ANNUAL REPORT ON TAX EXPENDITURES OF THE CITY OF NEW YORK

FISCAL YEAR 1991

Department of Finance
David N. Dinkins, Mayor
Carol O'Cleireacain, Commissioner

Finance

CAROL O'CLEIREACAIN
Commissioner of Finance

The City of New York
Department of Finance
Municipal Building
New York, N.Y. 10007
Telephone (212) 669-4855

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To Our Readers:

I am pleased to present this Fiscal Year 1991 New York City Tax Expenditure Report, our second annual report. The goal of these reports is to assist elected officials and concerned citizens to evaluate the policy and budget implications of special tax benefit programs. In this time of severe fiscal constraint, a public accounting of tax expenditure programs takes on a special importance.

The Dinkins Administration has a strong commitment to open government and the report was prepared with this goal in mind. Going beyond the requirements of the City Charter, this report contains greatly expanded sections on two important State-administered taxes: the personal income and sales taxes. The report also quantifies the value of additional business and excise tax programs by utilizing specially developed databases of tax return information. In addition, the distribution of benefits for many of the City's property tax exemption programs have been identified. New statistics created by the merger of tax and employment data have been incorporated into a new section of the report which examines the measurement problems in determining the economic and social impact of various tax expenditure programs.

The crucial questions underlying tax expenditure reporting are whether a program has met its goals, and whether its benefits exceed the cost. No tax expenditure analysis can provide all the answers. This report seeks, instead, to provide readers with an enriched database, a useful format and a conceptual framework to better evaluate the many diverse kinds of tax expenditure programs in New York City.

Sincerely,

Carol O'Cleireacain

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Fiscal Year 1991

Prepared by the
NYC DEPARTMENT OF FINANCE
ON BEHALF OF MAYOR DAVID N. DINKINS

Carol O'Cleireacain
Commissioner of Finance

William Thomas
Deputy Commissioner for Policy

Israel Schupper
Associate Commissioner
Office of Tax Policy

Kathy Barnett
Director of Research

Fran Joseph
Director, Real Property

Jerry Rosenthal
Legal Counsel

Karen Schlain
George Sweeting
Directors, Statistical Unit

Jacob Glickman
Senior Analyst, Personal Income Tax

Richard Carroll
Senior Analyst, Collections

Michael Hyman
Project Director

Project Staff:

Antonio Ampil
Beth Brenner
Margaret Graf
Gillian Metzger
Angela Parathyras
Louis Yeostros

Antoinette Gifford
Phil Lewis
Steve Robinson

EXECUTIVE SUMMARY

New York City furthers its social and economic objectives through a variety of programs. Some programs are funded by direct governmental appropriations; others are funded by reductions in tax liability and are referred to as "tax expenditures." In recent years, there has been an increasing awareness of the need to account for the impact of tax expenditures on public budgets. The federal government and several states now require annual reporting on tax expenditures. This report is the second annual accounting of New York City tax expenditures, as mandated by the new City Charter. The report identifies and describes the tax expenditure programs of taxes administered by the City, and provides estimates for items for which data are available.

There are <u>more than fifty tax expenditure programs</u> related to City-administered taxes. <u>The Real Property Tax is the City's single largest source of tax revenue, $7.2 billion in fiscal 1991, and of tax expenditures, more than $1.4 billion.</u>

- Housing benefits comprise 60 percent of the value of real property tax expenditures. Tax incentives are provided for new construction or rehabilitation of various types of residential properties, ranging from small homes to apartment buildings.

- Economic development incentives which benefit commercial and industrial taxpayers comprise 35 percent of City real property tax expenditure costs.

- Five percent of City real property tax expenditure benefits are provided directly to individual property owners and tenants through such mechanisms as veteran and senior citizen exemptions.

Business income and excise taxes account for more than half of New York City-administered tax expenditure programs. Certain of these tax expenditures are designed to foster economic development, such as tax reductions to reduce the cost of energy and relocation to the outer boroughs. Other tax expenditures are created for cultural and social objectives such as assistance to the dramatic arts or promotion of certain types of scientific research.

There is a new section in this year's report which examines the measurement problems in determining the economic and social impact of selected tax expenditure programs. Four very different programs are examined: Battery Park City, the NYC Industrial Development Agency, the City's non-taxation of insurance companies and the Relocation and Employment Assistance Program (REAP). The new section presents the history and rationale of each program, provides detailed data on benefit recipients, and discusses the methodology for determining cost-effectiveness in meeting program objectives.

The report also includes charts detailing tax expenditure costs, as well as lists of New York City sales tax exemptions and data regarding City Personal Income Tax deductions.

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INTRODUCTION

Tax expenditures are deviations from basic tax structure which reduce taxes for specific taxpayers. Traditionally, tax expenditures have been used to alter the distribution of the tax burden and to create incentives for taxpayers to change economic behavior. Tax expenditures provide economic benefits and are often used as alternatives to direct governmental allocations. Improved reporting on tax expenditures has been a nation-wide trend in the last few years. Tax expenditure reports are currently produced by the federal government and twenty-two states, including California, Michigan and Minnesota. In New York City, the first annual Tax Expenditure Report was produced in 1990.

The New York City Charter approved by the voters in November 1989 requires that the City provide a full accounting of local tax expenditure programs. Section 240 of the Charter mandates that an annual City tax expenditure report should include:

- a comprehensive listing of City-specific tax expenditures;
- the citation of legal authority and the objectives and eligibility requirements for each tax expenditure;
- data, as available, on the number and kind of taxpayers benefiting from City tax expenditure programs and the total value of these programs;
- data on the number and kind of taxpayers carrying 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;
- a listing and summary of all evaluations and audits of City tax expenditure programs conducted during the previous two years.

This New York City Tax Expenditure Report for fiscal year 1991 satisfies, to the extent that data are currently available, the mandates of the City Charter. A major new feature of this report is a detailed discussion of the economic and social impact of selected tax expenditure programs. In addition, distributional information for City real property tax expenditure programs presented in last year's report has been greatly expanded. Such data are intended to help policy makers evaluate the effectiveness of tax benefit programs.

Part I of this report provides the criteria used to determine City tax expenditures and the methodology used in the report. Parts II and III describe tax expenditures for the Real Property Tax and business income and excise taxes, respectively. Part IV discusses the economic and social impact of selected real property and non-property tax expenditure programs. Part V describes tax expenditures for the City's Sales and Personal Income Tax, which are administered by New York State. Part VI summarizes audits and evaluations of City tax expenditures which have been conducted during the previous two years. Part VII describes the main provisions of major New York City taxes.

The Appendix to the report provides the text of New York City Charter Section 240, a summary table of all state tax expenditure reports currently being produced, the methodology used in Part IV to conduct break-even analyses of selected tax expenditure programs, and supplemental statistical data regarding New York City real property tax expenditures.

PART I

DEFINITION OF TAX EXPENDITURES

Defining a normal tax structure and identifying specific tax expenditure items is a subjective and controversial process. Some proponents of tax expenditure reporting recommend that tax expenditure lists be as inclusive as possible, identifying all deductions or credits which reduce the taxable base from 100 percent of income and wealth. Others recommend a more narrow definition, focusing 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 focused approach. In accordance with City Charter requirements, it identifies provisions of City-administered taxes which are intended to confer special tax benefits. This approach focuses attention on information needed for local policy evaluation and public accountability.

Here a tax expenditure is defined as a revenue loss attributable to a provision of the tax law that allows a special exclusion, exemption, or deduction from gross income or which provides a special credit, preferential rate of tax, or deferral of tax liability.

This report classifies a provision of the tax law as a New York City tax expenditure if the following conditions are met:

City-Specific	-	The tax expenditure must derive from a tax administered by the City.
Targeted Preference	-	The tax provision has to be "special" in that it is targeted to a narrow class of transactions or taxpayers.
Clear Exception	-	The tax provision must constitute a clear exception to a general provision of the tax laws.

The "targeted preference" and "clear exception" criteria are used by the federal Office of Management and Budget for federal tax expenditure reporting purposes.

METHODOLOGY

Application of City Tax Expenditure Criteria

Parts II and III of this report identify tax expenditures of the following City-administered taxes: Banking Corporation Tax, Commercial Rent Tax, General Corporation Tax, Mortgage Recording Tax, Real Property Tax, Real Property Transfer Tax, Unincorporated Business Tax, and Utility Tax.

Tax expenditures deriving from City taxes administered by New York State, the Personal Income Tax and Sales and Use Tax, are discussed in Part V.

In order to provide a full range of information, Part II on the Real Property Tax includes programs which exist throughout New York State and others which are granted by means of public authorities.

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

Data

Revenue estimates for property tax exemptions and abatements are for the City's fiscal year 1991 (July 1, 1990 - June 30, 1991). Estimates for business income and excise taxes are for tax year 1990, which for most taxpayers corresponds to calendar year 1990. (For Commercial Rent Tax purposes, tax year 1990 was from June 1, 1989 to May 31, 1990.) All estimates are derived from Department of Finance data, unless otherwise noted. Data for certain Payments in Lieu of Taxes (PILOTs) were provided by the City's Office of Management and Budget. Data on tax year 1990 tax benefits carried forward from prior years will not be available until 1990 tax returns are filed. Historical data on carry forwards will be itemized in future tax expenditure reports as more information becomes available.

Measurement

In Parts II and III, the tax expenditure estimate provided for each item represents a direct mathematical calculation of the tax revenue foregone. 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 may lead taxpayers to take advantage of other tax relief programs. In certain cases, the elimination of a tax expenditure may even result in a revenue loss if the benefit had been stimulating other taxable economic activity. The estimates 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.

In Part IV, an attempt has been made to evaluate the overall economic and social impact of selected tax expenditure programs. This section provides:

- a detailed description, history and rationale of each program;
- data on benefit recipients;
- a general discussion of each program's economic and social impact;
- where applicable, a comparison of the tax expenditure cost to the revenue potentially generated by the program.

PART II

REAL PROPERTY TAX EXPENDITURES

Overview

The real property tax represents 45 percent of New York City's total tax revenue of $16 billion and is the single largest source of revenue. In fiscal 1991, tax expenditures for real estate tax programs total more than $1.4 billion, through assessment exemptions to 165,400 properties and through rent relief to an additional 46,647 individuals.

The City's property tax relief programs have evolved over many years in response to local housing and economic development needs. Many programs are targeted to projects in northern Manhattan and the other boroughs. In recent years, housing and economic development programs have been scaled back or eliminated in Manhattan's central business and prime residential districts.

The City derives its authority for providing real estate tax expenditures from a variety of New York State laws, provisions in the City Charter, the City Administrative Code and underlying 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.

Two organizations which receive real estate tax expenditure benefits, the Battery Park City Authority (BPCA) and the Industrial Development Agency (IDA), are described in detail in Part IV. The IDA segment includes maps displaying the location of projects Citywide and by Borough.

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

Tax Expenditure Purposes

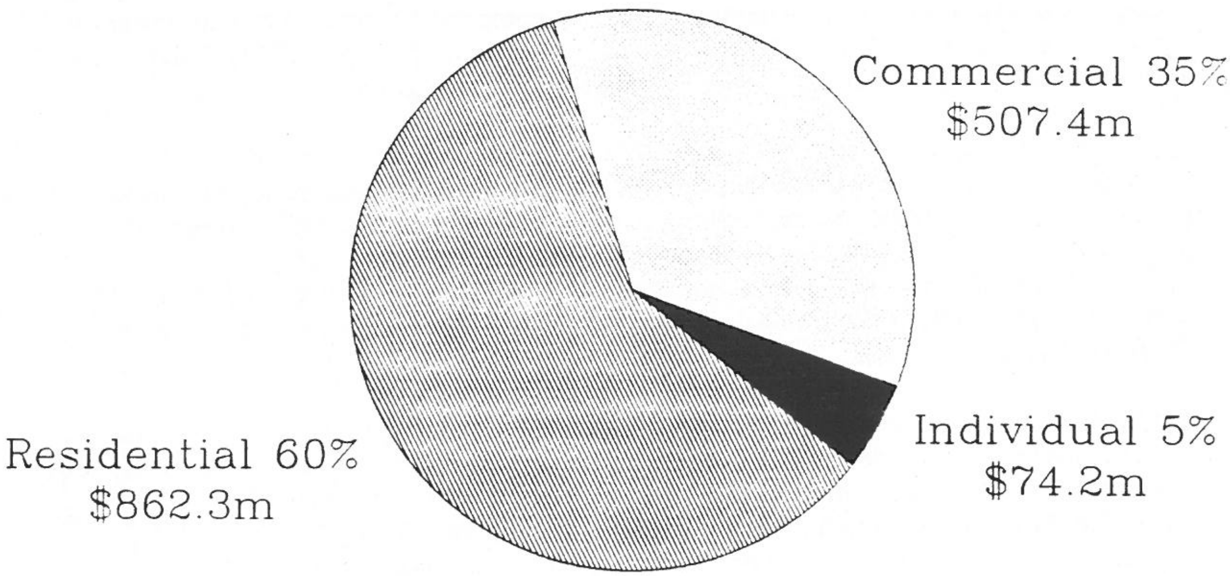
Property tax expenditures support residential, commercial and individual assistance programs. (Chart 1)

Residential - Housing benefits comprise 60 percent of property tax expenditures, or the equivalent of $862.3 million in fiscal 1991 revenues. In total, more than 59,600 properties receive some form of assessment relief. Incentives are provided for new construction or rehabilitation, and extend from small homes to multi-family buildings. Some programs are combined with additional financial assistance to target benefits for moderate 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 is the Limited Profit Housing Companies, otherwise known as Mitchell-Lama housing.

Commercial - Economic development incentives are valued at $507.4 million in fiscal 1991, or 35 percent of total property tax expenditures. Almost 4,600 properties are currently receiving benefits. Although the number of properties participating in each program may vary, the value of most tax expenditure programs is of similar magnitude. The kinds of properties assisted by the commercial programs vary from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs will frequently provide more extensive benefits to industrial construction and renovation.

Individual Assistance - The smallest real property tax expenditure category, programs for individual assistance, totals $74.2 million in fiscal 1991. More than 100,000 veterans and senior citizens have been granted tax relief through lower property assessments. Additionally, 46,647 senior citizen tenants are provided rent increase relief, funded through tax credits to property owners. Senior citizen programs are based on the income of the qualifying individual who owns or occupies the property.

REAL PROPERTY TAX EXPENDITURES
By Purpose, FY 1991
Total $1,443.9 million



Tax Expenditure Sources

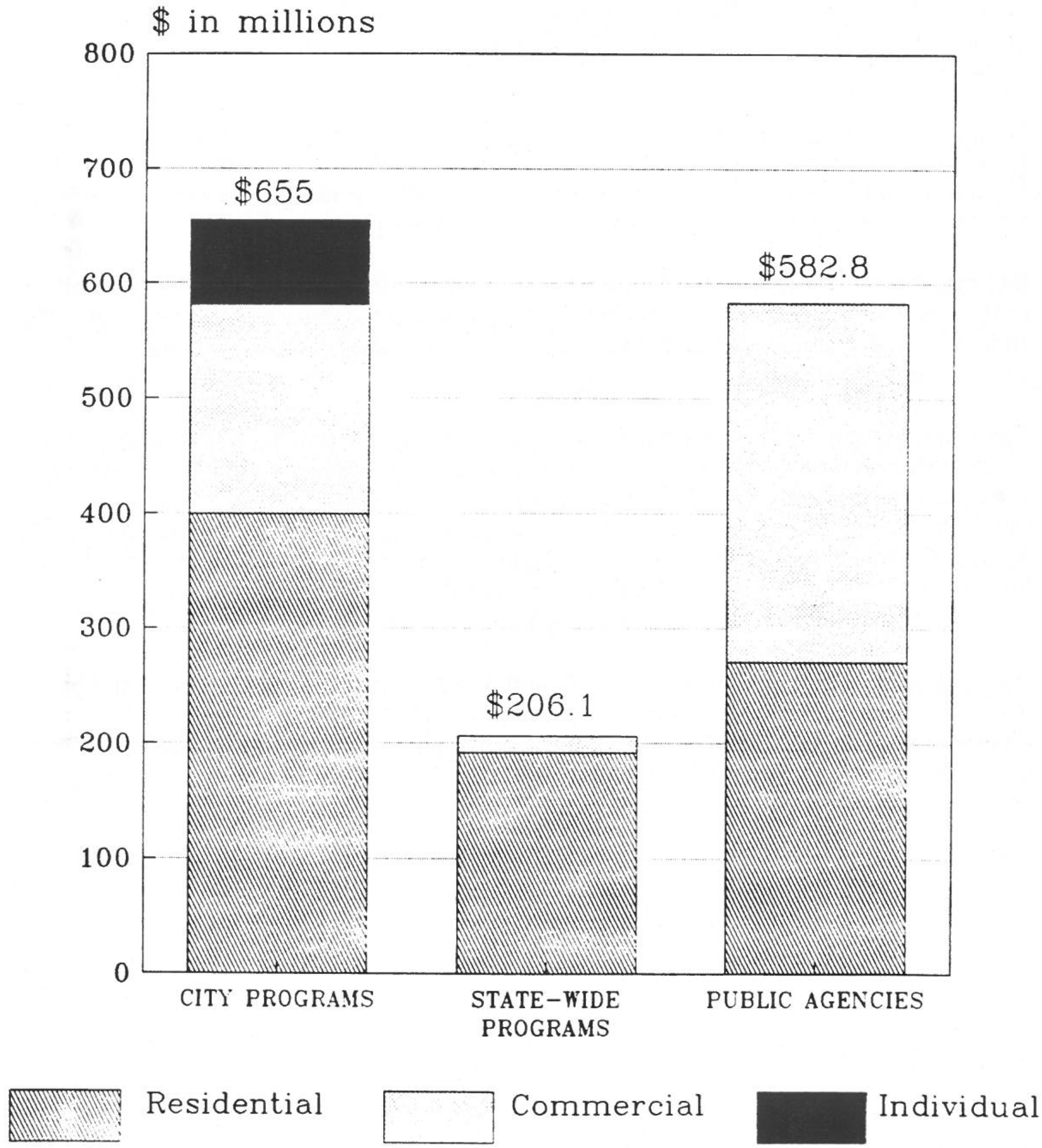
Real estate tax expenditures are provided through a large number of City programs. Various State-wide programs have been included in this report since the related exemptions are administered by the City and these programs serve as channels for housing and economic development incentives in the City. The major sources of expenditures include City and State programs and public agencies. (Chart 2)

City Programs - This category includes local incentives granted directly by the City for housing, commercial development and individual assistance. Also included are State-wide programs in which participation is at the discretion of the locality. In fiscal 1991, tax expenditures from this source total $655 million or 45 percent of City-wide property tax expenditures. Residential incentives comprise 61 percent of City program expenditures and are valued at $399.7 million. Another 28 percent of City Program tax expenditures are attributable to economic development programs.

State-wide Programs - These predominantly residential programs meet many of the same goals as the City programs but are not exclusive to City taxpayers. For these programs, only the gross tax expenditure is displayed. Data on the offsetting revenue, such as PILOTs and Shelter Rent, is available only for the entire category. Of the total $206.1 million of property tax expenditures in this category, 93 percent are granted to moderate 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 New York-New Jersey Port Authority. In fiscal 1991, commercial and industrial projects account for just over half of the tax expenditures attributable to public agencies. The New York City Housing Authority accounts for 90 percent of the $270.6 million in residential tax expenditures in this category.

REAL PROPERTY TAX EXPENDITURES
By Source FY 1991



Detailed Program Descriptions:
City Programs, State-Wide Programs, and Public Agencies

The following sections provide information on tax expenditures within the real property tax. Table 1 covers City Programs, with a distribution by borough in Table 2. Similarly, Table 3 covers State-wide Programs, with a borough analysis in Table 4. Public Agencies are reviewed on a Citywide basis in Table 5, with a borough analysis provided in Table 6. Tables 1 and 2 contain data as described below:

Number of Exemptions - This column represents the quantity 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 have the effect of excluding 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 (Senior Citizens Homeowner Exemption).

Tax Expenditures - Tax expenditures were determined by applying the appropriate tax es to the exempt values in each category. The City's property tax system establishes separate tax rates for each of the four major classes: class one - one, two and three family homes; class two - all other residential properties; class three - property owned by utility corporations; and class four - all other properties, primarily commercial and industrial. Each exemption category was analyzed to determine the amount of exemption attributable to each of the City's four tax classes.

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 includes all others, including properties which combine residential and commercial use.

Tables 3, 4, 5, and 6 contain the following additional data as described below:

> Gross Tax Expenditures - For 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 are required to pay taxes based on a shelter rent formula, defined as gross rent less utility costs. As the information is not available by exemption, shelter rent payments have been presented as a single sum.
>
> 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.

Following Tables 2, 4, and 6, is a complete description of the tax expenditure programs, including the legal citations, program objective,and distribution of benefits by number of housing units, number of households, and/or number of properties. Each description indicates the value of the tax expenditure and, in the 421-a and 421-b programs, the amount of property taxes generated from new construction. For programs also involving rehabilitation, such as ICIP, data for the amount of property taxes attributable to the rehabilitation are combined with property taxes existing prior to the improvement and cannot be isolated. Therefore, property tax information for such programs have not been included and this is noted in the descriptions.

Table 1

CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1991
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Tax Expenditure
Housing Development Programs			
J-51 Exemptions	7,716	1,162.2	$106.5
Residential	*7,647*	*1,154.4*	*105.7*
Commercial	*69*	*7.8*	*0.8*
J-51 Abatements (est.)			$104.0
421-a, New Multiple Dwellings			
10 year exemption	25,576	1,599.1	147.3
15 year exemption	7,591	276.7	25.8
25 year exemption	1,030	79.1	7.3
Total 421-a programs	34,197	1,954.9	$180.4
Residential	*32,212*	*1,869.2*	*171.8*
Commercial	*1,985*	*85.7*	*8.6*
421-b, New Private Housing	13,984	174.7	$17.2
HPD Div. of Alternative Management (DAMP)	155	11.0	1.0
TOTAL HOUSING DEVELOPMENT PROGRAMS	56,052	$3,302.8	$409.1
Individual Assistance Programs			
Senior Citizens Homeowner Exemption	16,844	$90.3	$8.9
Senior Citizen Rent Increase Exemption (est.) [1]			54.0
Veterans' Exemptions	84,304	199.1	$11.3
TOTAL ASSISTANCE PROGRAMS	101,148	$289.4	$74.2

Totals may not add due to rounding.

[1] Based on the latest HPD data, 46,647 households will receive SCRIE benefits in FY 1991.

Table 1
(continued)

	Number of Exemptions	Exempt Assessed Value	Tax Expenditure
Economic Development Programs			
Industrial & Commercial Incentive Board			
New Construction	145	$178.0	$17.7
Alterations	312	292.7	29.0
Total	457	470.7	46.7
Industrial & Commercial Incentive Program			
Deferral Areas [2]	47	720.5	71.5
Industrial & Special Commercial	515	170.4	16.9
All Other Commercial Projects	532	224.7	22.3
Total	1,094	1,115.6	110.7
Other Commercial & Industrial Exemptions			
Water-works Corporations	53	52.4	7.4
Major League Sports Facilities	1	69.2	6.9
TOTAL ECONOMIC DEVELOPMENT	1,605	$1,707.9	$171.7
Total Residential	53,998	3,209.3	399.7
Total Commercial/Industrial	3,659	1,801.4	181.1
Total Assistance Programs	101,148	289.4	74.2
TOTAL CITY PROGRAMS	158,805	5,300.1	655.0

Totals may not add due to rounding.

[2] Taxes in these areas are deferred, not wholly forgiven, and must be paid back over a ten year period. The amount shown reflects the unadjusted values of the current tax exemption.

Table 2

CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Borough Distribution
Fiscal Year 1991
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure
Housing Development Programs				
J-51 Exemption	3,618	$66.8	593	$11.8
J-51 Abatement (estimated) [1]	---	48.7	---	15.5
421-a, New Multiple Dwellings	15,156	137.6	966	3.0
421-b, New Private Housing	15	0.1	837	0.8
HPD Div. of Alternative Manage	87	0.6	30	0.2
TOTAL HOUSING DEVELOPMENT	18,876	$253..	2,426	$31.3
Individual Assistance Programs				
Senior Citizen Homeowner Exemption	50	0.0	1,896	1.0
Senior Citizen Rent Increase Exemption (estimated) [1]	---	16.8	---	7.6
Veterans' Exemptions	275	0.1	6,584	0.9
TOTAL INDIVIDUAL ASSISTANCE	325	$16.9	8,480	$9.5
Economic Development Programs				
Industrial & Commercial Incentive Board	113	36.0	42	0.5
Industrial & Commercial Incentive Program	61	72.2	92	4.9
Other Commercial and Industrial Exemptions				
Water-works Corporation	0	0.0	0	0.0
Major League Sports Facilities	1	6.9	0	0.0
TOTAL ECONOMIC DEVELOPMENT	175	$115.1	134	$5.4
TOTAL CITY PROGRAMS	19,376	$385.8	11,040	$46.2

Totals may not add due to rounding.

[1] The J-51 and SCRIE abatements were determined by applying the actual borough distribution from FY 1990 to the FY 1991 estimate.

Table 2
(continued)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure
2,478	$22.1	836	4.5	191	1.2
---	22.9	---	16.2	---	0.7
3,478	8.7	8,054	23.1	6,543	8.1
725	0.7	1,096	1.6	11,311	14.0
37	0.2	1	0.0	0	0.0
6,718	$54.6	9,987	$45.4	18,045	$24.0
5,190	2.8	7,964	4.2	1,744	0.9
---	16.0	---	13.4	---	0.2
21,343	2.8	38,633	5.1	17,469	2.4
26,533	$21.6	46,597	$22.7	19,213	$3.5
92	2.5	173	6.7	37	1.0
224	4.8	513	24.7	204	4.1
0	0.0	53	7.4	0	0.0
0	0.0	0	0.0	0	0.0
316	$7.3	739	$38.8	241	$5.1
33,567	$83.5	57,323	$106.9	37,499	$32.6

CITY PROGRAMS

J-51 Program, Residential Alterations and Rehabilitation

Citation

NYS Real Property Tax Law; Article 4, Section 489
NYC Administrative Code; Title 11, Section 11-243

Policy Objective

To encourage the rehabilitation of existing residential structures of three dwelling units or more by providing tax exemptions and abatements.

Description

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

Government assisted projects and those in Neighborhood Preservation Areas receive enriched benefits, including a tax exemption for 32 years 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. Formerly City-owned vacant buildings receiving substantial government assistance through a program for affordable housing may also receive a 32 year exemption and an abatement up to 150 percent of the reasonable cost of rehabilitation.

Properties that undergo renovations which qualify as Major Capital Improvements, such as the replacement of heating, plumbing or roofing systems, installation of new windows, or exterior and parapet wall repointing, may receive an exemption for 12 years. Existing taxes may be abated for up to 90 percent of the reasonable cost of rehabilitation, at a rate of 8-1/3 percent per year, for as long as 20 years. Buildings in designated areas of Manhattan below 96th Street may only abate the 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 32 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 remain substantially occupied during the rehabilitation.

J-51 Program, Residential Alterations and Rehabilitation (cont'd)

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.

The legislation requires that projects must be completed by December 31, 1993.

Distributional Information

In fiscal 1991, the J-51 program provides 7,716 exemptions representing 92,656 apartments. The exempt value of these properties is $1,154 million. An additional $3 million in exempt assessed value is also attributed to mixed used buildings in which either retail or office space is combined with residential units. This total exempt value of $1,157 million is distributed in the table below according to property type. Rentals in Manhattan, the Bronx, and Brooklyn, and coops in Manhattan receive the largest proportion of J-51 benefits. Similar data on the J-51 abatement program is not available.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.15%	0.05%
Condos	5.12%	12.77%
Co-ops	19.70%	33.66%
Rentals	74.77%	53.14%
Mixed Use	0.26%	0.38%
	100.00%	100.00%

Tax Expenditure

$210.5 million, which includes a $106.5 million exemption and a $104 million abatement.

Tax Revenue Generated from Improvements

Not Available

Section 421-a, New Multiple Dwellings

Citation

NYS Real Property Tax Law; Article 4, Section 421-a
NYC Administrative Code; Title 11, Section 11-245

Policy Objective

To 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 which may not exceed three years.

The 421-a program is defined according to location:

- In the Manhattan Exclusion Zone (roughly defined as south of 96th Street, north of Houston Street on the west side, and north of 14th Street on the east side), properties receive a ten year declining exemption only if they meet conditions (a), (b), or (c) above. The property enjoys a full exemption for two years followed by an eight year period during which taxes are phased in at 20 percent every two years.

- Properties located in Manhattan south of 110th Street, but not in the Exclusion Zone, receive the ten year exemption. If they meet conditions (a), (b), or (c) above, they are granted a 15 year exemption, 11 years of full exemption followed by a four year phase in of full taxation.

- Properties in Manhattan north of 110th Street and in the other four boroughs are granted the same 15 year exemption. However, if they meet one of the qualifying conditions or are located in a neighborhood preservation area, they receive full exemption for 21 years followed by a four year declining exemption.

Section 421-a, New Multiple Dwellings (cont'd)

Rental projects are subject to the provisions of the Rent Stabilization Act during their exemption period.

To qualify for 421-a benefits, construction must commence prior to January 1, 1994 and be completed no later than December 31, 1995.

Distributional Information

In fiscal 1991, the City is providing 32,212 residential exemptions under the 421-a program. These exemptions are largely represented by condominium apartments and rental buildings. Overall, there are 50,769 apartment units receiving tax benefits with an exempt value of $1,869.2 million plus an additional exemption of $14.5 million for mixed use buildings in which retail or office space is combined with residential units. The total exempt value of $1,883.7 million is distributed in the table below according to property type. Condos and rentals in Manhattan account for the largest proportion of 421-a benefits.

	Percent of Total Units	Percent of Total Exempt Assessed Value
1-3 Family	4.26%	1.10%
Condos	60.56%	56.59%
Co-ops	4.09%	2.90%
Rentals	31.06%	38.64%
Mixed Use	0.03%	0.77%
	100.00%	100.00%

Tax Expenditure

$180.4 million

Tax Revenue Generated from Improvements

$37 million

Section 421-b, New Private Housing

Citation

NYS Real Property Tax Law; Article 4, Section 421-b

Policy Objective

To promote new one and two family housing construction by making it 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 12-1/2 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; the property owner must continue to pay taxes on the pre-construction assessment.

To qualify under 421-b, construction must begin prior to July 1, 1994 and be completed no later than July 1, 1996.

Distributional Information

In fiscal 1991, the City is providing 13,984 exemptions valued at $175 million in exempt assessed value. One and two family houses in Staten Island account for more than 80 percent of the benefits granted through this program. The table below presents the distribution of 13,849 apartment units in 8,225 properties. Unit information is not available for the remaining 5,756 properties. The distribution of exempt assessed value below represents all properties in this program.

Section 421-b, New Multiple Dwellings (cont'd)

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	82.36%	99.03%
Condos	0.14%	0.11%
Co-ops	17.39%	0.06%
Rentals	0.11%	0.80%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$17.2 million

Tax Revenue Generated from Improvements

$6.2 million

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

Citation

NYS Private Housing Finance Law, Article 11
NYS Private Housing Finance Law, Section 577

Policy Objective

To return City-owned residential properties to private ownership.

Description

The Division of Alternative Management Programs operates several programs which 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 (TIL), 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 TIL Program 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 which 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.

Department of Housing Preservation and Development - Division of Alternative Management Programs (DAMP) (cont'd)

Properties sold through DAMP receive a full tax exemption, until July 1, 2029, on the residential portion of the property that exceeds $3,500 per residential unit. Commencing July 1, 1990, this $3,500 ceiling may be increased by 6 percent per year, but not to exceed 20 percent over any five year period.

Distributional Information

In fiscal 1991, there are 155 DAMP exemptions containing 7,066 housing units. The total exempt assessed value is $11 million. Nearly 43 percent of all units are located in Manhattan, accounting for 63 percent of the exempt assessed value. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	34.43%	55.56%
Rentals	65.57%	44.44%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$1.0 million

Tax Revenue Generated from Improvements

Not Available

Senior Citizen Homeowner Exemption

Citation

NYS Real Property Tax Law; Article 4, Section 467
NYC Charter; Section 167

Policy Objective

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

Description

The maximum benefit under this program is a 50 percent exemption of the taxable assessed value of a legal residence which is occupied in whole or in part by the owner or owners of the property. To qualify, a homeowner must meet the following qualifications: 1) at least 65 years of age (if married, one spouse must be 65 years old); and 2) have a combined household income, including Social Security, of less than $15,625. Homeowners with incomes below $12,025 receive a 50 percent exemption. For homeowners with incomes between $12,025 and $15,624, the exemption is reduced by 5 percentage points for each $600 increment in income above $12,025, up to the maximum income of $15,624, which would qualify for a 20 percent exemption.

Generally, the owner must have held title to the property for a minimum of 24 consecutive months. The exemption applies only to the portion of the property used for residential purposes.

The requirement that the property be the legal residence of all owners was amended in 1990 to permit the exemption to continue in the case of separation or divorce.

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

Distributional Information

In fiscal 1991, there are 16,844 exemptions, containing over 30,000 housing units, with an exempt value of $90 million. Based on the applications filed with the Department of Finance, more than four out of every five of the exemptions are granted to someone with income of no more than $12,025.

Senior Citizen Homeowner Exemption (cont'd)

Income Range	Number of Exemptions	Percent of Total Exemptions	Exempt Assessed Value
$0 - 12,025	13,721	81.5%	$77.0m
$12,026 - 12,624	747	4.4%	4.1m
$12,625 - 13,224	640	3.8%	3.2m
$13,225 - 13,824	573	3.4%	2.4m
$13,825 - 14,424	455	2.7%	1.6m
$14,425 - 15,024	437	2.6%	1.4m
$15,025 - 15,624	249	1.5%	.6m
Data Not Available	22	0.1%	.1m
TOTAL	16,844	100.0%	$90.4m

The table below shows the distribution of benefits by property type. Since Manhattan does not have many one, two, or three family houses, this program primarily benefits properties located in the other boroughs.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	83.56%	98.23%
Condos	0.33%	0.55%
Co-ops	14.48%	0.22%
Rentals	1.63%	1.00%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$8.9 million

Senior Citizen Rent Increase Exemption (SCRIE)

Citation

NYS Real Property Tax Law; Article 4, Section 467-b
NYC Administrative Code; Title 26, Sections 26-405, 26-406, 26-509, 26-601 to 26-614

Policy Objective

To eliminate rent increases for elderly 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 estate 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 estate 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 $15,000. Additionally, 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.

The Senior Citizen Rent Increase Exemption does not include a sunset provision.

Distributional Information

In fiscal 1991, there are 46,647 tenant households receiving SCRIE benefits, almost 40 percent of which have incomes under $6,000. The following table gives a distribution of these households by income range as of June, 1990:

Senior Citizen Rent Increase Exemption (SCRIE) (cont'd)

Household Income Range	Number of Exemptions	Percent of Total Exemptions
$0 - 1,000	31	0.1%
$ 1,000 - 1,999	109	0.2%
$ 2,000 - 2,999	470	1.0%
$ 3,000 - 3,999	1,489	3.2%
$ 4,000 - 4,999	4,842	10.4%
$ 5,000 - 5,999	11,644	25.0%
$ 6,000 - 6,999	7,341	15.7%
$ 7,000 - 7,999	5,976	12.8%
$ 8,000 - 8,999	4,629	9.9%
$ 9,000 - 9,999	3,660	7.8%
$10,000 - 10,999	2,469	5.3%
$11,000 - 11,999	1,803	3.9%
$12,000 - 12,999	989	2.1%
$13,000 - 13,999	580	1.3%
$14,000 - 14,999	393	0.8%
$15,000 Or More	222	0.5%
TOTAL	46,647	100.0%

Source: New York City Department of Housing Preservation and Development.

Tax Expenditure

$54 million (estimated)

Veterans' Exemptions

Citation

NYS Real Property Tax Law; Article 4, Sections 458 and 458-a

Policy Objective

To 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 programs:.

- 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; the property is, however, fully subject to tax for educational purposes. An additional exemption of up to $10,000 is provided, for all purposes, for suitable handicapped designed housing made necessary as the result of the disability.

- New veterans' exemptions are granted under Section 458-a, based on service rendered. An exemption of 15 percent of assessed value is granted to all veterans who served during a period of conflict, with an additional 10 percent granted to those who served in a combat zone. A disabled veteran is entitled to an additional exemption of up to 50 percent of the assessed value, based upon the veteran's disability rating.

  The property must be used exclusively for residential purposes and be the primary residence of the veteran or the surviving spouse who has not remarried. Non-residential portions of the property are fully taxable. The 458-a exemption does not apply to taxes levied for school purposes.

Distributional Information

In fiscal 1991, there are 84,304 exemptions in this program with a total exempt value of $199 million. These properties represent over 134,000 housing units which are primarily located outside Manhattan. These benefits are distributed by property type as follows:

Veterans' Exemption (cont'd)

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	86.23%	97.84%
Condos	0.40%	0.75%
Co-ops	10.75%	0.35%
Rentals	2.58%	0.85%
Mixed Use	0.04%	0.21%
	100.00%	100.00%

Tax Expenditure

$11.3 million

Industrial and Commercial Incentive Board (ICIB)

Citation

NYS Real Property Tax Law; Article 4, Section 489
NYC Administrative Code; Title 11, Section 11-247

Policy Objective

To encourage economic development by means of tax exemptions for construction or rehabilitation of commercial and industrial structures.

Description

The Industrial and Commercial Incentive Board (ICIB) was created in 1977. ICIB determined and distributed tax exemptions based on an analysis of the prospective recipient's need and the impact on the City's economy.

Initially, the program offered two types of benefits:

- New construction of industrial facilities or the rehabilitation of existing commercial or industrial buildings were granted an exemption equal to 95 percent of the incremental assessed value for a period of 19 years, declining by 5 percent annually.
- New commercial construction was granted a ten year declining exemption equal to 50 percent of the increase in assessed value.

As the City's economy improved, amendments were made to the law that restricted benefits for most commercial projects. An exception was made for commercial rehabilitation projects in areas designated as "special need", also known as "as of right" areas, which receive the same schedule of benefits as previously. The ten year, 50 percent exemption applied to all other commercial reconstruction and new construction in "special need" areas only. All other new commercial construction was limited to a 50 percent exemption declining over five years. Pursuant to a 1982 amendment, increases in assessed value that result from construction, including increases that occur within two years of completion, were eligible for exemption. Subsequent increases in assessed value are taxable.

In November 1984, the City Council enacted legislation establishing the Industrial and Commercial Incentive Program (ICIP), the successor to ICIB.

Tax Expenditure

$46.7 million

Industrial and Commercial Incentive Program (ICIP)

Citation

NYS Real Property Tax Law; Article 4, Section 489
NYC Administrative Code; Title 11, Section 11-256

Policy Objective

To encourage economic development by means of tax exemptions for construction or rehabilitation of commercial and industrial structures.

Description

The Industrial and Commercial Incentive Program (ICIP) replaced the Industrial and Commercial Incentive Board 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. These guidelines are as follows:

- All industrial projects, regardless of location, and commercial projects in designated "special need areas" receive maximum benefits: full tax exemption for 13 years followed by nine years of declining exemption, reduced by 10 percent annually.

- Manhattan below 96th Street is divided into an Excluded Area (encompassing Midtown East and Downtown, where no benefits are granted) and a Deferral Area. Taxes on projects in deferral areas are fully deferred during the first three years. This deferral is phased out over years four through seven at 20 percent annually, followed by three years of full tax payments. In years 11 through 20, full taxes are due plus 10 percent of the total deferred payments.

- All other commercial projects receive a 100 percent exemption for eight years and four years of declining exemption.

Exemptions are granted on the increased assessment of the improvements only. Increases in assessed value subsequent to the third year following the issuance of the certificate of eligibility are fully taxable.

Industrial and Commercial Incentive Program (ICIP) (cont'd)

Geographic designations are generally reviewed every three years by the Boundary Commission. However, this review was postponed by legislation extending the current program and boundaries to December 31, 1991. It is expected that the ICIP will be extended, with revisions, during the 1991 Legislative session.

Tax Expenditure

$110.7 million

Water-works Corporations, Jamaica Water Supply

Citation

NYS Real Property Tax Law; Article 4, Section 485-d
NYC Administrative Code; Title 11, Section 11-245.2

Policy Objective

To correct an inequity between customers of the City's water system and those served by the Jamaica Water Supply Company.

Description

Since fiscal 1986, the City has provided a tax exemption for property owned by the Jamaica Water Supply Company (JWS). Because the City's water system is not subject to taxation, an exemption was granted to JWS in the interest of equity.

Current law does not provide for a sunset provision.

Tax Expenditure

$7.4 million

Major League Sports Facilities, Madison Square Garden

Citation

NYS Real Property Tax Law; Article 4, Section 429

Policy Objective

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

Description

The City has provided a full real estate 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. The current leases are scheduled to expire in fiscal 1992.

Tax Expenditure

$6.9 million

Table 3

STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1991
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs	Net Tax Expenditures[1]
Limited Profit Housing Companies	360	$2,426.5	$222.8		
Residential	*320*	*2,334.3*	*213.7*		
Commercial	*40*	*92.2*	*9.1*		
Limited Dividend Companies	16	59.3	5.4		
Redevelopment Companies	143	407.4	37.3		
Residential	*133*	*402.9*	*36.9*		
Commercial	*10*	*4.5*	*0.4*		
Housing Develop ment Fund Companies	70	123.2	11.4		
Residential	*64*	*111.8*	*10.3*		
Commercial	*6*	*11.4*	*1.1*		
Urban Development Action Area Program	2,030	54.3	5.1		
State Assisted Housing	30	104.9	9.9		
Residential	*18*	*69.8*	*6.4*		
Commercial	*12*	*35.1*	*3.5*		
Total Residential	2,581	3,032.4	277.8		
Total Commercial/Industrial	68	143.2	14.1		
TOTAL STATE-WIDE PROGRAMS	2,649	$3,175.6	$291.9	$85.8	$206.1

Totals may not add due to rounding.

1 Estimates of PILOTs and shelter rent payments are not available for attribution to programs within this category. Additional shelter rent payments may be imposed but were not available for this analysis.

Table 4

STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES [1]
Borough Distribution
Fiscal Year 1991
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
Limited Profit Housing Companies	99	$79.5	106	$64.2
Limited Dividend Companies	3	3.0	3	0.8
Redevelopment Companies	[illegible]	23.8	[illegible]	4.2
Housing Development Fund Companies	24	4.8	27	3.8
Urban Development Action Area Program	136	3.2	41	0.0
State Assisted Housing	10	2.8	5	2.6
TOTAL STATE-WIDE PROGRAMS	315	$117.1	221	$75.6

Totals may not add due to rounding.

1 At this time, the calculation of Net Tax Expenditures is not possible due to the lack of data for PILOT and shelter rent payments by program and borough.

Table 4
(continued)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
111	$53.3	39	$23.9	5	$1.9
10	1.6	0	0.0	0	0.0
47	7.0	6	1.7	8	0.6
16	1.7	3	1.1	0	0.0
1,776	$1.8	77	0.1	0	0.0
8	2.5	7	2.0	0	0.0
1,968	$67.9	132	$28.8	13	$2.5

STATE-WIDE PROGRAMS

Limited Profit Housing Companies

Citation

NYS Private Housing Finance Law, Article 2

Policy Objective

To increase and maintain the moderate and middle income housing stock in New York State.

Description

The Limited Profit Housing Companies law was adopted in the 1950's to assist in the construction of moderate and middle income housing. These priva ly managed rental and co-op projects, commonly known as Mitchell-Lama housing, were constructed with financing assistance from either the City or the State. In return for providing 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 include a sunset provision.

Distributional Information

In fiscal 1991, there are 320 residential and 40 commercial exemptions under this program. The residential properties contain over 117,000 housing units with a total exempt assessed value of $2,332 million. Based on the 1987 N.Y.C. Housing and Vacancy Survey, approximately one in three households in rental projects and nearly one in five households in cooperatives have incomes of less than $10,000.

Limited Profit Housing Companies (cont'd)

1986 Household Income Range	Percentage of Rental Households	Percentage of Co-op Households
$0 - 9,999	32.57%	18.90%
$10,000 - 12,499	4.81%	8.91%
$12,500 - 14,999	7.60%	6.01%
$15,000 - 19,999	14.54%	12.11%
$20,000 - 24,999	12.83%	8.18%
$25,000 - 29,999	8.12%	11.72%
$30,000 - 34,999	6.38%	9.39%
$35,000 - 39,999	5.49%	5.73%
$40,000 - 44,999	1.88%	4.82%
$45,000 - 49,999	0.49%	4.71%
$50,000 and over	5.29%	9.51%

Source: 1987 New York City Housing and Vacancy Survey, Department of Housing Preservation and Development

Approximately 60 percent of residential units receiving benefits are co-ops which are located in all boroughs except Staten Island. 34 percent of the co-op units are located in the Bronx (including Co-Op City) although 33 percent of the exempt assessed value is attributable to Manhattan projects. Rental units receiving benefits are primarily located in Manhattan, the Bronx, and Brooklyn.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	59.31%	57.11%
Rentals	40.69%	42.89%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Gross Tax Expenditure

$222.8 million

Limited Dividend Housing Companies

Citation

NYS Private Housing Finance Law, Article 4

Policy Objective

To increase and maintain the moderate 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 moderate 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 Board of Estimate approved a 14 year phase in for full taxation, recognizing the hardship an abrupt change in tax liability would have on co-op owners.

The enabling legislation does not include 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 the Statistical Appendix.

Gross Tax Expenditure

$5.4 million

Redevelopment Companies

Citation

NYS Private Housing Finance Law, Article 5

Policy Objective

To encourage low to moderate income housing through private financing.

Description

This program was a precursor to the Limited Profit Housing Program (Mitchell-Lama). The participants are largely institutional investors, such as insurance companies and pension funds, who provide financing for rental and co-op developments. They are granted a 25 year tax exemption 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 exemptions on many of these projects have expired, or are due to expire soon. However, the owners have the option of remaining in the program with an additional 25 year exemption, or a nine year phase-in of full taxation. At present, only the "Penn South" project has chosen the 25 year extended exemption.

The enabling legislation does not include 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 the Statistical Appendix.

Gross Tax Expenditure

$37.3 million

Housing Development Fund Companies (HDFC)

Citation

NYS Private Housing Finance Law, Article 11

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 1960's and early 1970's 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.

There is no sunset provision within the enabling legislation.

Distributional Information

In fiscal 1991, there are 64 residential and 6 commercial exemptions under this program. The residential properties contain over 6,600 housing units with an exempt assessed value of $112 million. Rentals in the Bronx represent 38 percent of all units in this program, while rentals in Manhattan represent 40 percent of the exempt value. These benefits are distributed by property type as follows:

Housing Development Fund Companies (HDFC) (cont'd)

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	5.97%	4.74%
Rentals	94.03%	95.26%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Gross Tax Expenditure

$11.4 million

Urban Development Action Area Project (UDAAP)

Citation

NYS General Municipal Law, Article 16

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 UDAAPs encompass a wide range of housing development programs, the most notable examples of UDAAPs 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 the improvements, 10 years at 100 percent of assessed value, followed by a 10 year declining exemption. No payments-in-lieu-of-taxes (PILOTs) are imposed by the City.

The enabling legislation does not include a sunset provision.

Distributional Information

In fiscal 1991, there are 2,030 residential exemptions under this program that contain over 2,700 housing units with an exempt assessed value of $54 million. One, two, and three family houses in Brooklyn and rentals in Manhattan receive the largest proportion of UDAAP benefits. These benefits are distributed by property type as follows:

Urban Development Action Area Project (UDAAP) (cont'd)

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	72.00%	35.24%
Condos	4.90%	7.56%
Co-ops	0.00%	0.00%
Rentals	23.10%	57.20%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$5.1 million

Miscellaneous State Assisted Housing

Citation

NYS Real Property Tax Law; Article 4, Section 422

Policy Objective

To encourage the creation of housing for a target population.

Description

Section 422 provides tax exemptions for real property owned by not-for-profit corporations 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 include 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 the Statistical Appendix.

Gross Tax Expenditure

$9.9 million

Table 5
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1991
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs[1]	Net Tax Expenditures
Industrial Dev. Agency	614	$536.0	$53.2	$20.0	$33.2
Public Dev. Corporation	91	66.1	6.6	0.3	$6.3
NYC Housing Authority	1,313	2,842.6	260.4	13.8	246.6
Residential	*1,220*	*2,823.6*	*258.5*	*13.8*	*244.7*
Commercial	*93*	*19.0*	*1.9*	*0.0*	*1.9*
Urban Dev. Corporation	53	649.9	64.2	0.0	64.2
Residential	*14*	*42.5*	*3.9*	*0.0*	*3.9*
Commercial	*39*	*607.4*	*60.3*	*0.0*	*60.3*
New York Power Authority	7	388.0	56.0	0.0	56.0
Battery Park City Authority[2]	1,865	1,165.0	113.5	17.8	95.7
Residential	*1,840*	*271.4*	*24.8*	*2.8*	*22*
Commercial	*25*	*893.6*	*88.7*	*15.0*	*73.7*
World Trade Center, Port Authority	1	1,149.0	114.0	42.3	71.7
Teleport, Port Authority	2	89.7	9.1	0.0	9.1
Total Residential	3,074	3,137.5	287.2	16.6	270.6
Total Commercial/Industrial	872	3,748.8	389.8	77.6	312.2
TOTAL PUBLIC AGENCIES	3,946	$6,886.3	$677.0	$94.2	$582.8

Totals may not add due to rounding.

1 PILOT figures reflect data reported to OMB by other agencies as PILOT revenue.

2 Total revenue received from the BPCA in fiscal 1991 is $26.7 million, of which $17.8 million is the PILOT and $8.9 million is non-PILOT revenue. In addition, BPCA revenues also support the City's affordable housing programs through the Battery Park City Housing Trust Fund and the Housing New York Corporation (see p. 58).

Table 6
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES [1]
Borough Distribution
Fiscal Year 1991
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
Industrial Development Agency	126	$16.1	79	$3.8
Public Development Corporation	0	0.0	1	0.1
New York City Housing Authority	246	82.1	207	65.9
Urban Development Corporation	35	55.9	8	3.5
New York Power Authority	2	1.3	2	0.1
Battery Park City Authority	1,865	113.5	0	0.0
World Trade Center, Port Authority	1	114.0	0	0.0
Teleport, Port Authority	0	0.0	0	0.0
TOTAL PUBLIC AGENCIES	2,275	$382.9	297	$73.4

Totals may not add due to rounding.

1 At this time, the calculation of Net Tax Expenditures is not possible due to the lack of data for PILOT and shelter rent payments by program and borough.

Table 6
(continued)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
182	$7.9	218	$24.9	9	$0.5
62	5.9	25	0.5	3	0.1
408	82.9	437	21.5	15	8.0
8	3.2	1	0.0	1	1.6
0	0.0	3	54.6	0	0.0
0	0.0	0	0.0	0	0.0
0	0.0	0	0.0	0	0.0
0	0.0	0	0.0	2	9.1
660	$99.9	684	$101.5	30	$19.3

PUBLIC AGENCIES

Industrial Development Agency (IDA)

Citation

NYS General Municipal Law; Section 858 and Section 917
NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

To 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) for land and buildings.

The enabling legislation does not include a sunset provision.

Net Tax Expenditure (after PILOTs)

$33.2 million

Public Development Corporation (PDC)

Citation

NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

To encourage real estate development that will protect and enhance the City's job and income base.

Description

The Public Development Corporation (PDC) is a non-profit local development corporation, acting as an independent entity under contract to the City to assist and promote real estate development. PDC assists developers in all the stages of a project, from planning and design to negotiations, financing, and construction. A major focus of PDC efforts is development outside Manhattan. PDC 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 PDC does not include a sunset provision.

Net Tax Expenditure (after PILOTs)

$6.3 million

New York City Housing Authority (NYCHA)

Citation

NYS Public Housing Law; Article 3, Section 52

Policy Objective

To provide housing for low income residents of New York City.

Description

As of January 1, 1991, the New York City Housing Authority operates 324 developments with more than 179,331 apartments. An additional 49,428 apartments are in its leasing program. These 228,759 units house nearly 600,000 persons.

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. 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 $135,000. For the Federally aided projects, NYCHA pays a PILOT based on net routine operating expenses which may vary annually. For fiscal 1991, PILOTs for the Federally aided projects are estimated to be $13.2 million. The State assisted projects pay an estimated $2.2 million annually in real property taxes. As assessed value for the State projects has been held constant for many years, there is a substantial implicit tax expenditure.

Distributional Information

In fiscal 1991, there are 1,220 residential and 93 commercial exemptions containing 228,759 housing units with an exempt assessed value of $2.8 billion. Although NYCHA benefits are distributed throughout the five boroughs, Brooklyn has the greatest proportion of NYCHA units and exempt value. Rental properties comprise 99 percent of NYCHA exemptions; therefore, a distribution by housing type is not provided.

The 1987 New York City Housing Vacancy Survey included income data for nearly 130,000 households living in public housing. Based on this data, the distribution of households is as follows:

New York City Housing Authority (cont'd)

1986 Household Income Range	Number of Households	Percent of Total Households
$0 - 10,000	72,170	55.80%
$10,000 - 12,499	13,728	10.62%
$12,500 - 14,999	6,974	5.39%
$15,000 - 19,999	17,150	13.26%
$20,000 - 24,999	6,139	4.75%
$25,000 - 29,999	5,109	3.95%
$30,000 - 34,999	4,515	3.49%
$35,000 - 39,999	1,739	1.34%
$40,000 - 44,999	1,451	1.12%
$45,000 - 49,999	0	0.00%
$50,000 and over	357	0.28%
TOTAL	129,332	100.00%

Net Tax Expenditure (after PILOTs)

$246.6 million

Urban Development Corporation (UDC)

Citation

NYS Unconsolidated Laws; Chapter 24
NYS Real Property Tax Law; Article 4, 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 contain a sunset provision.

Distributional Information

In fiscal 1991, there are 14 residential and 39 commercial exemptions under this program. The residential properties contain 961 housing units with an exempt assessed value of $42.5 million. The exempt assessed value for the commercial properties is $607.4 million. The residential component of the UDC exemption contains primarily co-ops and rentals in Manhattan and co-ops in Brooklyn.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.31%	0.00%
Condos	0.21%	0.00%
Co-ops	52.03%	44.24%
Rentals	47.45%	55.76%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$64.2 million

New York Power Authority (NYPA)

Citation

NYS Public Authorities Law; Section 10001
NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

To provide low cost electric energy to the residents of New York State through seven investor-owned utilities and 51 municipal and cooperative systems.

Description

The New York Power Authority (NYPA) 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. It currently provides 25 percent of all the electricity generated in the State.

The Power Authority's enabling legislation does not include any sunset provisions.

Tax Expenditure

$56.0 million

Battery Park City Authority (BPCA)

Citation

NYS Public Authorities Law; Article 12
NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

To 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 was to develop a mixed use community, combining residential and commercial properties with adequate 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. Additionally, approximately 4,000 residential units have been completed to date.

In addition to payments-in-lieu-of-taxes (PILOTs), the Authority has committed to divert excess revenues to support City housing programs. Under present City - BPCA agreements, the BPCA will transfer $1 billion to the City's housing capital budget over a period of time. Under one of these agreements, The Housing New York Corporation will issue bonds sufficient to provide $400 million in net proceeds to support 1,620 housing units developed by the City's Construction Manager Program.

The enabling legislation does not include a sunset provision.

Distributional Information

Currently, 4,000 units of residential housing have been completed in BPC. Of this number, 55 percent are rentals, and 45 percent are condominiums.

Net Tax Expenditure (after PILOTs): $95.7 million

Net Tax Expenditure (after PILOTs and other payments): $86.8 million

World Trade Center, Port Authority of NY and NJ

Citation

NYS Unconsolidated Laws; Section 6601
NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

To encourage world trade and economic development in the New York - New Jersey region.

Description

The World Trade Center (WTC), owned and operated by the Port Authority of New York and New Jersey, is a center for national and international trade. It includes facilities for customs clearance, shipping management, financing, insurance, commodities trading, governmental functions, and the related support services.

Although exempt from taxation, the WTC makes a payment-in-lieu-of-tax (PILOT) to the City. The PILOT is based on the rental of private space in the WTC multiplied by a fixed price per square foot. The PILOT is adjusted to reflect assessment increases of comparable office building in the financial district and tax rate changes.

The enabling legislation which authorized the Port Authority to proceed with the World Trade Center contains no sunset provisions.

Net Tax Expenditure (after PILOTs)

$71.7 million

Teleport Center, Port Authority of NY and NJ

Citation

NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

To provide state-of-the-art communication 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 between the Authority, Merrill Lynch, and Western Union, developing and utilizing the latest technology in world wide telecommunications. The Center provides fiber optic links with the participating companies' Manhattan offices. By reducing the cost of new telecommunications technology and making it available to area businesses, the Teleport is expected to generate more than 3,000 jobs when completed.

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

Tax Expenditure

$9.1 million

PART III

BUSINESS INCOME AND EXCISE TAX EXPENDITURES

Overview

The tax expenditures in this section derive from provisions of New York City tax laws 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. A description of each tax, including the tax rate and base, is contained in Part VII. Tax expenditures for the City Personal Income Tax and Sales Tax, which are administered by New York State, are discussed in Part V.

New York City tax laws for the business income and excise taxes contain 24 provisions granting tax preferences which can be defined as tax expenditures. Data exist to estimate the value of 14 of these tax expenditures. In Tax Year 1990, they totaled nearly $200 million. Certain tax benefits, such as the major tax credit programs, are explicitly designed to foster economic development, particularly in Manhattan north of 96th Street and in the other boroughs. 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.

Business Income and Excise Tax

Detailed Program Descriptions

The following section provides information on New York City business income and excise tax expenditures. Table 7 provides a summary list of these tax expenditures, with Tax Year 1990 estimates of revenue foregone for tax expenditure items for which data are available. The amounts were derived from Department of Finance data, unless otherwise noted. Following the summary table is a description of each program, including the legal citations and information, where applicable, regarding the years to which tax benefits can be carried forward.

Table 7

BUSINESS INCOME AND EXCISE TAX EXPENDITURES
Tax Year 1990

Program	($ Millions) Amount
<u>Quantifiable</u>	
Insurance Corporation Non-Taxation	65
International Banking Facility	43
Commercial Rent Tax Special Reduction	34
Owner, Lessee or Fiduciary that Holds, Leases or Manages Real Property	16
Four-Tenths Mill Cooperative Housing Corporation Tax Rate on Capital	14
Energy Costs Savings Program Credit [1]	8
Business and Investment Capital Tax Limitation	6
Relocation and Employment Assistance Program	5
Special Allocation Rule: RIC Management Fees	3
Foreign Bank Alternative Tax on Capital Stock	2
Dramatic or Musical Arts Performance Exemption	*
Employment Opportunity Relocation Costs Credit	*
Manufacturing and Research and Development Property Depreciation	*
Real Estate Tax Escalation Credit	*
TOTAL QUANTIFIABLE TAX EXPENDITURES	196

<u>Not As Yet Quantifiable</u>

Air Pollution Control Facilities Deduction
Credit Line Mortgages
Real Estate Investment Trusts
Real Estate Mortgage Investment Conduits
Regulated Investment Companies
School Bus Operation Deduction
Special Allocation Rules:

- Credit Card Interest
- 80/20 Allocation Rule for Security/Commodity Brokers
- Newspaper and Periodical Publishers' Advertising Sales Receipts
- Radio/TV Commercial Receipts and Motion Picture Royalties

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* = Less than $1 million

[1] Based on data from the New York City Financial Services Corporation.

Insurance Corporation Non-taxation

Citation

1974 New York Laws, Chapter 649, Section 11

Policy Objective

To promote the New York City insurance industry.

Description

Corporations with income allocable to New York City are normally subject to City taxation. Out-of-state insurance companies insuring City property against fire loss or damage are subject to City taxation. However, other insurance companies operating in the City are not subject to taxation on income from their insurance services, nor 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

$65 million

International Banking Facility Deduction

Citation

NYC Administrative Code Section 11-641(f)

Policy Objective

To 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 in calculating taxable income under their banking corporation taxes. As a result, banking offices in the 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.

Tax Affected

Banking Corporation Tax

Tax Expenditure

$43 million

Commercial Rent Tax Special Reduction

Citation

NYC Administrative Code Section 11-704.h

Policy Objective

To promote business development in Manhattan north of 96th Street and in the outer boroughs of New York City.

Description

The Commercial Rent Tax is applied to aggregate base rents for most business tenants. A special partial exemption through a reduction in amount of rent subject to tax is given to taxable premises located north of 96th Street in Manhattan and in the Bronx, Brooklyn, Queens and Staten Island. Taxable base rent for such premises is reduced as follows:

Beginning January 1, 1986, ending May 31, 1987	by 10%
Beginning June 1, 1987, ending May 31, 1989	by 20%
Beginning on or after June 1, 1989	by 30%

Tax Affected

Commercial Rent Tax

Tax Expenditure

$34 million

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

Citation

NYC Administrative Code Section 11-502(d)

Policy Objective

To 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, an owner of real property, a lessee or a fiduciary is not considered to be engaged in an unincorporated business solely by reason of holding, leasing, or managing real property for his or its own account.

Tax Affected

Unincorporated Business Tax

Tax Expenditure

$16 million

Four-tenths Mill Cooperative Housing Corporation Tax Rate on Capital

Citation

NYC Administrative Code Section 11-604.1.E

Policy Objective

To 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

$14 million

Energy Costs Savings Program Credit (ECSP)

Citation

NYC Administrative Code Sections 11-503(h), 11-604.16, 11- 643.5(c), 11-704.1, 11-1105.1 and Chapter 6 of Title 22

Policy Objective

To promote business development in Manhattan north of 96th Street and in the outer 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 outer boroughs or that occupy new or improved space in these areas. Industrial firms that own or lease space in a building located in Manhattan south of 96th Street that qualifies for a real estate tax exemption under the City's Industrial and Commercial Incentive Program because of improvements totaling at least 20 percent of its assessed value may also qualify for ECSP benefits. The program provides eligible firms with reductions of up to 30 percent of electricity charges and up to 20 percent of natural gas charges for eight years, with a gradual phase-out during the following four years.

An eligible user which 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 utility gross receipts tax payments.

An eligible user which purchases electricity or gas from a vendor of utility services, such as a landlord, who is not subject to PSC supervision, may also receive a special rebate if the vendor elects to participate in the program. If the vendor elects not to provide the special rebates, the eligible energy user can qualify for a tax credit. A taxpayer which is a supplier of fuel services and which has made discounts to vendors of energy services may claim a tax credit for the amount of the discounts made during the taxable year.

Certificates of eligibility must be obtained from the City before July 1, 1995 to participate in this program.

Energy Costs Savings Program Credit (ECSP) (cont'd)

Taxes Affected

Banking Corporation Tax
Commercial Rent Tax
General Corporation Tax
Unincorporated Business Tax
Utility Tax

Tax Expenditure

$8 million

Business and Investment Capital Tax Limitation

Citation

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

Policy Objective

To limit the City tax liability of corporations which 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 officers and certain shareholders and business and investment capital), comparing the results to a fixed minimum amount and paying the largest of the four amounts. In 1988, a cap was placed on the business and investment capital tax base, limiting a corporation's tax on New York City allocated business and investment capital to a maximum of $350,000.

Tax Affected

General Corporation Tax

Tax Expenditure

$6 million

Relocation and Employment Assistance Program (REAP)

Citation

NYC Administrative Code Sections 11-503(i), 11-604.17, 11- 643.7, 11-704.f, Title 22, Chapter 6-B

Policy Objective

To promote business development in Manhattan north of 96th Street and in the outer boroughs of New York City.

Description

A credit is available for certain taxpayers which relocate all or part of their business operations to eligible premises located above 96th Street in Manhattan or in the outer boroughs. A business income tax credit of $500 per eligible employment share is available for the year of relocation and for a maximum of eleven succeeding tax years. If the allowable credit exceeds a taxpayer's liability for a tax year, the excess may be carried over and credited to the five immediately succeeding taxable years.

As part of REAP, eligible employers who are tenants also receive a deduction from their base rent for purposes of the commercial rent tax.

Taxpayers must be certified annually by the City in order to participate in this program. A firm must file a preliminary application and fulfill certain requirements before July 1, 1992 to be eligible to receive REAP benefits.

Taxes Affected

Banking Corporation Tax
Commercial Rent Tax
General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

$5 million

Special Allocation Rule: RIC Management Fees

Citation

NYC Administrative Code Section 11-604.3(a)(5)

Policy Objective

To promote the activities of RIC managers in New York City.

Description

In determining the 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 a regulated investment company (RIC) are allocated based on the percentage of the RIC's shareholders domiciled in New York City.

For taxable years beginning on or after January 1, 1989, the allocation of receipts is based upon the RIC's average "monthly percentage." This percentage is calculated by dividing:

(a) the number of shares in the RIC which 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.

Tax Affected

General Corporation Tax

Tax Expenditure

$3 million

Foreign Bank Alternative Tax on Capital Stock

Citation

NYC Administrative Code Section 11-643.5(b)

Policy Objective

To promote foreign banking in New York City.

Description

A banking corporation generally determines its tax liability by making three alternative calculations (net income, alternative net income and taxable assets allocated to the City), comparing the results to a fixed minimum amount and paying the largest of the four. However, corporations organized under the laws of a country other than the United States calculate an alternative tax liability based on issued capital stock rather than taxable assets.

Tax Affected

Banking Corporation Tax

Tax Expenditure

$2 million

Dramatic or Musical Arts Performance Exemption

Citation

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

Policy Objective

To promote the dramatic and musical arts in New York City.

Description

A tenant who 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.

Tax Affected

Commercial Rent Tax

Tax Expenditure

Less than $1 million

Employment Opportunity Relocation Costs Credit (EORC)

Citation

NYC Administrative Code Sections 11-503(f), 11-604.14

Policy Objective

To 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 for each commercial and industrial position relocated, respectively.

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Manufacturing and Research & Development Property Depreciation

Citation

NYC Administrative Code Sections 11-509(b), 11-604.3(d),(e)

Policy Objective

To promote manufacturing and research and development in New York City.

Description

New York City taxpayers are allowed special deductions for depreciation of certain eligible manufacturing and research and development property. For property acquired after December 31, 1967, the taxpayer may elect to deduct from its allocated net income up to double the amount of Federal depreciation on qualified tangible property located in New York City used in the production of goods by manufacturing or processing, or, if the property is used or to be used for research and development in the experimental or laboratory sense, the amount of expenditures for the taxable year, provided entire net income is computed without any deduction for the depreciation of the same property or for such expenditures.

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Real Estate Tax Escalation Credit (RETE)

Citation

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

Policy Objective

To encourage businesses to locate in New York City.

Description

Certain taxpayers which have relocated to leased premises in New York City from a location outside New York State and which have created at least 100 full-time industrial or commercial employment opportunities in the City are allowed a tax credit for the amount of any additional lease payments actually paid to the taxpayer's landlord which are based solely and directly upon increased real estate 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 10 years from the date of relocation, whichever period is shorter.

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Air Pollution Control Facilities Deduction

Citation

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

Policy Objective

To 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

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

Policy Objective

To reduce credit costs for small homeowners.

Description

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

This benefit is only available in the case of real property principally improved or to be improved which is a one to six family, owner-occupied residence.

Tax Affected

Mortgage Recording Tax

Tax Expenditure

Not available

Real Estate Investment Trusts (REITS)

Citation

NYC Administrative Code Section 11-603.7

Policy Objective

To promote REITs as investment vehicles.

Description

New York City generally conforms with federal tax treatment of Real Estate Investment Trusts (REITs). To the extent that the REIT passes through 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 not subject to the four alternate tax bases that other General Corporation taxpayers must utilize. The tax liability of a REIT is determined by utilizing only the net income and fixed dollar minimum corporate tax bases.

Tax Affected

General Corporation Tax

Tax Expenditure

Not available

Real Estate Mortgage Investment Conduits (REMICS)

Citation

NYC Administrative Code Section 11-122

Policy Objective

To promote REMICs as investment vehicles.

Description

A Real Estate Mortgage Investment Conduit (REMIC) is an entity that holds a fixed pool of mortgages and issues interests in itself to investors. New York City generally conforms with federal tax treatment of REMICs. REMICs are exempt from the City's General Corporation Tax, Banking Corporation Tax and Unincorporated Business Tax. In addition, the assets of a REMIC which is not a separately incorporated entity must be excluded from the calculation of any tax liability under the General or Banking Corporation Tax. However, the holders of interests in a REMIC are not exempt from City taxation based on their interests or on the income therefrom.

Taxes Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Regulated Investment Companies (RICS)

Citation

NYC Administrative Code Section 11-603.8

Policy Objective

To promote RICs as investment vehicles.

Description

New York City generally conforms with federal tax treatment of Regulated Investment Companies (RICs). To the extent that the RIC passes through its income to the shareholders, the RIC pays no City corporate tax on that income. The dividend or distributed gain is taxed at the shareholder level.

Any undistributed income the RIC possesses is subject to taxation. To the extent that they are taxable, RICs are not subject to the four alternate tax bases that other General Corporation taxpayers must utilize. The tax liability of a RIC is determined by utilizing only the net income and fixed dollar minimum corporate tax bases.

Tax Affected

General Corporation Tax

Tax Expenditure

Not available

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

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 multijurisdictional economic activity.

Description

In determining the 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

Special Allocation Rule: 80/20 Allocation Rule for Security/ Commodity Brokers

Citation

20 NYCRR Section 4-4.3(c), NYC Unincorporated Business Tax Regulation Section 7-8

Policy Objective

To allocate accurately taxable income derived from a special multijurisdictional economic activity.

Description

In determining the business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed. However, taxpayers which are security and commodity brokers allocate commissions derived from the execution of purchases or sales orders for the accounts of customers in the following manner:

(a) If the order originates at a New York City place of business and is transmitted to an office of the taxpayer located in New York City for execution on an exchange located in the City, 100 percent of the commission is allocated to New York City.

(b) If the order originates out-of-city and is transferred to an office of the taxpayer located in New York City for execution on an exchange located in the City, 20 percent of the commission is allocated to New York City.

(c) If the order originates at a New York City place of business and is transmitted to an office of the taxpayer outside the City for execution on an exchange located outside of the City, 80 percent of the commission is allocated to New York City.

Special Allocation Rule: 80/20 Allocation Rule for Security/ Commodity Brokers (cont'd)

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code Section 11-604.3(a)(2)(B)

Policy Objective

To allocate accurately taxable income derived from a special multijurisdictional economic activity.

Description

In determining the 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.

Tax Affected

General Corporation Tax

Tax Expenditure

Not available

Special Allocation Rule: Radio/TV Commercial Receipts and Motion Picture Royalties

Citation

NYC General Corporation Tax Regulation Section 4-20(c)(2)

Policy Objective

To allocate accurately taxable income derived from a special multijurisdictional economic activity.

Description

In determining the business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed. However, the income a business receives from broadcasting radio and television commercials (by FCC license) or the royalties a producer receives from a motion picture is allocated to the City based on the "audience location method," that is, the ratio of the number of the broadcaster's or producer's New York City listeners/viewers to its total listeners/viewers.

Tax Affected

General Corporation Tax

Tax Expenditure

Not available

PART IV

DETAILED REVIEW OF SELECTED TAX EXPENDITURE PROGRAMS

This new section of the City's Tax Expenditure Report examines the economic and social impact of tax expenditure programs as required by the City Charter. The approach here is to highlight four selected programs which are typical of the varied forms of City tax incentives, ranging from a large-scale development project to a specific and targeted tax incentive:

- Battery Park City represents a major real estate development project which literally created new land along the Hudson River in lower Manhattan for new offices, new housing and a new community.

- The Industrial Development Authority (IDA) provides low-cost financing in a package with other tax incentives to reduce business operating costs.

- The exclusion of insurance company income from City business taxes is an example of a broad tax exemption for a specific industry.

- The Relocation and Employment Assistance Program (REAP) provides targeted incentives to eligible firms.

Data on economic and social impact are generally not available. For example, it cannot be known with certainty how many companies would actually relocate without a special incentive, how many employees would also relocate, how many jobs created subsequent to a special tax incentive are due entirely to the benefit, or whether property would remain undeveloped or vacant without special exemptions.

To aid in the analysis of economic and social impact, Part IV provides the following for each tax expenditure program: the background, history and rationale; the unique program characteristics; the complexities of evaluation; the conclusions from the available data; and other issues which must be considered in evaluating impact but for which data are not available.

In order to provide an analytical perspective, a "break-even" analysis is applied where appropriate. In this analysis, the break-even point represents the number of jobs which must be created or retained so that sufficient City tax revenues are generated to offset the cost of the tax expenditure program. The break-even point is based on average taxes per worker as determined by taxes and employment levels per industry, with tax revenues attributed to each industry sector directly generating the taxable economic activity. It should be noted that the calculation of average taxes is not intended to capture marginal revenues resulting directly or indirectly from new employment.

The data on revenue per job were compiled by the Department of Finance from tax returns, the assessment roll, and employment statistics, as described in Appendix III. The methodology used for the break-even analysis for each program is described in Appendix IV.

BATTERY PARK CITY AUTHORITY

Introduction

In 1968, the New York State Legislature created the Battery Park City Authority to manage the development of a large scale residential and commercial complex, known as Battery Park City. Construction began more than a decade later under a "Master Development Plan." To finance development, the Authority issued bonds for site preparation and installation of the infrastructure.

Located on a 92-acre landfill at the southern tip of Manhattan, Battery Park City consists of a commercial core known as the World Financial Center (WFC) and a residential section. The WFC has six million square feet of office space and 280,000 square feet of commercial and retail facilities, including a complex of restaurants and shops, a large outdoor plaza, and a marina. Office space in the WFC has a minimal vacancy rate of two percent, far below that of the City as a whole and Downtown Manhattan in particular.

Several large residential developments complement the commercial core. Gateway Plaza and Rector Place contain 16 buildings with 4,000 condominium and rental apartments and a population of 6,500. The residential portion also provides 40,000 square feet of retail space consisting of small service shops. An additional 2,800 apartments are currently under construction as part of the Battery Place project.

The Authority generates income from developers that includes: land lease payments, rent for retail and commercial space, payments-in-lieu-of-taxes (PILOTs), and various fees. Authority expenses include debt service on bonds, wages and salaries, and other administrative costs.

Economic and Social Benefits to New York City

Because the Authority holds title to all land and buildings on the site, these properties are fully exempt from $113.5 million in New York City real estate taxes, based on an assessment of $1,165 million. This tax expenditure is offset by direct payments made to the City, the creation of new jobs, and the financing of housing for low and moderate income households in other parts of the City. In addition, there are contributions to the City's economy and quality of life that cannot be measured.

Benefits which offset this $113.5 million tax expenditure include:

- Revenues: In fiscal 1991, the City will receive an estimated $27 million from the Authority, including $17.8 million in PILOTs. The remaining funds come from excess revenues, the disposition of which is determined jointly by the Mayor, the City Comptroller, and the Authority.

In past years, the City has received additional lump sum transfers from the Authority's excess revenues. These have included a transfer of $5 million from the Authority to the City, half of which was paid in fiscal 1989 and half in fiscal 1990. In another example, the Authority sold revenue bonds in fiscal 1990 to yield $150 million which was transferred to the City's general fund.

- Low-Income Housing: The Authority has also been instrumental in funding the rehabilitation of low and moderate income housing in other parts of the City, an important fiscal and social benefit that cannot be quantified on an annual basis. A 1986 agreement between the Authority and the Housing New York Corporation (HNYC) provided for the issuance of $400 million in bonds backed by the Authority's surplus revenues for rehabilitation of 60 buildings, containing more than 1,600 units of low-income housing, in Harlem and the South Bronx. To date, $210 million of HNYC bonds have been issued. Initially, a portion of the net proceeds of these bonds were used to meet debt service payments. Commencing November 1, 1990 and thereafter until the year 2017, the Authority will make annual payments of $21.1 million for this purpose. In the absence of the BPCA commitment, the City might have borne these costs if it wanted to duplicate this initiative.

  Pursuant to a 1989 agreement, the Authority has committed to use $600 million in excess funds to support the City's capital housing budget for the rehabilitation and construction of additional affordable housing. The first installment of $13.2 million will be transferred to the City in fiscal 1994. Thereafter, each annual payment will increase by $13.2 million until it reaches $79.2 million and will remain at that level until the full $600 million commitment is realized.

- Jobs: Currently, there are 30,000 people employed at the WFC, primarily in the FIRE sector. Most of these jobs represent companies that have relocated from other parts of Manhattan. However, new retail space has been developed to service new residents, employees, and tourists at BPC, generating nearly 1,000 jobs and an estimated $1.4 million annually in new revenues for the City (see the Appendix for methodology). The number of new retail jobs is estimated from the amount of occupied retail space in both the commercial and residential sectors.

- Other Benefits: Economically, socially, and culturally, BPC contributes to the City in ways that cannot be quantified. The development includes open spaces, restaurants, and cultural events. Stuyvesant High School, one of the country's most prestigious, will have a new home at BPC, with modern facilities available to students and community residents.

  Beyond its own borders, the up-scale atmosphere at BPC has had a positive effect on the property values of neighboring residential and commercial properties. Its contribution to affordable housing in other areas also helps to revitalize and stabilize those communities.

Conclusion

BPC provides New York City with near- and long-term financial, economic, and social benefits, only a small part of which can be adequately measured. The annual tax expenditure of $113.5 million is reduced by $27 million in PILOTs and other payments from excess revenues. An additional $150 million payment in fiscal 1990 more than offset a full year's annual tax expenditure. Each year, the City also receives an estimated $1.4 million in additional revenue from new retail jobs created at BPC. The City also currently realizes debt service savings of over $20 million per year on bonds issued by BPC to build low and moderate income housing.

However, far more difficult to measure or attribute to an annual tax expenditure are the indirect long-term social and economic benefits. The creation of a brand new community has contributed to the quality of life and property values in lower Manhattan. Additionally, the Authority's commitment to communities beyond its own borders, by providing $1 billion for the City's low and moderate income housing programs, will have a two-fold impact: creating additional affordable housing and stabilizing the neighborhoods in which they are located. Any evaluation of BPC's tax expenditure must include these factors although they would be difficult, if not impossible, to quantify.

INDUSTRIAL DEVELOPMENT AGENCY

Introduction

The New York City Industrial Development Agency (IDA) is a public benefit corporation established in 1974 to promote business expansion and increased employment in the City. It is governed by a 15 member board which sets policy and reviews all requests for financial assistance. The public members of the Board include the Deputy Mayor for Finance and Economic Development, the City Comptroller, the Corporation Counsel, the Chair of the City Planning Commission and a representative for each borough president. The Mayor appoints six additional members from the private sector, generally representing the City's business community.

IDA assists businesses by providing low cost financing; reduced real estate taxes; and exemptions from the mortgage recording and sales taxes. Businesses participating in the IDA program may also qualify for benefits under other City tax incentive programs.

Eligibility for IDA assistance is contingent upon a detailed financial analysis of the company's track record and its future prospects. The project must also satisfy certain economic development goals, particularly job creation and retention.

Financing

On behalf of participating companies, IDA issues industrial development bonds which are used to finance acquisition costs, new construction, rehabilitation and the purchase of machinery and equipment. IDA takes title to any assets for which it provides financing. It then leases those assets to the participating company which is responsible for payments to a trustee that includes debt service and payments-in-lieu-of-taxes (PILOTs). The trustee then remits debt service payments to the bond holders and PILOTs to the City.

The IDA issues both triple and double tax exempt bonds, depending on the type of project which is being financed. The interest earned on triple tax exempt bonds is exempt from Federal, State and City income taxes, while double tax exempt debt carries only the State and local exemption. The 1986 Federal Tax Reform Act restricted the use of triple tax exemptions to manufacturing, resource recovery, airport construction, and charitable organizations. All other IDA projects are financed through double tax exempt bonds.

The market for IDA bonds has changed considerably. In the early and mid-1980s banks were major purchasers of IDA debt. Currently, mutual funds and other institutions make up a large share of this bond market. Since 1987, the IDA has utilized a bank "letter of credit" as a form of guaranty to bond buyers for certain transactions. Under a letter of credit arrangement, the bank providing the guaranty makes a payment equal to the debt service to the IDA trustee which then remits the payment to the bond holders. The bank is reimbursed by the IDA trustee from payments received from the lessee.

The tax exemptions and letters of credit result in lower interest rates on bonds issued by IDA. Consequently, debt service payments paid by the lessee are less than they would be had the participating company entered the market independently to obtain financing.

Real Estate Taxes

Although property owned by IDA is fully exempt from City real estate taxes, lessees are required to make payments-in-lieu-of-taxes. However, these amounts are generally well below the amount that would be due if the participating company owned the property and was fully liable for the tax.

In determining the PILOT, the IDA provides a land tax abatement for industrial projects, including manufacturing and warehouses. For these projects, the PILOT on the land assessment is equivalent to the tax on the land portion of the assessment reduced by an amount equal to $250 multiplied by the number of employees at the time of application or at the end of the first year of operation, whichever is applicable. The length of the abatement is equal to the term of the financing or 20 years, whichever is less.

The tax benefits provided on the building portion of the assessment can vary based on IDA's policy objectives. According to the IDA, in 75 percent of the participating projects, the assessment is frozen at the value existing at the time of IDA purchase and is generally in effect for ten years. The amount of the PILOT is determined by applying the current real estate tax rate to the stabilized assessment. Twenty percent of the projects would have been eligible for the Industrial and Commercial Incentive Program (ICIP) if the property had been privately owned. Consequently, the PILOT formula for these projects is based on the applicable ICIP schedule of benefits. In other special projects, the tax exemption is negotiated as part of a comprehensive incentive package. Upon termination of a PILOT agreement, full taxes are due.

For fiscal 1991, real estate tax exemptions associated with IDA projects totaled $536.6 million, or the equivalent of $53.2 million in taxes. IDA projects will remit $20 million in PILOTs, resulting in a net real estate tax expenditure of $33 million.

Sales and Mortgage Recording Taxes

The IDA can pass along substantial savings from the State and City sales taxes and the City mortgage recording tax to participating companies. Companies are exempt from the sales tax on construction materials used in construction or rehabilitation of IDA projects. Some projects may also be given a sales tax exemption on other purchases including machinery, equipment and computers. For fiscal year 1990, the most recent year for which data are available, IDA projects received an estimated $4.2 million in sales tax exemptions.

The mortgage recording tax exemption is particularly attractive to not-for-profit charitable organizations which would be entitled to a real estate tax exemption if they owned the property but would, however, be subject to a mortgage recording tax. The value of the mortgage recording tax exemption for fiscal year 1990 was $8.5 million.

Other Benefits

In addition to providing real estate tax, sales tax and mortgage recording tax exemptions, the IDA takes advantage of other existing City tax incentive programs in order to provide a comprehensive package of benefits to prospective projects. For example, a business relocating outside Manhattan may be eligible to receive IDA's low cost financing, direct IDA tax exemptions, and may also qualify for the Relocation Employment Assistance Program (REAP) which provides a reduction of the City's general corporation tax. The value of other City tax incentive programs associated with IDA projects cannot be quantified at this time.

Location of IDA Projects

There are 415 projects currently receiving IDA benefits. IDA has been successful at assisting projects located throughout the City, although there is a concentration in Manhattan, Brooklyn, and Queens. Manhattan projects constitute more than 20 percent of total projects and 30 percent of the gross real estate tax expenditure. As can be seen from the maps at the end of this section, most Manhattan projects are in SoHo, Chelsea, Union Square, and Midtown.

Nearly two-thirds of all IDA projects, accounting for more than half the total gross real estate tax expenditure for fiscal 1991, are in Brooklyn and Queens. These are generally clustered around the Brooklyn/Queens border in Brooklyn's Greenpoint and Williamsburg neighborhoods and Long Island City and Hunters Point in Queens. Other projects are located in some of the City's most economically distressed areas including Bushwick and East New York (Brooklyn); South Jamaica (Queens); and Hunts Point and the South Bronx (South Bronx).

While it has primarily focused on small and mid-size manufacturing companies, IDA has played an important roll in large economic development projects.

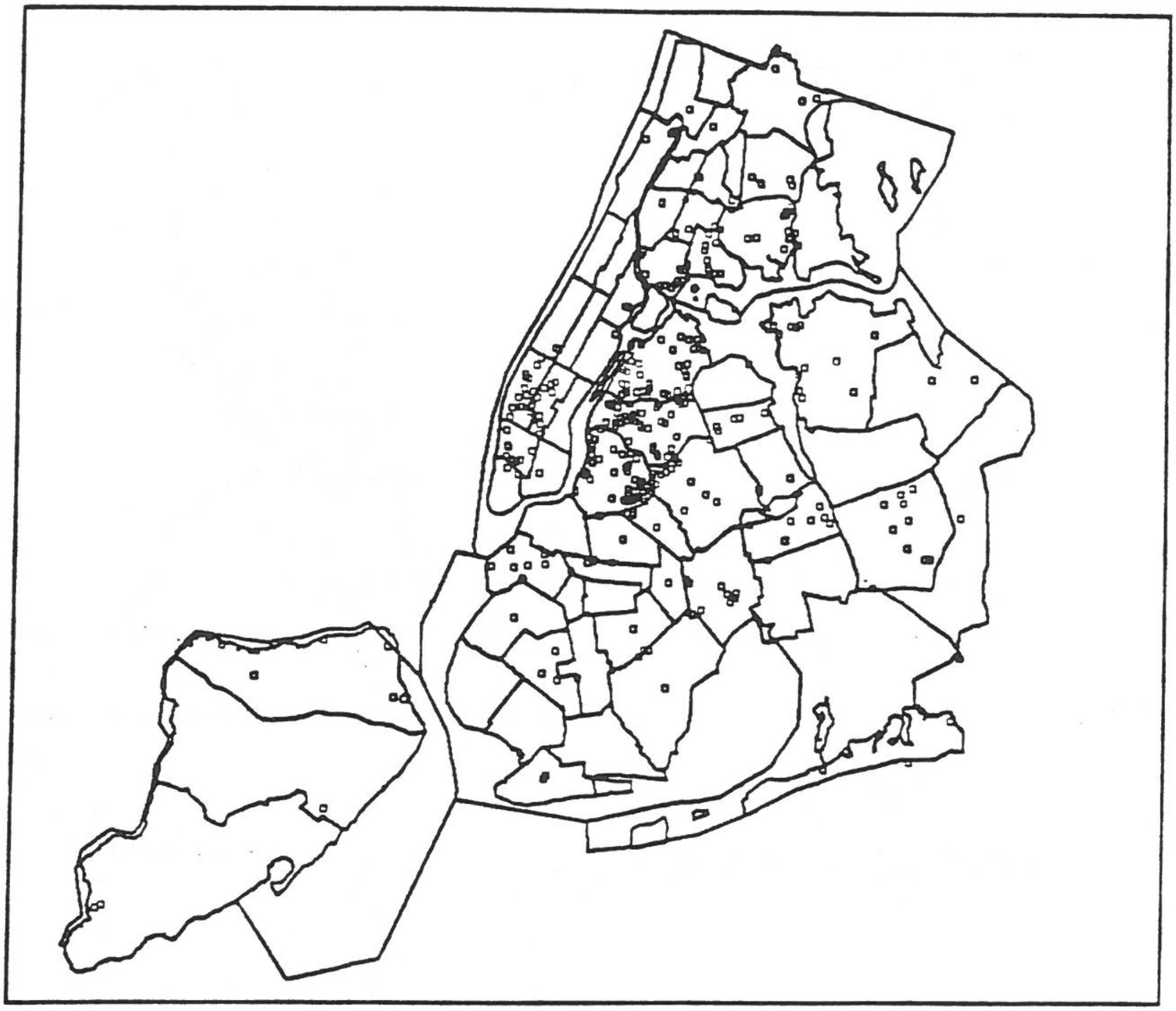
Maps have been included at the end of this section that show the location of IDA projects by borough and community planning district.

Conclusion

The IDA program represents an umbrella of varied tax incentives emanating from IDA itself as well as other City tax incentive programs. At the same time, purchasers of IDA bonds do not pay City income taxes on the bond interest. This report only quantifies the real estate tax exemption and the related PILOT agreements which together result in a net tax expenditure of $33 million in fiscal 1991 and makes no attempt to estimate the direct, indirect, or social benefits of IDA projects. Fiscal 1991 data concerning the sales tax and mortgage recording tax exemptions are not currently available.

There are more than 600 exemptions currently granted to 415 IDA projects, some of which contain multiple tax lots and exemptions. They are largely industrial developments located in Brooklyn, Queens, and Manhattan. IDA has also been used as a vehicle to finance large scale special projects.

INDUSTRIAL DEVELOPMENT AGENCY
EXEMPTIONS BY BOROUGH

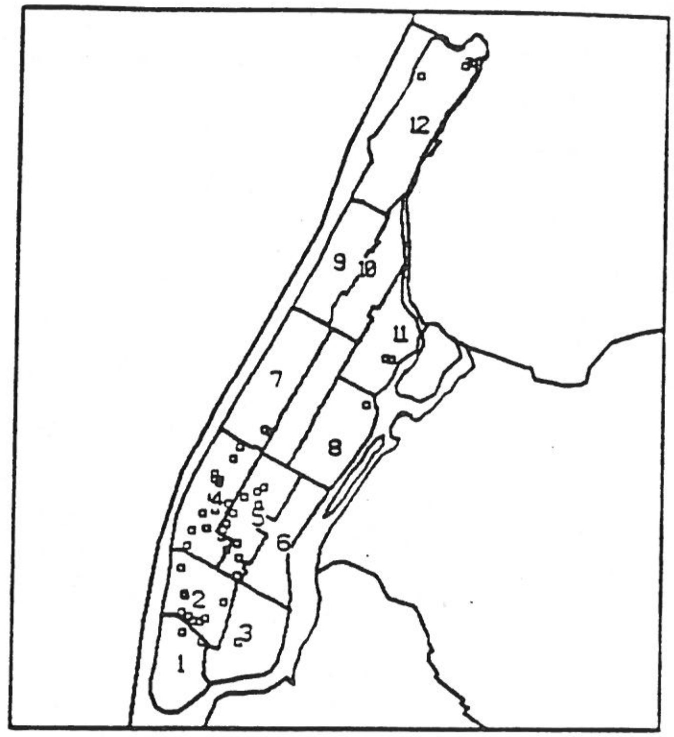


BOROUGH	EXEMPTIONS
Manhattan	126
Bronx	79
Brooklyn	182
Queens	218
Staten Island	9
TOTAL	614

IDA EXEMPTIONS BY DISTRICT

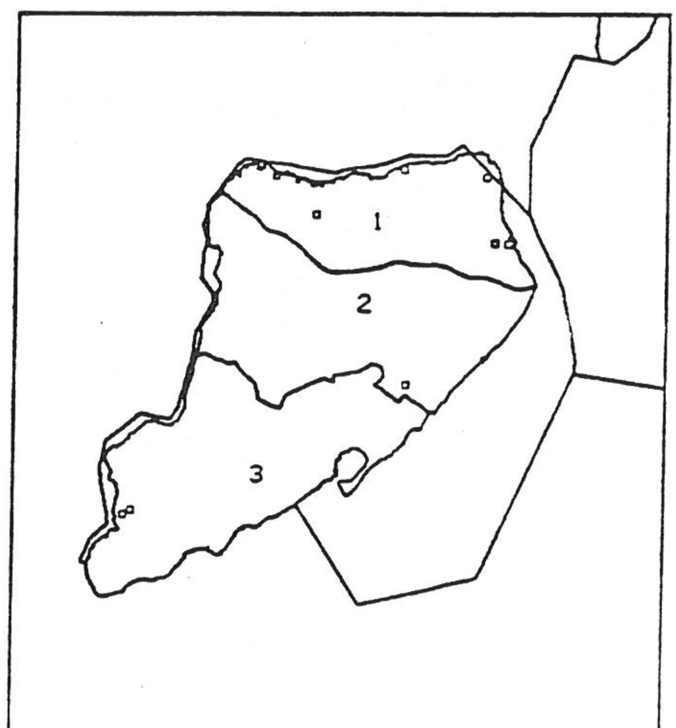
MANHATTAN

COMMUNITY DISTRICT	EXEMPTIONS
1	2
2	11
3	1
4	36
5	65
6	0
7	2
8	1
9	0
10	0
11	2
12	6
TOTAL	126



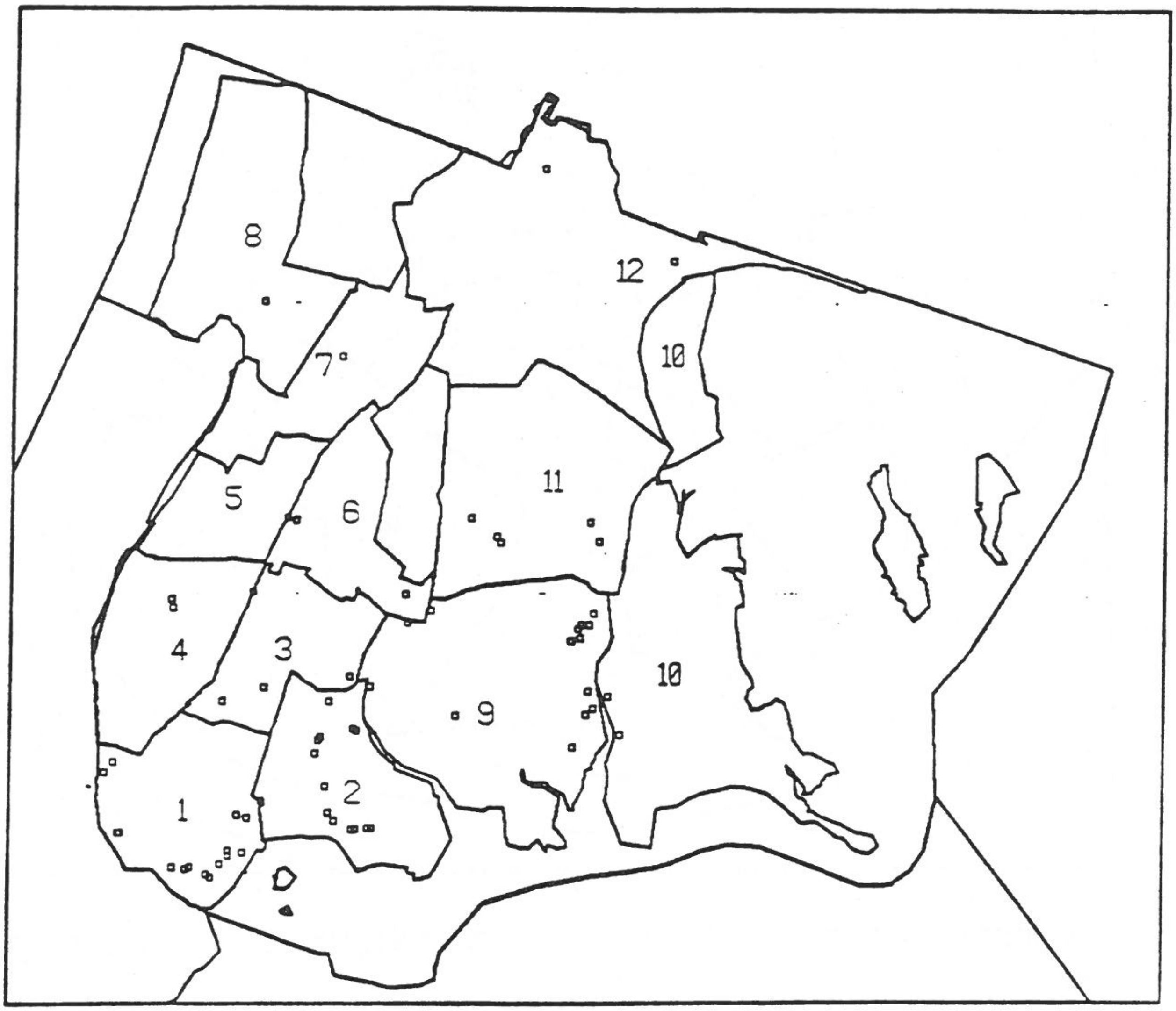
STATEN ISLAND

COMMUNITY DISTRICT	EXEMPTIONS
1	6
2	1
3	2
TOTAL	9



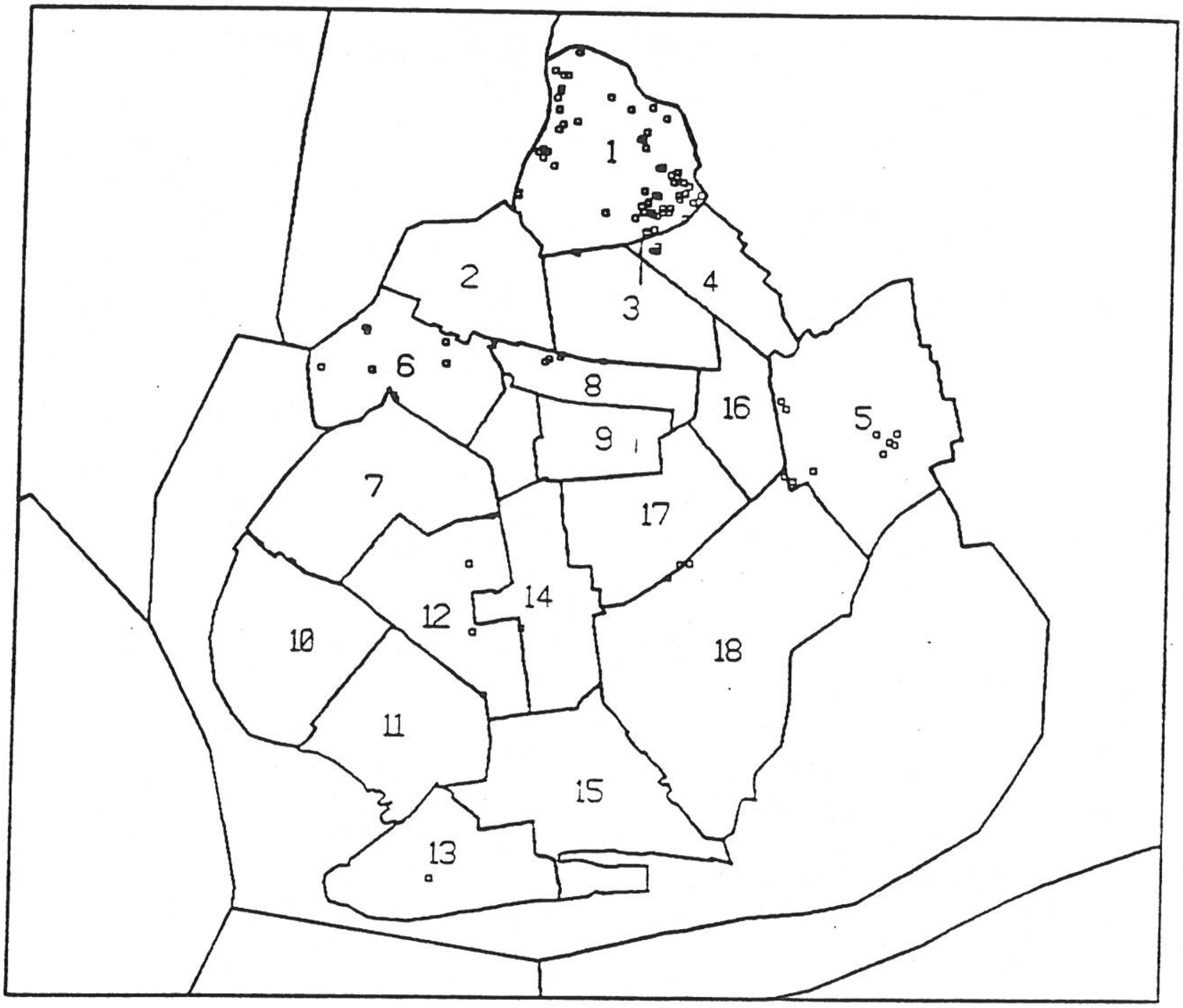
IDA EXEMPTIONS BY DISTRICT

BRONX



COMMUNITY DISTRICT	EXEMPTIONS	COMMUNITY DISTRICT	EXEMPTIONS
1	16	7	1
2	15	8	1
3	5	9	19
4	3	10	3
5	0	11	6
6	5	12	5
		TOTAL	79

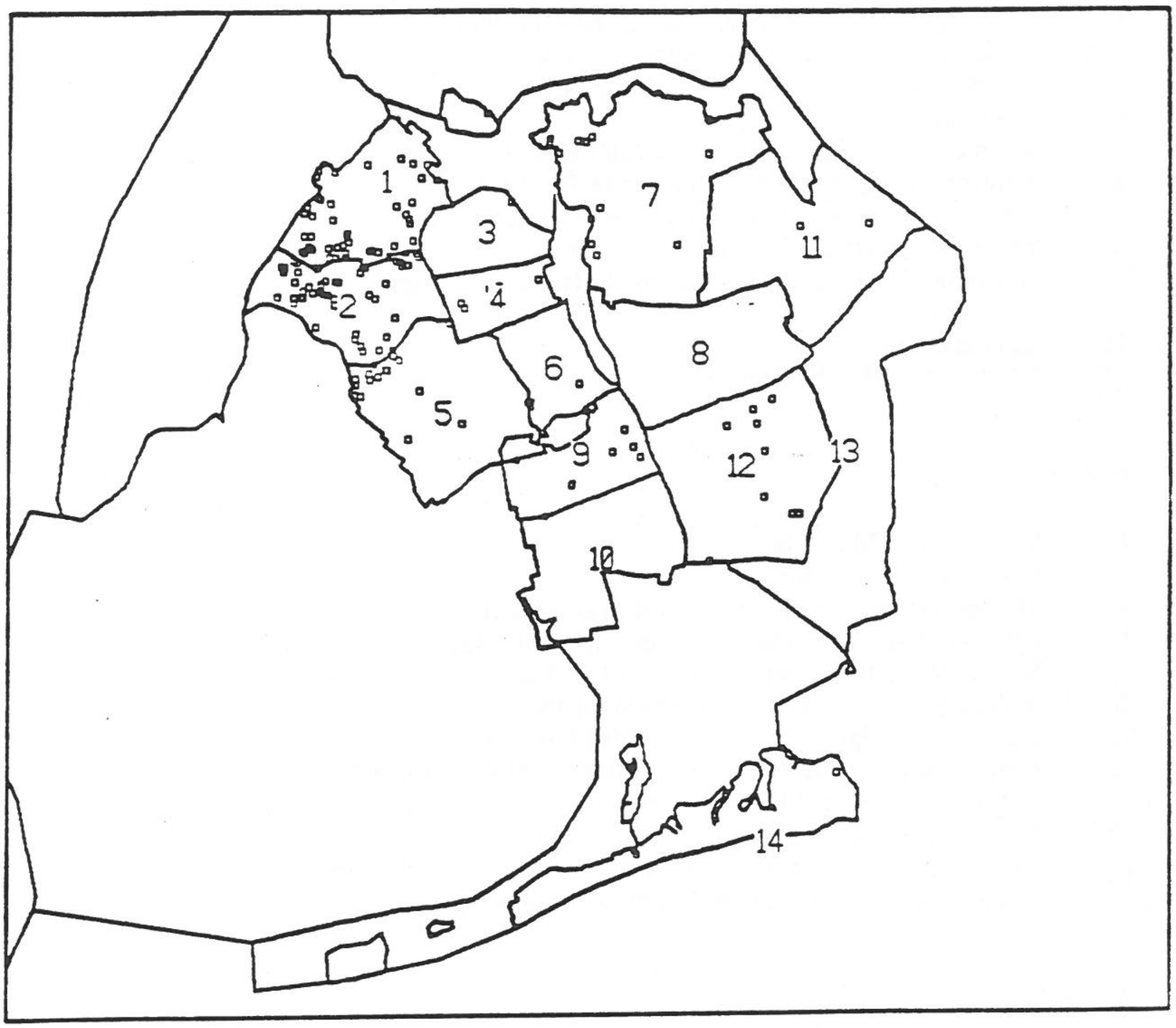
IDA EXEMPTIONS BY DISTRICT
BROOKLYN



COMMUNITY DISTRICT	EXEMPTIONS	COMMUNITY DISTRICT	EXEMPTIONS
1	94	10	0
2	0	11	0
3	4	12	5
4	17	13	2
5	13	14	1
6	16	15	0
7	15	16	0
8	6	17	3
9	0	18	6
		TOTAL	182

IDA EXEMPTIONS BY DISTRICT

QUEENS



COMMUNITY DISTRICT	EXEMPTIONS	COMMUNITY DISTRICT	EXEMPTIONS
1	54	8	0
2	89	9	8
3	2	10	1
4	5	11	2
5	18	12	13
6	3	13	0
7	19	14	4
		TOTAL	213

Community Planning Districts

Manhattan

1. Wall Street/South St. Seaport/City Hall/Tribeca
2. Little Italy/Soho/Noho/Greenwich Village
3. Chinatown/Lower East Side/East Village
4. Chelsea/Clinton
5. Gramercy Park/Midtown South/Midtown
6. Stuyvesant Town/Murray Hill/Turtle Bay/Sutton Place
7. Lincoln Center/West Side/Upper West Side
8. Lenox Hill/ Upper East Side/Yorkville
9. Morningside Heights/Manhattanville/Hamilton Heights
10. Central Harlem
11. East Harlem
12. Washington Heights/Inwood

Bronx

1. South Bronx/Mott Haven
2. Hunt's Point/Longwood
3. Melrose/Morrisania/Crotona Park East/Claremont
4. Concourse Village/Grand Concourse/Highbridge
5. Morris Heights/University Heights/Fordham
6. Bathgate/Belmont/East Tremont/West Farms
7. University Heights/Fordham/Bedford Park/Norwood
8. Kingsbridge/Marble Hill/Jerome Park/Riverdale/North Riverdale
9. Soundview/Castle Hill/Unionport/Parkchester/Westchester Square
10. Throgs Neck/Pelham Bay/Co-op City/ City Island
11. Van Nest/ Morris Park/Pelham Gardens/Bronxdale/Laconia
12. Williamsbridge/Baychester/Woodlawn/Wakefield

Brooklyn

1. Greenpoint/Williamsburg
2. Brooklyn Heights/Downtown Brooklyn/Boerum Hill/Fort Greene/ Clinton Hill
3. Bedford-Stuyvesant/Tompkins Park North
4. Bushwick
5. East New York/New Lots/Starrett City/Spring Creek/Highland Park/Cypress Hills
6. Park Slope/Carroll Gardens/Cobble Hill/Red Hook
7. Bush Terminal/Sunset Park/Windsor Terrace
8. Prospect Heights/Crown Heights

Brooklyn (con't.)

9. Leffert Gardens/Crown Heights South/Wingate
10. Bay Ridge/Dyker Heights
11. Bensonhurst/Bath Beach/Gravesend/Mapleton
12. Borough Park/Kensington/Ocean Parkway
13. Coney Island/Gravesend/Brighton Beach/Seagate
14. Midwood/Flatbush
15. Sheepshead Bay/Manhattan Beach/Kings Highway
16. Brownsville/Ocean Hill
17. Flatbush/East Flatbush
18. Marine Park/Mill Basin/Bergen Beach/Georgetown/Flatlands/Canarsie

Queens

1. Long Island City/Astoria/Steinway
2. Hunters Point/Sunnyside/Woodside
3. Jackson Heights/East Elmhurst/North Corona
4. Elmhurst/Corona
5. Maspeth/Ridgewood/Glendale/Middle Village
6. Rego Park/Forest Hills
7. Flushing/College Point/Whitestone/Bay Terrace
8. Kew Gardens Hills/Briarwood/Jamaica Estates/Fresh Meadows
9. Woodhaven/Richmond Hill/Kew Gardens
10. Ozone Park/Howard Beach/South Ozone Park
11. Auburndale/Bayside/Oakland Gardens/Douglaston/Little Neck
12. Jamaica/South Jamaica/Hollis/St. Albans
13. Floral Park/Bellerose/Queens Village/Laurelton/Cambria Heights/Springfield Gardens
14. Breezy Point/Rockaway Park/Arverne/Broad Channel/Far Rockaway

Staten Island

1. St. George/Stapleton/Fox Hills/Grymes Hill/Silver Lake/West Brighton/Port Richmond/Mariner's Harbor/Arlington
2. South Beach/Dongan Hills/Emerson Hill/Grant City/Willowbrook/ New Springville/Bloomfield
3. Tottenville/Prince's Bay/Eltingville/Great Kills/Oakwood Beach/Arden Heights/Charleston/Woodrow

NEW YORK CITY NON-TAXATION OF INSURANCE CORPORATION BUSINESS INCOME

Introduction

New York City does not tax the business income of insurance corporations, although it taxes income of general corporations, banking corporations, partnerships and proprietorships. The federal government, New York State and other states have no exemption for the insurance industry. New York City had an insurance tax which was repealed in 1974 as part of a restructuring of insurance taxation within New York State.

The insurance industry is a significant part of the New York economy. Four of the nation's largest life insurance companies -- MetLife, Equitable, Teacher's Insurance and Annuity (TIAA) and NY Life -- are in New York City. Property and casualty insurers also have an important presence in the City: seven of the top 100 property and casualty insurers -- National Union Fire, American Home, Commerce and Industry, Insurance Company of the State of Pennsylvania, Home Insurance, Continental and Zurich -- are located here. The first five of these firms are part of American International Group (AIG), a leading international property and casualty insurance group whose headquarters is in the City.

Since New York life insurance firms have a large nationwide market, the State is an exporter of life insurance services. On the other hand, New York is a net importer of property/casualty insurance from out-of-state providers. Overall New York is an insurance exporter: more business is done in other states by New York-based "domestic" companies than is done within New York by out-of-state "foreign" companies.

The insurance industry is part of the Finance, Insurance and Real Estate (FIRE) sector. In 1990, insurance carriers employed about 65,000 workers in New York City. By comparison, banking employed 137,500 and security-commodity dealers 164,300. In 1989, the latest year for which payroll data are available, the average annual salaries in these industries were approximately $40,000, $45,000 and $75,000, respectively.

History of New York City and State Insurance Taxation

Historically, there has been concern that any increases in New York insurance taxes would trigger retaliatory taxation by other states. 49 states have unique provisions of retaliatory taxation. These laws allow each state to react against higher taxes charged its domestic companies in other states by increasing taxes on firms from such states conducting business in its jurisdiction.

Retaliatory taxation tends to keep every state from increasing insurance tax rates above a nationwide average. This is especially important to New York, since New York insurance companies conduct a large volume of business in other states.

Prior to 1974, the State had sought to avoid triggering retaliatory taxes by imposing tax increases only on domestic companies. However, by 1974 it was felt that this policy had been counterproductive and had actually encouraged domestic insurance companies to relocate, costing the State and City revenue and jobs.

The 1974 New York insurance tax reform restructured the State tax providing for a tax based on both net income and premiums. The current tax is comprised of:

- A franchise tax of 9% on net income, similar to the state corporate franchise tax, but with a distinct allocation formula.

- A tax on premiums paid for risks located in NYS, at the rate of 1.2% for property, 1.0% for health, and 0.8% for life insurance.

The 1974 amendments also instituted several changes intended to reduce the burden of retaliatory taxation.

- The New York City Insurance Corporation Tax was repealed. The repeal was intended to prevent combined State and local taxes from triggering retaliatory taxes in other states. A $14.6 million State appropriation reimbursed the City for lost revenues in the first year of the repeal, but despite City requests for subsequent annual compensatory payments there were no further direct allocations from the State.

- A New York State tax credit was created for domestic companies equivalent to 90 percent of retaliatory taxes paid to another state.

New York State insurance tax revenues have risen dramatically over the last decade, growing from $194 million in fiscal 1980 to $415 million in fiscal 1990. Most of this increase occurred from 1984 to 1990. Although State taxes attributable to New York City insurance activity cannot be determined, data from the Metropolitan Commuter Transit District indicate that the City and its suburbs generate approximately 50 percent of State collections (see Figure 1).

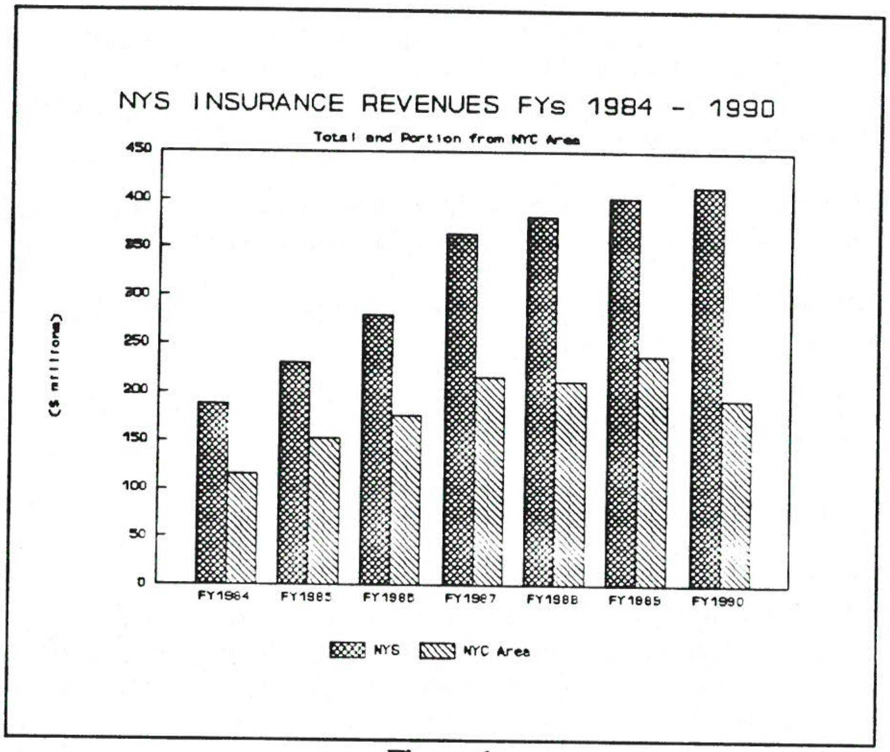


Figure 1

New York City Taxation of Insurance Corporations

New York State's "effective" tax rate on premiums is currently at a level close to the rates in most other states. If a New York City insurance tax were imposed, the combined state and local rates could trigger retaliatory taxation of New York insurance companies in other states. Therefore, it is not feasible to use a specific insurance corporation tax to determine the tax expenditure associated with the non-taxation of insurance companies.

However, for purposes of tax expenditure measurement, it is possible to construct a proxy insurance tax that would not trigger retaliatory taxation. This could be accomplished by extending the General Corporation Tax (GCT) to insurance companies. According to the policies of most large insurance states and recent case law, taxes which are not specific to the insurance industry are not included in calculating retaliatory taxes. A few states, such as Pennsylvania and Michigan, might retaliate against taxes that are not unique to the insurance industry, but most states, including New York, Illinois, California and Texas, only retaliate against insurance-specific taxes. The policy of only considering insurance-specific taxes for retaliatory tax purposes was supported by a recent decision of the Illinois Supreme Court (Mutual life Insurance Company of New York v. Washburn). The General Corporation Tax is a tax on all corporations which conduct business in the City and is not specific to insurance. Therefore, under the Mutual decision, the GCT should not be included in retaliatory tax calculations.

Break-Even Analysis

The Department of Finance estimates that subjecting insurance companies to the GCT would generate approximately $65 million in revenue. The estimate assumes that retaliatory taxes would be imposed by states which currently retaliate against general corporate taxation of insurance companies and that affected New York insurers would be granted a retaliatory tax credit. The estimate also assumes that states which impose retaliatory taxes only on insurance-specific taxes will continue to follow such a policy.

A break-even analysis based on average taxes per worker shows that 35 percent of the 65,000 City insurance jobs, or 22,000 positions, must be directly retained because of the non-taxation of the insurance industry to offset the City revenue foregone (see Appendix IV).

Conclusions

Insurance companies that conduct business in New York City are currently exempt from the business income taxes which other companies pay. With the recent expansion of many insurance companies into financial services, this tax advantage for the insurance sector may become even more significant. The City is compensated for the current non-taxation of insurance companies if one out of three insurance jobs would otherwise relocate. Some states might retaliate if insurance companies were subject to the GCT, but based on current policy most jurisdictions would not do so.

NYC RELOCATION AND EMPLOYMENT ASSISTANCE PROGRAM (REAP)

Introduction

The economic expansion that occurred in New York City throughout most of the 1980s increased competition for space in Manhattan and drove up commercial rents. Meanwhile, the growth experienced by New York City businesses stimulated the need for additional space, especially for expanding back-office operations in the financial sector. The combination of high real estate costs and low vacancy rates in Manhattan led many firms to consider relocation outside the City.

The City enacted the Relocation and Employment Assistance Program (REAP) in July 1987 to promote the retention of businesses that might otherwise leave the City and to spread economic development beyond the central business district. Available warehouse space in the boroughs outside Manhattan and new office construction in downtown Brooklyn provided potential sites for relocating businesses. Brooklyn commercial development projects included Metrotech, a commercial, academic and high-technology office complex, as well as One Pierrepont Plaza and Chase Financial Center.

Program Description

The Relocation and Employment Assistance Program (REAP) provides a specific tax incentive for businesses that relocate from south of 96th Street in Manhattan or from outside the City to eligible premises north of 96th Street or to any other borough. Qualified businesses are entitled to:

- a credit of $500 per relocated employee against business income tax liability;
- a reduction in commercial rent tax, up to a full exemption, depending on the number of relocated employees.

The tax reductions begin in the year of relocation and can be taken for eleven succeeding years. If the allowable business tax credit exceeds a taxpayer's liability in any tax year, the excess may be carried forward and credited to the five immediately succeeding years. Hotel services and retail trade businesses are ineligible to receive REAP benefits.

The initial REAP legislation had a sunset provision that required relocation to begin by June 30, 1992. Legislation passed in 1990 extends the relocation start date to June 30, 1995 if businesses submit preliminary applications and meet regulatory guidelines by June 30, 1992. For REAP approval, applicants must have begun relocation to an eligible site but have three years to complete relocation.

Profile of Applicants

As of December 31, 1990, 55 businesses have been approved or are pending approval for REAP benefits. Five applications have been denied as ineligible.

The table below summarizes information regarding the industry type and number of relocating employees of approved and pending REAP applicants.

REAP APPLICANT STATUS
(AS OF DECEMBER 31, 1990)

	# OF APPLICANTS Total	%	Pending	# OF EMPLOYEES Approved	Total	%
MANUFACTURING	25	45.5%	886	1,616	2,502	15.9%
WHOLESALE TRADE	14	25.5	322	479	801	5.1
FIRE	8	14.5	5,790	4,577	10,367	65.9
SERVICE	4	7.3	61	0	61	0.4
TRANS.& PUB.UTL.	3	5.5	85	1,905	1,990	12.7
CONSTRUCTION	1	1.8	8	0	8	0.1
TOTAL	55	100.0%	7,152	8,577	15,729	100.0%

Almost half of all applicants, 46 percent or 25 firms, are manufacturers, followed by wholesale trade. These two industries make up over 70 percent of the applicants, but represent less than 20 percent of the total number of relocating employees. For manufacturing and wholesale trade, therefore, the availability of cheaper space in the boroughs outside Manhattan and the REAP reduction in commercial rent tax provide greater benefits than the employee tax credit. The applicants in these sectors relocate primarily to Brooklyn and Queens.

FIRE sector firms are only 15 percent of the total applicants, but account for two thirds of the total number of employees being relocated. FIRE relocations are predominantly to new projects such as Metrotech in Brooklyn.

Only eight REAP applications have been received from businesses in the construction, service and transportation & public utility sectors. Transportation & public utility accounts for 13 percent of the total number of REAP eligible employees being relocated.

Part V: Sales Tax

NEW YORK CITY SALES TAX EXPENDITURES

New York City generally imposes the sales and use tax on the same products and services to which the statewide sales and use tax applies. The following list identifies the sales tax expenditures common to both the State and the City unless otherwise noted. This list was derived from the New York State Department of Taxation and Finance, Tax Expenditure Report 1990-1991, (February 1990).

Services

Services, other than those specifically taxed by law [1]
Interstate and international telephone and telegraph service
Certain information services [2]
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

Food

Certain food products
Food sold to airlines
Food sold at school cafeterias
Food sold through certain vending machines
Taxable food purchased with food stamps
Water delivered through mains or pipes

Medical

Drugs, medicines and medical supplies
Eyeglasses and hearing aids
Veterinarian services

1 Although most of the services not taxed by New York State in 1990 were also not taxed by New York City, the City did tax certain services, including beauty, barbering, and every sale of services by weight control salons, health clubs, gymnasiums, turkish and sauna baths, which the State did not tax.

2 During 1990, the City taxed credit rating and credit reporting whether rendered in written or oral form or in any other manner.

Sales Tax

Energy

Sales of energy sources for particular uses [3]

Transportation

Transportation charges
Commercial vessels
Commercial aircraft
Aviation fuel sold to airlines
Foreign aircraft parts
Intra-family sales of motor vehicles
Rental of trucks in certain cases
Commercial trucks weighing more than 26,000 pounds
Sales of property by railroads in reorganization

Communication

Newspapers and periodicals
Pennysavers
Telephone services used by the media
Coin operated telephone charges of 10 cents or less

Industry

Sales of certain tools and supplies used in production [4]
Farming exemption
Research and development property
Wrapping and packaging materials
Fishing vessels

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[3] The City taxes sales of energy sources used in the production process. However, the City grants taxpayers a refundable credit against their business taxes for sales taxes paid on purchases of electricity used in the production process. The City also taxes energy sources used for residential purposes.

[4] Retail sales of parts with a useful life of one year or less and tools and supplies used in conjunction with production machinery and equipment are subject to City taxation.

Miscellaneous

Property sold through vending machines at 10 cents or less
Trade-in allowances
Hotel room rents paid by a permanent resident or where rent is less than two dollars per day [5]
Dues for fraternal societies
Certain store coupons
Excise taxes imposed on the consumer
Property sold by morticians
United States and New York State flags
Garage sales at private residences
Portion of receipts from sales of mobile homes
Sales of used mobile homes
Sales of race horses through claiming races
Certain racehorses purchased outside the state
Training and maintaining racehorses
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

Exempt Organizations

New York State agencies and political subdivisions
Federal agencies
United Nations
Diplomats and foreign missions
Charitable organizations
Veteran posts or organizations organized in New York
Indian nations and members of nations residing in New York
Purchases on U.S. military bases
Non-profit health maintenance organizations
Rural electric cooperatives
Trash removal services rendered by or for a municipal corporation of the State other than New York City

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5 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.

Exempt Admission Charges

Certain admission charges
Events given by charitable organizations, veterans' posts, and indian nations
Certain symphony orchestras & opera companies
National guard organizations
Municipal police and fire departments
Voluntary fire or ambulance companies
Athletic games or exhibitions where proceeds go exclusively to elementary or secondary schools
Carnivals, rodeos & circuses for charitable organizations
Admissions to agricultural fairs, historic sites, houses & shrines

Credits

Credit for tangible property which is incorporated into real property outside the State
Credit for bulk purchases outside the State
Credit for tangible property sold by contractors in certain situations
Credit for tangible property assembled in State, but shipped outside the State
Credit for certain veterinary drugs
Credit for construction materials and supplies used in Economic Development Zones [6]
Credit for omnibus carriers providing local transit service

[6] The City did not grant this sales tax credit.

Table 8

TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS FROM THE SALES TAX BASE *

Tax Year 1990

Program	($ Million) Amount
Aviation Fuel Sold to Airlines	39
Cable Television	11
Interstate and International Telephone and Telegraph	74
Production Machinery and Equipment	30

* These are the only sales tax base exemptions for which the New York City Department of Finance has estimates.

Aviation Fuel Sold to Airlines

Citation
Tax Law Section 1115(a)(9)

Description
Aviation fuel sold to airlines is tax exempt.

Estimate
$39 million

Data Source
Port Authority of New York and New Jersey

Cable Television Service

Description
The provision of cable television services to households in New York City is tax exempt.

Estimate
$11 million

Source
New York State Commission on Cable Television

Interstate and International Telephone and Telegraph

Citation
Tax Law Section 1105(b)

Description
Interstate and international telephone and telegraph services are tax exempt.

Estimate
$74 million

Data Source
Federal Communications Commission

Production Machinery and Equipment

Citation
Tax Law Section 1115(a)(12)

Description
Effective December 1, 1989, New York City exempts from sales taxation purchases of machinery and equipment (including parts with a useful life of more than one year) for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration or steam for sale.

Sales of telephone central office equipment or station apparatus or comparable telegraph equipment for use directly and predominantly in receiving at destination or in initiating and switching telephone or telegraph communications are likewise exempt.

Tax Expenditure
$30 million

Data Source
New York City Department of Finance

SALES TAXATION OF SERVICES

Faced with budget deficits and the need for new sources of revenue, states and localities have in recent years expanded their sales tax bases to include a wider array of transactions. One area of base broadening that has gained increased attention is the sales taxation of services. Historically, the sales tax has been imposed primarily on the retail sale of tangible personal products; sales of services have generally been exempt from sales taxation. Efforts to extend the sales tax to services have provoked heated controversy, with critics and proponents debating the economic, constitutional and tax administrative implications of such taxation. For informational purposes, the following table provides a list of services exempt from New York City sales taxation and compares City policy with the policies of selected states. The data in this table were derived, with certain modifications, from a recent report on sales taxation of services produced by the Federation of Tax Administrators.

SERVICES EXEMPT FROM NYC SALES TAX SUBJECT TO TAXATION IN OTHER JURISDICTIONS

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States NJ 7%	CT 8%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6%	IL 6.25%	*Total No. of Taxing States*
Admissions & Amusements									
Admission to cultural events	Tax	Tax	--	--	Tax	--	Tax	--	30
Billiard parlors	--	--	--	--	Tax	--	Tax	--	21
Bowling alleys	--	--	--	--	--	--	Tax	--	23
Cable TV services	--	--	--	--	Tax	--	Tax	--	22
Pari-mutuel racing events	--	Tax	--	--	Tax	--	Tax	--	26
Pinball & other mechanical amusements	--	--	--	--	--	--	--	--	20
Automotive road & towing services	Tax	--	--	--	--	--	--	--	13
Business Services									
Advertising agency fees	--	Tax	--	--	--	--	--	--	6
Advertising time or space sales	Tax	--	--	--	--	--	--	--	4
Outdoors	--	--	--	--	--	--	--	--	3
Radio, television & publishing	Tax	--	--	--	--	--	--	--	4
Bail bond fees	--	--	--	--	--	--	--	--	5
Check & debt collection	--	--	--	--	--	Tax	--	--	7
Commercial art & graphic design	--	Tax	--	Tax	--	--	Tax	--	13
Commercial launderers	--	--	--	Tax	--	--	Tax	--	31
Employment agencies	--	Tax	--	--	--	--	--	--	8
Lobbying & consulting	--	Tax	--	--	--	--	--	--	7
Marketing	--	--	--	--	--	--	--	--	6
Packing & crating	--	--	--	--	--	--	--	--	8
Process server fees	--	--	--	--	--	--	--	--	6
Public relations, management consulting	--	Tax	--	--	--	--	--	--	7
Secretarial & court reporting services	--	Tax	--	--	--	--	--	--	8
Sign construction & installation	--	Tax	--	--	--	--	--	--	9
Telemarketing services on contract	--	--	--	--	--	--	--	--	6
Telephone answering services	--	Tax	--	--	--	--	--	--	10
Temporary help agencies	--	Tax	--	--	--	--	--	--	8
Test laboratories (excluding medical)	--	--	--	--	--	--	--	--	7

Data for this table were excerpted from FTA Research Report No. 135, Sales Taxation of Services (October 1990), with updates of the recent sales tax changes in Massachusetts and New Jersey.

Tax = taxed; -- = exempt

SERVICES EXEMPT FROM NYC SALES TAX SUBJECT TO TAXATION IN OTHER JURISDICTIONS

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States NJ 7%	CT 8%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6%	IL 6.25%	*Total No. of Taxing States*
Computer Services									
Mainframe access & processing	--	Tax	--	--	Tax	--	Tax	--	10
Software - custom programs - material	--	Tax	--	--	Tax	--	Tax	--	27
Software - custom programs - services	--	Tax	--	--	--	--	Tax	--	15
Construction									
Construction services	--	Tax	--	--	--	--	Tax	--	10
Gross income of contractors	--	Tax	--	--	--	--	Tax	--	10
Water well drilling	--	--	--	--	--	--	--	--	9
Finance, Insurance and Real Estate									
Bank service charges	--	--	--	--	--	--	--	--	3
Insurance services	--	--	--	--	--	--	Tax	--	6
Investment counseling	--	--	--	--	--	--	--	--	6
Loan broker fees	--	--	--	--	--	--	--	--	6
Property sales agents	--	--	--	--	--	--	--	--	5
Real estate management fees	--	--	--	--	--	--	--	--	5
Real estate title abstract services	--	--	--	--	--	--	--	--	5
Industrial and Mining Services									
Metal, non-metal & coal mining	--	--	--	--	--	--	--	--	6
Oil field services	--	--	--	--	--	--	Tax	--	10
Seismograph & geophysical services	--	--	--	--	--	--	--	--	7
Typesetting services	--	Tax	--	Tax	--	Tax	Tax	--	16
Leases & Rentals									
Chartered flights (with pilots)	Tax	--	Tax	--	--	--	--	--	11
Trailer parks - overnight	--	--	--	--	Tax	--	--	--	30
Packing & crating	--	--	--	--	--	--	--	--	7
Personal services									
Dating services	--	--	--	--	--	--	Tax	--	7
Debt counseling	--	--	--	--	--	--	--	--	6
Diaper service	--	--	--	--	--	--	Tax	--	23
Fishing & hunting guide services	--	--	--	--	--	--	--	--	9
Garment altering & repairing	--	Tax	--	--	Tax	--	Tax	--	20
Gift & package wrapping services	--	--	--	--	--	--	Tax	--	10
Income from funeral services	--	--	--	--	Tax	--	--	--	15
Laundry & dry cleaning, coin operated	--	--	--	--	--	--	--	--	10

SERVICES EXEMPT FROM NYC SALES TAX SUBJECT TO TAXATION IN OTHER JURISDICTIONS

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States NJ 7%	CT 8%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6%	IL 6.25%	*Total No. of Taxing States*
Personal Services, continued									
Laundry & dry cleaning, non-coin	--	--	--	--	--	--	Tax	--	20
Personal instruction (golf,dance,tennis)	--	--	--	--	--	--	--	--	6
Shoe repair	--	Tax	--	--	Tax	--	Tax	--	19
Tax return preparation	--	--	--	--	--	--	--	--	6
Water softening & conditioning	--	--	--	Tax	--	--	--	--	11
Professional Services									
Accounting & bookkeeping	--	--	--	--	--	--	--	--	5
Attorneys	--	--	--	--	--	--	--	--	5
Dentists	--	--	--	--	--	--	--	--	4
Engineers	--	--	--	--	--	--	--	--	5
Land surveying	--	Tax	--	--	--	--	Tax	--	8
Medical test laboratories	--	--	--	--	--	--	--	--	4
Nursing services out-of-hospital	--	--	--	--	--	--	--	--	4
Physicians	--	--	--	--	--	--	--	--	4
Repair Services									
Labor repairs to comm'l fishing vessels	--	Tax	--	Tax	Tax	--	--	--	12
Labor repairs to interstate vessels	--	Tax	--	Tax	Tax	--	--	--	11
Travel agent services	--	--	--	--	--	--	--	--	4
Utilities - Industrial									
Interstate telephone & telegraph	Tax	Tax	Tax	--	Tax	--	Tax	Tax	20
Water	--	--	--	--	--	--	--	--	22
Utilities - Residential									
Interstate telephone & telegraph	Tax	Tax	Tax	--	--	--	Tax	Tax	19
Water	--	--	--	--	--	--	--	--	12
Utility & Transportation									
Income from intrastate transportation	--	--	--	--	--	--	--	--	11
Income from taxi operations	--	--	--	--	--	--	--	--	7
Interstate air courier (billed in-state)	--	--	--	--	--	--	--	--	1
Intrastate courier service	--	--	--	--	--	--	--	--	4
Local intra-city buses	--	--	--	--	--	--	--	--	8
Marina towing	--	--	--	--	Tax	--	--	--	8
Veterinary Services	--	--	--	--	--	--	--	--	4

Part V: Personal Income Tax

NEW YORK CITY PERSONAL INCOME TAX

New York City Personal Income Tax Modifications, 1990

The following list identifies items that modify personal income and tax liability for New York City PIT purposes. These items are primarily federal and state modifications which pass through in determining City taxable income. Items relating to the treatment of business income that may be reported under the personal income tax are not listed.

Federal Exclusions to Income

IRA and Keogh Contributions
Partial Exclusion of Income Earned Abroad
Special Treatment of Pension and Annuity Payments
Special Treatment of Limited Exception to Passive
    Loss Rules on Rental Real Estate
Exclusion of Capital Gains on Home Sales for Persons Over
    Age 55 and Deferral for Reinvesting
Exclusion of Qualifying Scholarship Income
Exclusion of Qualifying Employee Meals
Exclusion of Public Assistance Benefits
Exclusion of Veterans' Benefits
Exclusion of Employer Contributions for Medical Insurance
Exclusion of Employer Contributions for Pensions
Exclusion of Employer-Provided Child Care
Exclusion for Qualifying Armed Forces Benefits
Exclusion of Employer Paid Premiums on Life and Disability
    Insurance
Exclusion of Interest on Qualified NYS and Local Bonds
Parental Personal Exemption for Students
Capital Gains at Death

New York State Modifications

Pension/Annuity Exclusion
Social Security and Tier I Railroad Retirement Benefits
    - Taxable Social Security for Federal Purposes
    - Non-Taxable Social Security
U.S. Obligation Interest Exclusion
Exclusion of State and Local Pensions
Disability Income Exclusion

New York State Modifications, continued

Exclusion of Interest or Dividends on Obligations of a U.S. Agency
Tuition Deduction
Exclusion of Interest or Dividends on Obligations Federally
Taxable but New York Exempt

New York State Deductions and Exemptions

Standard Deduction

- Single:	$6,000
- Married/Joint:	9,500
- Head of Household:	7,000
- Married/Separate:	4,750

Itemized Deductions
- Medical/Dental Deduction
- Interest Deduction
- Charitable Contributions Deduction
- Casualty/Theft Deduction
- Taxes Paid Deduction
- Moving Expenses Deduction
- Miscellaneous Deductions Subject to 2% AGI Threshold
- Other Miscellaneous Deductions

Personal Exemptions
- Exemptions for dependents

New York City Credit

Household Credit

Components of Adjusted Gross Income and Summary of Deductions and Credits

The data presented in this section regarding the 1988 New York City Personal Income Tax (PIT) are based on a statistical sample of approximately 39,000 New York City personal income tax returns prepared by the New York State Department of Taxation and Finance. The total number of New York City resident returns filed exceeded 2.9 million.

The City PIT is administered by New York State 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 set independently and may be used to modify the tax liability of particular income groups. The New York City Household Credit is a City-specific tax expenditure that reduced tax liability by $21 million in 1988.

The data presented reflect aggregate dollars claimed for each of the items listed. Due to the complex interactions of a variety of factors such as the progressive tax rate and the different income groups affected by each item, no attempt was made to convert the aggregate figures presented into a tax liability impact.

New York State adjustments to federal income, such as the pension exclusion, U.S. government bond interest, and state and local tax refunds, reduced Federal AGI by four percent, from $98.2 billion to $94.2 billion. Of the $20.8 billion in deductions applied against New York AGI, approximately two-thirds was attributable to the standard deduction. Dependent exemptions totalling $1.7 billion brought taxable income to $71.6 billion. The $2 billion liability attributable to this taxable income reflects an overall average tax rate of 2.8 percent.

Table 9

NEW YORK CITY PERSONAL INCOME TAX
COMPONENTS OF ADJUSTED GROSS INCOME (AGI)
TAX YEAR 1988
($ Millions)

INCOME		
Wages	70,432	
Dividend/Interest	10,882	
Business Income	6,294	
Capital Gains	5,981	
SSI,Pension,IRA	4,066	
Other Income [a]	1,661	
Federal Adjustments [b]	(1,088)	
FEDERAL AGI		98,228
NY ADJUSTMENTS		
Pension Exclusion	(1,859)	
US Gov't Bond Interest	(1,119)	
State & Local Tax Refunds	(741)	
Taxable Social Security	(572)	
Other	(545)	
NY AGI [c]	94,218	

Notes: [a] Other Income includes taxable tax refunds, unemployment compensation and alimony received.

[b] Federal Adjustments include IRA and Keogh plan contributions and alimony paid.

[c] NY AGI cannot be less than zero, unlike Federal AGI, which may have negative values.

Table 10

NEW YORK CITY PERSONAL INCOME TAX SUMMARY OF DEDUCTIONS AND CREDITS TAX YEAR 1988 ($ Millions)

DEDUCTIONS		
ITEMIZED		
Taxes Paid	4,472	
Less Income Taxes	(3,803)	
Allowable Taxes	669	
Interest	3,401	
Contributions	1,366	
Medical expenses	458	
2% Miscellaneous [a]	831	
Other Miscellaneous [b]	141	
Adjustments [c]	(36)	
Subtotal	6,830	
High-income Limitation [d]	(333)	
TOTAL ITEMIZED	6,497	
STANDARD DEDUCTION	14,450	
UNUSED DEDUCTIONS [e]	(104)	
TOTAL DEDUCTIONS APPLIED		20,843
EXEMPTIONS		1,745
TAXABLE INCOME		71,630
NYC TAX	2,036	
NYC Household Credit	(21)	
Other Taxes [f]	4	
NYC TAX LIABILITY		2,019

Notes: [a] 2% Miscellaneous deductions are expenses such as education and employee expenses subject to a 2% of AGI threshold.

[b] Other Miscellaneous deductions include casualty & theft losses, moving expenses and other items not subject to the 2% threshold.

Table 10
(continued)

Notes: [c] Adjustments are minor New York State items affecting partners and subchapter S corporation shareholders.

[d] High-income limitation reduces itemized deductions by up to 20% for filers with NYAGI exceeding $100,000.

[e] Unused deductions represent the amount by which the allowable deductions exceed NYAGI.

[f] Other Taxes include the New York City minimum tax.

PART VI

SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES

Introduction

In accordance with the requirements of the City Charter, this section includes summaries of audits and evaluations of City tax expenditures conducted during the previous two years. For tax expenditure reporting purposes in fiscal 1991, two evaluations meet this criterion.

New York City Department of Finance, Annual Report to the City Council on the Industrial and Commercial Incentive Program, April 1990

Summary

In 1977, the City of New York began providing real estate tax exemptions for industrial and commercial development as part of an effort to stimulate a dormant construction industry. Exemptions were granted by the Industrial and Commercial Incentive Board (ICIB) whose eight members represented the public and private sectors of the City. Their discretionary decisions were based on an analysis of the need for the benefit provided by the applicant. As the economy of the City improved, the program was amended, limiting commercial benefits in portions of Manhattan below 96th Street and areas in the outer boroughs experiencing rapid growth. To address the City's changing economic and financial objectives, that of directing development away from the City's core area, the Industrial and Commercial Program was created in November, 1984 to replace the ICIB program. This new program conveyed to the real estate development community clear guidelines of where the City would and would not grant real property tax exemptions.

The new program replaced the discretionary approach with an "as-of-right" concept. It enhanced benefits available to all distressed areas of the City, and substantially restricted benefits available to commercial projects in Manhattan below 96th Street.

In fiscal 1990, the ICIP included nearly 800 projects either receiving or eligible for exemption from real estate taxes. There were 495 projects Citywide receiving benefits totalling $65.2 million, and an additional 303 projects which carry no exempt value but are eligible for this benefit. As of March 31, 1990 there were also 957 preliminary applications for ICIP benefits on file with the Department. More than 80% of the projects are for commercial purposes, and over 90% of the projects (467), with benefits of $30.3 million, are located outside Manhattan. Although 75% of the ICIP projects have construction costs of less than $1 million, the bulk of the benefits (75%) are going to projects with construction costs exceeding $10 million. More than half of the dollar benefits granted this year will be repaid to the City, and represent tax deferrals for Manhattan projects.

Department of Housing Preservation and Development and Department of Finance, Annual Report J-51 Tax Exemption/Tax Abatement Program (Section 11-243) Fiscal Year 1989

Summary

"J-51" is the original name for what is now Section 11-243 of the Administrative Code of the City of New York. The J-51 program was started in 1955 to encourage landlords to upgrade cold water flats by installing heating and hot water systems. Over time the program has been broadened to provide benefits for major capital improvements (MCI's), substantial and moderate rehabilitations of existing vacant or occupied multiple dwellings, and some conversions to class A multiple dwellings.

In most cases, the J-51 Program grants a 12-year exemption from property taxation on the increase in assessed valuation resulting from the improvements, alterations or rehabilitations approved as within the scope of the program. Certain moderate rehabilitations or government assisted work is eligible for a 32-year exemption. J-51 also grants an abatement of property tax based on the lesser of the owner's claimed cost or the Certified Reasonable Cost (CRC) of the improvement. The CRC is calculated by HPD and is subject to certain dollar limits listed in the program's regulations. The abatement may be used to reduce taxes on both the improvement and the land at a specified rate for up to 20 years.

In 1983, changes were made in the J-51 program which severely restricted benefits for gut rehabilitations in prime neighborhoods in Manhattan. These included the establishment of a Tax Abatement Exclusion Zone with a maximum dollar limit; a Minimum Tax Zone, in which the abatement may not be used to reduce land taxes; and the Assessed Value Limitation, which prohibited exemptions where the assessed value of individual apartments exceeded $38,000. Another amendment in 1988 broadened the eligibility criteria for co-ops and condos retroactive to 1986, and provided "enriched benefits" for rehabilitated, vacant, city-owned buildings where work was performed with government assistance.

Key Findings:

- The total number of J-51 awards issued increased each year over the period fiscal year (FY) 1985-1989, corresponding to a similar rise in the dollar value of benefits awarded. The program benefitted 81,204 dwelling units in FY 1985, and 120,017 in FY 1989.

- The Bronx, with 16.7% of the City's multiple dwelling units, saw its share of total J-51 benefits granted rise from 12% in 1985 to 20.6% in 1989. In contrast, Manhattan, with 39.9% of total units, saw its share drop from 23% in 1985 to 18.9% in 1989. Brooklyn had a small change, rising from 24.7% of total benefits granted in 1985 to 29.1% in 1989, and Queens' share dropped from 39.8% in 1985 to 30% in 1989. Brooklyn and Queens have 29.1% and 16% of the total multiple dwelling units in the City. Staten Island, which has only 0.8% of the City's multiple dwelling units, saw its share of J-51 benefits increase from 0.14% in 1985 to 1.4% in 1989.

- MCI's, for which the majority of J-51 benefits were granted, increased significantly in Brooklyn, the Bronx and Staten Island, but only slightly in Manhattan and Queens. Gut rehabilitations saw a moderate rise in most boroughs, and the rate of moderate rehabilitations remained fairly stable overall. Conversions have been concentrated almost exclusively in Manhattan.

- The number of privately financed improvements granted benefits grew over the period 1985-1989, including almost a 40% jump in fiscal year 1989. Government financed projects dropped significantly (76%) in 1986, and remained at this lower level.

- Over the 1985-1989 period the collectable real property tax from all properties receiving J-51 benefits was approximately 65% of the amount that would have been collected each year if the properties had not been granted abatements.

PART VII

DESCRIPTIONS OF MAJOR NEW YORK CITY TAXES

This section outlines the main features of New York City's major taxes.

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 the 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 New York City (except that alien banking corporations calculate a tax at the rate of 2.6 per dollar of issued capital stock allocated to the City);

(4) $125 minimum tax.

Commercial Rent Tax

This tax is imposed at the rate of 6 percent on tenants of premises used to conduct any business, professional or commercial activity where the annual base rent is $11,000 or greater. If the annual base rent is less than $11,000, there is no tax due.

General Corporation Tax

This tax is imposed on those corporations, both domestic and foreign, which 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 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);

(3) 8.85 percent of 30 percent of the sum of entire net income plus the compensation paid to corporate officers and certain shareholders, allocated to the City;

(4) $300 minimum tax.

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 those mortgages that are less than $500,000:

- the rate is $1.00 per $100 of indebtedness.

For those 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 and Non-Resident Earnings Tax

These taxes are imposed on the taxable income of every resident of New York City and on the New York city wages and net earnings from self-employment of every non-resident of the City.

The City's definitions of taxable income and itemized deductions follow, with certain modifications, Federal and State law.

The personal income tax rates imposed on every resident of New York City for 1990 range from 2.4 percent to 3.4 percent.

In addition, for taxable years 1990-1996 a temporary surcharge of up to 15 percent has been imposed on the taxable income of City residents.

The non-resident earnings tax is imposed at the rate of 0.45 percent on wages earned and 0.65 percent on net earning from self-employment.

Real Property Tax

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

(1) Class 1 consists of 1, 2, and 3 family residential property, small condominiums, and certain vacant land zoned for residential use;

(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.

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. For fiscal 1991 the real property tax rates are as follows:

(1) For Class 1, the tax rate is $9.840 per $100 of assessed value.

(2) For Class 2, the tax rate is $9.154 per $100 of assessed value.

(3) For Class 3, the tax rate is $15.079 per $100 of assessed value.

(4) For Class 4, the tax rate is $9.924 per $100 of assessed value.

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 tax rate is 4 percent.

In addition, a New York City sales and use tax is 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 by non-Manhattan residents.

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.

Utility Tax

This tax is imposed on every utility and vendor of utility services which 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. They include gas and electric companies and telephone companies. Vendors of utility services include those who sell gas, electricity, steam, water, refrigeration, or telephone or telegraph services, or who 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.

APPENDICES

INTRODUCTION

This section includes:

Appendix I	New York City Charter Section 240
Appendix II	State Tax Expenditure Report Summary Table
Appendix III	Calculation of Taxes Per Worker
Appendix IV	Break Even Analysis Methodology
Appendix V	Real Property Tax Expenditure Statistical Supplement

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

TAX EXPENDITURE REPORT SUMMARY TABLE

State (or City)	Fiscal Year(s)	Release Date	Other Data Provided		Taxes Examined (by Jurisdiction)		Cost Benefit Analysis Methodology Applied
			Historical Data	Projections	Local	State	
Arizona	1990	1/91	**	--	P	I,S,P,O	--
California	1991-92	3/91	**	--	P,S	I,C,S,O	**
Connecticut	1989-90	1/91	--	--	--	C,S	--
Delaware	1987-88	11/88	**	**	--	I,C,O	--
Hawaii	1988	11/90	**	--	--	I,S,O	--
Louisiana	1990-91	3/90	**	**	--	I,C,S,O	--
Maine	1991-93	1/91	**	**	O	I,C,S,O	--
Maryland	1991-92	2/91	**	**	--	I,C,S,P,O	--
Massachusetts	1991-92	2/91	**	--	--	I,C,S,O	--
Michigan	1987-88	N/G	**	--	I,P,O	I,C,S,P,O	--
Minnesota	1988-91	1/89	**	**	P	I,C,S,O	--
Mississippi	1988-89	12/89	**	--	I,C,S,P,O	I,C,S,O	--
Missouri	1990-91	1/91	**	**	--	I,C,S,O	--
Montana	1992-93	1/91	**	**	--	I.C,P,O	--
Nebraska	1988-89	10/89	--	**	P,O	I,C,S,O	--
New York City	1990-91	2/91	**	--	I,C,S,P,O	--	**
New York State	1990-91	2/90	**	--	--	I,C,S,O	--
North Carolina	1990-91	10/90	**	**	--	I,C,S,O	--
Ohio	1989-91	12/88	**	**	--	I,C,S,O	--
South Carolina	1991-93	9/90	--	**	--	I,C,S,O	--
Texas	1988-89	1/89	--	--	--	C,S	--
Virginia	1990-94	12/90	--	**	O	S,O	**
Washington	1990-91	1/91	**	**	S,P,O	C,S,P,O	--
Wisconsin	1991-93	2/91	**	--	--	I,C,S,O	--

Tax Type: I = individual income; C = corporate; S = sales; P = property; O = other.
Special Symbols: ** = yes; -- = no; N/G = not given.

APPENDIX III

CALCULATION OF AVERAGE NEW YORK CITY TAXES PER WORKER

The value of New York City average taxes per worker is calculated in two basic ways. For taxes paid by businesses, industry sector tax liability from Department of Finance Office of Tax Policy data is divided by sector employment to determine average business taxes per worker. For taxes paid by individuals, payroll data are divided by employment data to estimate average wages per sector, which are then converted by Office of Tax Policy ratios into personal income of residents and nonresidents per sector to determine average income taxes and sales taxes per worker.

The estimate of average City taxes per worker is the sum, by sector, of average business taxes per worker and average individual taxes per worker. Employment data are for calendar year 1988 and tax data are for tax year 1988, which roughly corresponds to calendar year 1988. The final values are grown to calendar year 1990, according to the growth in the tax liability/employment ratio over the two-year period.

Eight City taxes are included in the calculations: Real Property Tax, Banking Corporation Tax, General Corporation Tax, Unincorporated Business Tax, Utility Tax, Commercial Rent Tax, Personal Income Tax and Sales Tax. (Minor City taxes, such as the Hotel Room Occupancy Tax, Cigarette Tax and Beer and Liquor Excise Tax, which are not directly related to primary City business activities, are not included in the calculations.) The industry sectors are: FIRE, Services, Manufacturing, Wholesale Trade, Retail Trade, Construction, and Transportation-Communications-Utilities.

The table below shows the calculated values of average taxes per worker by industry sector. The second and third columns show these values with property taxes excluded, and for all City taxes including those on property.

Calculation of Average Taxes per Worker

Industry Sector	Non-Property Taxes Average per worker	All Taxes Average per worker
FIRE	$2,699	$3,883
Services	1,619	2,600
Manufacturing	1,927	2,481
Wholesale Trade	1,898	2,610
Retail Trade	1,029	1,332
Construction	1,439	1,439
Trans. & Pub.Utl.	1,303	1,303
All SECTORS	**$1,851**	**$2,603**

As discussed in Appendix IV which follows, adjustments must be made to the average value of taxes per worker when a break-even analysis is done for a specific tax expenditure program in order to exclude taxes foregone by the program. For tax expenditure programs which forego property taxes, for example, the value of taxes per worker would be the amounts shown in column two above.

The methodology and data sources used to calculate the average taxes per worker for each tax are detailed below.

1. Business Income Taxes: General Corporation Tax (GCT)
Unincorporated Business Tax (UBT)
Banking Corporation Tax (BCT)

Department of Finance (DOF) Office of Tax Policy databases contain the distribution of GCT and UBT liability by industry sector; the Bank Tax is allocated entirely to the FIRE sector. Total business income taxes per sector are then divided by sector employment to determine business income taxes per sector per worker.

Sources: DOF Tax Policy Stat Unit data; NYS Department of Labor (DOL) employment data

2. Personal Income Tax (PIT)

For each industry sector, payroll data is divided by employment data to determine average wages per employee. The average wage is converted into taxable income to determine the value of taxes paid by City residents under the PIT, and by non-resident workers under the Non-Resident Earnings Tax. A weighted average of resident/non-resident taxes per sector per worker is determined using 1980 Census Journey-to-Work data and DOF PIT/Non-Resident Tax data.

Sources: DOF Tax Policy PIT data; US Census Journey-to-Work data; NYS DOL data

3. Sales Tax (STX)

The business share of the Sales Tax is assumed to be distributed according to the sector distribution of business taxable income, as identified from GCT, UBT and BCT databases by the Office of Tax Policy. Industry sector STX shares are then divided by sector employment to determine average business STX paid per worker.

The average individual STX paid per worker is determined from wage and income data for residents and non-residents according to #2, above, combined with BLS Consumer Expenditure Survey data to determine average taxable consumer expenditures at various income levels for residents and non-residents. A weighted average of resident and non-resident STX paid is used to determine the average tax per individual worker. The average Sales Tax per sector per worker is the sum of the business share per worker and the individual share per worker.

Sources: NYC Tax Study Commission data; DOF Tax Policy Stat Unit and PIT data; NYS DOL data

4. Commercial Rent Tax

Department of Finance Commercial Rent Tax (CRT) processing tapes which do not have identifying industry codes are matched by business identification number with Tax Policy business income tax databases to identify each CRT filer's industry sector. CRT liability is then calculated by industry sector, and liability is divided by sector employment to determine average CRT per sector per worker.

Sources: DOF Management Information Systems (MIS) CRT tapes; DOF Tax Policy Stat Unit and PIT data; NYS DOL data

5. Real Property Tax

The billable assessed value for Class 4 (non-residential, non-utility) buildings - net of the value of land which is assumed to be independent of the number of employees - is allocated to industry sector according to building classification, with the exception of the class "office buildings" which cannot be specifically identified by sector. For office buildings, the billable assessed value is assumed to be distributed by sector in proportion to the distribution of employment by sector. Billable assessed value for each industry sector is totaled and multiplied by the tax rate to determine tax liability, which is then divided by sector employment to determine the average property tax paid per sector per worker.

Sources: DOF Real Property Assessment Division (RPAD) data; Tax Policy Real Property data; Tax Policy Stat Unit data; NYS DOL data

6. Utility Tax (UTX)

Utility Tax liability is distributed one-third to commercial customers, based on NYS Public Service Commission data. (Residential utility taxes are assumed to be independent of employment and are not included in the calculation of taxes per worker.) Business UTX is assumed to be distributed among industry sectors in proportion to the sector distribution of business taxable income, as described in #4 above. Sector liability is then divided by sector employment to determine UTX paid per worker.

Sources: NYS Public Service Commission data; DOF Tax Policy Stat Unit data; NYS DOL data

APPENDIX IV

BREAK-EVEN ANALYSIS METHODOLOGY

It is frequently not possible to know, or to measure precisely, all the possible benefits resulting from a tax expenditure program. It is therefore difficult to directly compare costs and benefits in order to evaluate cost effectiveness. When this is the case, it is common to use a "break-even" analysis which calculates the amount of measurable benefits which would have to be achieved in order to offset known program costs. If these benefits are believed to occur, then the program can be said to break even, i.e. the benefits compensate for the costs.

A break-even analysis provides only one piece of an overall evaluation, but it is a helpful tool. A full evaluation must also consider whether other benefits which cannot be precisely measured may have occurred, for example, positive effects on other sectors of the economy, reductions in the need for government spending, stabilization of neighborhoods, improvement in quality of life, etc.

For the break-even analysis used in this report, City benefits are measured in average tax revenues generated per job. The calculation of average taxes is based on 1990 City taxes compared to 1990 City employment. It should be noted that the calculation of average taxes is not intended to capture marginal revenues resulting from new employment, either directly or indirectly through "multiplier effects."

The basic methodology used to derive the average value is as follows. The costs of the tax expenditure program are divided by the average value of taxes per job to indicate the number of jobs which must be created or retained directly because of the program. If it seems feasible that these jobs were actually created or retained, then the program can be considered to pay for itself.

The following is a description of the specific break-even methodology applied to two programs in Part IV: the exemption from taxation of insurance industry income and the Relocation and Employment Assistance Program (REAP). The analysis was not applied to Battery Park City for which job creation or retention was not a primary goal. It was not applied to the Industrial Development Agency (IDA) because complete data on IDA tax expenditures were not available.

Relocation and Employment Assistance Program (REAP)

The tax expenditure cost of the Relocation and Employment Assistance Program (REAP) is approximately $5 million in business income tax credits and commercial rent tax reductions. The $5 million cost was distributed by industry sector of approved applicants, and compared to values of taxes per worker in those sectors, adjusted for the business income tax credit and the commercial rent tax reduction. Sixty-six percent of REAP jobs are in Finance, Insurance, Real Estate (FIRE) where the adjusted value of average taxes per worker is $3,229; 20 percent are in Manufacturing and Wholesale Trade with $1,838 and $2,003, respectively, in taxes per worker; and 13 percent are in Transportation & Public Utilities with $1,019 in taxes per worker. REAP costs per sector divided by the value of taxes per worker indicate that in order to break even, REAP must be directly responsible for retaining 928 FIRE jobs, 566 Manufacturing jobs, 150 Wholesale Trade jobs, and 1,060 jobs in Transportation and Public Utilities.

Non-Taxation of Insurance Company Income

The City foregoes approximately $65 million in tax revenues by not extending the General Corporation Tax to insurance companies. The average value of City taxes generated by insurance jobs is $2,950. The cost of the insurance exemption divided by the value of taxes per job indicates that non-taxation must be responsible for retaining or creating at least 22,000 insurance jobs in order for the City to break even on the taxes foregone.

APPENDIX V

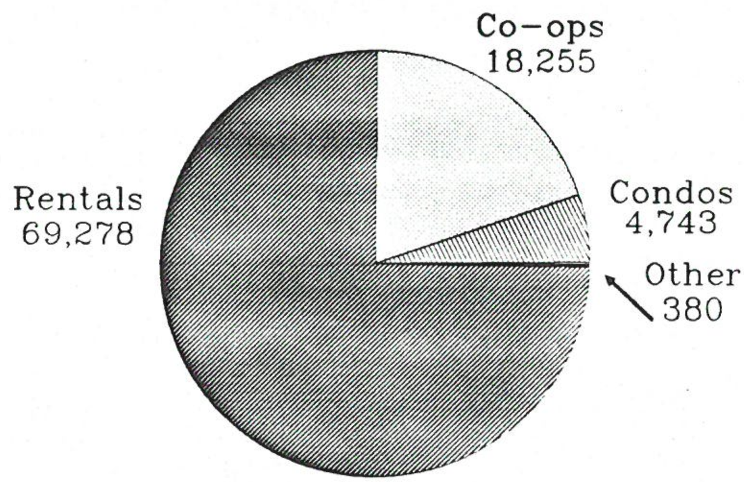
REAL PROPERTY TAX EXPENDITURE

Included in the new statistical appendix of this year's annual report, is a distribution of residential property tax expenditures. This appendix provides information on the number of housing units, the exempt assessed value, and the taxable assessed value for the City's various residential tax expenditure programs. The appendix also provides this information by Borough and Citywide, and by type of housing unit.

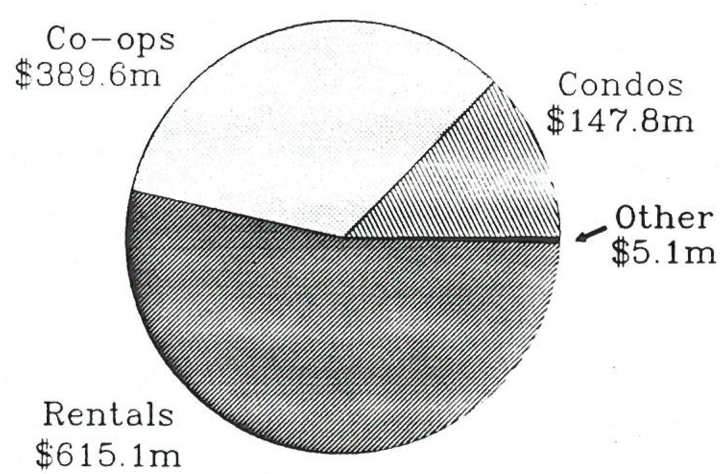
It should be noted that the number of exemptions presented in Part II of this report may not equal the number of properties presented in this appendix. For example, a single property may receive more than one J-51 exemption if the rehabilitation of the property consisted of separate improvements initiated at separate times. Consequently, the data in Part II would account for two exemptions, while the statistical appendix would count one property.

Distribution of Exemptions by Housing Type
J–51 Program

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions By Borough and Property Type

Program: J-51 Exemption

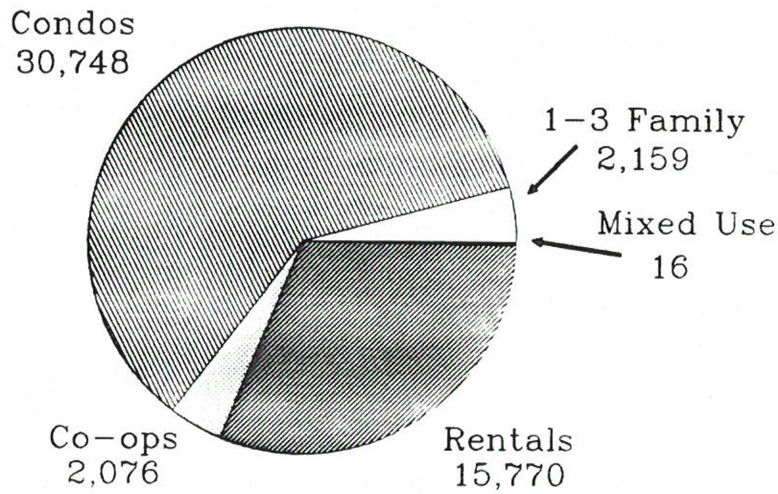
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	142	15	3	115	6	3
	Exempt Assessed Value	$0.6	$0.1	$0.0	$0.4	$0.0	$0.0
	Taxable Assessed Value	0.8	0.1	0.0	0.6	0.0	0.0
Condos	Number of Units	4,743	2,503	63	1,580	416	181
	Exempt Assessed Value	$147.8	$104.0	$0.4	$34.5	$6.8	$2.2
	Taxable Assessed Value	76.3	61.2	0.5	10.2	3.4	1.1
Cooperatives	Number of Units	18,255	9,055	2,339	4,199	2,403	259
	Exempt Assessed Value	$389.6	$288.2	$13.1	$70.7	$8.3	$9.3
	Taxable Assessed Value	275.7	197.8	22.1	29.9	23.2	2.6
Rentals	Number of Units	69,278	20,789	25,781	17,018	5,440	250
	Exempt Assessed Value	$615.1	$331.8	$114.6	$133.4	$33.3	$2.0
	Taxable Assessed Value	453.0	260.5	88.0	67.4	35.6	1.6
Mixed Use[1]	Number of Units	238	221	0	17	0	0
	Exempt Assessed Value	$4.5	$3.5	$0.0	$0.9	$0.2	$0.0
	Taxable Assessed Value	12.6	11.0	0.1	1.4	0.1	0.0
All	Number of Units	92,656	32,583	28,186	22,929	8,265	693
	Exempt Assessed Value	$1,157.6	$727.6	$128.1	$239.9	$48.6	$13.5
	Taxable Assessed Value	818.4	530.6	110.7	109.5	62.3	5.3
	Number of Properties With Unit Data	7,330	3,594	582	2,449	514	191
	Number of Properties Without Unit Data	38	9	1	25	3	0

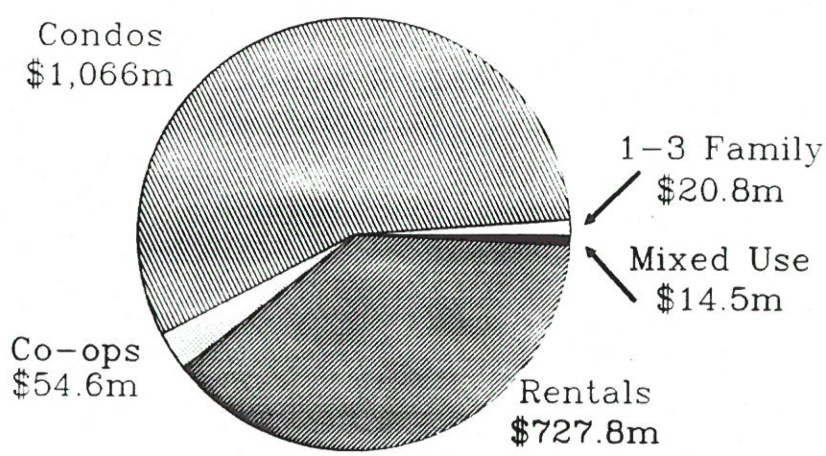
1 Mixed Used properties include structures that combine residential with retail or office uses.

Distribution of Exemptions by Housing Type
421–A Program

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

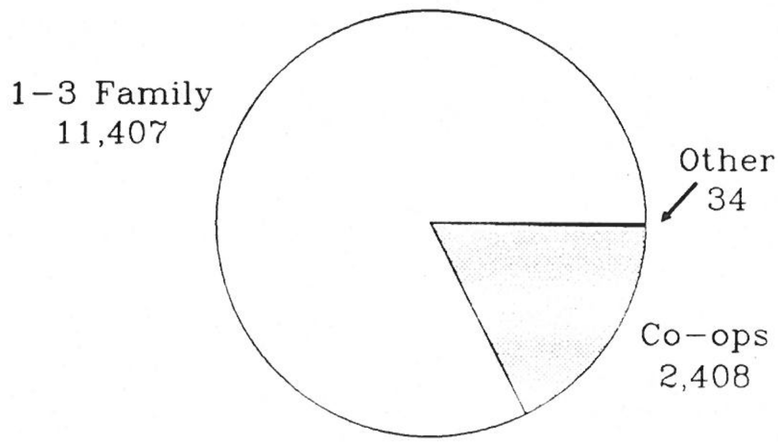
Program: 421-A Exemption ($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	2,159	0	496	816	799	48
	Exempt Assessed Value	$20.8	$0.0	$5.2	$6.6	$8.5	$0.5
	Taxable Assessed Value	15.2	0.0	1.3	7.1	6.3	0.4
Condos	Number of Units	30,748	14,834	707	2,690	6,014	6,503
	Exempt Assessed Value	$1,066.0	$789.7	$18.6	$53.2	$131.7	$72.7
	Taxable Assessed Value	452.8	359.9	3.7	8.4	44.8	36.1
Cooperatives	Number of Units	2,076	1,429	60	524	63	0
	Exempt Assessed Value	$54.6	$43.4	$3.0	$6.4	$1.8	$0.0
	Taxable Assessed Value	70.5	61.3	1.9	6.3	0.9	0.0
Rentals	Number of Units	15,770	12,695	157	661	2,003	254
	Exempt Assessed Value	$727.8	$593.2	$5.1	$24.6	$95.0	$9.8
	Taxable Assessed Value	432.6	401.6	1.6	6.5	22.4	0.4
Mixed Use[1]	Number of Units	16	0	0	0	16	0
	Exempt Assessed Value	$14.5	$13.1	$0.0	$0.2	$1.1	$0.0
	Taxable Assessed Value	3.0	1.8	0.0	0.3	0.8	0.0
All	Number of Units	50,769	28,958	1,420	4,691	8,895	6,805
	Exempt Assessed Value	$1,883.7	$1,439.4	$31.9	$91.0	$238.1	$83.0
	Taxable Assessed Value	974.1	824.6	8.5	28.6	75.2	36.9
	Number of Properties With Unit Data	31,821	14,908	878	3,041	6,470	6,524
	Number of Properties Without Unit Data	400	19	86	56	233	6

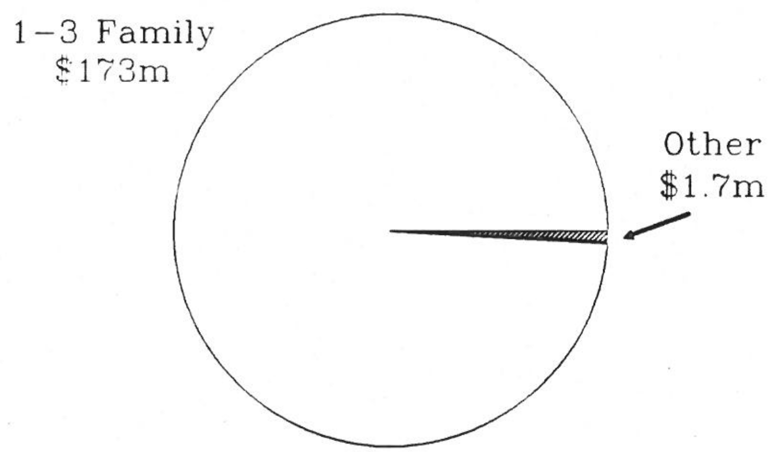
[1] Mixed Used properties include structures that combine residential with retail or office uses.

Distribution of Exemptions by Housing Type
421-B Program

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

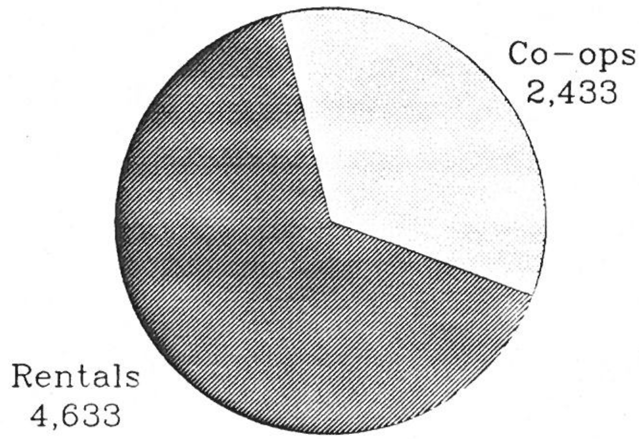
Program: 421-B Exemption ($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	11,407	11	667	733	1,451	8,545
	Exempt Assessed Value	$173.0	$0.1	$7.8	$6.9	$16.5	$141.7
	Taxable Assessed Value	139.3	1.1	7.3	8.3	16.6	106.2
Condos	Number of Units	19	6	0	10	0	3
	Exempt Assessed Value	$0.2	$0.1	$0.0	$0.1	$0.0	$0.1
	Taxable Assessed Value	0.3	0.1	0.0	0.2	0.0	0.0
Cooperatives	Number of Units	2,408	0	0	4	2,404	0
	Exempt Assessed Value	$0.1	$0.0	$0.0	$0.0	$0.1	$0.0
	Taxable Assessed Value	17.1	0.0	0.0	0.1	17.0	0.0
Rentals	Number of Units	15	0	0	0	3	12
	Exempt Assessed Value	$1.4	$1.2	$0.0	$0.0	$0.0	$0.2
	Taxable Assessed Value	0.4	0.2	0.0	0.0	0.0	0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	13,849	17	667	747	3,858	8,560
	Exempt Assessed Value	$174.7	$1.4	$7.8	$7.0	$16.6	$142.0
	Taxable Assessed Value	157.1	1.4	7.3	8.6	33.6	106.3
	Number of Properties With Unit Data	8,225	14	484	406	892	6,428
	Number of Properties Without Unit Data	5,756	1	353	318	204	4,880

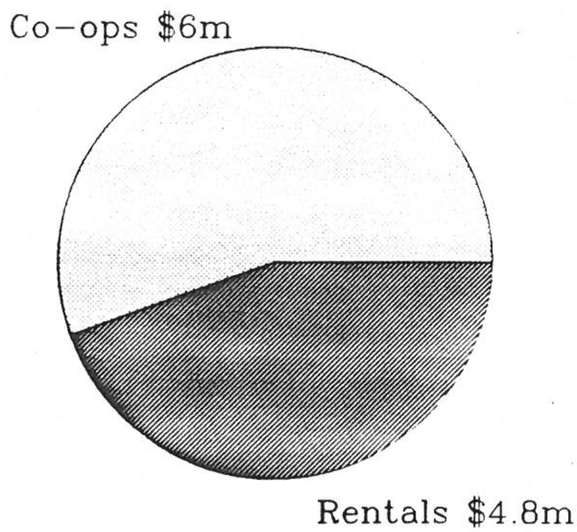
1 Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type HPD Division of Alternative Management Programs (DAMP)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

Program: HPD Division of Alternative Management Programs (DAMP)

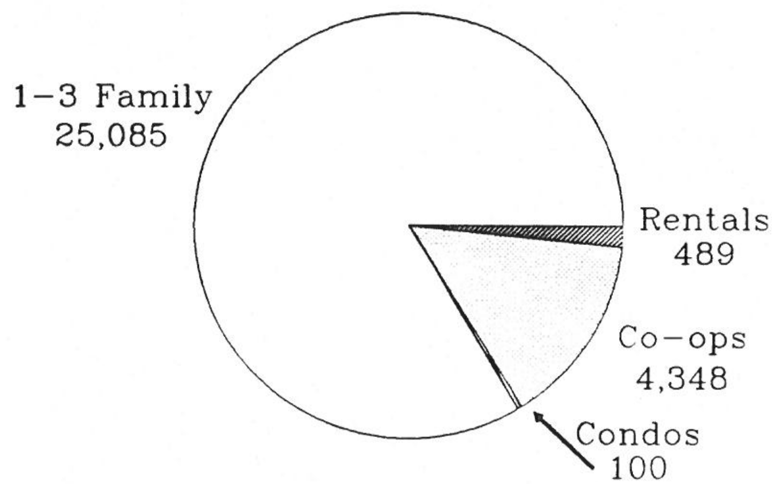
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	2,433	1,498	560	375	0	0
	Exempt Assessed Value	$6.0	$4.3	$0.6	$1.1	$0.0	$0.0
	Taxable Assessed Value	8.8	5.5	1.9	1.3	0.0	0.0
Rentals	Number of Units	4,633	1,517	1,933	1,177	6	0
	Exempt Assessed Value	$4.8	$2.5	$1.4	$0.9	$0.0	$0.0
	Taxable Assessed Value	14.9	5.4	5.7	3.9	0.0	0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	7,066	3,015	2,493	1,552	6	0
	Exempt Assessed Value	$10.8	$6.8	$2.0	$2.0	$0.0	$0.0
	Taxable Assessed Value	23.7	10.9	7.6	5.2	0.0	0.0
	Number of Properties With Unit Data	258	126	66	65	1	0
	Number of Properties Without Unit Data	1	1	0	0	0	0

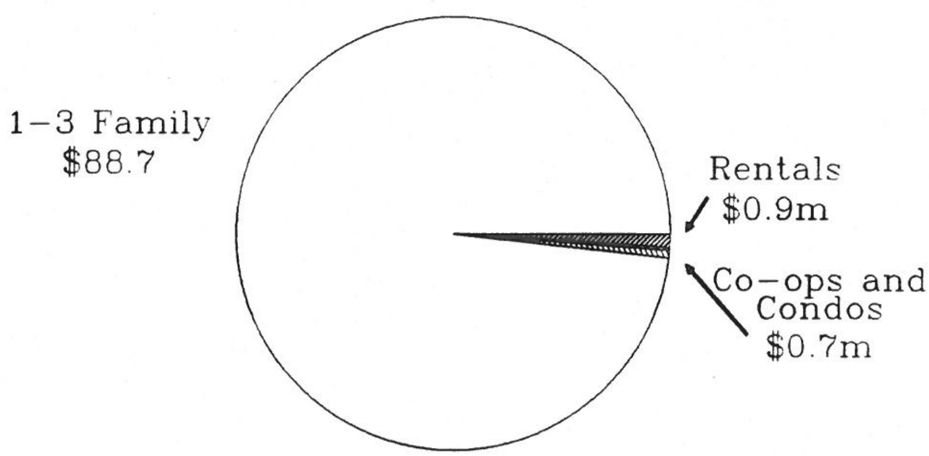
1 Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Senior Citizen Homeowner Exemption

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions By Borough and Property Type

Program: Senior Citizen Homeowner Exemption

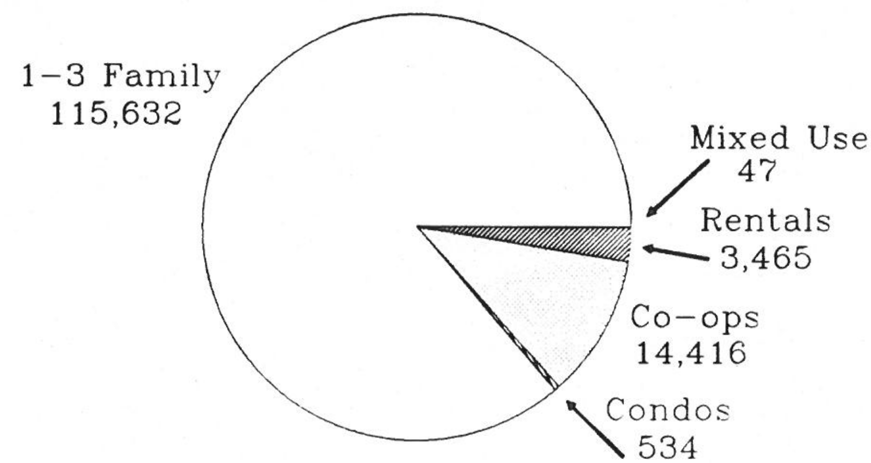
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	25,085	90	2,818	9,497	10,555	2,125
	Exempt Assessed Value	$88.7	$0.2	$10.0	$27.0	$42.3	$9.2
	Taxable Assessed Value	100.0	0.3	11.1	29.9	47.9	10.8
Condos	Number of Units	100	6	61	0	27	6
	Exempt Assessed Value	$0.5	$0.1	$0.2	$0.0	$0.2	$0.0
	Taxable Assessed Value	0.5	0.1	0.2	0.0	0.2	0.0
Cooperatives	Number of Units	4,348	0	1,533	0	2,815	0
	Exempt Assessed Value	$0.2	$0.0	$0.1	$0.0	$0.1	$0.0
	Taxable Assessed Value	35.0	0.0	16.3	0.0	18.7	0.0
Rentals	Number of Units	489	39	40	338	68	4
	Exempt Assessed Value	$0.9	$0.0	$0.1	$0.6	$0.1	$0.0
	Taxable Assessed Value	1.0	0.0	0.1	0.7	0.2	0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	30,022	135	4,452	9,835	13,465	2,135
	Exempt Assessed Value	$90.3	$0.3	$10.4	$27.6	$42.7	$9.2
	Taxable Assessed Value	136.6	0.4	27.7	30.6	67.0	10.9
	Number of Properties With Unit Data	16,770	50	1,857	5,168	7,961	1,734
	Number of Properties Without Unit Data	73	0	39	21	3	10

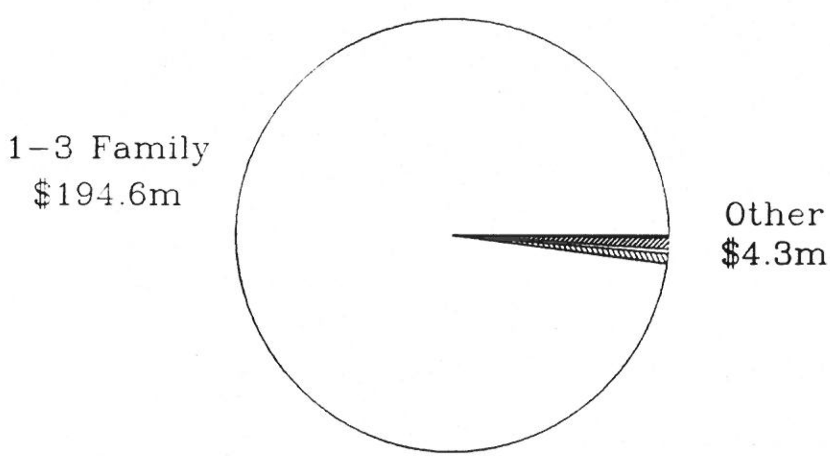
[1] Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Veterans' Exemption

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions By Borough and Property Type

Program: Veteran's Exemption

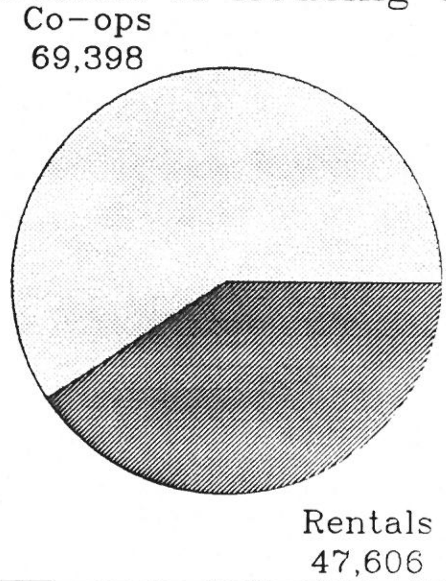
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	115,632	318	9,524	35,152	49,614	21,024
	Exempt Assessed Value	$194.6	$0.4	$14.8	$49.0	$88.2	$42.2
	Taxable Assessed Value	977.9	8.1	72.8	241.9	435.8	219.3
Condos	Number of Units	534	57	54	4	304	115
	Exempt Assessed Value	$1.5	$0.2	$0.1	$0.0	$0.8	$0.3
	Taxable Assessed Value	8.8	2.3	0.3	0.0	4.7	1.3
Cooperatives	Number of Units	14,416	7	4,510	0	9,899	0
	Exempt Assessed Value	$0.7	$0.0	$0.2	$0.0	$0.5	$0.0
	Taxable Assessed Value	117.1	0.1	49.6	0.0	67.4	0.0
Rentals	Number of Units	3,465	407	360	1,787	785	126
	Exempt Assessed Value	$1.7	$0.2	$0.2	$0.9	$0.4	$0.1
	Taxable Assessed Value	18.3	5.1	1.8	7.6	3.1	0.5
Mixed Use[1]	Number of Units	47	13	0	20	13	1
	Exempt Assessed Value	$0.4	$0.0	$0.0	$0.2	$0.1	$0.0
	Taxable Assessed Value	6.1	0.8	0.2	3.6	1.3	0.3
All	Number of Units	134,094	802	14,448	36,963	60,615	21,266
	Exempt Assessed Value	$198.9	$0.8	$15.3	$50.1	$90.0	$42.6
	Taxable Assessed Value	1,128.2	16.4	124.7	253.1	512.3	221.4
	Number of Properties With Unit Data	83,645	268	6,362	21,163	38,521	17,331
	Number of Properties Without Unit Data	474	4	206	138	69	57

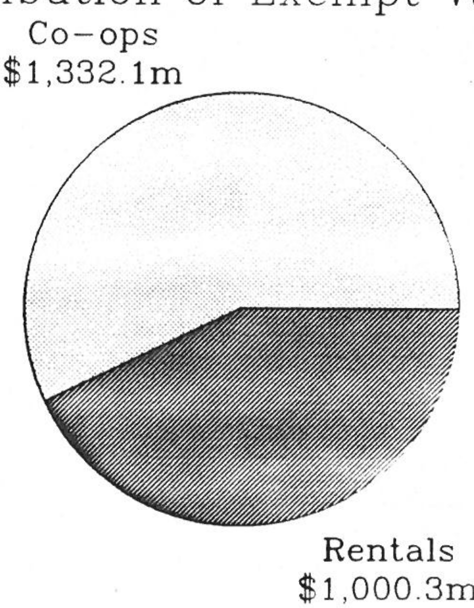
1 Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Limited Profit Housing (Mitchell–Lama)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

Program: Limited Profit Housing (Mitchell-Lama)

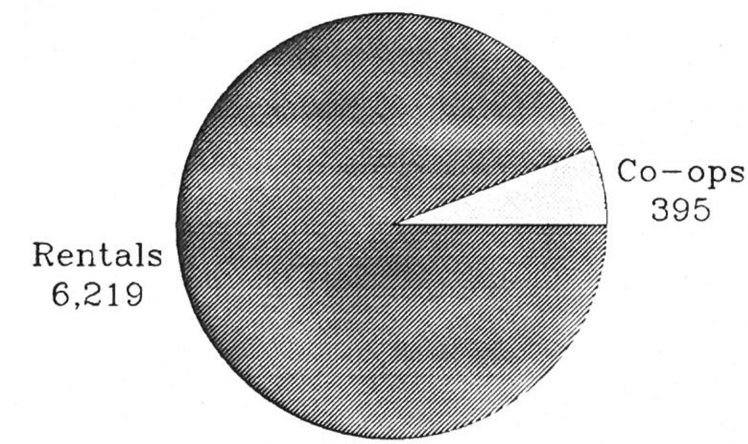
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	69,398	18,686	23,775	15,717	11,220	0
	Exempt Assessed Value	$1,332.1	$445.8	$415.5	$291.5	$179.3	$0.0
	Taxable Assessed Value	15.8	1.7	2.6	11.5	0.0	0.0
Rentals	Number of Units	47,606	14,140	13,856	13,615	5,005	990
	Exempt Assessed Value	$1,000.3	$419.4	$218.6	$268.8	$72.3	$21.2
	Taxable Assessed Value	0.2	0.0	0.0	0.1	0.1	0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	117,004	32,826	37,631	29,332	16,225	990
	Exempt Assessed Value	$2,332.4	$865.2	$634.1	$560.3	$251.6	$21.2
	Taxable Assessed Value	16.0	1.7	2.6	11.6	0.1	0.0
	Number of Properties With Unit Data	299	93	83	88	33	2
	Number of Properties Without Unit Data	0	0	0	0	0	0

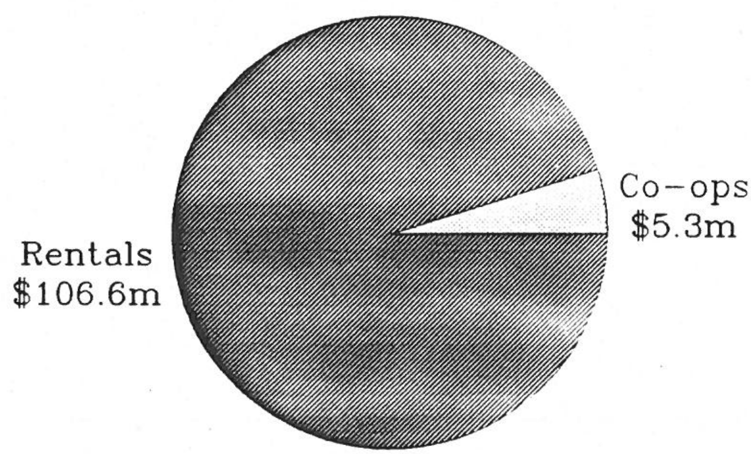
1 Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Housing Development Fund Companies (HDFC)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

Program: Housing Development Fund Corporation (HDFC)

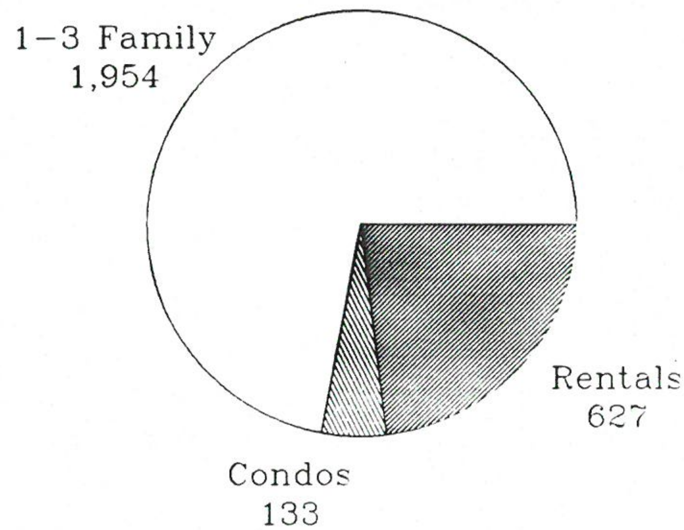
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	395	329	0	66	0	0
	Exempt Assessed Value	$5.3	$4.2	$0.0	$1.1	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Rentals	Number of Units	6,219	1,676	2,509	1,510	524	0
	Exempt Assessed Value	$106.6	$44.9	$32.8	$16.3	$12.5	$0.0
	Taxable Assessed Value	0.1	0.0	0.0	0.1	0.0	0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	6,614	2,005	2,509	1,576	524	0
	Exempt Assessed Value	$111.9	$49.1	$32.8	$17.4	$12.5	$0.0
	Taxable Assessed Value	0.1	0.0	0.0	0.1	0.0	0.0
	Number of Properties With Unit Data	61	22	24	12	3	0
	Number of Properties Without Unit Data	1	0	1	0	0	0

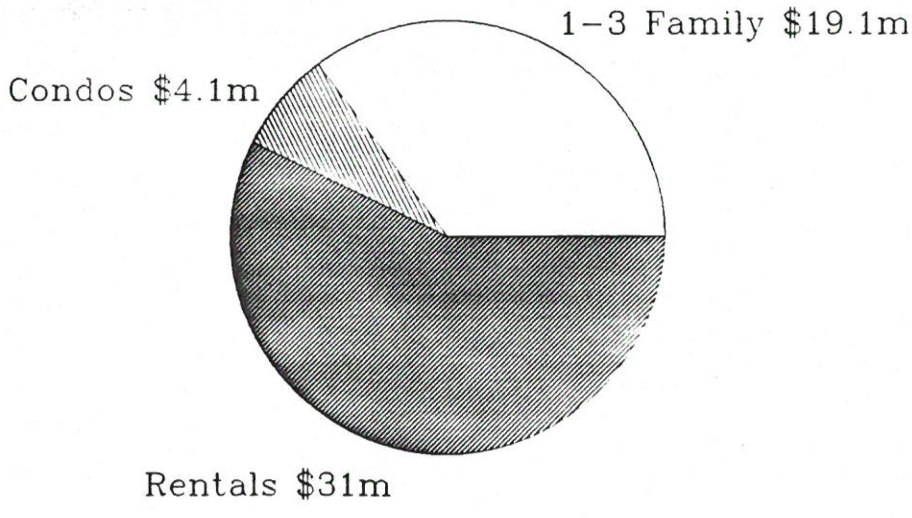
[1] Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Urban Development Action Area Projects

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions By Borough and Property Type

Program: Urban Development Action Area Projects (UDAAP)

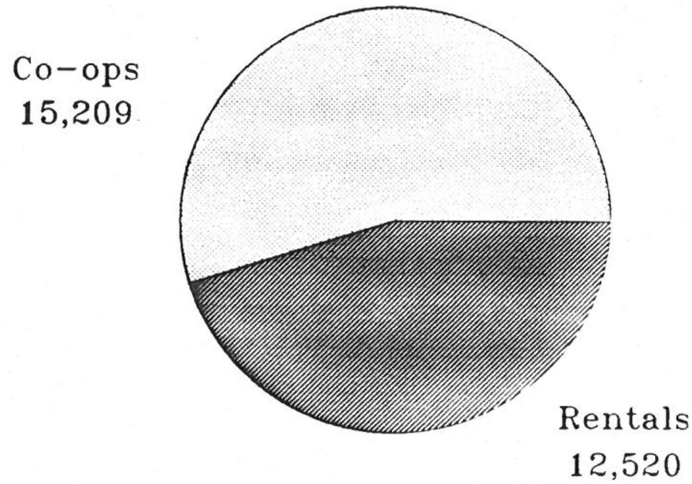
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	1,954	0	40	1,835	79	0
	Exempt Assessed Value	$19.1	$0.0	$0.3	$18.3	$0.5	$0.0
	Taxable Assessed Value	4.8	0.0	0.1	4.4	0.3	0.0
Condos	Number of Units	133	133	0	0	0	0
	Exempt Assessed Value	$4.1	$4.1	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.8	0.8	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Rentals	Number of Units	627	535	0	92	0	0
	Exempt Assessed Value	$31.0	$30.9	$0.0	$0.1	$0.0	$0.0
	Taxable Assessed Value	11.2	11.1	0.0	0.0	0.0	0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	2,714	668	40	1,927	79	0
	Exempt Assessed Value	$54.2	$35.0	$0.3	$18.4	$0.5	$0.0
	Taxable Assessed Value	16.8	11.9	0.1	4.4	0.3	0.0
	Number of Properties With Unit Data	1,956	136	40	1,703	77	0
	Number of Properties Without Unit Data	73	0	1	72	0	0

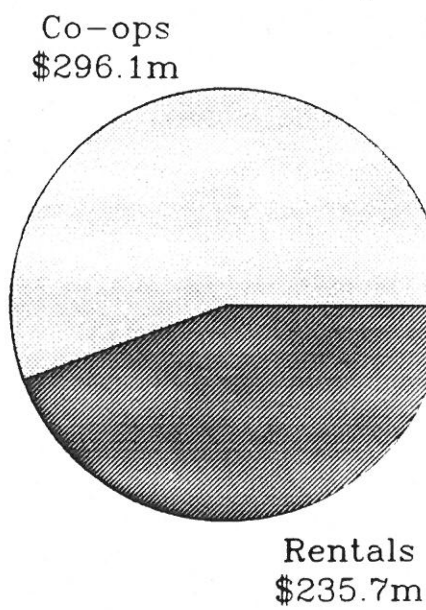
[1] Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type "Other Residential" Exemptions

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

Program: "Other Residential"[1]

($ Millions)

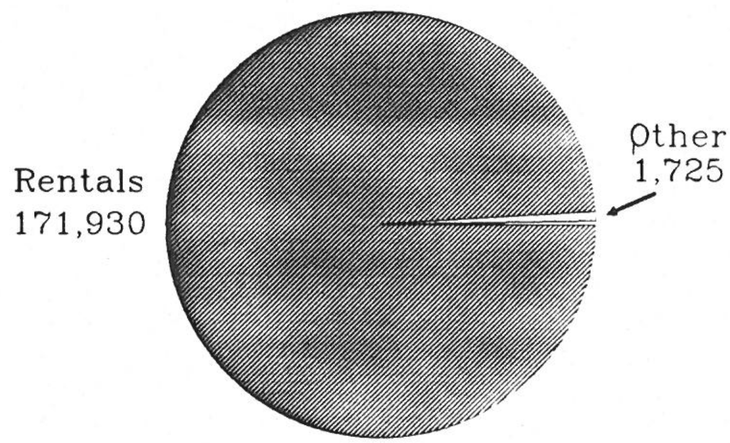
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	15,209	10,903	697	3,245	364	0
	Exempt Assessed Value	$296.1	$220.8	$11.0	$58.8	$5.6	$0.0
	Taxable Assessed Value	21.0	19.1	1.4	0.4	0.0	0.0
Rentals	Number of Units	12,520	3,546	3,135	3,815	1,779	245
	Exempt Assessed Value	$235.7	$87.0	$57.3	$50.5	$33.9	$6.9
	Taxable Assessed Value	1.1	0.0	0.9	0.2	0.0	0.0
Mixed Use[2]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	27,729	14,449	3,832	7,060	2,143	245
	Exempt Assessed Value	$531.8	$307.8	$68.4	$109.3	$39.5	$6.9
	Taxable Assessed Value	22.1	19.1	2.3	0.6	0.0	0.0
	Number of Properties With Unit Data	163	46	43	56	10	8
	Number of Properties Without Unit Data	1	0	0	0	1	0

1 Includes the following programs: Limited Dividend Housing Companies, Redevelopment Companies, and Miscellaneous State Assisted Housing.

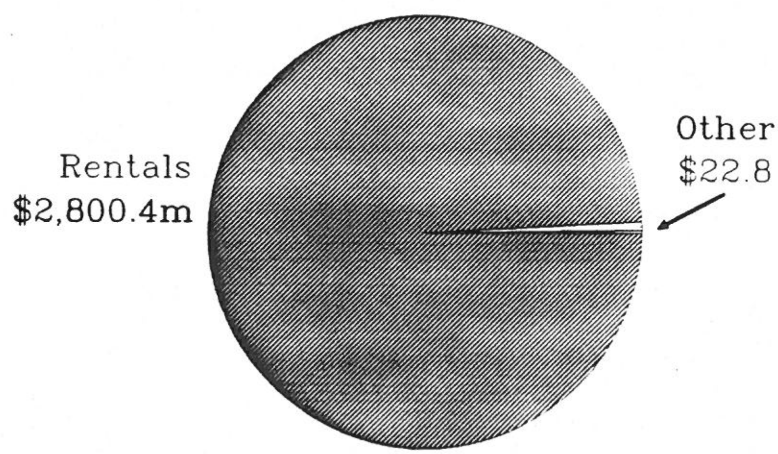
2 Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
New York City Housing Authority

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

Program: New York City Housing Authority

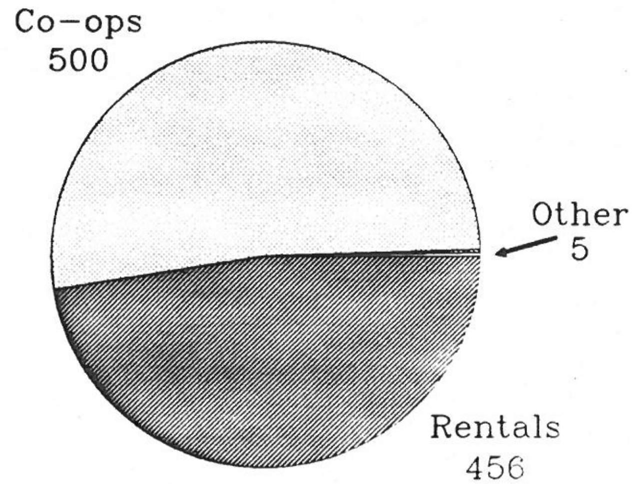
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	472	0	6	170	428	0
	Exempt Assessed Value	$4.1	$0.0	$0.1	$1.1	$3.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	1,253	430	307	300	216	0
	Exempt Assessed Value	$18.7	$2.3	$8.6	$5.6	$2.3	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Rentals	Number of Units	171,930	47,197	43,444	59,623	17,334	4,332
	Exempt Assessed Value	$2,800.4	$885.6	$709.1	$891.3	$226.4	$88.0
	Taxable Assessed Value	40.3	16.0	18.4	5.5	0.0	0.4
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	173,655	47,627	43,757	60,093	17,978	4,332
	Exempt Assessed Value	$2,823.2	$887.9	$717.8	$898.0	$231.7	$88.0
	Taxable Assessed Value	40.3	16.0	18.4	5.5	0.0	0.4
	Number of Properties With Unit Data	1,163	223	181	326	420	13
	Number of Properties Without Unit Data	14	5	2	3	4	0

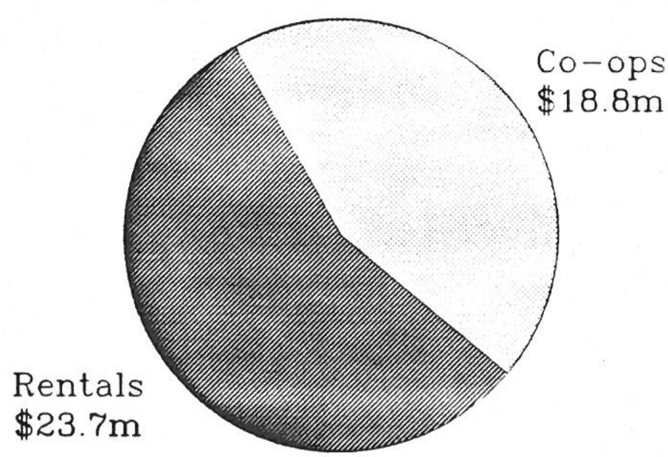
1 Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Urban Development Corporation (UDC)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type

Program: Urban Development Corporation

($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	3	3	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Condos	Number of Units	2	2	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	500	225	0	275	0	0
	Exempt Assessed Value	$18.8	$7.9	$0.0	$10.9	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Rentals	Number of Units	456	456	0	0	0	0
	Exempt Assessed Value	$23.7	$23.7	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
All	Number of Units	961	686	0	275	0	0
	Exempt Assessed Value	$42.5	$31.7	$0.0	$10.9	$0.0	$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
	Number of Properties With Unit Data	13	12	0	1	0	0
	Number of Properties Without Unit Data	1	1	0	0	0	0

1 Mixed Used properties include structures that combine residential with retail or office uses.

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Hawaii
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
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North Carolina
Ohio
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INDEX TO TAX EXPENDITURE DESCRIPTIONS

This index provides page references for the tax expenditure descriptions presented in this report. The list is organized alphabetically. In parentheses are included the taxes for which each tax expenditure applies. City taxes are abbreviated as follows:

BCT	-	Banking Corporation Tax
CRT	-	Commercial Rent Tax
GCT	-	General Corporation Tax
MRT	-	Mortgage Recording Tax
RPT	-	Real Property Tax
STX	-	Sales Tax
UBT	-	Unincorporated Business Tax
UTX	-	Utility Tax

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