Citation**

NYS Tax Law, Section 253-b  
NYC Administrative Code, Section 11-2603

### **Policy Objective**

To reduce credit costs for small homeowners and businesses.

### **Description**

Taxpayers normally pay a tax each time a new indebtedness is created that is secured by a mortgage on City-situated real property. However, for a credit-line mortgage — a mortgage that secures indebtedness under a financing agreement that allows the borrower to receive a series of advances or re-advances up to a stated amount — the Mortgage Recording Tax is paid on the maximum principal amount. No further tax is due on advances or re-advances by the lender if the maximum principal amount is not increased.

Prior to 1996, this benefit was only available in the case of one- to six-family, owner-occupied residences. Legislation enacted in 1996 extended this benefit to all residential and commercial credit-line mortgages with a credit limit of less than \$3 million.

### **Tax Affected**

Mortgage Recording Tax

### **Tax Expenditure**

Not available

## **Business Income and Excise Taxes**

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### **Owner, Lessee or Fiduciary that Holds, Leases or Manages Real Property**

#### **Citation**

NYC Administrative Code, Section 11-502(d)

#### **Policy Objective**

Exempt certain revenue-generating activities from business taxation.

#### **Description**

The City's Unincorporated Business Tax is generally imposed on unincorporated businesses operating in the City. However, certain owners of real property, lessees or fiduciaries engaged in holding, leasing or managing real property are not considered to be engaged in an unincorporated business, and are exempt from the tax. Other business activities, however, may be taxable. In this connection, if the owner, lessee or fiduciary carries on any business at the real property, including, for example, a garage, restaurant, laundry or health club, that business will be considered incidental to the holding, leasing and management of real property and also not subject to taxation, provided the business is conducted solely for the benefit of tenants and is not available to the public.

An owner of real property, a lessee or a fiduciary that operates a garage in a building exempt from the UBT receives an exemption for income received from building tenants who rent parking spaces in the building's public garage on a monthly or longer-term basis, but income from renting parking spaces to the public or to building tenants on a short-term basis is subject to tax.

#### **Tax Affected**

Unincorporated Business Tax

#### **Tax Expenditure**

Not available

**Purchase and Sale of Property or Financial Instruments for Taxpayer's Own Account**

**Citation**

NYC Administrative Code, Section 11-502(c)

**Policy Objective**

Exempt certain revenue-generating activities from business taxation.

**Description**

The City's Unincorporated Business Tax is generally imposed on unincorporated businesses operating in the City. However, individuals or entities engaged in certain trading activities for their own account are not considered to be engaged in an unincorporated business. These activities include the purchase and sale of property or the purchase, sale or writing of stock option contracts, or both, for the individual's or entity's own account. Also included are certain investment transactions involving notional principal contracts and other types of derivative financial instruments.

The law contains certain safe harbors designed to prevent loss of the exemption where incidental business activities are conducted.

**Tax Affected**

Unincorporated Business Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Taxes**

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### **Small Corporation Exemption From Alternative Taxes**

#### **Citation**

NYC Administrative Code, Section 11-604(1)(I)

#### **Policy Objective**

To provide tax relief to small corporations located entirely within the City.

#### **Description**

For tax years beginning on or after January 1, 2007, the alternative income-plus-stockholder-compensation tax base and the business and investment capital tax base under the general corporation tax do not apply to a corporation if its Federal gross income is less than \$250,000, its business allocation percentage is 100 percent, and it has no investment or subsidiary capital.

#### **Tax Affected**

General Corporation Tax

#### **Tax Expenditure**

Not available

**Special Allocation Rule: Credit Card Interest**

**Citation**

NYC Administrative Code, Section 11-642(a)(2)(D)

**Policy Objective**

To allocate accurately taxable income derived from a special multi-jurisdictional economic activity.

**Description**

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed. Accordingly, service charges and fees from credit cards are deemed earned in New York City if the card is serviced in the City. However, credit card interest is allocated based upon the domicile of the cardholder.

**Tax Affected**

Banking Corporation Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Taxes**

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### **Special Allocation Rule: Newspaper and Periodical Publishers' Advertising Sales Receipts**

#### **Citation**

NYC Administrative Code, Sections 11-508(e-1) and 11-604.3(a)(2)(B)

#### **Policy Objective**

To allocate accurately taxable income derived from a special multi-jurisdictional economic activity.

#### **Description**

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed. However, publishers of newspapers and periodicals allocate income received from their sales of advertising based on the number of newspapers and periodicals delivered to points within the City.

#### **Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

#### **Tax Expenditure**

Not available

**Special Allocation Rule: Radio/TV Commercial Receipts**

**Citation**

NYC Administrative Code, Sections 11-508(e-1) and 11-604.3(a)(2)(A), (B) and .3(a)(9)

**Policy Objective**

To allocate accurately taxable income derived from a special multi-jurisdictional economic activity.

**Description**

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed. However, for both GCT and UBT purposes, the income a business receives from broadcasting radio and television commercials or programs (whether through the public airwaves or by cable, satellite transmission or any other means of transmission) is allocated to the City based on the “audience location method,” i.e., the ratio of the number of the broadcaster's New York City listeners/viewers to its total listeners/viewers.

In addition, charges paid by subscribers to television or radio programming services (whether transmitted by cable or otherwise) are allocated to the jurisdiction in which the subscriber is located, determined, generally, on the basis of the subscriber's billing address.

**Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Taxes**

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### **Special Allocation Rule: Certain Service Receipts of Registered Securities or Commodities Brokers or Dealers**

#### **Citation**

NYC Administrative Code, Sections 11-508(e-3), 11-604.3(a)(2)(B) and 11-604.3(a)(10)

#### **Policy Objective**

Encourage registered securities and commodities brokers and dealers to locate in New York City.

#### **Description**

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed. Special rules apply in apportioning receipts from certain services performed by registered securities or commodities brokers or dealers. Among other items, brokerage commission receipts, margin interest, advisory service fees and account maintenance fees are sourced within and outside the City based on the mailing address of the firm's customer; while gross income from a firm's principal transactions involving purchases and sales of stocks and securities are sourced based on the firm's award of production credits among its offices or according to the mailing addresses of customers to whom sales are made.

#### **Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

#### **Tax Expenditure**

Not available

## PART IV

### NEW YORK CITY TAX EXPENDITURES DERIVED FROM NEW YORK STATE-ADMINISTERED CITY TAXES: THE SALES TAX AND PERSONAL INCOME TAX

#### Overview

This part of the report discusses the New York City Sales and Compensating Use Tax (sales tax) and the Personal Income Tax (PIT), which are administered by New York State. City tax expenditures for these taxes conform in large part to those of the State PIT and sales tax. Tax expenditures discussed in this section are not “official” City tax expenditures, as defined in the introduction of this report. Rather, many of these tax items would only very broadly be defined as tax expenditures and are presented in this part for informational purposes only.

Table 8 shows estimates of selected sales tax expenditures for TY 2011. The personal income tax section provides a list of tax expenditures and two tables that show components of income and modifications to income of New York City resident filers in 2012. These tables are derived from two sources: a statistical sample of Tax Year 2012 personal income tax returns created by the New York State Department of Taxation and Finance and an extract of New York State PIT processing files. Descriptions are also provided for four New York City-specific personal income tax credits.

#### New York City Sales Tax Expenditures

New York City generally imposes sales tax on the same products and services to which the statewide sales tax applies. The following table lists sales tax rates since 1974.

NYC Sales Tax Rate	
July 1, 1974 to May 31, 2003.....	4.000%
June 1, 2003 to May 31, 2005.....	4.125%
June 1, 2005 to July 31, 2009.....	4.000%
August 1, 2009 to present.....	4.500%

The following list identifies sales tax expenditures common to both the State and the City unless otherwise noted.

## **Sales and Personal Income Taxes**

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### **Services**

- Certain information services <sup>1</sup>
- Certain information services provided over the telephone
- Services performed on a non-trade basis
- Laundering, tailoring, shoe repair and similar services
- Capital improvement installation services
- Services related to railroad rolling stock
- Services related to property delivered outside New York
- Municipal parking services
- Parking and garaging at a private residence
- Certain protective and detective services
- Medical emergency alarm call services
- Coin-operated car wash services
- Trash removal from a waste transfer facility
- Transportation services in connection with funerals
- Transportation services provided by affiliated livery vehicles
- Water and sewer line protection services

### **Food**

- Certain food products
- Food sold to airlines
- Food sold at school cafeterias
- Food purchased with food stamps
- Water delivered to consumers through mains or pipes
- Mandatory gratuity charges
- Wine used for wine tastings
- Vending machine sales of hot drinks and certain foods
- Vending machine sales of candy, juice and soft drinks
- Food sold at senior citizen housing communities

### **Medical**

- Drugs, medicines and medical supplies
- Eyeglasses, hearing aids and prosthetic aids
- Veterinarian services
- Service dogs

### **Energy**

- Fuel, gas, electricity, refrigeration and steam used in research and development and production <sup>2</sup>
- Fuel, gas, electricity, refrigeration and steam used in farming and commercial horse boarding

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<sup>1</sup> Starting in 1991, the City taxed credit rating and credit reporting, whether rendered in written or oral form or in any other manner.

<sup>2</sup> Energy used in the production of gas, electricity, refrigeration, or steam is exempt from the State sales tax but is subject to the City sales tax.

## Sales and Personal Income Taxes

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- Gas and electricity used in transmission, distribution and storage
- Residential solar energy systems
- Electricity, refrigeration, and steam sold by certain cooperative corporations
- Alternative fuels
- B20 bio-diesel fuel

### Transportation

- Commercial vessels
- Barge repairs
- Commercial aircraft
- Fuel sold to airlines
- Parts for foreign aircraft
- Services to private aircraft
- Intra-family sales of motor vehicles
- Motor vehicles and vessels sold to non-residents
- Motor vehicles purchased out-of-state by a member of the military
- Rental of trucks in certain cases
- Tractor-trailer combinations
- Sales of property by railroads in reorganization
- Commercial buses

### Communication and Media

- Interstate and international telephone and telegraph service
- Newspapers and periodicals
- Electronic news services and electronic periodicals
- Shopping papers
- Telephone services used by the media
- Certain coin-operated telephone charges
- Cable television service
- Internet access services
- Certain telecommunications and Internet equipment
- Radio and television broadcasting
- Internet data centers
- Film production
- Certain mobile telecommunication services

### Industry

- Tools and supplies used in production
- Farm production and commercial horse boarding
- Research and development property
- Machinery and equipment used in production
- Services to machinery and equipment used in production
- Wrapping and packaging materials
- Milk crates
- Commercial fishing vessels

## Sales and Personal Income Taxes

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Certain services used in gas/oil production  
Pollution control equipment  
Property manufactured by user

### Miscellaneous

Certain property sold through vending machines  
Trade-in allowances  
Hotel room rents paid by a permanent resident <sup>1</sup>  
Dues for fraternal societies  
Dues for homeowners' associations  
Homeowner association parking services  
Property sold by morticians  
Flags  
Military decorations  
Garage sales  
New mobile homes  
Used mobile homes  
Modular homes  
Registered race horses  
Race horses purchased through claiming races  
Race horses purchased outside the State  
Training and maintaining race horses  
Property sold to contractor for capital improvements or repairs for exempt organizations  
Property donated by manufacturer to tax-exempt organization  
Sales and use taxes paid to other states  
Precious metal bullion and coins  
Computer software transferred to affiliated corporations  
Services to computer software  
Self-use of pre-written software by its author  
Certain computer system hardware  
Promotional materials mailed out of state  
Printed promotional materials  
U.S. postage used in the distribution of promotional materials  
Clothing and footwear <sup>2</sup>  
Coin-operated photocopying machines  
Luggage carts  
Emissions-testing equipment  
College textbooks  
Live dramatic or musical arts production  
Lower Manhattan commercial office space

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<sup>1</sup> The City defines permanent resident as an occupant of a hotel room for at least 180 consecutive days while the State defines permanent resident as an occupant for at least 90 consecutive days.

<sup>2</sup> The State sales tax exemption for clothing and footwear that costs less than \$110 was suspended from October 1, 2010 to March 31, 2011. From April 1, 2011 to March 31, 2012, the state exemption applied to clothing and footwear items selling for less than \$55. Beginning April 1, 2012, the under-\$110 exemption is restored. During the above periods, the City sales tax exemption continued to apply to articles that cost less than \$110.

### Exempt Organizations

- New York State agencies and political subdivisions
- Industrial development agencies
- Federal agencies
- United Nations
- Diplomats and foreign missions
- Charitable organizations
- Veterans' posts or organizations
- Veterans' home gift shops
- Indian nations and members of such Indian nations.
- U.S. military base post exchanges
- Non-profit health maintenance organizations
- Non-profit medical expense indemnity or hospital service corporations
- Non-profit property/casualty insurance companies
- Certain State credit unions
- Rural electric cooperatives

### Admission Charges

- Certain admission charges
- Amusement park admissions
- Events given for the benefit of charitable organizations, veterans' posts, and Indian nations
- Certain symphony orchestra and opera company events
- National Guard organization events
- Municipal police and fire department events
- Certain athletic games
- Carnivals or rodeos for certain charitable organizations
- Agricultural fairs
- Historic homes, gardens, sites, and museums
- Performances at a roof garden or cabaret

### Credits

- Tangible property sold by contractors in certain situations
- Veterinary drugs
- Bus companies providing local transit service
- Vessel operators providing local transit service
- START-UP NY tax elimination credit

## Sales and Personal Income Taxes

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**Table 8**  
**TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS**  
**FROM THE SALES TAX BASE <sup>1</sup>**  
**Tax Year 2011**

<b>PROGRAM</b>	<b>AMOUNT (\$ millions)</b>
Clothing and Footwear <sup>2</sup> .....	412
Aviation Fuel Sold to Airlines .....	214
Cable Television .....	120
Interstate and International Telephone and Telegraph .....	90
Water Delivered to Consumer Through Mains or Pipes <sup>2</sup> .....	67
Newspapers and Periodicals .....	26
Lower Manhattan Commercial Office Space .....	8
Airline Food and Drink for In-Flight Consumption .....	4

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<sup>1</sup> These are the only sales tax base exemptions for which the NYC Department of Finance has estimates.

<sup>2</sup> Estimate provided is for Fiscal Year 2011, which runs from July 1, 2010 to June 30, 2011.

## Clothing and Footwear

### Citation

NYS Tax Law, §1115(a)(30)  
NYC Administrative Code, §11-2001(b)(4)

### Description

Effective March 1, 2000, the City exempted clothing and footwear items that cost less than \$110 from city sales tax. The exemption also applies to items, such as fabric, thread and buttons, that are used to make or repair exempt clothing.

The exemption was suspended from June 1, 2003 to August 31, 2005, and then restored effective September 1, 2005. Starting September 1, 2007, clothing and footwear items that cost \$110 or more were also exempted from city sales tax; this exemption was repealed effective August 1, 2009.

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### History of Sales Tax Exemptions on Clothing and Footwear New York City

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Pre-March 1, 2000	Not Exempt*
March 1, 2000 - May 31, 2003	Exempt under \$110
June 1, 2003 - August 31, 2005	Not Exempt
September 1, 2005 - August 31, 2007	Exempt under \$110
September 1, 2007 - July 31, 2009	All Exempt
August 1, 2009 - Present	Exempt under \$110

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\* There were various sales tax-free weeks between 1996 and March 2000.

### Tax Expenditure

\$412 million in Fiscal Year 2011 (July 1, 2010 – June 30, 2011).

### Data Source

Tax expenditure estimates were provided by the NYC Office of Management and Budget, Tax Policy, Revenue Forecasting and Economic Analysis Task Force.

## **Sales and Personal Income Taxes**

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### **Aviation Fuel Sold to Airlines**

#### **Citation**

NYS Tax Law, Section 1115(a)(9)

#### **Description**

Fuel sold to airlines for use in their airplanes is tax exempt.

#### **Tax Expenditure**

\$214 million. Includes only sales at LaGuardia and John F. Kennedy International airports.

#### **Data Source**

Estimates are prepared based on data from (1) the Port Authority of New York and New Jersey and (2) the United States Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics.

### **Cable Television Service**

#### **Citation**

NYS Tax Law, Section 1105(c)(9)

#### **Description**

The provision of cable television services to customers is tax exempt.

#### **Tax Expenditure**

\$120 million. Estimate includes open video systems and Verizon FIOS.

#### **Data Source**

Estimates are prepared based on data provided by the City of New York, Department of Information Technology and Telecommunications (DoITT).

**Interstate and International Telephone and Telegraph**

**Citation**

NYS Tax Law, Section 1105(b)

**Description**

Interstate and international telephone and telegraph services are tax exempt.

**Tax Expenditure**

\$90 million.

**Data Source**

Estimates are prepared based on data from (1) the Federal Communications Commission and (2) the United States Department of Commerce, United States Census Bureau.

**Water Delivered to Consumer Through Mains or Pipes**

**Citation**

NYS Tax Law, Section 1115(a)(2)

**Description**

Purchases of water delivered to the consumer through mains or pipes are exempt.

**Tax Expenditure**

\$67 million. Wastewater is excluded. Amount reported is for Fiscal Year 2011.

**Data Source**

Estimates are prepared based on data provided by the Water Board, City of New York, Department of Environmental Protection.

## **Sales and Personal Income Taxes**

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### **Newspapers and Periodicals**

#### **Citation**

NYS Tax Law, Sections 1101(b)(6), 1115(a)(5)

#### **Description**

Newspapers and periodicals are exempt from sales and use tax.

#### **Tax Expenditure**

\$26 million

#### **Data Source**

Estimates are prepared based on data from the United States Department of Commerce, United States Census Bureau.

### **Lower Manhattan Commercial Office Space**

#### **Citation**

NYS Tax Law, Section 1115(ee)

#### **Description**

Purchase and use of certain property used to outfit, furnish, and equip certain leased commercial office space in eligible areas in Lower Manhattan are exempt from sales and compensating use tax. Commercial tenants, landlords, and contractors are eligible for the exemption.

#### **Tax Expenditure**

\$8 million

#### **Data Source**

New York State Tax Expenditure Report.

**Airline Food and Drink for In-Flight Consumption**

**Citation**

NYS Tax Law, Section 1105(d)(ii)(A)

**Description**

Sales of food and drink to airlines for in-flight consumption are exempt from sales taxes.

**Tax Expenditure**

\$4 million. Includes food and drink consumed on flights (foreign and domestic) that originate at LaGuardia and John F. Kennedy International airports. Estimate excludes non-scheduled passengers.

**Data Source**

Estimates are prepared based on data from the United States Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics.

## **Sales and Personal Income Taxes**

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### **New York City Personal Income Tax**

The following list identifies selected items that modify personal income and tax liability for New York City personal income tax purposes. These items are primarily federal exclusions from income and State modifications that pass through in determining City taxable income.

#### **Federal Exclusions from Income**

- IRA and Keogh Contributions and Earnings Exclusion
- Income Earned Abroad by U.S. Citizens
- Passive Losses on Rental Real Estate
- Capital Gains on Home Sales
- Scholarship and Fellowship Income
- Employee Meals and Lodging
- Public Assistance Benefits
- Veterans Benefits
- Employer Contributions for Medical Insurance and Care and Long-Term Care Insurance
- Employer Contributions for Employee Pensions
- Workers' Compensation Benefits
- Employer-Provided Tuition Assistance
- Employer-Provided Child Care
- Certain Employer-Provided Transportation Benefits
- Benefits and Allowances to Armed Forces Personnel
- Accelerated Death Benefits
- Contributions to Health/Medical Savings Accounts
- Self-Employed Persons' Health and Long-Term Care Insurance
- Employer-Provided Adoption Assistance
- Employer-Paid Premiums on Life, Accident and Disability Insurance
- Interest on Life Insurance Policy and Annuity Cash Value
- Interest on Qualified New York State and Local Bonds
- Oil and Gas Exploration and Development Costs
- Accelerated Depreciation
- Amortization of Business Start-Up Costs
- Capital Gains at Death
- Farmers' Expensing of Capital Outlays
- Capital Asset Treatment of Certain Timber Income and from Ore and Coal Royalties
- Expensing of R&D Costs
- Expensing of Certain Depreciable Business Property
- Social Security and Railroad Retirement Benefits (Partial Exclusion)
- Capital Gains from Small Corporation Stock
- Expensing of Certain Small Investments
- Deferral of Income from Installment Sales
- Student Loan Interest
- Education IRA's
- Earnings of Qualified Tuition Programs

### New York State Modifications to Income

#### *Additions*<sup>1</sup>

Interest or Dividends on Obligations or Securities of Certain Federal Authorities  
Interest on Obligations of Other States or Political Subdivisions of those States  
State, Local or Foreign Income Taxes, Including Unincorporated Business Income Taxes,  
Deducted in Determining Federal Taxable Income  
Interest on Loans Incurred to Carry Tax-Exempt Securities  
Expenses for Production of Tax-Exempt Income  
Public Employee Retirement Contributions  
Federal Percentage Depletion  
New Business Investment Deferral  
S Corporation Shareholder Additions  
College Choice Tuition Savings Distributions  
Other Additions

#### *Subtractions*

Interest or Dividend Income on Obligations or Securities Taxable Federally but Exempt  
for NY Purposes  
Interest and Dividends on Obligations or Securities of Certain Federal Authorities  
Interest on Obligations of the U.S. and its Possessions  
Pensions Paid by the Federal Government, the State of New York or New York Localities  
Portion of Pensions and Annuities Received by Individuals 59 ½ Years of Age or Older  
Disability Income Included in Federal AGI  
Social Security and Tier I Railroad Retirement Benefits Included in Federal AGI  
Accelerated Death Benefits and Viatical Settlements  
Contribution to NYS College Choice Tuition Savings Program  
Compensation for Members of an Organized Militia  
Deferral of Gain from Sale of Qualifying Emerging Technology Investments  
Payments to Victims of Nazi Persecution  
Expenses Incurred by Living Organ Donors  
Compensation for Service in a Combat Zone for Members of the U.S. Armed Services  
Small Business and/or Farm Income  
Income Attributable to NYS Business Incubator and Innovation Hot Spot Support Act  
Wages Received from Employers Located in a Tax-Free New York Area

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<sup>1</sup> Addition modifications are not considered tax expenditures. They are listed here for informational purposes.

## Sales and Personal Income Taxes

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### New York State Deductions and Exemptions (2015)

#### *Standard Deduction*

Single .....	\$7,900
Married Filing Jointly .....	\$15,850
Married Filing Separately .....	\$7,900
Head of Household .....	\$11,100
Qualifying Widow(er) with Dependent child .....	\$15,850

#### *Itemized Deductions*

Medical and Dental Expenses  
Interest Expenses  
Charitable Contribution Deduction  
Casualty and Theft Losses  
Taxes Paid  
College Tuition Deduction  
Miscellaneous Expenses Subject to 2% AGI Threshold  
Other Miscellaneous Expenses

#### *Dependent Exemptions*

\$1,000 Exemption per Dependent

### New York City Tax Credits

Household Credit  
UBT Paid Credit  
Earned Income Tax Credit  
School Tax Reduction (STAR) Credit<sup>1</sup>  
Household and Dependent Care Services Credit  
General Corporation Tax Paid Credit<sup>2</sup> (for Tax Paid by S-Corporations)

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<sup>1</sup> New York State funds this credit.

<sup>2</sup> This credit is available for tax years beginning on or after January 1, 2014 but before July 1, 2015.

**Components of Adjusted Gross Income and Summary of Deductions and Credits**

Tables 9 and 10 on the following pages are based on a random, stratified sample of 270,291 New York City personal income tax (PIT) returns prepared by the New York State Department of Taxation and Finance. Full-year New York City resident taxpayers filed 2.5 million returns.

New York State administers the City PIT and, accordingly, modifications to income, such as exclusions, deductions and other adjustments allowed by the State in determining taxable income, are automatically passed through to the City tax. City PIT tax rates are independent of the State rates and reflect local policy choices about the distribution of the tax burden among income groups.

The amounts provided are aggregate dollars claimed. Tax liability was not calculated due to the complex interactions of a variety of factors, such as the graduated tax rate structure and the different amounts claimed for each of the items by different income groups and filing types.

The tables on the following pages are for TY 2012, the most recent year for which data are available.

## Sales and Personal Income Taxes

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**Table 9**  
**NEW YORK CITY PERSONAL INCOME TAX**  
**COMPONENTS OF ADJUSTED GROSS INCOME (AGI)**  
**Tax Year 2012**

(\$ Millions)

<b>INCOME</b>	
Wages and Salaries	176,948
Dividends and Interest	15,553
Business Income/Loss	8,397
Capital Gain/Loss	39,556
Social Security, Pensions, Annuities, IRA	11,723
Other Income (1)	29,132
Federal Adjustments (2)	(3,374)
<b>FEDERAL AGI (3)</b>	<b>277,951</b>
<b>NY ADDITIONS</b>	
Interest Income on State and Local Bonds (4)	681
Other Additions (5)	3,323
<b>TOTAL ADDITION ADJUSTMENTS</b>	<b>4,004</b>
<b>NY SUBTRACTIONS</b>	
Pension Income from Federal, NYS, and Local Governments	(1,590)
U.S. Government Bond Interest	(347)
State and Local Tax Refunds	(1,322)
Taxable Social Security Benefits	(2,794)
Pension and Annuity Income Exclusion (6)	(1,920)
New York's 529 College Savings Program Deduction	(215)
Other Subtractions	(1,422)
<b>TOTAL SUBTRACTION ADJUSTMENTS</b>	<b>(9,610)</b>
<b>NY STATE AGI (3)</b>	<b>272,339</b>

Note: Table pertains to full-year NYC resident taxpayers only.

1. Includes taxable tax refunds, unemployment compensation, alimony received, and other income or losses.
2. Includes IRA and Keogh plan contributions, one-half of self-employment tax, self-employed health insurance deduction, penalty on early withdrawal of savings, and alimony paid.
3. Amount is adjusted to include New York State Office of Tax Policy Analysis corrections.
4. Excludes interest paid on debt issued by New York State or local governments within the state.
5. Includes public employee retirement contributions, college choice tuition savings distributions, and miscellaneous adjustments.
6. Taxpayers may take an exclusion of up to \$20,000 for qualifying pension and annuity income.

**TABLE 10  
NEW YORK CITY PERSONAL INCOME TAX  
SUMMARY OF DEDUCTIONS AND CREDITS  
Tax Year 2012**

**(\$ Millions)**

**DEDUCTIONS**

**FEDERAL ITEMIZED DEDUCTIONS**

Taxes Paid	(16,404)
Mortgage Interest Paid	(5,811)
Charitable Contributions	(7,939)
Theft and Casualty Losses	(454)
Medical Expenses	(678)
Job and Employee Expenses (1)	(3,299)
College Tuition Deduction	(280)
Other Miscellaneous Expenses (2)	(207)

**TOTAL FEDERAL ITEMIZED DEDUCTIONS** (35,072)

**TOTAL ITEMIZED DEDUCTIONS (3)** (14,272)

**TOTAL STANDARD DEDUCTION** (17,929)

**TOTAL DEDUCTIONS APPLIED** (32,201)

**EXEMPTIONS APPLIED** (1,453)

**TAXABLE INCOME** 238,685

**NYC RESIDENT TAX (4)** 8,620

NYC Household Credit	(12)
UBT Paid Credit	(133)
Earned Income Tax Credit	(97)
NYC School Tax Relief Credit (5)	(273)
NYC Child and Dependent Care Credit	(11)
Other Taxes (6)	0

**TOTAL NYC TAX LIABILITY** 8,094

Note: Table pertains to full-year NYC resident taxpayers only.

1. Job expenses and most other miscellaneous deductions are subject to a 2% of AGI threshold.
2. Includes miscellaneous deductions not subject to the 2% threshold.
3. Available itemized deductions after New York State add-backs and high-income limitations.
4. Tax credits are based on filers in the population file rather than the taxpayer sample.
5. The NYC School Tax Relief (STAR) credit is state-funded.
6. Includes the New York City minimum tax.

## Sales and Personal Income Taxes

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### Earned Income Credit

#### Citation

NYS Tax Law, Section 1310(f); NYC Administrative Code, Section 11-1706(d)

#### Policy Objective

Provide tax relief to low-income New York City residents.

#### Description

Beginning in tax year 2004, low-income New York City residents are eligible for an earned income tax credit against the City personal income tax equal to 5 percent of the earned income tax credit allowed for federal income tax purposes. If the City credit is greater than the taxpayer's tax liability, after deducting other allowable credits, the excess will be treated as an overpayment and refunded to the taxpayer.

#### Distributional Information

A total of 901,366 filers received the earned income tax credit, worth \$97.3 million. The average credit per filer was \$108. Additional distributional information appears below.

#### NEW YORK CITY EARNED INCOME TAX CREDIT TAX YEAR 2012

Federal Adjusted Gross Income	Number of Filers	Total Value of Credit	Average Value
Under \$5,000	92,518	\$2,252,022	\$24
\$5,000-\$9,999	204,073	\$12,977,275	\$64
\$10,000-\$14,999	197,640	\$24,773,621	\$125
\$15,000-\$19,999	125,724	\$24,092,664	\$192
\$20,000-\$24,999	90,753	\$15,861,117	\$175
\$25,000-\$29,999	73,149	\$9,441,423	\$129
\$30,000-\$48,249	117,509	\$7,856,874	\$67
All Filers	901,366	\$97,254,996	\$108

#### Tax Expenditure

\$97.3 million

**Household Credit**

**Citation**

NYS Tax Law, Section 1310(d)  
 NYC Administrative Code, Section 11-1706(b)

**Policy Objective**

Provide tax relief to low-income New York City households.

**Description**

New York City filers with federal adjusted gross income below specified levels may claim the household credit. The amount of the credit varies according to filing status, federal adjusted gross income and the number of persons in the household. The credit is available to single filers with federal adjusted gross income not greater than \$12,500 and other filing types with adjusted gross income not greater than \$22,500. The credit amount decreases as income increases, and ranged from \$15 to \$10 for single filers and from \$30 to \$10 per household member for all other filers. The household credit is not refundable.

**Distributional Information**

In TY 2012, 436,694 New York City filers claimed the household credit. The household credit reduced tax liability by \$12.1 million. The average benefit was \$28 per household, with over half the beneficiaries reporting income below \$15,000.

**NEW YORK CITY HOUSEHOLD CREDIT  
 TAX YEAR 2012**

Federal Adjusted Gross Income	Number of Filers	Total Value of Credit	Average Value
Under \$10,000	97,967	\$1,321,030	\$13
\$10,000 - \$14,999	142,837	\$3,152,094	\$22
\$15,000 - \$19,999	130,579	\$5,814,831	\$45
\$20,000 - \$22,500	65,311	\$1,838,416	\$28
<b>All Filers</b>	<b>436,694</b>	<b>\$12,126,371</b>	<b>\$28</b>

**Tax Expenditure**

\$12.1 million

## Sales and Personal Income Taxes

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### Credit for Unincorporated Business Tax Payments

#### Citation

NYS Tax Law, Section 1310(e)  
NYC Administrative Code, Section 11-1706(c)

#### Policy Objective

To relieve New York City residents who own or have an interest in a business subject to the City's unincorporated business tax from the double taxation of income earned by the business.

#### Description

New York City residents are allowed to claim credits against their City personal income tax liabilities for unincorporated business taxes paid by businesses they carry on as sole proprietors or paid by partnerships in which they are partners. For taxable years beginning on or after January 1, 1997, a City resident whose taxable income is not more than \$42,000 is allowed a credit for 65 percent of his or her share of the UBT paid by the firm for its tax year ending within or at the same time as the resident's tax year; a resident whose taxable income is more than \$42,000 but not more than \$142,000 is allowed a declining credit computed by subtracting from 65 percent, one-tenth of a percentage point for each \$200 of taxable income above \$42,000; and a resident whose taxable income is over \$142,000 is allowed a 15 percent credit. The City is authorized to adopt local laws to raise (but not reduce) the above percentages to as much as a 100 percent credit. A local law enacted in 2007, and applicable to tax years beginning in 2007 and thereafter, raised the credit percentage to 100 percent where taxable income is not over \$42,000, to 23 percent where income is \$142,000 or over, and to a percentage that declines from 100 percent to 23 percent in income ranges between \$42,000 and \$142,000.

(For tax years beginning on or after January 1, 2014, but before July 1, 2015, certain taxpayers who are shareholders of New York State S corporations will be eligible for a full or partial credit for their share of New York City general corporation taxes paid by their S corporations. See Chapter 4, N.Y. Laws of 2013.)

#### Distributional Information

A total of 20,682 taxpayers claimed the unincorporated business tax credit. The total value of the credit was \$132.6 million and the average credit per taxpayer was \$6,413. Additional distributional information appears on the next page.

## Sales and Personal Income Taxes

### UNINCORPORATED BUSINESS TAX CREDIT TAX YEAR 2012

Federal Adjusted Gross Income	Number of Taxpayers	Total Value of Credit	Average Value
Less than \$25,000	36	\$30,035	\$834
\$25,000 - \$49,999	90	\$50,301	\$559
\$50,000 - \$74,999	306	\$304,862	\$996
\$75,000 - \$99,999	994	\$1,128,828	\$1,136
\$100,000 - \$124,999	1,137	\$1,829,542	\$1,609
\$125,000 - \$149,999	1,015	\$1,651,349	\$1,627
\$150,000 - \$199,999	1,897	\$2,657,592	\$1,401
\$200,000 - \$299,999	2,767	\$4,428,711	\$1,601
\$300,000 - \$499,999	3,218	\$7,174,515	\$2,229
\$500,000 - \$999,999	3,554	\$12,244,513	\$3,445
\$1,000,000 and above	5,668	\$101,125,115	\$17,841
All Taxpayers	20,682	\$132,625,363	\$6,413

### Tax Expenditure

\$132.6 million

## Sales and Personal Income Taxes

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### Child and Dependent Care Services Credit

#### Citation

NYC Administrative Code, Section 11-1706(e)

#### Policy Objective

To help low-income NYC residents pay certain expenses necessary for gainful employment.

#### Description

Beginning with the 2007 tax year, a refundable personal income tax credit is allowed for expenses for certain household and dependent care services necessary for gainful employment. The credit equals the “applicable percentage” of the allowable New York State household and dependent care credit; however, for purposes of the City credit only child care expenses for dependents under the age of four are considered. For filers with household gross income up to \$25,000, the applicable percentage is 75 percent. Under a sliding-scale formula, the applicable percentage declines from 75 percent to zero for household gross incomes between \$25,000 and \$30,000.

#### Distributional Information

A total of 23,067 filers claimed the child and dependent care services credit. The total value of the credit was \$10.9 million and the average credit per filer was \$474.

#### NEW YORK CITY CHILD AND DEPENDENT CARE SERVICES CREDIT TAX YEAR 2012

Federal Adjusted Gross Income	Number of Filers	Total Value of Credit	Average Value
Less than \$5,000	631	\$238,215	\$378
\$5,000-\$9,999	2,595	\$1,238,414	\$477
\$10,000-\$14,999	4,622	\$2,415,776	\$523
\$15,000-\$19,999	4,793	\$2,605,899	\$544
\$20,000-\$24,999	4,832	\$2,772,062	\$574
\$25,000-\$30,000	5,594	\$1,653,286	\$296
All Filers	23,067	\$10,923,652	\$474

#### Tax Expenditure

\$10.9 million

## **PART V**

### **SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES**

#### **Introduction**

This section summarizes audits and evaluations of City financial assistance provided to businesses to support investment, job creation, job retention and growth. Information is excerpted from the FY 2014 Annual Investment Projects Report, Volume I, prepared by the New York City Economic Development Corporation (NYCEDC).

The Annual Investment Projects Report is required by City Charter §1301(1)(b) as amended by local laws. Reports for FY 2005 through FY 2010 adhered to the requirements of Local Law 48 of 2005. Reports for FY 2011 through FY 2013 followed the requirements stated in Local Law 62, enacted in 2010. The report for FY 2014, summarized herein, adheres to the requirements stated in Local Law 102 of 2013.

City Charter §1301(1)(b), as amended by LL102, requires NYCEDC to submit to the New York City Council, the mayor, the city comptroller, the public advocate, and the borough presidents, an annual report, containing descriptive data on a selected group of NYCEDC projects, the amounts of City assistance (City Costs) provided by NYCEDC to the businesses involved in these projects, and estimates of the tax revenues generated by these projects (City Benefits). Data on investment projects receiving loans, grants and tax or energy benefits (financial assistance) are provided for the life of the project, irrespective of the date it initiated. Data on sales of City-owned land are provided for all transactions closed since January 1, 2005 if at least 25 jobs are estimated to be at the project's site. Data on leases of City-owned land are provided for all active contracts.

NYCEDC believes this report shows how critical its financial assistance efforts are to maintain and expand New York City's economic base by stimulating investment, job growth and business expansion. The typical company investment included in this report would have been delayed, abandoned or made outside New York City but for the intervention and support of NYCEDC. In addition, NYCEDC appreciates the opportunity to discuss the public benefits generated by its investment projects and to explain the dynamic public/private partnership that makes NYCEDC successful.

#### **Summary of Public Benefits**

NYCEDC reported 583 financial assistance investment projects. In FY 2014, there were 47 project starts and financial assistance ended for 44 projects. The 583 investment projects accounted for:

- 6.2 percent of total private employment in New York City;
- \$26.6 billion in private investment;
- \$1.2 billion in City Costs (present value), net of recapture, cancellations, reductions and penalties; and

## **Audits and Evaluations**

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- \$44.8 billion in City Benefits (present value), net of the assistance provided and recapture/penalties.

## APPENDIX I

### NEW YORK CITY CHARTER SECTION 240

#### Tax Benefit Report

Not later than the fifteenth day of February the mayor shall submit to the council a tax benefit report which shall include:

- a. a listing of all exclusions, exemptions, abatements, credits or other benefits allowed against City tax liability, against the base or the rate of, or the amount due pursuant to, each City tax, provided however that such listing need not include any benefits which are applicable without any City action to such City tax because they are available in regard to a federal or State tax on which such City tax is based; and
- b. a description of each tax benefit included in such listing, providing the following information:
  - (1) the legal authority for such tax benefit;
  - (2) the objectives of, and eligibility requirements for, such tax benefit;
  - (3) such data and supporting documentation as are available and meaningful regarding the number and kind of taxpayers using benefits pursuant to such tax benefit and the total amount of benefits used pursuant to such tax benefit, by taxable and/or fiscal year;
  - (4) for each tax benefit pursuant to which a taxpayer is allowed to claim benefits in one year and carry them over for use in one or more later years, the number and kind of taxpayers carrying forward benefits pursuant to such tax benefit and the total amount of benefits carried forward, by taxable and/or fiscal year;
  - (5) for nineteen hundred ninety and each year thereafter for which the information required by paragraphs three and four are not available, the reasons therefor, the steps being taken to provide such information as soon as possible, and the first year for which such information will be available;
  - (6) such data and supporting documentation as are available and meaningful regarding the economic and social impact and other consequences of such tax benefit; and
  - (7) a listing and summary of all evaluations and audits of such tax benefit issued during the previous two years.

APPENDIX II

DESCRIPTION OF MAJOR NEW YORK CITY TAXES

**New York City Tax Revenues**  
**Fiscal Year 2014**  
(Millions)

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<u>Tax</u>	<u>Revenues</u>
Real Property Tax	\$19,977
Personal Income Tax	\$9,539
Sales Tax	\$6,494
General Corporation Tax	\$2,766
Unincorporated Business Tax	\$1,882
Real Property Transfer Tax	\$1,527
Banking Corporation Tax	\$1,227
Mortgage Recording Tax	\$961
Commercial Rent Tax	\$710
Hotel Tax	\$536
Utility Tax	\$405
Other	\$601
<hr/> Total	<hr/> \$46,626

Audit revenues and STAR aid are excluded.  
Amounts may not add exactly due to rounding.

### **Banking Corporation Tax**

This tax is imposed on banking corporations, including commercial and savings banks, savings and loan associations, trust companies, and certain subsidiaries of banks, which do business in New York City in a corporate or organized capacity.

A banking corporation determines its tax liability by making three alternative calculations and comparing the results to a fixed minimum tax. The tax due is the largest of the following four amounts:

- (1) 9 percent of entire net income allocated to the City;
- (2) 3 percent of alternative entire net income allocated to the City;
- (3) one-tenth of a mill on each dollar of taxable assets allocated to the City (except that, for tax years beginning before 2011, alien banking corporations calculate a tax at the rate of 2.6 mills per dollar of issued capital stock allocated to the City);
- (4) \$125 minimum tax.

### **Commercial Rent Tax**

This tax is imposed at an effective rate of 3.9 percent of the base rent paid by tenants of premises used to conduct any business, profession or commercial activity.

The tax does not apply in Manhattan north of 96th Street or in the other boroughs. Tenants with annual rent (or annualized rent for part-year filers) below \$250,000 are exempt from the tax and tenants with annual taxable rents between \$250,000 and \$300,000 are eligible for a sliding-scale credit that partially offsets tax liability.

### **General Corporation Tax**

This tax is imposed on those corporations, both domestic and foreign, that do business, employ capital, own or lease property or maintain an office in New York City.

A corporation determines its tax liability by making three alternative calculations and comparing the results to a sliding-scale fixed minimum tax. The primary tax liability is the largest of the four following amounts:

- (1) 8.85 percent of the corporation's entire net income allocated to the City;
- (2) 0.15 percent of the firm's business and investment capital allocated to the City (or 0.04 percent for cooperative housing corporations), subject to a cap of \$1 million;
- (3) 8.85 percent of 15 percent of the sum of entire net income plus the compensation paid to certain shareholders, less a fixed-dollar exclusion, allocated to the City.

## Appendices

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- (4) the minimum tax, which ranges from \$25 to \$5,000, depending on the taxpayer's New York City receipts.

Corporations having only business capital, a 100 percent allocation percentage and federal gross income below \$250,000 are not subject to the calculations in items (2) and (3) above.

In addition to the primary tax liability, a tax on subsidiary capital is also payable. The subsidiary tax is at the rate of 0.075 percent of subsidiary capital allocated to the City.

### Mortgage Recording Tax

This tax is imposed on the recording of real estate mortgages in New York City. For mortgages that are less than \$500,000, the rate is \$1.00 per \$100 of indebtedness. For mortgages that are \$500,000 or more the rate varies:

- for mortgages on 1-, 2- or 3-family homes or individual residential condominium units the rate is \$1.125 per \$100 of indebtedness.
- for all other mortgages that are \$500,000 or more the rate is \$1.75 per \$100 of indebtedness.

### Personal Income Tax

This tax is imposed on the taxable income of every resident of New York City. The City's definition of taxable income follows, with certain modifications, Federal law, and is the same as the New York State definition.

The personal income tax rates imposed on New York City residents range from 2.907 percent to 3.876 percent.

### Real Property Tax

Under Article 18 of the Real Property Tax Law, real property in New York City is divided into four different classes:

- (1) class 1 consists of 1-, 2- and 3-family residential property, small condominiums, and certain vacant land north of 110<sup>th</sup> Street in Manhattan and in the other boroughs;
- (2) class 2 consists of all other residential property, including cooperatives and condominiums;
- (3) class 3 consists of utility company equipment and special franchises; and
- (4) class 4 consists of all other real property, such as office buildings, factories, stores, hotels and lofts.

### **FY 2015 Rates**

New York City assesses properties at a uniform percentage of market value within each class of real property, applying class-specific tax rates to determine tax liability. The rates, per \$100 of assessed value, are as follows:

Class 1	19.157
Class 2	12.855
Class 3	11.125
Class 4	10.684

### **Real Property Transfer Tax**

This tax is imposed on the transfer of real property located in New York City and on the transfer of a controlling economic interest in real property located in New York City.

The rates of the real property transfer tax for residential properties (1-, 2- or 3-family homes, an individual residential condominium unit, or an individual cooperative apartment) are the following:

- for residential properties transferred for a consideration of \$500,000 or less, the rate is 1 percent of the consideration;
- for residential properties transferred for a consideration of more than \$500,000, the rate is 1.425 percent of the consideration.

For properties other than the residential properties referred to above:

- the tax rate is 1.425 percent if the consideration is not more than \$500,000; and
- 2.625 percent if the consideration is more than \$500,000.

### **Sales Tax**

This tax is imposed on the sale or use of tangible personal property and certain services; sales of gas, electricity, steam, refrigeration, and intrastate telephone and telegraph services; food and beverages sold by restaurants and caterers; hotel and motel occupancies; admission charges to certain places of amusement; and club dues. The current city sales tax rate is 4.5 percent.

New York City sales and use tax is also imposed on charges for the parking or garaging of motor vehicles. The basic tax rate imposed on the parking charge is 6 percent; an additional 8 percent tax is imposed on parking in Manhattan. Manhattan residents who meet certain conditions are exempt from the 8 percent tax.

## **Appendices**

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### **Unincorporated Business Tax**

This tax is imposed on every individual or unincorporated entity carrying on a trade, business or profession wholly or partly within New York City. The unincorporated business tax is imposed at the rate of 4 percent of taxable income allocable to New York City. A full credit is allowed if the tax is not more than \$3,400 and a partial credit is allowed if the tax is more than \$3,400 but less than \$5,400.

### **Utility Tax**

This tax is imposed on every utility and vendor of utility services that does business in New York City. “Utilities” are those companies that are subject to the supervision of the New York State Department of Public Service, including gas and electric companies and telephone companies. Companies that derive 80 percent or more of their gross receipts from mobile telecommunications services are also considered utilities, regardless of whether they are supervised by the Department of Public Service. Vendors of utility services are those that are not “utilities” but that sell gas, electricity, steam, water, refrigeration, or telecommunications services, or that operate omnibuses, whether or not those activities represent the vendor’s main business.

The basic utility tax rate is 2.35 percent of gross income or gross operating income. Different rates apply to bus companies and railroads.

**APPENDIX III**

**AVERAGE NEW YORK CITY TAXES PER WORKER**

Data were not available at the time this report was published. An updated report will be posted at a later date.

**APPENDIX IV**

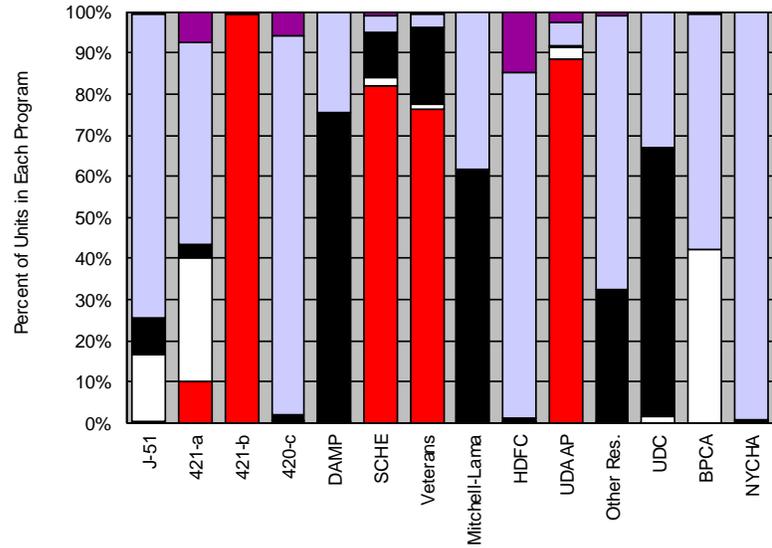
**REAL PROPERTY TAX EXPENDITURE  
STATISTICAL SUPPLEMENT**

This appendix provides distributions of exemptions by program, borough and building type for FY 2015. Information on the number of units, the exempt assessed value, and the taxable assessed value is included. The number of exemptions presented in Part II of this report may not equal the number of properties presented in this appendix. For example, a single property may receive more than one J-51 exemption if the rehabilitation of the property consisted of separate improvements initiated at different times. Consequently, the data in Part II would account for two exemptions, while the statistical appendix would count one property.

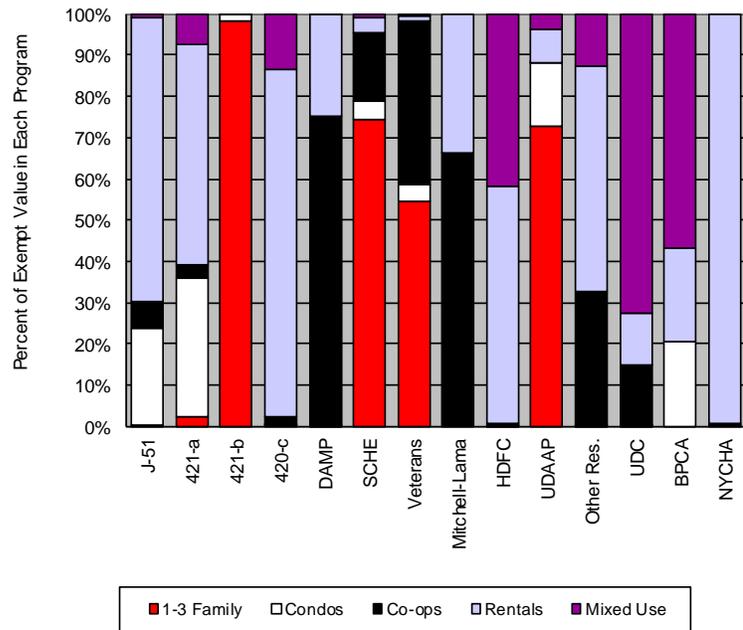
Note: The definition of residential units was refined in the mixed-use category; this change increased the number of mixed-use units and primarily affects the 421-a program.

FISCAL YEAR 2015

Distribution of Units with Exemptions by Program and Building Type



Distribution of Exempt Value by Program and Building Type



## Appendices

### CITY PROGRAMS

#### Distribution of Exemptions and Abatements by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### J-51

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
<b>Exemptions</b>							
1-3 FAMILY	Number of Units	376	71	33	266	6	0
	Exempt AV	1.84	0.42	0.13	1.25	0.05	0.00
	Taxable AV	2.00	0.62	0.11	1.26	0.01	0.00
CONDOS	Number of Units	18,367	1,274	12,370	4,357	366	0
	Exempt AV	312.58	67.30	80.02	152.78	12.47	0.00
	Taxable AV	200.00	28.35	100.95	68.72	1.98	0.00
CO-OPS	Number of Units	9,662	1,096	3,656	685	4,225	0
	Exempt AV	83.21	29.30	13.21	7.99	32.72	0.00
	Taxable AV	105.94	11.86	38.42	8.75	46.92	0.00
RENTALS	Number of Units	82,748	21,189	37,762	18,805	4,804	188
	Exempt AV	915.54	362.69	295.01	201.74	47.20	8.91
	Taxable AV	694.73	272.95	194.71	158.94	65.56	2.57
MIXED USE	Number of Units	614	116	36	462	0	0
	Exempt AV	9.56	2.61	0.62	6.32	0.00	0.00
	Taxable AV	10.52	2.65	0.47	7.40	0.00	0.00
ALL	Number of Units	111,767	23,746	53,857	24,575	9,401	188
	Exempt AV	1,322.72	462.32	388.99	370.07	92.43	8.91
	Taxable AV	1,013.20	316.42	334.67	245.08	114.46	2.57
<b>Abatements</b>							
1-3 FAMILY	Number of Units	494	78	67	263	86	0
	Total Abatement	0.47	0.12	0.04	0.28	0.02	0.00
CONDOS	Number of Units	27,405	6,293	12,239	6,248	2,320	305
	Total Abatement	15.44	1.86	7.32	5.83	0.42	0.01
CO-OPS	Number of Units	187,814	44,901	32,812	37,580	72,134	387
	Total Abatement	20.98	5.45	4.85	3.54	7.10	0.05
RENTALS	Number of Units	231,900	59,664	55,419	67,741	47,223	1,853
	Total Abatement	51.62	16.87	14.65	15.12	4.25	0.73
MIXED USE	Number of Units	1,000	228	74	673	25	0
	Total Abatement	1.05	0.26	0.08	0.66	0.05	0.00
ALL	Number of Units	448,613	111,164	100,611	112,505	121,788	2,545
	Total Abatement	89.56	24.55	26.94	25.43	11.85	0.80
<b>Total Number of Exemption and Abatement Units</b>		560,380	134,910	154,468	137,080	131,189	2,733

**Distribution of Exemptions by Borough and Property Type**

**Fiscal Year 2015**

(\$ Millions)

**421-a**

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	17,250	39	3,956	6,457	6,683	115
	Exempt AV	184.93	0.34	30.97	84.39	67.89	1.34
	Taxable AV	75.60	0.15	10.34	33.25	31.53	0.32
CONDOS	Number of Units	50,416	18,318	990	21,162	9,860	86
	Exempt AV	2,928.26	1,478.36	31.77	963.66	451.71	2.75
	Taxable AV	1,458.64	1,293.03	3.14	111.55	50.75	0.16
CO-OPS	Number of Units	5,438	2,765	805	1,056	738	74
	Exempt AV	272.67	181.93	16.69	48.00	22.96	3.09
	Taxable AV	38.95	29.87	1.17	3.86	3.96	0.09
MIXED USE	Number of Units	12,234	1,711	492	5,561	4,341	129
	Exempt AV	655.36	428.30	20.12	102.71	98.63	5.60
	Taxable AV	633.68	563.27	10.19	17.39	42.58	0.25
RENTALS	Number of Units	83,284	39,594	11,908	18,479	12,754	549
	Exempt AV	4,610.84	2,954.24	256.85	857.55	530.27	11.93
	Taxable AV	998.39	824.06	15.57	80.92	75.22	2.61
ALL	Number of Units	168,622	62,427	18,151	52,715	34,376	953
	Exempt AV	8,652.07	5,043.18	356.40	2,056.31	1,171.46	24.72
	Taxable AV	3,205.24	2,710.38	40.42	246.98	204.03	3.43

## Appendices

### Distribution of Exemptions by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### 421-b

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	4,810	9	381	786	1,230	2,404
	Exempt AV	16.97	0.10	1.05	3.16	4.09	8.56
	Taxable AV	90.46	0.86	5.10	16.61	23.24	44.64
CONDOS	Number of Units	6	1	0	2	3	0
	Exempt AV	0.24	0.14	0.00	0.06	0.04	0.00
	Taxable AV	0.19	0.00	0.00	0.04	0.16	0.00
MIXED USE	Number of Units	2	0	0	2	0	0
	Exempt AV	0.01	0.00	0.00	0.00	0.00	0.01
	Taxable AV	0.02	0.00	0.00	0.02	0.00	0.00
RENTALS	Number of Units	12	0	0	8	0	4
	Exempt AV	0.01	0.00	0.00	0.01	0.00	0.00
	Taxable AV	0.10	0.00	0.00	0.08	0.00	0.03
ALL	Number of Units	4,830	10	381	798	1,233	2,408
	Exempt AV	17.23	0.24	1.05	3.23	4.14	8.58
	Taxable AV	90.78	0.86	5.10	16.74	23.40	44.67

**Distribution of Exemptions by Borough and Property Type**  
**Fiscal Year 2015**  
(\$ Millions)

**420-c**

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	112	3	8	101	0	0
	Exempt AV	1.07	0.03	0.09	0.96	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CONDOS	Number of Units	1	1	0	0	0	0
	Exempt AV	0.05	0.05	0.00	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	714	98	362	254	0	0
	Exempt AV	21.90	7.71	7.89	6.29	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
MIXED USE	Number of Units	2,336	437	706	1,070	106	17
	Exempt AV	141.68	51.97	34.27	53.28	1.31	0.85
	Taxable AV	1.46	0.87	0.03	0.56	0.00	0.00
RENTALS	Number of Units	38,634	12,788	12,947	10,052	1,951	896
	Exempt AV	882.01	369.35	207.24	235.74	53.93	15.74
	Taxable AV	8.87	6.27	1.50	0.90	0.20	0.00
ALL	Number of Units	41,797	13,327	14,023	11,477	2,057	913
	Exempt AV	1,046.71	429.11	249.50	296.27	55.24	16.59
	Taxable AV	10.33	7.14	1.53	1.46	0.20	0.00

## Appendices

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### Distribution of Exemptions by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### Division of Alternative Management Programs

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	16	7	3	0	6	0
	Exempt AV	0.04	0.03	0.00	0.00	0.02	0.00
	Taxable AV	0.07	0.05	0.01	0.00	0.01	0.00
CO-OPS	Number of Units	15,229	8,770	3,149	3,251	59	0
	Exempt AV	177.98	128.20	18.57	30.45	0.77	0.00
	Taxable AV	135.18	80.44	25.99	28.21	0.54	0.00
RENTALS	Number of Units	4,938	2,220	2,162	550	6	0
	Exempt AV	57.71	43.68	9.39	4.57	0.07	0.00
	Taxable AV	36.15	20.13	11.77	4.20	0.05	0.00
MIXED USE	Number of Units	33	18	0	15	0	0
	Exempt AV	0.63	0.45	0.00	0.18	0.00	0.00
	Taxable AV	0.45	0.21	0.00	0.23	0.00	0.00
ALL	Number of Units	20,216	11,015	5,314	3,816	71	0
	Exempt AV	236.37	172.36	27.96	35.20	0.85	0.00
	Taxable AV	171.84	100.83	37.77	32.65	0.59	0.00

## Appendices

### Distribution of Exemptions by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### Senior Citizen Homeowner

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	69,507	166	7,825	22,501	30,585	8,430
	Exempt AV	506.50	2.43	40.60	151.76	243.10	68.61
	Taxable AV	439.39	2.46	40.92	124.45	217.18	54.38
CONDOS	Number of Units	1,554	491	170	147	613	133
	Exempt AV	28.23	16.78	0.82	1.98	7.61	1.03
	Taxable AV	24.83	17.44	0.21	1.34	5.35	0.49
CO-OPS	Number of Units	9,131	1,620	568	2,174	4,663	106
	Exempt AV	113.24	43.27	3.66	22.74	42.98	0.59
	Taxable AV	9,333.46	6,320.92	316.37	816.26	1,861.73	18.18
MIXED USE	Number of Units	829	22	66	457	251	33
	Exempt AV	7.39	0.41	0.48	3.53	2.74	0.24
	Taxable AV	8.63	1.09	0.58	3.85	2.93	0.17
RENTALS	Number of Units	3,532	259	329	2,023	895	26
	Exempt AV	23.83	1.51	2.43	12.47	7.23	0.18
	Taxable AV	27.88	3.28	2.63	14.07	7.73	0.16
ALL	Number of Units	84,553	2,558	8,958	27,302	37,007	8,728
	Exempt AV	679.19	64.39	47.99	192.48	303.67	70.65
	Taxable AV	9,834.19	6,345.20	360.71	959.98	2,094.92	73.39

## Appendices

### Distribution of Exemptions by Borough and Property Type

Fiscal Year 2015

(\$ Millions)

#### Veterans

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	61,481	305	6,483	15,459	25,550	13,684
	Exempt AV	202.90	0.83	16.14	45.94	85.53	54.46
	Taxable AV	734.56	17.59	59.45	165.21	323.07	169.24
CONDOS	Number of Units	1,129	560	74	67	296	132
	Exempt AV	15.50	12.00	0.45	0.48	1.94	0.62
	Taxable AV	61.06	52.61	0.95	1.34	5.01	1.15
CO-OPS	Number of Units	15,023	4,879	915	2,131	6,952	146
	Exempt AV	147.68	94.91	3.45	11.19	37.70	0.42
	Taxable AV	13,194.05	10,491.85	312.91	768.58	1,602.36	18.34
MIXED USE	Number of Units	517	56	31	274	119	37
	Exempt AV	1.60	0.27	0.07	0.71	0.41	0.14
	Taxable AV	15.29	6.72	0.32	5.68	1.97	0.60
RENTALS	Number of Units	2,578	261	208	1,205	855	49
	Exempt AV	5.32	0.78	0.49	2.63	1.22	0.20
	Taxable AV	39.01	9.04	2.75	13.81	12.84	0.58
ALL	Number of Units	80,728	6,061	7,711	19,136	33,772	14,048
	Exempt AV	372.99	108.80	20.61	60.94	126.79	55.84
	Taxable AV	14,043.96	10,577.81	376.37	954.62	1,945.25	189.91

Note: A unit receiving more than one type of veterans' exemption is counted once in this table.

**Distribution of Abatements by Borough and Property Type**  
**Fiscal Year 2015**  
(\$ Millions)

**Class Two Cooperative and Condominium Partial Tax Abatement**

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
CONDOS	Number of Units	35,335	25,744	444	2,640	5,360	1,147
	Abatement	76.46	67.99	0.46	2.75	4.61	0.66
COOPS	Number of Units	226,284	109,118	11,873	36,965	67,085	1,243
	Abatement	322.98	237.56	7.73	29.79	47.41	0.48
ALL	Number of Units	261,619	134,862	12,317	39,605	72,445	2,390
	Abatement	399.44	305.55	8.18	32.54	52.02	1.14

## Appendices

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### Distribution of Abatements by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### Superstorm Sandy Abatement

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	2,625	0	2	922	977	724
	Abatement	1.57	0.00	0.00	0.71	0.52	0.33
CONDOS	Number of Units	4,820	3,578	0	1,186	56	0
	Abatement	0.58	0.44	0.00	0.13	0.02	0.00
COOPS	Number of Units	230	174	0	56	0	0
	Abatement	0.05	0.05	0.00	0.00	0.00	0.00
MIXED USE	Number of Units	997	588	1	330	58	20
	Abatement	0.86	0.64	0.01	0.17	0.02	0.02
RENTALS	Number of Units	14,536	13,985	4	414	79	54
	Abatement	0.95	0.89	0.00	0.03	0.01	0.01
All	Number of Units	23,208	18,325	7	2,908	1,170	798
	Abatement	4.01	2.01	0.01	1.04	0.58	0.36

**STATE PROGRAMS**

**Distribution of Exemptions by Borough and Property Type**  
**Fiscal Year 2015**  
(\$ Millions)

**Limited-Profit/Mitchell-Lama (Residential Only)**

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
CO-OPS	Number of Units	61,338	15,941	23,600	10,859	10,937	1
	Exempt AV	1,524.95	646.03	394.06	237.10	247.68	0.08
	Taxable AV	1.32	0.70	0.61	0.00	0.01	0.00
RENTALS	Number of Units	37,976	7,237	14,186	13,478	2,085	990
	Exempt AV	777.19	328.18	130.18	274.49	30.58	13.77
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
ALL	Number of Units	99,314	23,178	37,786	24,337	13,022	991
	Exempt AV	2,302.14	974.21	524.24	511.59	278.26	13.85
	Taxable AV	1.32	0.70	0.61	0.00	0.01	0.00

## Appendices

### Distribution of Exemptions by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### Housing Development Fund Companies

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	4	0	3	1	0	0
	Exempt AV	0.21	0.00	0.03	0.17	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	186	186	0	0	0	0
	Exempt AV	3.85	3.85	0.00	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
MIXED USE	Number of Units	2,627	422	1,111	475	440	179
	Exempt AV	247.33	85.35	73.70	53.25	26.10	8.93
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	14,860	3,176	4,249	5,820	1,168	447
	Exempt AV	340.87	112.47	74.57	115.62	28.39	9.82
	Taxable AV	3.91	0.84	0.00	0.00	0.00	3.07
ALL	Number of Units	17,677	3,784	5,363	6,296	1,608	626
	Exempt AV	592.25	201.67	148.30	169.04	54.50	18.75
	Taxable AV	3.91	0.84	0.00	0.00	0.00	3.07

**Distribution of Exemptions by Borough and Property Type**  
**Fiscal Year 2015**  
(\$ Millions)

**Urban Development Action Area Projects**

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	17,558	1,615	4,924	8,409	2,562	48
	Exempt AV	103.44	10.95	20.27	54.01	17.99	0.23
	Taxable AV	100.85	11.99	25.10	48.78	14.70	0.28
CONDOS	Number of Units	614	232	8	119	255	0
	Exempt AV	21.49	7.36	0.19	4.43	9.51	0.00
	Taxable AV	9.71	7.68	0.00	1.10	0.92	0.00
CO-OPS	Number of Units	17	0	0	17	0	0
	Exempt AV	0.38	0.00	0.00	0.38	0.00	0.00
	Taxable AV	0.04	0.00	0.00	0.04	0.00	0.00
RENTALS	Number of Units	1,150	584	147	405	14	0
	Exempt AV	11.07	6.56	1.65	2.61	0.26	0.00
	Taxable AV	9.72	6.61	0.48	2.48	0.15	0.00
MIXED USE	Number of Units	512	20	26	305	161	0
	Exempt AV	5.51	0.52	0.38	3.72	0.89	0.00
	Taxable AV	3.78	0.59	0.41	2.36	0.42	0.00
ALL	Number of Units	19,851	2,451	5,105	9,255	2,992	48
	Exempt AV	141.89	25.39	22.49	65.14	28.64	0.23
	Taxable AV	124.10	26.88	25.99	54.76	16.19	0.28

## Appendices

### Distribution of Exemptions by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### Other Residential

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	5	0	1	4	0	0
	Exempt AV	0.13	0.00	0.05	0.08	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	12,290	5,817	1,486	2,581	2,406	0
	Exempt AV	430.83	284.57	22.28	51.58	72.41	0.00
	Taxable AV	8.30	8.30	0.00	0.00	0.00	0.00
RENTALS	Number of Units	24,963	6,874	9,103	6,066	2,675	245
	Exempt AV	729.25	354.66	177.33	137.76	54.72	4.78
	Taxable AV	0.91	0.64	0.25	0.00	0.02	0.00
MIXED USE	Number of Units	411	81	163	166	1	0
	Exempt AV	166.08	66.38	43.97	41.82	10.56	3.34
	Taxable AV	0.54	0.02	0.00	0.00	0.52	0.00
ALL	Number of Units	37,669	12,772	10,753	8,817	5,082	245
	Exempt AV	1,326.28	705.61	243.63	231.23	137.69	8.12
	Taxable AV	9.75	8.96	0.25	0.00	0.54	0.00

Note: This table includes Limited-Dividend Housing Companies, Redevelopment Companies and Miscellaneous State-Assisted Housing programs.

**PUBLIC AGENCIES**

**Distribution of Exemptions by Borough and Property Type**  
**Fiscal Year 2015**  
(\$ Millions)

**NYC Housing Authority (Residential Only)**

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	572	0	3	308	261	0
	Exempt AV	7.12	0.00	0.24	2.92	3.96	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	1,057	317	224	300	216	0
	Exempt AV	13.87	0.16	4.52	5.16	4.03	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	226,846	55,858	86,660	61,690	18,560	4,078
	Exempt AV	4,095.78	2,013.77	687.31	991.12	346.82	56.75
	Taxable AV	5.63	3.76	0.00	0.00	0.00	1.87
ALL	Number of Units	228,475	56,175	86,887	62,298	19,037	4,078
	Exempt AV	4,116.77	2,013.94	692.07	999.20	354.81	56.75
	Taxable AV	5.63	3.76	0.00	0.00	0.00	1.87

## Appendices

### Distribution of Exemptions by Borough and Property Type Fiscal Year 2015 (\$ Millions)

#### Urban Development Corporation

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	2	0	1	1	0	0
	Exempt AV	0.18	0.00	0.02	0.16	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CONDOS	Number of Units	183	0	0	0	183	0
	Exempt AV	10.96	0.00	0.00	0.00	10.96	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
COOPS	Number of Units	8,018	8,018	0	0	0	0
	Exempt AV	349.34	349.34	0.00	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
MIXED USE	Number of Units	10	8	1	0	1	0
	Exempt AV	1,750.18	1,120.56	12.26	590.29	3.42	23.66
	Taxable AV	0.02	0.00	0.00	0.02	0.00	0.00
RENTALS	Number of Units	4,022	609	0	363	3,050	0
	Exempt AV	302.90	81.42	0.00	2.30	219.18	0.00
	Taxable AV	18.74	0.00	0.00	0.00	18.74	0.00
ALL	Number of Units	12,235	8,635	2	364	3,234	0
	Exempt AV	2,413.55	1,551.32	12.28	592.75	233.55	23.66
	Taxable AV	18.76	0.00	0.00	0.02	18.74	0.00

**Distribution of Exemptions by Borough and Property Type**  
**Fiscal Year 2015**  
(\$ Millions)

**Battery Park City Authority**

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
CONDOS	Number of Units	3,588	3,588	0	0	0	0
	Exempt AV	475.20	475.20	0.00	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
MIXED USE	Number of Units	55	55	0	0	0	0
	Exempt AV	1,308.45	1,308.45	0.00	0.00	0.00	0.00
	Taxable AV	0.47	0.47	0.00	0.00	0.00	0.00
RENTALS	Number of Units	4,849	4,849	0	0	0	0
	Exempt AV	519.63	519.63	0.00	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
ALL	Number of Units	8,492	8,492	0	0	0	0
	Exempt AV	2,303.28	2,303.28	0.00	0.00	0.00	0.00
	Taxable AV	0.47	0.47	0.00	0.00	0.00	0.00

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## INDEX

### Key to Tax Abbreviations:

BCT	Banking Corporation Tax
CRT	Commercial Rent Tax
GCT	General Corporation Tax
MRT	Mortgage Recording Tax
PIT	Personal Income Tax
RPT	Real Property Tax
RPTT	Real Property Transfer Tax
STX	Sales Tax
UBT	Unincorporated Business Tax
UTX	Utility Tax

<b>Tax Expenditure Program</b>	<b>Page</b>
Air Pollution Control Facilities Deduction (GCT, UBT) .....	90
Airline Food and Drink for In-Flight Consumption (STX).....	109
Aviation Fuel Sold to Airlines (STX) .....	106
Battery Park City Authority (RPT) .....	66
Biotechnology Credit (GCT, UBT) .....	85
Business and Investment Capital Tax Limitation (GCT) .....	74
Cable Television Services (STX) .....	106
Child and Dependent Care Services Credit (PIT) .....	120
Chrysler Building (RPT) .....	43
Class Two Cooperative and Condominium Partial Tax Abatement (RPT) .....	37
Clothing and Footwear (STX) .....	105
Commercial Expansion Program: Special Garment Center District and Designated Areas Outside of Manhattan’s Central Business District.....	22
Real Property Tax Abatement (RPT) .....	25
Relocation and Employment Assistance Program (BCT, GCT, UBT, UTX).....	81
Industrial and Commercial Incentive Program/ Industrial and Commercial Abatement Program (RPT).....	39
Commercial Revitalization Program: Lower Manhattan.....	22
Real Property Tax Abatement (RPT).....	23
Commercial Rent Tax Abatement (CRT, UTX) .....	78
Energy Cost Savings Program (UTX).....	78
Conversion of Real Property to Residential Use (RPT).....	27
Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital (GCT) .....	76

<b>Tax Expenditure Program</b>	<b>Page</b>
Credit Card Interest (BCT) .....	95
Credit Line Mortgages (MRT) .....	91
Disabled Person Rent Increase Exemption (RPT) .....	32
Division of Alternative Management Programs (RPT) .....	20
Double-Weighting of Manufacturers' Receipts Factor (GCT, UBT) .....	83
Dramatic or Musical Arts Performance Exemption (CRT) .....	87
Earned Income Credit (PIT) .....	116
Economic Development Corporation (RPT) .....	61
Employment Opportunity Relocation Costs Credit (GCT, UBT) .....	88
Energy Cost Savings Program Credit (UTX) .....	82
Film Production Credit (GCT/UBT) .....	84
420-c, Low Income Housing Exemption (RPT) .....	28
421-a, New Multiple Dwellings (RPT) .....	16
421-b, New Private Homes (RPT) .....	18
"Green Roof" Abatement (RPT) .....	44
Household Credit (PIT) .....	117
Housing Development Fund Companies (RPT) .....	53
Industrial and Commercial Abatement Program (RPT).....	39
Industrial and Commercial Incentive Board (RPT) .....	39
Industrial Business Zone Credit (GCT,UBT) .....	88
Industrial Development Agency (RPT) .....	60
Insurance Corporation Non-Taxation (GCT) .....	73
International Banking Facility Deduction (BCT) .....	80
Interstate and International Telephone and Telegraph (STX) .....	107
J-51, Residential Alterations and Rehabilitation (RPT) .....	14
Limited Profit Housing Companies (RPT) .....	49
Limited Dividend Housing Companies (RPT) .....	51
Low-Income Disabled Homeowners (RPT) .....	35
Lower Manhattan Commercial Office Space (STX) .....	108
Major League Sports Facilities, Madison Square Garden (RPT) .....	42
Miscellaneous State-Assisted Housing (RPT) .....	57
Newspapers and Periodicals (STX) .....	108

<b>Tax Expenditure Program</b>	<b>Page</b>
Newspaper and Periodical Publishers' Advertising Sales Receipts (GCT, UBT) .....	96
New York City Housing Authority (RPT) .....	62
New York Power Authority (RPT) .....	65
Owner, Lessee or Fiduciary that Holds, Leases or Manages Real Property (UBT) .....	92
Physically Disabled Crime Victims (RPT).....	36
Purchase and Sale of Property or Financial Instruments for Taxpayer's Own Account (UBT) .....	93
Radio/TV Commercial Receipts (GCT, UBT) .....	97
Real Estate Investment Trusts (GCT, RPTT) .....	83
Real Property Tax Escalation Credit (GCT, UBT) .....	89
Redevelopment Companies (RPT) .....	52
Regulated Investment Company Management Fees (BCT, GCT, UBT) .....	77
Rehabilitation of Single-Room Occupancy Housing (RPT) .....	29
Relocation and Employment Assistance Program (REAP) (BCT, GCT, UBT, UTX) .....	81
School Bus Operation Deduction (GCT) .....	86
Senior Citizen Homeowner Exemption (RPT) .....	30
Senior Citizen Rent Increase Exemption (RPT).....	32
Service Receipts of Registered Securities or Commodities Brokers/Dealers (GCT, UBT) ...	98
Single Sales Factor (BCT,GCT,UBT).....	75
Small Corporation Exemption From Alternative Taxes (GCT) .....	94
Solar Electric Generating System Abatement (RPT) .....	45
Superstorm Sandy Abatement (RPT) .....	46
Teleport Center, Port Authority of NY and NJ (RPT) .....	67
Trust for Cultural Resources of the City of NY, Museum of Modern Art (RPT) .....	69
Unincorporated Business Tax Payments Credit (PIT) .....	118
Urban Development Action Area Projects (RPT) .....	55
Urban Development Corporation (RPT) .....	64
Veterans Exemptions (RPT) .....	33
Water Delivered through Mains or Pipes (STX) .....	107
World Trade Center, Port Authority of NY and NJ (RPT) .....	68