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

ANNUAL REPORT ON TAX EXPENDITURES

Fiscal Year 1996

RUDOLPH W. GIULIANI, MAYOR • ALFRED C. CERULLO, III, COMMISSIONER

FINANCE
NEW • YORK
THE CITY OF NEW YORK
DEPARTMENT OF FINANCE

July 22, 1996

A Note to Our Readers:

This publication represents the sixth annual report on New York City tax expenditure programs produced by the Department of Finance in accordance with Section 240 of the New York City Charter.

The report is intended to inform interested parties about tax incentive and exemption programs enacted into law and administered by the City of New York to promote a number of social and economic goals, particularly economic development and access to affordable housing. During Fiscal Year 1996, New York City furthered its social and economic objectives through more than fifty tax expenditure programs valued at nearly $1.7 billion.

Since it was first published, the annual tax expenditure report has been an important reference resource for students of New York City tax policy. I am sure that readers will find this year's report a valuable addition to the tax expenditure report series.

Sincerely yours,

Fred Cerullo

Alfred C. Cerullo, III
Finance Commissioner

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REPORT PREPARED BY THE
OFFICE OF TAX POLICY

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." This report, as mandated by the City Charter, identifies and describes the tax expenditure programs of taxes administered by the City and provides tax expenditure estimates based on available data.

In FY 1996 there were more than fifty tax expenditure programs related to the City-administered real estate tax and business and excise taxes. These programs were valued at more than $1.7 billion.

- Real estate tax expenditures accounted for the largest share, with more than $1.4 billion in tax benefits. Housing and economic development-related incentives comprised 59 percent and 33 percent of the real estate tax expenditures, respectively.

- Business income and excise taxes accounted for more than half of the total number of tax expenditure programs and were valued at $291 million. Many of these programs are designed to foster economic development, by, for example, reducing City energy costs for eligible businesses or providing relocation incentives.

Since the last report for FY 1994, there have been many changes in City tax expenditures. These changes are the result of the expiration and phasing-out of certain incentives, as well as the creation of new programs and the expansion of existing programs.

The report describes several major changes in real estate tax expenditure programs. These include the phase-out of "deferral benefits" in Manhattan, the creation of the Commercial Revitalization Program for Lower Manhattan and other areas of the City and amendments made to the Industrial and Commercial Incentive Program (ICIP) and various senior citizen programs.

In the business and excise tax section, the report provides information on recently enacted reforms in the City's unincorporated business tax and commercial rent tax affecting tax expenditure programs.

The report includes tables and charts detailing tax expenditure costs. Real estate tax expenditure data for FY 1996 are shown in the main body of this report and FY 1995 data are provided in the Appendix. The business and excise tax expenditures are generally based on data for tax year 1994, the latest year for which data are available. The report also provides a variety of data to assist in analyzing the effectiveness of tax expenditure programs.

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INTRODUCTION

Tax expenditures are deviations from the basic tax structure which reduce taxes for specific taxpayers or groups of 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 recent years. Tax expenditure reports are currently produced by the federal government and most states. In New York City, the first annual Tax Expenditure Report was produced in 1990.

The New York City Charter approved by referendum 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.

The New York City Tax Expenditure Report for FY 1996 includes detailed distributional information for City real property tax expenditure programs and, where available, for other tax expenditure programs. Such data are intended to help policy makers evaluate the impact of tax benefit programs.

Part I provides the criteria used to define City tax expenditures and the methodology used to identify and estimate the cost of such expenditures. Parts II and III describe tax expenditures for the Real Property Tax and business income and excise taxes, respectively. Part IV describes tax expenditures for the City's Sales Tax and Personal Income Tax, which are administered by New York State. Part V summarizes audits and evaluations of City tax expenditures that have been conducted during the previous two years. Part VI 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, updates of the Finance Department's taxes-per-worker calculations and ranking of industry sectors based on the New York City taxes directly attributable to them, and supplemental statistical data for FYs 1995 and 1996 regarding 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 targeted approach. In accordance with City Charter requirements, it identifies provisions of City-administered taxes that are intended to confer special tax benefits. This approach focuses attention on information needed for local policy evaluation and public accountability.

In this report, 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 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: Real Property Tax, Banking Corporation Tax, Commercial Rent Tax, General Corporation Tax, Mortgage Recording Tax, Real Property Transfer Tax, Unincorporated Business Tax, and Utility Tax.

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

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

Tax exemptions provided to government entities and to nonprofit organizations that 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 information for property tax exemptions and abatements is for the City's FY 1996 (July 1, 1995 - June 30, 1996). FY 1995 property tax expenditure data are provided in the Appendix for informational purposes. Estimates for business income and excise taxes are for tax year 1994, which for most taxpayers corresponds to calendar year 1994. (For Commercial Rent Tax purposes, tax year 1994 was from June 1, 1993 to May 31, 1994.) All estimates are derived from Department of Finance data, unless otherwise noted. Data for Payments in Lieu of Taxes (PILOTs) are based on Department of Finance Data and information provided by the City Office of Management and Budget.

Measurement

In Parts II and III, the tax expenditure information provided for each item represents a direct mathematical calculation of the tax revenue foregone. 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 data provided in this report do not take into account the effect of tax expenditures on the economic behavior of taxpayers or on the City's overall economy.

PART II

REAL PROPERTY TAX EXPENDITURES

Overview

The real property tax represented 41 percent of New York City's total tax revenue of $17.5 billion in FY 1996 and is the single largest source of revenue. In FY 1996, tax expenditures for real estate tax programs totaled more than $1.4 billion. The City provided these benefits through 173,109 exemptions and 49,787 abatements. [1]

The City's property tax relief programs have evolved in response to local housing and economic development needs. Many programs are targeted to projects in northern Manhattan and the other boroughs. In the late 1980's, benefits were curtailed or eliminated in Manhattan's central business and prime residential districts. However, recently the City has created new incentive programs to promote development in areas of Manhattan.

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 government regulations. Many of these statutes include sunset dates to allow for periodic review of continuing need. Some also require annual reports.

Tax expenditures are largely granted and administered by various City agencies. The City also uses State-wide programs and public agencies to provide housing and economic development incentives to the local real estate market.

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

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[1] A tax exemption provides relief through a reduction in taxable assessed value. A tax abatement reduces real property tax liability through a credit rather than a reduction in value. A single property can qualify for both an exemption and abatement of taxes.

Real Property Tax

Tax Expenditure Purposes

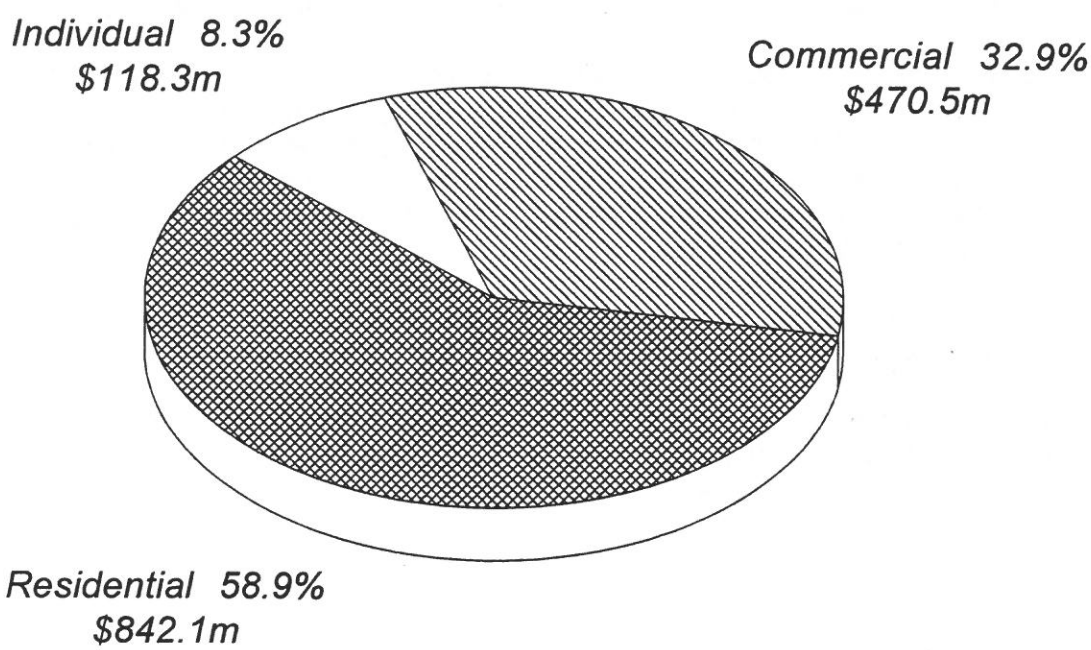
During FY 1996, more than $1.4 billion in property tax reductions were provided to residential, commercial and individual assistance programs. (Chart 1)

Residential - Housing benefits comprised 59 percent of property tax expenditures, or the equivalent of $842.1 million in FY 1996 revenues. Tax relief was provided through more than 62,000 exemptions and almost 50,000 abatements. Different programs provide incentives for new construction or rehabilitation of small homes and/or multi-family buildings. Some programs are combined with additional financial assistance to target benefits for 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.

Commercial - The value of economic development incentives was $470.5 million in FY 1996, or 33 percent of total property tax expenditures. The City provided these benefits through more than 6,895 exemptions and 41 abatements. 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 - Programs assisting individuals provided tax relief of $118.3 million in FY 1996. More than 104,000 tax exemptions existed for veteran and senior citizen homeowners and more than 40,000 tax abatements provided relief to senior citizen renters. 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 1996 Total $1,430.9 million



Tax Expenditure Sources

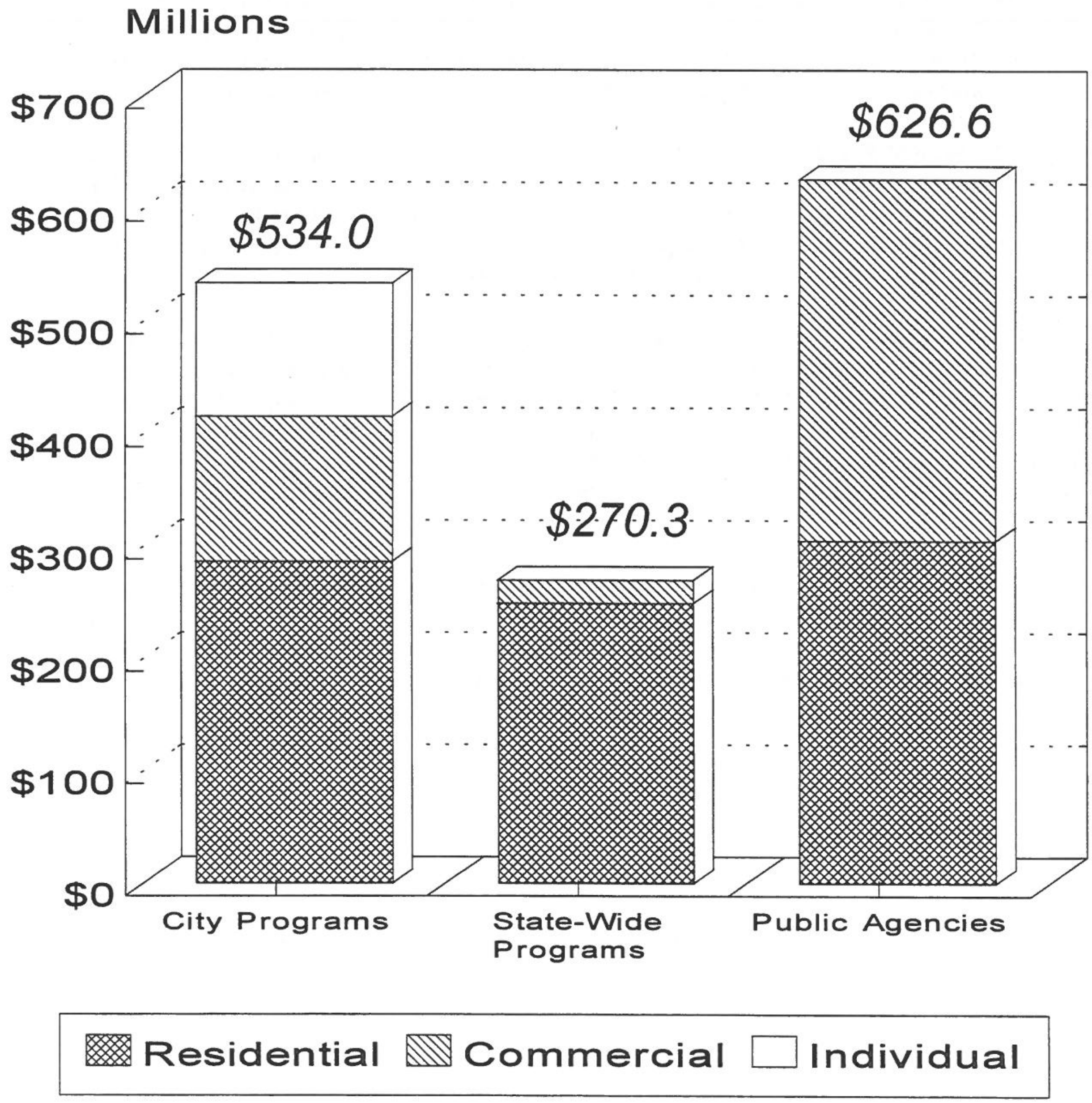
The major sources of expenditures include City and State programs and public agencies. Various State-wide programs have been included in this report since the related exemptions are administered by the City and these programs serve as channels for housing and economic development incentives in the City. (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 FY 1996, tax expenditures from this source totaled $534.0 million. Residential incentives comprised 53.7 percent of City program expenditures and were valued at $286.8 million. Economic development initiatives accounted for 24.1 percent or $128.9 million of the total. The remaining 22.2 percent or $118.3 million were attributable to individual assistance 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, the net tax expenditure is displayed after deducting Payments-in-Lieu-of-Taxes (PILOTs) and Shelter Rent. Of the total $270.3 million of expenditures in this category in FY 1996, 92 percent was 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 FY 1996, commercial and industrial projects accounted for more than half of the tax expenditures attributable to public agencies.

Real Property Tax Expenditures By Source, FY 1996 Total $1,430.9 million



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 and Abatements - This column represents the number of exemptions and abatements 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). When a program provides an abatement of property taxes, this column is marked "N/A" and the value of the abatement can be found in the column marked "Tax Expenditures."

Tax Expenditures - Tax expenditures were determined by applying the appropriate tax rates 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 such 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. Though available by exemption, this information may not be available by property type at this time.

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 each set of tables is a complete description of the tax expenditure programs, including the legal citations, program objective, distribution of benefits and the value of the tax expenditure. 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. Because of limitations in the data, property tax information for certain programs was not available for this report.

Table 1
CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1996
($ Millions)

	Number of Exemptions and Abatements	Exempt Assessed Value [1]	Tax Expenditure
HOUSING DEVELOPMENT PROGRAMS	**106,263**	**$1,718.6**	**$294.1**
J-51 Exemption	8,589	$628.0	$67.9
Residential	8,575	$625.1	$67.6
Commercial	14	$2.9	$0.3
J-51 Abatement	49,787	N/A	$108.7
Residential	49,746	N/A	$108.6
Commercial	41	N/A	$0.2
421-a, New Multiple Dwellings	32,578	$960.2	$103.4
10 year exemption	18,121	$587.8	$63.3
15 year exemption	11,496	$234.5	$25.2
20 year exemption	1	$10.4	$1.1
25 year exemption	2,960	$127.5	$13.8
Residential	30,068	$895.0	$96.7
Commercial	2,510	$65.2	$6.8
421-b, New Private Housing	14,849	$96.1	$10.3
HPD Division of Alternative Management	460	$34.3	$3.7
INDIVIDUAL ASSISTANCE PROGRAMS	**104,128**	**$347.8**	**$118.3**
Senior Citizens Homeowner Exemption	27,520	$160.8	$17.2
Senior Citizen Rent Increase Exemption [2]	N/A	N/A	$91.9
Veterans' Exemption	76,608	$187.0	$9.1

Note: Totals may not add due to rounding.

[1] When the program provides an abatement of property taxes, this column is marked "N/A" and the value of the abatement can be found in the column marked "Tax Expenditures."

[2] SCRIE amount increased from FY 1995 due to a mid-year change in the processing method.

Table 1
(continued)

	Number of Exemptions and Abatements	Exempt Assessed Value	Tax Expenditure
ECONOMIC DEVELOPMENT PROGRAMS	**2,967**	**$1,186.8**	**$121.6**
Industrial & Commercial Incentive Board	391	$150.5	$15.7
New Construction	97	$28.1	$2.9
Alterations	294	$122.4	$12.7
Industrial & Commercial Incentive Program	2,454	$864.8	$90.0
Deferral Areas [1]	81	$89.1	$9.3
Industrial & Special Commercial	1,302	$296.3	$30.8
All Other Commercial Projects	1,071	$479.4	$49.9
Other Commercial and Industrial Exemptions	122	$171.4	$16.0
Water-works Corporations	121	$86.4	$7.2
Major League Sports Facilities	1	$85.1	$8.8
Commercial Revitalization Program			N/A
TOTAL CITY PROGRAMS	**213,358**	**$3,253.2**	**$534.0**
Total Residential	103,698	1,650.5	286.8
Total Commercial/Industrial	5,532	1,254.9	128.9
Total Individual Assistance	104,128	347.8	118.3

Note: Totals may not add due to rounding.

[1] 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 1996
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Tax Expenditure
HOUSING DEVELOPMENT PROGRAMS	**34,951**	**$125.3**	**17,495**	**$55.7**
J-51 Exemption	3,058	$19.9	1,119	$27.2
J-51 Abatement	17,223	$34.2	13,237	$22.5
421-a, New Multiple Dwellings	14,415	$69.0	1,431	$4.0
421-b, New Private Housing	30	$0.0	1,601	$1.1
HPD Division of Alternative Management	225	$2.2	107	$0.9
INDIVIDUAL ASSISTANCE PROGRAMS	**424**	**$29.0**	**9,302**	**$17.1**
Senior Citizen Homeowner Exemption	87	$0.1	3,073	$1.8
Senior Citizen Rent Increase Exemption [1]	N/A	$28.8	N/A	$14.5
Veterans' Exemption	337	$0.0	6,229	$0.7
ECONOMIC DEVELOPMENT PROGRAMS	**281**	**$43.8**	**332**	**$12.2**
Industrial & Commercial Incentive Board	89	$9.4	33	$0.3
Industrial & Commercial Incentive Program	191	$25.6	299	$11.9
Water-works Corporations	0	$0.0	0	$0.0
Major League Sports Facilities	1	$8.8	0	$0.0
TOTAL CITY PROGRAMS	**35,656**	**$198.1**	**27,129**	**$85.0**

Note: Totals may not add due to rounding.

[1] SCRIE amount increased from FY 1995 due to a mid-year change in the processing method.

Table 2
(continued)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Expenditure
18,959	**$58.9**	**19,000**	**$42.6**	**15,858**	**$11.5**
3,267	$17.5	891	$2.8	254	$0.4
9,231	$29.7	9,420	$21.6	676	$0.7
4,925	$9.9	7,690	$17.3	4,117	$3.3
1,411	$1.2	996	$0.8	10,811	$7.2
125	$0.6	3	$0.0	0	$0.0
26,913	**$32.7**	**47,958**	**$35.5**	**19,531**	**$4.0**
7,862	$5.0	13,292	$8.6	3,206	$1.8
N/A	$25.4	N/A	$22.9	N/A	$0.3
19,051	$2.2	34,666	$4.1	16,325	$1.9
690	**$12.5**	**1,227**	**$40.7**	**437**	**$12.4**
84	$1.5	155	$3.4	30	$1.1
606	$11.0	951	$30.1	407	$11.3
0	$0.0	121	$7.2	0	$0.0
0	$0.0	0	$0.0	0	$0.0
46,562	**$104.1**	**68,185**	**$118.8**	**35,826**	**$28.0**

Note: Totals may not add due to rounding.

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 by providing tax exemptions and abatements.

Description

J-51 benefits vary based on government involvement in the rehabilitation of the property, its location, and the extent and nature of the improvement. A 1993 amendment restructured the exemption benefit for new projects. By now replacing the last two benefit years at full exemption with a four year period of declining exemption, a less abrupt transition to full taxation is achieved with no revenue impact. Additionally, this amendment increases the number of properties eligible for the abatement benefit by increasing the assessed value limitation imposed on multiple dwellings, other than condominiums or cooperatives, from $30,000 to $40,000.

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

Properties that undergo renovations 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 14 years (10 years at full exemption followed by a four year period of declining exemption). Existing taxes may be abated for up to 90 percent of the reasonable cost of rehabilitation, at a rate of 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.

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

Moderate Rehabilitation projects, where there is a significant improvement to at least one major building-wide system, receive a 34 year tax exemption and an abatement, of no more than 20 years, for up to 100 percent of the reasonable cost. A major requirement is that the property remain substantially occupied during the rehabilitation.

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

In 1993, the J-51 program was extended until June 1, 1996. Work performed under the program must be completed by December 31, 1999.

Distributional Information

In FY 1996, the J-51 program provided 8,589 exemptions and 49,787 abatements to 648,774 apartments. The exempt value of these properties was $628.0 million. This total exempt value is distributed in the table below according to property type. Rentals in Manhattan, the Bronx, and Brooklyn received the largest proportion of J-51 benefits.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.06%	0.06%
Condos	4.07%	12.49%
Co-ops	30.43%	8.74%
Rentals	65.44%	78.69%
Mixed Use	0.01%	0.02%
	100.00%	100.00%

Tax Expenditure

$176.6 million, which included $67.9 million in tax exemptions and $108.7 million in tax abatements.

Section 421-a, New Multiple Dwellings

Citation

NYS Real Property Tax Law; Article 4, Section 421-a
NYC Administrative Code; Title 11, Sections 11-245 and 11-245.1

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 a 20 year exemption if construction commences after July 1, 1992 but before December 31, 1999 and if the project meets qualifying conditions (a) or (b). The property will receive a full exemption for twelve years followed by an eight year period during which taxes are phased in at 20 percent every two years.

- However, if the properties specified in the above paragraph do not qualify for a 20 year exemption, they will receive only a ten year exemption, unless they meet conditions (a), (b), or (c). If one of these conditions are met, they are granted a 15 year exemption, 11 years of full exemption followed by a four year phase in of full taxation.

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

- 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.

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

With the exception of projects in Manhattan qualifying for a 20 year exemption period, all other projects must commence construction no later than January 1, 1998 and complete construction no later than December 31, 1999.

Distributional Information

In FY 1996, the City provided 30,068 residential exemptions under the 421-a program. These exemptions were largely granted to condominium apartments and rental buildings. Overall, 45,013 apartment units received tax benefits, with an exempt value of $960.2 million. This total exempt value is distributed in the table below according to property type. Condos and rentals in Manhattan accounted for the largest proportion of 421-a benefits.

	Percent of Total Units	Percent of Total Exempt Assessed Value
1-3 Family	6.39%	2.13%
Condos	57.12%	60.88%
Co-ops	1.92%	1.74%
Rentals	34.52%	35.18%
Mixed Use	0.04%	0.07%
	100.00%	100.00%

Tax Expenditure

$103.4 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.

In 1993, the 421-b program was extended an additional four years. Projects must now start construction prior to July 1, 1998 and complete construction no later than July 1, 2000.

Distributional Information

In FY 1996, the City provided 14,849 exemptions valued at $96.1 million in exempt assessed value. One and two family homes in Staten Island accounted for more than 50 percent of the benefits granted through this program. The table below presents distributional information for 14,013 properties, which included 20,884 housing units. Unit information is not available for the remaining 834 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	99.35%	98.91%
Condos	0.18%	0.48%
Co-ops	0.00%	0.02%
Rentals	0.38%	0.20%
Mixed Use	0.09%	0.39%
	100.00%	100.00%

Tax Expenditure

$10.3 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 of assessed value per residential unit. Commencing July 1, 1990, this $3,500 ceiling may be increased by up to 6 percent per year, but not to exceed 20 percent over any five year period.

Distributional Information

In FY 1996, there were 460 DAMP exemptions containing 9,675 housing units. The total exempt assessed value was $34.3 million. Nearly 44 percent of all units were located in Manhattan, accounting for 58 percent of the exempt assessed value. These benefits were distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.06%	0.00%
Condos	0.00%	0.00%
Co-ops	31.05%	47.37%
Rentals	68.89%	52.63%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$3.7 million

Senior Citizen Homeowner Exemption (SCHE)

Citation

NYS Real Property Tax Law; Article 4, Section 467
NYC Administrative Code; Section 11-245.3

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, homeowners must meet the following qualifications: 1) be at least 65 years of age (if the property is owned jointly by either a married couple or siblings, only one owner must be 65 years old) and 2) have a combined household income, including Social Security, of less than $25,900. Homeowners with incomes $17,500 and below receive a 50 percent exemption. For homeowners with incomes between $17,501 and $20,499, the exemption is reduced by 5 percentage points for each $1,000 increment in income above $17,500; for those with incomes between $20,500 and $25,899, the exemption is reduced by 5 percentage points for each $900 increment in income above $20,500.

Generally, the owner must have held title to the property for a minimum of 12 consecutive months. The exemption applies only to the portion of the property used for residential purposes.

Pursuant to legislation enacted in 1995, the SCHE program was extended to property held in trust for the benefit of a person or persons who, had they held legal title to the property, would be eligible for tax exemption. SCHE was also extended to eligible tenant-shareholders of cooperative apartments. For the purposes of this legislation, the co-op tenant-shareholder is deemed to own that portion of the property represented by his or her proportion share of outstanding stock of the corporation. The reduction in taxes realized by the cooperative housing corporation must be credited against the amount of taxes payable by the eligible shareholder.

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

Distributional Information

In FY 1996, there were 27,520 exemptions, containing 44,810 housing units, with an exempt value of $160.8 million. The following table provides a distribution of these households by income range:

Senior Citizen Homeowner Exemption (cont'd)

Degree Exempt	Income Range	Number of Exemptions	Percent of Total Exemptions	Exempt Assessed Value
50%	$0 - 16,500	22,074	80.2%	$138.3m
45%	$16,501 - 17,099	1,126	4.1%	6.6m
40%	$17,100 - 17,699	975	3.5%	5.0m
35%	$17,700 - 18,299	821	3.0%	3.7m
30%	$18,300 - 18,899	679	2.5%	2.7m
25%	$18,900 - 19,499	510	1.9%	1.7m
20%	$19,500 - 20,099	461	1.7%	1.2m
15%	$20,100 - 20,699	448	1.6%	0.9m
10%	$20,700 - 21,299	421	1.5%	0.6m
0%	$21,300 +	5	0.0%	0.0m
	TOTAL	27,520	100.0%	$160.8m

The table below shows the distribution of benefits by property type. Since Manhattan has few 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	98.12%	98.12%
Condos	0.68%	1.08%
Co-ops	0.00%	0.00%
Rentals	0.93%	0.48%
Mixed Use	0.23%	0.32%
	100.00%	100.00%

Tax Expenditure

$17.2 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 26-616

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 $20,000 (last amended in 1995). 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.

Tax Expenditure [1]

$91.9 million

[1] SCRIE amount increased from FY 1995 due to a mid-year change in the processing method.

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 war, 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.

  Amendments to sections 458 and 458-a during the 1995 legislative session expanded the program to include those civilians who, during World War II, were employed by the American Field Service and served overseas under the U.S. Army or U.S. Army Groups or civilians employed by Pan American Airways (including subsidiaries) who served overseas as a result of Pan American's contract with the Air Transport Command or Naval Air Transportation Service. Additionally, exemptions under sections 458 or 458-a may now be granted to properties held in trust for the benefit of such person or persons who would otherwise be eligible for these exemptions but for the fact that they do not hold legal title to the property.

  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.

Veterans' Exemption (cont'd)

Distributional Information

In FY 1996, there were 76,608 exemptions in this program with a total exempt value of $187.0 million. These properties included more than 123,992 housing units, primarily located outside Manhattan. These benefits were distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	96.33%	97.46%
Condos	0.51%	1.03%
Co-ops	0.01%	0.00%
Rentals	2.63%	0.85%
Mixed Use	0.53%	0.66%
	100.00%	100.00%

Tax Expenditure

$9.1 million

Industrial and Commercial Incentive Board (ICIB)

Citation

NYS Real Property Tax Law; Article 4, Section 489-aaa to 489-iii
NYC Administrative Code; Title 11, Section 11-247 to 11-255

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

$15.7 million

Industrial and Commercial Incentive Program (ICIP)

Citation

NYS Real Property Tax Law; Article 4, Section 489-aaaa to 489-llll
NYC Administrative Code; Title 11, Section 11-256 to 11-267

Policy Objective

To encourage economic development by means of tax exemptions for construction or rehabilitation of commercial, industrial, or mixed-use 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:

- Pursuant to legislation enacted in 1995, the minimum required expenditure necessary to obtain benefits under this program was reduced for industrial projects and commercial projects in Special Need and Regular Exemption Areas. Previously, a project could qualify for an exemption if the minimum required expenditure was at least 20 percent of the initial assessed value. The legislation reduced this minimum expenditure to 10 percent of the initial assessed value, except for industrial projects that want to qualify for an abatement of pre-existing tax liability. In these cases, industrial projects must make a minimum required expenditure of 25 percent of their initial assessed value.

- The 1995 amendments increased the exemption period for all industrial projects, regardless of location, commercial projects in designated "special need areas" and areas designated as economic development zones, if not already designated as a "special need area." The total benefit period increased from 22 years to 25 years by adding three additional years (for a total of 16) to the full exemption period. This 16 year period is followed by nine years of declining exemption, reduced by 10 percent annually.

  Additionally, industrial projects that file an application on or after July 1, 1995 may qualify for a new abatement of pre-existing taxes. The abatement is based upon the taxes imposed

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

for the year preceding the effective date of the certificate of eligibility. The abatement schedule is as follows:

Years 1 through 4	50 percent
Years 5 and 6	40 percent
Years 7 and 8	30 percent
Years 9 and 10	20 percent
Years 11 and 12	10 percent

- The 1995 legislation also included benefits in Manhattan below 96th Street for qualifying new construction. Such buildings or structures must incorporate at least two (out of seven) criteria, including, but not limited to: state of the art fiber-optic telecommunications wiring available for distribution to individual tenants on each floor; total square footage of not less than 500,000 gross square feet; minimum electrical capacity of 6 watts per net square footage; and emergency back up power for 25 percent of the building or 200,000 square feet.

  Such projects will receive a 100 percent exemption of the increase in assessed value due to the construction work for the first 4 years following the effective date of a certificate of eligibility, followed by 4 years of declining tax exemption. Such projects in lower Manhattan are eligible if the application is filed from July 1, 1995 through June 30, 1999. For all other New Construction projects below 96th Street eligibility ends December 31, 1996.

- In 1994, changes were made to extend eligibility for benefits granted in the Renovation Area. For the area south of 96th Street and north of 59th Street, eligibility was extended for projects that filed applications by January 31, 1995 (originally due to expire on June 30, 1994). For projects south of the center line of 59th Street, eligibility was extended through June 30, 1999.

- The exemption period for commercial projects in Regular Exemption Areas was extended by the 1995 amendments to a total of 15 years, 11 years (increased from 8) of 100 percent exemption, followed by 4 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, except for industrial projects and commercial projects in Special Needs Areas. These projects are also exempt from increases due to market value increases during their first 13 years of exemption. Effective September 12, 1992, the program was extended to the commercial or industrial portion of mixed-use buildings.

Tax Expenditure

$90.0 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 FY 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

$7.2 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.

Tax Expenditure

$8.8 million

Commercial Revitalization Program: Lower Manhattan and Other Designated Areas of the City

Citation

Real Estate Tax Abatement
NYS Real Property Tax Law Sections 499a to 499h
NYS Real Property Tax Law Sections 499aa to 499hh

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

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

Conversion to Residential Use
NYS Real Property Tax Law Section 421-g

Mixed Use
NYS Real Property Tax Law Sections 489-aaaaa to 489-iiiii

Policy Objective

To stimulate economic activity in Lower Manhattan and certain business districts outside of Manhattan and promote the more productive use of City real estate.

Description

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

The following discussion of benefits and program requirements is intended as a general description only.

Real Estate Tax Abatement

This abatement is granted for space that has been leased (a new, renewal or expansion lease) for office or retail purposes. The benefit lasts for five years, starting with an abatement equal

Commercial Revitalization Program: Lower Manhattan and Other Designated Areas of the City (cont'd)

to 50 percent of the property tax in the initial year but no greater than $2.50 per square foot. In the fourth and fifth years, the benefit will equal two-thirds and one-third, respectively, of the tax abatement initially granted.

To qualify for a real estate tax abatement, leases must be executed and commence between April 1, 1995 and March 31, 1998. The leased space must be in non-residential or mixed use buildings that were built prior to 1975 and are in eligible abatement zones, located in lower Manhattan and in certain areas elsewhere in the City. Generally, the lease on the eligible premise must be for a minimum term of five years for tenants employing 50 or fewer people and ten years for tenants employing more than 50 people. There is also a minimum required expenditure for tenant improvements -- $10 and $35 per square foot for five and ten year leases, respectively, in lower Manhattan, and lesser amounts in other eligible areas.

Commercial Rent Tax Abatement

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

The benefit is a reduction in the amount of rent otherwise subject to the CRT and can be claimed starting on the rent commencement date of the lease. The reduction is available for a period of up to 60 months, but the benefit will not be allowed for any period beginning after March 31, 2004.

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

Energy Cost Savings

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

Commercial Revitalization Program: Lower Manhattan and Other Designated Areas of the City (cont'd)

In general, the reduction in energy charges is provided as a rebate in the form of a reduced energy bill from the utility to the building's landlord, who, in turn, is required to pass along the benefit to eligible tenants. The utility recoups the special rebate by claiming a credit for the amount against its gross receipts tax otherwise payable to the City. Application for benefits must be made after June 30, 1995 and before July 1, 1999 and before a building permit for the required construction or renovation is issued.

For most eligible recipients, the energy cost reduction is equal to 30 percent of eligible charges for the first eight years of the benefit period. The rebate is gradually phased-out in years 9 through 12 of the benefit period.

Conversion to Residential Use

In Lower Manhattan, nonresidential buildings converted to residential Class A multiple dwellings (but not hotels) may be eligible for a real estate tax exemption on the increase in value due to the physical improvements as well as an abatement of existing property taxes.

For the first eight years of the exemption period, the exemption is equal to 100 percent of the increase in assessed value attributable to the physical improvements made to convert the building to residential use. In years 9 through 12, the exemption percentage declines by 20 percentage points each year, so that by year 13 the exemption has been fully phased out.

Similarly, the eligible property will benefit from an abatement based on its taxes in its first year of participation in the program. During the first 10 years of the abatement period, the abatement will equal the real property taxes otherwise due and payable in its first year in the program. In years 11 through 14, the abatement percentage is reduced by 20 percentage points each year. By year 15, the property is fully taxable.

To qualify for the program, a building permit for conversion must be issued between July 1, 1995 and June 30, 2002. After the conversion is completed, no more than 25 percent of the building's floor space may be dedicated to commercial and/or community facilities. During the benefit period, the apartments will be subject to rent stabilization.

Mixed Use

This part of the Lower Manhattan program provides a tax exemption for conversion of buildings to mixed residential and commercial use. After completion of construction, more than 25 percent of the floor space must be commercial and accessory use. Additionally, the minimum required expenditure must exceed 20 percent of the initial assessed valuation. Finally, a building permit must be issued by July 31, 1999 for the property to be eligible for this exemption.

Commercial Revitalization Program: Lower Manhattan and Other Designated Areas of the City (cont'd)

The exemption is the same as the exemption for residential conversion. In years 1 through 8, the exemption is equal to 100 percent of the assessment increase attributable to the physical improvements. In years 9 through 12, the exemption percentage is reduced by 20 percentage points. There is no corresponding abatement benefit for projects that qualify for this mixed use program.

Tax Expenditure

$11.5 million (est.) [1]

[1] FY 1996 estimated cost provided for informational purposes. Program cost is not included in summary tax expenditure tables.

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Table 3
STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1996
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs [1]	Net Tax Expenditures
Limited Profit Housing Companies	370	$2,273.3	$245.2	$59.7	185.6
Residential	329	2,167.6	234.3		
Commercial	41	105.7	11.0		
Limited Dividend Companies	14	53.1	5.7	4.2	1.5
Redevelopment Companies	407	611.9	66.1	33.3	32.8
Residential	385	607.1	65.6		
Commercial	22	4.9	0.5		
Housing Development Fund Companies	207	345.6	37.0	8.9	28.2
Residential	167	261.0	28.2		
Commercial	40	84.7	8.8		
Urban Development Action Area Program	3,629	68.2	7.4	2.6	4.7
State Assisted Housing	59	168.3	17.9	0.3	17.6
Residential	32	86.1	9.3		
Commercial	27	82.2	8.5		
TOTAL STATE-WIDE PROGRAMS	**4,686**	**3,520.4**	**379.3**	**109.0**	**270.3**
Total Residential	4,556	3,243.1	350.5	N/A	N/A
Total Commercial	130	277.4	28.9		

Note: Totals may not add due to rounding.

[1] PILOTs are Payments In Lieu of Taxes. Information by type of property is not currently available.

Table 4
STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES [1]
Borough Distribution
Fiscal Year 1996
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
Limited Profit Housing Companies	99	$79.4	101	$45.2
Limited Dividend Companies	3	$2.9	1	$0.2
Redevelopment Companies	93	$19.6	167	$5.2
Housing Development Fund Companies	62	$8.9	66	$10.9
Urban Development Action Area Program	148	$1.8	294	$0.3
State Assisted Housing	25	$5.4	14	$4.1
TOTAL STATE-WIDE PROGRAMS	**430**	**$118.1**	**643**	**$65.9**

Note: Totals may not add due to rounding.

[1] For comparative purposes with previous years, the total gross tax expenditures by borough were as follows: Manhattan, $152.3; Bronx, $101.0; Brooklyn, $87.7; Queens, $33.5; Staten Island, $4.7.

Table 4
(continued)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
110	$41.4	55	$17.9	5	$1.7
10	$1.4	0	($3.0)	0	$0.0
132	$7.3	7	$0.7	8	($0.1)
64	$5.9	13	$2.2	2	$0.3
2,997	$2.4	186	$0.2	4	$0.0
12	$3.7	7	$2.5	1	$1.8
3,325	**$62.1**	**268**	**$20.4**	**20**	**$3.7**

Note: Totals may not add due to rounding.

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 privately 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 FY 1996, 329 residential and 41 commercial projects received exemptions under this program. The residential properties contained 115,441 housing units with a total exempt assessed value of $2.2 billion.

Limited Profit Housing Companies (cont'd)

Approximately 59 percent of the residential units receiving benefits were co-ops and were located in all boroughs except Staten Island. Thirty-five percent of the co-op units were located in the Bronx (including Co-Op City), although 38 percent of the exempt assessed value was attributable to Manhattan projects. Rental units receiving benefits were primarily located in Manhattan, the Bronx, and Brooklyn.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.01%	0.00%
Condos	0.00%	0.00%
Co-ops	59.38%	58.01%
Rentals	40.61%	41.92%
Mixed Use	0.00%	0.08%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$185.6 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.

Net Tax Expenditure (after PILOTs)

$1.5 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.

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.

Net Tax Expenditure (after PILOTs)

$32.8 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.

In 1995, this legislation was amended by adding a provision granting local legislative bodies the authority to exempt from real property taxes projects to which the municipality has made loans under Section 576 of the Private Housing Finance Law (for acquisition, rehabilitation or construction) for housing for low income households, 30 percent of whom were previously residing in emergency shelter facilities.

There is no sunset provision within the enabling legislation.

Distributional Information

In FY 1996, there were 167 residential and 40 commercial exemptions under this program. The residential properties contained over 13,671 housing units with an exempt assessed value of $261.0 million. Rentals made up 97 percent of these units. Benefits were 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	2.89%	2.22%
Rentals	97.10%	97.76%
Mixed Use	0.01%	0.01%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$28.2 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 UDAAP encompasses a wide range of housing development programs, the most notable examples are the Nehemiah and the Mutual Housing Association of New York (MHANY) Programs, which provide housing in the Brownsville and East New York sections of Brooklyn.

UDAAP sites receive real property tax exemptions only on the assessed value of 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 FY 1996, there were 3,629 residential exemptions under this program containing over 4,028 housing units with an exempt assessed value of $68.2 million. One, two, and three family houses in Brooklyn and rentals in Manhattan received the largest proportion of UDAAP benefits. These benefits were 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	76.54%	38.32%
Condos	2.79%	3.36%
Co-ops	0.00%	0.00%
Rentals	20.57%	58.31%
Mixed Use	0.10%	0.01%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$4.7 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.

Net Tax Expenditure (after PILOTs)

$17.6 million

Table 5
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1996
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs[1]	Net Tax Expenditures
Industrial Devt Agency	643	$839.1	$87.3	$38.8	$48.5
Economic Devt Corporation	87	50.7	5.3	1.5	$3.7
NYC Housing Authority	1,417	2,791.8	301.6	19.9	$281.7
Residential	1,306	2,768.3	299.2		
Commercial	111	23.5	2.4		
Urban Development Corporation	108	738.9	77.1	0.1	$77.0
Residential	17	49.1	5.3		
Commercial	91	689.8	71.8		
NYS Power Authority	8	415.3	34.6	$0.0	$34.5
Battery Park City Authority	2,334	1,178.4	123.6	29.4	$94.2
Residential	2,296	250.3	27.0		
Commercial	38	928.2	96.5		
World Trade Center, Port Authority	1	967.5	100.6	20.8	$79.8
Teleport, Port Authority [2]	5	21.5	2.2	0.0	$2.2
Trust for Cultural Resources	249	45.2	4.8	$0.0	$4.8
TOTAL PUBLIC AGENCIES	**4,852**	**$7,048.4**	**$737.1**	**$110.5**	**$626.6**
Total Residential	3,619	3,067.7	331.5	N/A	N/A
Total Commercial/Industrial	1,233	3,980.7	405.6		

Note: Totals may not add due to rounding.

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

[2] Teleport exempt AV source: REUC. Teleport PILOT subject to change.

Table 6
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES [1]
Borough Distribution
Fiscal Year 1996
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
Industrial Development Agency	221	$43.8	67	$3.9
Economic Development Corporation	0	$0.0	1	$0.1
NYC Housing Authority	290	$101.1	237	$81.0
Urban Development Corporation	91	$67.8	7	$3.5
NYS Power Authority	3	$2.3	2	$0.0
Battery Park City Authority	2,334	$123.6	0	$0.0
World Trade Center, Port Authority	1	$100.6	0	$0.0
Teleport, Port Authority	0	$0.0	0	$0.0
Trust for Cultural Resources	249	$4.8	0	$0.0
TOTAL PUBLIC AGENCIES	**3,189**	**$444.0**	**314**	**$88.5**

Note: 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
156	$16.7	194	$22.6	5	$0.3
62	$4.5	21	$0.6	3	$0.0
440	$90.1	435	$23.9	15	$5.6
8	$3.4	1	$0.0	1	$2.4
0	$0.0	3	$32.3	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	5	$2.2
0	$0.0	0	$0.0	0	$0.0
666	**$114.7**	**654**	**$79.3**	**29**	**$10.6**

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)

$48.5 million

Economic Development Corporation (EDC)

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

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

Net Tax Expenditure (after PILOTs)

$3.7 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 31, 1996, the New York City Housing Authority operated 339 developments with more than 180,124 apartments. An additional 71,457 apartments were in its leasing program. These 251,581 units housed approximately 617,532 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 calendar 1995, PILOTs for the federally aided projects were $20.6 million. The State assisted projects paid $2.5 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 FY 1996, there were 1,306 residential and 111 commercial exemptions containing 192,775 housing units with an exempt assessed value of $2.8 billion. NYCHA benefits were distributed throughout the five boroughs. Manhattan and Brooklyn had the greatest proportion of NYCHA exempt value. Rental properties comprised 99 percent of NYCHA exemptions; therefore, a distribution by housing type is not provided.

NYCHA provided data for nearly 172,000 households living in public housing as of January 1, 1996. Based on this data, the distribution of households was as follows:

New York City Housing Authority (NYCHA) (cont'd)

Household Income Range	Number of Households	Percent of Total Households
$0 - 10,000	99,634	57.9%
$10,000 - 12,499	17,281	10.1%
$12,500 - 14,999	10,605	6.2%
$15,000 - 19,999	14,114	8.2%
$20,000 - 24,999	10,829	6.3%
$25,000 - 29,999	7,269	4.2%
$30,000 - 34,999	4,332	2.5%
$35,000 - 39,999	2,592	1.5%
$40,000 - 44,999	1,673	1.0%
$45,000 - 49,999	1,150	0.7%
$50,000 and over	2,462	1.4%
TOTAL REPORTING INCOME	171,941	100.00%

Source: New York City Housing Authority, Research and Policy Development Division.

Net Tax Expenditure (after PILOTs)

$281.7 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 FY 1996, there were 17 residential and 91 commercial exemptions under this program. The residential properties contained 1,136 housing units with an exempt assessed value of $49.1 million. The exempt assessed value for the commercial properties was $689.8 million. The residential component of the UDC exemption included primarily rentals in Manhattan and co-ops in Brooklyn and Manhattan.

Urban Development Corporation (UDC) (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	44.01%	37.39%
Rentals	55.99%	62.61%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$77.0 million

New York Power Authority

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 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.

Net Tax Expenditure (after PILOTs)

$34.5 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 4,550 residential units had been completed by 1994.

PILOT payments remitted annually by the Authority, as stipulated in the 1986 Amendment to the Settlement Agreement between BPCA and the City of New York, are currently used as additional support for City housing programs. The Housing New York Agreement provides for BPCA revenues to back bond issues as well; in this regard, $400 million in net proceeds issued by the Housing New York Corporation will allow for the increase of low- and moderate-income housing production throughout the City.

The enabling legislation does not include a sunset provision.

Distributional Information

Currently, 2,293 condominiums and 110 commercial units are receiving this exemption. In FY 1996 there were 2,296 residential exemptions with an exempt assessed value of $250.3 million and 38 commercial exemptions with an exempt assessed value of $928.2 million.

Net Tax Expenditure (after PILOTs)

$94.2 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)

$79.8 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.

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

Net Tax Expenditure (after PILOTs)

$2.2 million

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

Citation

NYS Gen. Municipal Law; Articles 13-E and 13-F

Policy Objective

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

Description

In 1976, the legislature enacted articles 13-E and 13-F of the General Municipal Law which provide for the creation of cultural trusts (public benefit corporations). The legislation further provides that: (1) the trust shall submit annual financial reports to the governor and mayor; and (2) the state comptroller and the city's chief fiscal officer are authorized to examine the books and records of the trust at least once every three years or, in lieu thereof, accept from the trust an external examination made by a certified public accountant acceptable to such officer.

To date, only one trust for cultural resources has been created - for the Museum of Modern Art in New York City. As a result, a fifty-two story tower was developed adjacent to the museum, combining six floors dedicated to the Museum and the remainder of the building containing two hundred sixty residential condominiums.

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

Tax Expenditure

$4.8 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 25 provisions granting tax preferences that can be defined as tax expenditures. Data exist to estimate the value of 14 of these tax expenditures. The estimates are stated on a tax year basis as opposed to New York City fiscal years. When available, information is provided on the number of businesses benefitting from a tax expenditure program.

In Tax Year 1994, the 14 programs totaled $291 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 1994 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 1994

Program	($ Millions) Amount
Quantifiable	
Insurance Corporation Non-Taxation	145
International Banking Facility	38
Commercial Rent Tax Special Reduction	32
Energy Costs Savings Program Credit	20
Foreign Bank Alternative Tax on Capital Stock	17
Four-Tenths Mill Cooperative Housing Corporation Tax Rate on Capital	15
Business and Investment Capital Tax Limitation	10
Special Allocation Rule: RIC Management Fees	7
Relocation and Employment Assistance Program	5
School Bus Operation Deduction	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	291

Not Quantifiable

Air Pollution Control Facilities Deduction
Credit Line Mortgages
Owner, Lessee or Fiduciary that Holds, Leases or Manages Real Property
Purchase and Sale of Property or Stock Option Contracts
for Taxpayer's Own Account
Real Estate Investment Trusts
Real Estate Mortgage Investment Conduits
Regulated Investment Companies
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

* = Less than 1 million.

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

$145 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 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

$38 million

Commercial Rent Tax Special Reduction

Citation

NYC Administrative Code Section 11-704.h(1)

Policy Objective

To promote business development in Manhattan north of 96th Street and in the other 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

$32 million

Note: Effective September 1, 1995, the Commercial Rent Tax has been eliminated in Manhattan north of 96th street and in the other boroughs.

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, 1999 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

$20 million

Number of Beneficiaries

5,516 businesses

Note: Legislation enacted in 1995 expands this benefit to include certain eligible businesses in lower Manhattan. See Commercial Revitalization Program write-up on pages 36-39.

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

$17 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

$15 million

Number of Beneficiaries

4,071 corporations

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

$10 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

$7 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. For periods after Spetember 1, 1995, this benefit no longer applies as the Commercial Rent Tax has been eliminated for businesses located above 96th Street in Manhattan and in the other boroughs.

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, 1999 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

Relocation and Employment Assistance Program (REAP) (cont'd)

Number of Beneficiaries

35 companies with 8,818 eligible employees

Note: Legislation enacted in 1995 changed the eligibility criteria for the REAP program and increased the business income tax credit to $1,000 per eligible employment share for recipients who receive their certificate of eligibility on or after July 1, 1995.

Additional Information

The tax expenditure estimate for REAP provided above is based on a detailed survey of REAP-approved employees actually relocated by the end of calendar year 1994. (For REAP approval, applicants must have begun relocation to an eligible site but have three years to complete the move.) It is worth noting that if the remaining REAP-approved jobs and those pending-approval (most of which are expected to receive approval) relocate and receive REAP tax benefits, the cost of the program could escalate to approximately $19 million annually.

RELOCATION AND EMPLOYMENT ASSISTANCE PROGRAM

			Employees			
INDUSTRY	Firms	%	Pending	Approved	Total	%
MANUFAC.	46	50.5%	1,146	2,627	3,773	10.5%
CONSTRUC.	3	3.3%	0	158	158	0.4%
TRANS.&P.U.	3	3.3%	85	1,822	1,967	5.5%
TRADE	17	18.7%	270	853	1,123	3.1%
FIRE	17	18.7%	6,187	21,112	27,299	78.9%
SERVICE	5	5.5%	0	1,650	1,650	4.6%
TOTAL	91		7,688	28,282	35,970	

Status of applications filed through 12/31/95

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

$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

Note: Legislation enacted in 1995 provides a Commercial Rent Tax benefit for up to 52 weeks for premises used for the production and performance of a theatrical work.

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 relocate to 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 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 by a one to six family, owner-occupied residence.

Tax Affected

Mortgage Recording Tax

Tax Expenditure

Not available

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

Not available

Note: Legislation enacted in 1994 expands this tax expenditure to allow an owner of real property, a lessee or a fiduciary to retain the exemption for real estate operations, even if other business activities are carried on. (The other business activities are subject to taxation.) The legislation further provides that if the owner, lessee or fiduciary carries on any business at the real property, including, for example, a garage, restaurant, laundry or health club, that business will be considered incidental to the holding, leasing and management of real property and also not subject to taxation, provided the business is conducted solely for the benefit of tenants and is not available to the public.

Legislation enacted in 1996 (effective for tax years beginning on or after January 1, 1996) allows an owner of real property, a lessee or a fiduciary who operates a garage in a building exempt from the UBT to receive an exemption for income received from building tenants who rent parking spaces in the building's public garage on a monthly or longer-term basis. Income from renting parking spaces to the public or to building tenants on a short-term basis continues to be subject to tax.

Purchase and Sale of Property or Stock Option Contracts for Taxpayer's Own Account

Citation

NYC Administrative Code Section 11-502(c)

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 individual or entity is not considered to be engaged in an unincorporated business solely by reason of the purchase and sale of property or the purchase, sale or writing of stock option contracts, or both, for his or her own account.

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

Note: Legislation enacted in 1994 provides that the Unincorporated Business Tax will not be imposed if an entity which purchases and sells property for its own account does not receive more than $25,000 of gross receipts during the taxable year from the conduct of an unincorporated business in the City, thus providing the entity with some protection against business income "tainting" (i.e., making taxable) its trading-for-its-own-account income.

Legislation enacted in 1996 (effective for tax years beginning on or after January 1, 1996) broadens the types of property and transactions eligible for the self-trading exemption to include investment vehicles available in today's markets (e.g., notional principal contracts and other types of derivative financial instruments) and allows taxpayers an exemption for income from self-trading activity if more than 90 percent of the firm's assets consist of self-trading property, thus providing investment partnerships with protection from incidental tainting.

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

Note: Legislation enacted in 1994 provides eligible REITs tax relief against the NYC Real Property Transfer Tax (RPTT). The measure, signed into law on June 9, is intended to facilitate the inclusion of NYC properties in REITs by providing a 50 percent RPTT rate reduction during a two-year period for qualifying transfers of property made in connection with the formation of a REIT.

Legislation enacted in 1996 makes the above benefit permanent and extends the benefit to certain transfers to preexisting REITs for a three-year period.

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

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.

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
Unincorporated Business Tax

Tax Expenditure

Not available

Note: Legislation enacted in 1996 expands this benefit to businesses subject to the Unincorporated Business Tax.

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
Unincorporated Business Tax

Tax Expenditure

Not available

Note: Legislation enacted in 1996 expands this benefit to businesses subject to the Unincorporated Business Tax.

PART IV

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

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

Sales Tax Expenditures

The Sales Tax section contains the following information. First, a list is provided of all City sales tax expenditures, as derived from the New York State Department of Taxation and Finance, Tax Expenditure Report, 1996-1997 (January 1996). Second, revenue estimates are provided for sales tax expenditures for which the Department of Finance has data. Finally, a table is provided comparing New York City sales tax policy regarding the exemption of services with the policies of major states. Data for this table were excerpted from a Federation of Tax Administrators (FTA) analysis of the issue.

Personal Income Tax Expenditure

The Personal Income Tax section provides a list of tax expenditures based on 1993 law, and two tables showing components of income and modifications to income of New York City resident filers in 1993. These tables are derived from a statistical sample of 1993 Personal Income Tax returns created by the New York State Department of Taxation and Finance.

Part IV: Sales Tax Expenditures

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 1996-1997, (January 1996).

Services

Certain information services [1]
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
Certain parking and garaging services
Certain protective and detective services
Medical emergency alarm call services
Certain information services provided over delivered the telephone
Cable television

Food

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

Medical

Drugs, medicines and medical supplies
Eyeglasses, hearing aids, and prostheses
Veterinarian services
Guide dogs

[1] Starting in 1991, 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 residential purposes [1]
Sales of energy sources for particular uses [2]

Transportation

Commercial vessels
Barge repairs
Commercial aircraft
Aviation fuel sold to airlines
Parts for foreign aircraft
Intra-family sales of motor vehicles
Motor vehicles sold to non-residents
Alternative fuel vehicles
Rental of trucks in certain cases
Tractor-trailer combinations
Sales of property by railroads in reorganization

Communication

Interstate and international telephone and telegraph service
Newspapers and periodicals
Shopping papers
Telephone services used by the media
Certain telephone charges

Industry

Tools and supplies used in production
Farm production
Research and development property
Machinery and equipment used in production
Wrapping and packaging materials
Commercial fishing vessels

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[1] The City taxes sales of energy sources used for residential purposes.

[2] The City also 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.

Miscellaneous

Certain property sold through vending machines
Trade-in allowances
Hotel room rents paid by a permanent resident [1]
Dues for fraternal societies
Dues for homeowners associations
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 new mobile homes
Sales of used mobile homes
Registered race horses
Racehorses purchased through claiming races
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
Precious metal bullion and coins
Computer software transferred to affiliated corporations
Services to computer software
Self-use of computer software by its author
Promotional materials mailed out of state
U.S. postage used in the distribution of promotional materials

Exempt Organizations

New York State agencies and political subdivisions
Industrial development agencies
Federal agencies
United Nations
Diplomats and foreign missions
Charitable organizations
Veterans' posts or organizations
Indian nations and members of nations residing in New York
Purchases on U.S. military bases
Non-profit health maintenance organizations

[1] 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 Organizations, continued

Non-profit medical expense indemnity or
hospital service corporations
Rural electric cooperatives
Municipal trash removal services

Exempt Admission Charges

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

Credits

Sales tax vendor
Tangible property sold by contractors in certain situations
Certain veterinary drugs
Construction materials and supplies used in Economic Development Zones [1]
Omnibus carriers providing local transit service

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

Table 8

TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS FROM THE SALES TAX BASE [1]

Tax Year 1994

Program	($ Million) Amount
Interstate and International Telephone and Telegraph	131
Newspapers and Periodicals	35
Aviation Fuel Sold to Airlines	31
Water Delivered Through Mains or Pipes	29
Cable Television	21
Production Machinery and Equipment	20
Airline Food and Drink for In-Flight Consumption	6

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

Sales Tax

Interstate and International Telephone and Telegraph

Citation
Tax Law Section 1105(b)

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

Estimate
$131 million

Data Source
Federal Communications Commission

Newspapers and Periodicals

Citation
Tax Law Section 1115(a)(5)

Description
Newspapers and periodicals are exempt from sales and use tax.

Estimate
$35 million

Data Sources
Audit Bureau of Circulation

Aviation Fuel Sold to Airlines

Citation
Tax Law Section 1115(a)(9)

Description
Aviation fuel sold to airlines is tax exempt.

Estimate
$31 million

Data Source
Port Authority of New York and New Jersey

Water Delivered Through Mains or Pipes

Citation
Tax Law Section 1115(a)(2)

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

Estimate
$29 million

Data Source
NYC Department of Environmental Protection

Cable Television Service

Citation
Tax Law Section 1105(c)(9)

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

Estimate
$21 million

Source
New York State Department of Public Service

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
$20 million

Data Source
New York City Department of Finance

Airline Food and Drink for In-Flight Consumption

Citation
Tax Law Section 1105(d)(ii)(A)

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

Estimate
$6 million

Data Sources
Port Authority of NY and NJ
Air Transport World

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 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 TAXES SUBJECT TO TAXATION IN OTHER JURISDICTIONS

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	*Total No. of Taxing States*
Admissions and Amusements									
Admission to cultural events	Tax	Tax	--	--	Tax	--	Tax	--	31
Billiard parlors	--	Tax	--	--	Tax	--	Tax	--	25
Bowling alleys	--	Tax	--	--	Tax	--	Tax	--	27
Cable TV services	--	Tax	--	--	Tax	--	Tax	--	24
Pari-mutuel racing events	--	Tax	--	--	Tax	--	Tax	--	27
Pinball and other mechanical amusements	--	Tax	--	--	Tax	--	Tax	--	22
Automotive road and towing services	Tax	--	--	Tax	--	--	--	--	15
Business Services									
Advertising agency fees	--	Tax	--	--	--	--	--	--	8
Advertising time or space sales:									
Billboards	--	--	--	--	--	--	--	--	4
Radio and television, local advertising	--	--	--	--	--	--	--	--	4
Bail bond fees	--	--	--	--	--	--	--	--	5
Check and debt collection	--	--	--	Tax	--	--	Tax	--	8
Commercial art and graphic design	Tax	Tax	--	Tax	--	--	Tax	--	20
Commercial linen supply	--	--	--	Tax	--	--	Tax	--	33
Employment agencies	--	Tax	--	Tax	--	--	--	--	9
Lobbying and consulting	--	Tax	--	Tax	--	--	--	--	7
Marketing	--	--	--	--	--	--	--	--	6
Packing and crating	--	--	--	--	--	--	--	--	8
Process server fees	--	--	--	--	--	--	--	--	6
Public relations, management consulting	--	Tax	--	--	--	--	--	--	7
Secretarial and/or court reporting services	--	Tax	--	Tax	--	--	--	--	9
Sign construction and installation	--	Tax	Tax	Tax	--	--	--	--	21
Telemarketing services on contract	--	--	--	--	--	--	--	--	6
Temporary help agencies	--	Tax	--	Tax	--	--	--	--	10
Test laboratories (excluding medical)	--	--	--	--	--	--	--	--	8

Data for this table were excerpted from FTA Research Report No. 143, Sales Taxation of Services: An Update (April 1994), with updates as of June 30, 1995 of the sales tax changes in the states enumerated above.

Tax = taxed; -- = exempt

In Pennsylvania, court reporting services are exempt from sales tax.

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

SERVICES EXEMPT FROM NYC SALES TAX	NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	*Total No. of Taxing States*
	Sales Tax in Selected States								
Computer Services									
Mainframe access and processing	--	Tax	--	Tax	Tax	--	Tax	--	11
Software - custom programs - material	--	Tax	--	Tax	Tax	--	Tax	--	28
Software - custom programs - services	--	Tax	--	Tax	--	--	Tax	--	15
Construction									
Construction services	--	Tax	--	--	--	--	Tax	--	11
Gross income of contractors	--	Tax	--	--	--	--	Tax	--	11
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	--	--	--	--	--	--	--	--	4
Real estate management fees	--	--	--	--	--	--	--	--	6
Real estate title abstract services	--	--	--	--	--	--	--	--	6
Industrial and Mining Services									
Metal, non-metal and coal mining	--	--	--	--	--	--	--	--	6
Oil field services	--	--	--	--	--	--	Tax	--	10
Seismograph and geophysical services	--	--	--	--	--	--	--	--	7
Typesetting services	--	Tax	--	--	--	Tax	Tax	--	18
Leases and Rentals									
Chartered flights (with pilots)	--	--	Tax	--	--	Tax	--	--	10
Trailer parks - overnight	--	--	--	--	Tax	Tax	--	--	27
Packing and crating	--	--	--	--	--	--	--	--	7
Personal services									
Dating services	--	Tax	--	--	--	--	Tax	--	10
Debt counseling	--	Tax	--	--	--	--	--	--	7
Diaper service	--	--	--	--	--	--	Tax	--	23
Fishing and hunting guide services	--	--	--	--	--	--	--	--	9

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

SERVICES EXEMPT FROM NYC SALES TAX	NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	*Total No. of Taxing States*
	Sales Tax in Selected States								
Personal Services, continued									
Garment altering and repairing	--	Tax	--	--	Tax	--	Tax	--	19
Gift and package wrapping services	--	--	--	Tax	Tax	Tax	Tax	--	18
Income from funeral services	--	--	--	--	--	--	--	--	15
Laundry and dry cleaning, coin operated	--	--	--	--	--	--	--	--	8
Laundry and dry cleaning, non-coin	--	--	--	Tax	--	--	Tax	--	21
Personal instruction (golf,dance,tennis)	--	Tax	--	--	--	--	--	--	7
Shoe repair	--	Tax	--	--	Tax	--	Tax	--	21
Tax return preparation	--	Tax	--	--	--	--	--	--	7
Water softening and conditioning	--	--	--	Tax	--	--	--	--	14
Professional Services									
Accounting and bookkeeping	--	--	--	--	--	--	--	--	5
Attorneys	--	--	--	--	--	--	--	--	5
Dentists	--	--	--	--	--	--	--	--	4
Engineers	--	--	--	--	--	--	--	--	5
Land surveying	--	--	--	--	--	--	Tax	--	7
Medical test laboratories	--	--	--	--	--	--	--	--	4
Nursing services out-of-hospital	--	--	--	--	--	--	--	--	4
Physicians	--	--	--	--	--	--	--	--	4
Repair Services									
Labor repairs to comm'l fishing vessels	--	Tax	--	Tax	Tax	--	--	--	13
Labor repairs to interstate vessels	--	Tax	--	Tax	Tax	--	--	--	12
Travel agent services	--	--	--	--	--	--	--	--	3
Utilities - Industrial									
Interstate telephone and telegraph	Tax	Tax	Tax	Tax	Tax	--	Tax	Tax	20
Water	--	--	--	--	--	--	--	--	20
Utilities - Residential									
Interstate telephone and telegraph	Tax	Tax	Tax	Tax	--	--	Tax	Tax	19
Water	--	--	--	--	--	--	--	--	12

Florida imposes a sales tax rate of 7% on telephone services.

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

SERVICES EXEMPT FROM NYC SALES TAX	NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	*Total No. of Taxing States*
	Sales Tax in Selected States								
Utility and Transportation									
Income from intrastate transportation	--	--	--	--	--	--	--	--	10
Income from taxi operations	--	--	--	--	--	--	--	--	7
Interstate air courier (billed in-state)	--	--	--	--	--	--	--	--	1
Intrastate courier service	--	--	--	--	--	--	--	--	6
Local intra-city buses	--	--	--	--	--	--	--	--	5
Marina towing	--	--	--	--	--	--	--	--	7
Veterinary Services	--	--	--	--	--	--	--	--	4

Part IV: Personal Income Tax Expenditures

NEW YORK CITY PERSONAL INCOME TAX MODIFICATIONS, 1993

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

Federal Exclusions to Income

Tax Year 1993

IRA and Keogh Contributions
Exclusion of Income Earned Abroad by U.S. Citizens
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 Scholarship and Fellowship Income
Exclusion of Employee Meals and Lodging
Exclusion of Public Assistance Benefits
Exclusion of Veterans' Benefits
Exclusion of Employer Contributions for Medical Insurance and Care
Exclusion of Employer Contributions for Employee Pensions
Exclusion of Workers' Compensation Benefits
Exclusion of Employer-Provided Child Care
Exclusion of Benefits and Allowances to Armed Forces Personnel
Exclusion of Employer-Paid Premiums on Life and Accident Disability Insurance
Exclusion of Interest on Life Insurance Policy and Annuity Cash Value
Exclusion of Interest on Qualified New York State and Local Bonds
Expensing of Exploration and Development Costs of Oil and Gas
ACRS Depreciation (New York property only) and
    Expense Deduction in Lieu of Depreciation
Amortization of Business Start-Up Costs
Capital Gains at Death
Farm Income Stabilization: Expenses of Capital Outlays
Capital Asset Treatment of Timber Income, Iron Ore and Coal Royalties
Expensing of Research and Development Costs
Amortization of Pollution Control Facilities and Reforestation Expenditures
Exclusion of Social Security and Tier I Railroad Retirement Benefits

Federal Exclusions Added Since 1993

Exclusion of Capital Gains from Small Business Stock
Exclusion of Employer-Provided Education Assistance
Expensing up to $17,500 on Certain Depreciable Business Property
Deferred Tax on Installment Sales

New York State Modifications

Tax Year 1993

Pension and Annuity Income Exclusion
Exclusion of Social Security and Tier I Railroad Retirement Benefits
    (Taxable Social Security for Federal Purposes but New York Exempt)
Exclusion of Interest on U.S. Obligations
Exclusion of Pensions, Annuities, and Interest Paid
    by State and Municipal Retirement Systems
Exclusion of Pensions, Annuities, and Interest Paid by Federal Retirement Systems
Disability Income Exclusion
Exclusion of Interest or Dividends on Obligations or Securities of a U.S. Agency
Exclusion of Interest or Dividends on Obligations Federally Taxable but New York Exempt

New York Modifications Added Since 1993

Exclusion of Accelerated Death Benefits and Viatical Settlements
Exclusion of Long-Term Care Insurance Premiums

New York State Deductions and Exemptions

Standard Deduction (1993)

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

Itemized Deductions
- Medical and Dental Deduction (subject to 7.5% threshold)
- Interest Deduction
- Charitable Contribution Deduction
- Casualty and Theft Deduction
- Taxes Paid Deduction
- Moving Expenses Deduction
- Miscellaneous Deductions (subject to 2% AGI threshold)
- Other Miscellaneous Deductions

Dependent Exemptions
- $1,000 Exemption per Dependent

New York City Tax Credits

Household Credit

Components of Adjusted Gross Income and Summary of Deductions and Credits

The data presented in this section regarding the 1993 New York City Personal Income Tax (PIT) is based on a statistical sample of approximately 26,000 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 was nearly 2.4 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 $9.8 million in 1993.

The data presented in this section 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 5.6 percent, from $98.7 billion to $93.2 billion. Of the $19.7 billion in deductions applied against New York AGI, approximately 60 percent was attributable to the standard deduction. Dependent exemptions totaling $1.4 billion brought taxable income to $72.1 billion. The $2.7 billion liability attributable to this taxable income reflects an overall average tax rate of 3.8 percent.

Table 9

NEW YORK CITY PERSONAL INCOME TAX
COMPONENTS OF ADJUSTED GROSS INCOME (AGI)
TAX YEAR 1993
($ Millions)

INCOME		
Wages and Salaries	72,386	
Dividend and Interest	8,086	
Business Income	4,003	
Capital Gains	6,759	
Social Security, Pension, IRA	5,014	
Other Income [1]	2,805	
Federal Adjustments [2]	(994)	
FEDERAL AGI [3]		98,695
NY ADJUSTMENTS		
Pension Exclusion	(2,060)	
US Government Bond Interest	(1,282)	
State and Local Tax Refunds	(675)	
Taxable Social Security Benefits	(730)	
State and Local Bond Interest [4]	168	
Other	(1,086)	
NY STATE AGI [5]	93,189	

[1] Other Income includes taxable tax refunds, unemployment compensation and alimony received.

[2] Federal Adjustments include IRA and Keogh plan contributions, alimony paid and deduction for self-employment tax.

[3] Components of income provided above do not add to AGI total because they include losses for certain taxpayers that were unusable in TY 1993.

[4] Interest income on state and local bonds does not include those of governments within the state.

[5] Modifications to Federal AGI provided above do not net to NY AGI because they include amoounts unusable by certain taxpayers in TY 1993.

Table 10

NEW YORK CITY PERSONAL INCOME TAX
SUMMARY OF DEDUCTIONS AND CREDITS
TAX YEAR 1993
($ Millions)

DEDUCTIONS		
ITEMIZED DEDUCTIONS		
Taxes Paid	5,395	
Interest Paid	3,616	
Contributions	2,424	
Medical expenses	814	
2% Miscellaneous Expenses [1]	1,439	
Other Miscellaneous Expenses [2]	152	
Federal High-Income Limitation [3]	(527)	
TOTAL FEDERAL ITEMIZED DEDUCTIONS		13,311
NY ADJUSTMENTS		
State and Local Income Taxes	(4,338)	
NYS Addition Adjustments [4]	5	
State High-Income Limitation [5]	(1,013)	
TOTAL ITEMIZED DEDUCTIONS		7,965
TOTAL STANDARD DEDUCTION		13,514
UNUSED DEDUCTIONS [6]		(1,805)
TOTAL DEDUCTIONS APPLIED		19,674
EXEMPTIONS		
TOTAL EXEMPTIONS		1,785
TOTAL EXEMPTIONS APPLIED		1,408
TAXABLE INCOME		72,106
NYC RESIDENT TAX		2,756
NYC Household Credit	(10)	
Other Taxes [7]	3	
TOTAL NYC TAX LIABILITY		2,750

Table 10
(continued)

[1] 2% Miscellaneous deductions are expenses such as education and employee expenses subject to a 2% of AGI threshold.

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

[3] The Federal high-income limitation reduces itemized deductions for filers with Federal AGI exceeding $108,450.

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

[5] The State high-income limitation reduces itemized deductions for filers with NY AGI exceeding $100,000.

[6] Unused deductions represent the amount by which the allowable deductions exceed NY AGI.

[7] Other taxes include the New York City minimum tax.

PART V

SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES

Introduction

In accordance with the requirements of the City Charter, this section summarizes audits and evaluations of City tax expenditures conducted during the previous two years. Two evaluations meet this criterion: the Local Law 69 Report and the Industrial and Commercial Incentive Program (ICIP) Report.

New York City Economic Development Corporation, Local Law 69 Report, January 31, 1996

Summary

Local Law 69 (LL69) was approved by the Mayor on August 17, 1993 and requires the Economic Development Corporation (EDC) to submit an annual report to the City Council on certain projects undertaken by EDC for the purpose of job creation and retention. The report is mandated to contain:

- Descriptive data on selected EDC projects for seven years following the year in which assistance was first provided;
- Calculation of the amount of City assistance (City Costs) provided to businesses involved in these projects; and
- Estimates of the amount of retained or additional tax revenues generated (City Benefits) by the projects.

The general purpose of LL69 is to provide the City Council with a rough criterion to measure how successful EDC's economic development initiatives have been.

Tax incentives are the major element in the calculation of City Costs and are comprised of a combination of as-of-right and discretionary programs. As-of-right assistance is available as a matter of law to any eligible tenant, borrower, or purchaser. Included here are the Industrial and Commercial Incentive Program (ICIP), the Commercial Rent Tax (CRT) special reduction program, and the Relocation Employment Assistance Program (REAP). Discretionary assistance must be specifically applied for and is subject to approval by the agency or jurisdiction. This category includes Payments in Lieu of Taxes (PILOTs), the Mortgage Recording Tax (MRT) waiver, and Sales Tax exemptions. Reductions, abatements in or exemptions from each of these taxes provide eligible businesses with incentives to relocate to New York, remain here or continue to grow.

City Benefits calculations include: *Company Direct Impacts* or tax revenues generated directly by the company receiving assistance, e.g., business income, real property, sales and employee personal income; *Indirect Impacts* or taxes generated directly by various vendors, suppliers and service organizations that provides essential goods and services that the company receiving City assistance requires; and *Induced Impacts* or household spending of those residents whose employment depends directly or indirectly on the company receiving assistance, which consists of food, clothing, shelter, child care and other expenses related to living in the City.

The Regional Input-Output Modeling System (RIMS II) model developed by the United States Department of Commerce's Bureau of Economic Analysis for EDC was used to estimate the macroeconomic impact of EDC development projects. Input-output analysis is an accounting framework that shows the inter-relationships between sectors of the economy and reveals how various parts relate to each other and to the whole. Input-output analysis essentially quantifies the extent to which a given sector contributes to keeping dollars circulating within the economy.

This report provides data collected on 277 individual EDC projects. The underlying working assumption for the LL69 analysis is that the LL69 companies would have left New York City, delayed or abandoned plans to expand, open or relocate in New York City or, closed shop if it were not for the intervention of EDC. Based on this assumption, the LL69 analysis reveals that EDC's economic initiatives associated with qualifying projects are projected to cost the City $452 million for the analysis period FY 1988 to FY 2002, but return to the City $4.1 billion in City Benefits over the same period. Thus, the Net Benefit to the City is projected to be nearly $3.7 billion. Further, the 277 LL69 projects involve the projected retention of 58,064 jobs and the projected creation of 9,256 jobs through the FY 2002 projected reporting period.

New York City Department of Finance, Annual Report to the City Council on the Industrial and Commercial Incentive Program, April, 1994

Summary

The Industrial and Commercial Incentive Program (ICIP) was created on November 5, 1984 to stimulate economic development, particularly in economically depressed areas outside Manhattan's central business district. Specifically, the program offers property tax exemptions or permits the deferral of tax liability to encourage new construction or the modernization of existing industrial and commercial structures. The ICIP operates on an "as-of-right" basis, granting benefits to any projects meeting the eligibility and administrative requirements. By utilizing this "as-of-right" philosophy, the ICIP replaced the discretionary exemptions that were granted on a case-by-case basis by a previous program, the Industrial and Commercial Incentive Board (ICIB).

Although ICIP's authority expired on June 30, 1992, legislation has allowed the City of New York to restructure the program and to extend its life to June 30, 1999. Increased benefits will accrue to economically distressed neighborhoods in Brooklyn, Queens, the Bronx, Staten Island, and in Manhattan north of 96th Street. Additionally, the newly designed ICIP encourages the renovation of aging office buildings in lower and midtown Manhattan.

In fiscal 1993, the last year of the original structure of the ICIP, the program included 1,513 projects either receiving or eligible for exemption from real estate taxes, an increase of more than 160 projects from the previous fiscal year. There were 1,103 projects Citywide receiving benefits totalling $125 million, and an additional 410 projects which carry no exempt value but which are eligible for the benefit. The vast majority of the projects, 94 percent, are located outside Manhattan, although the benefits provided for these areas total only $63 million. As of March 31, 1993 there were also 1,388 preliminary applications for ICIP benefits on file with the Department.

In 1993, one third of the projects receiving ICIP exemptions were for rehabilitation and alteration of existing structures, accounting for $14 million in exempt dollars. Additionally, over 80 percent of all ICIP projects have construction costs of less than $1 million. Forty-nine percent of the benefits granted in 1993, or $61.2 million, were for projects located in deferral areas such as Manhattan and under the provisions of the ICIP program will be repaid to the City. Businesses participating in the ICIP program are expected to generate 99,860 jobs Citywide when the projects are completed.

PART VI

DESCRIPTIONS OF MAJOR NEW YORK CITY TAXES

This section outlines the main features of New York City's major taxes and legislation affecting City taxes enacted since the publication of the FY 1994 Tax Expenditure Report.

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 mills 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 of the base rent paid by tenants of premises used to conduct any business, professional or commercial activity.

Effective September 1, 1995, the commercial rent tax was eliminated in Manhattan north of 96th street and in the other boroughs. In addition, the taxable threshold was increased to annual rent or annualized rent for part-year filers of $40,000. Tenants with rents below this level are exempt from the tax. In addition, a sliding-scale credit was established for tenants with annual rents between $40,000 and $59,999. Effective for tax years beginning on or after June 1, 1996, the effective tax rate of the Commercial Rent Tax has been reduced to 4.5 percent.

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; [1]

(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.

[1] Legislation enacted in 1996 reforms the income-plus-compensation base. When fully effective, the officers' addback provision will be eliminated.

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 1996 range from 2.96 percent to 4.46 percent.

The non-resident earnings tax is imposed at the rate of 0.45 percent on wages earned and 0.65 percent on net earnings 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 1996 the real property tax rates are as follows:

(1) For Class 1, the tax rate is $10.725 per $100 of assessed value.

(2) For Class 2, the tax rate is $10.807 per $100 of assessed value.

(3) For Class 3, the tax rate is $7.922 per $100 of assessed value.

(4) For Class 4, the tax rate is $10.402 per $100 of assessed value.

Major New York City Taxes

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. (Manhattan residents who meet certain conditions are exempt from the 8 percent tax.)

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.

Recent NYC Tax Program Legislation

This section provides a brief summary of significant New York City tax law changes that have been enacted since the publication of the City's FY 1994 tax expenditure report. These changes are also noted in the sections of this report that describe the individual tax expenditure items to which they relate.

Commercial Rent Tax Reduction (CRT)

Citation: NYC Local Law 57 of 1995

Effective September 1, 1995, the CRT was eliminated in Manhattan north of 96th street and in the other boroughs. In Manhattan south of 96th street, the taxable threshold was increased to $40,000 and a sliding-scale credit was enacted for tenants with rents between $40,000 and $59,999. Effective June 1, 1996, the CRT's effective tax rate was reduced to 4.5 percent.

Commercial Revitalization Program

Citation: Chapter 4, NYS Laws of 1995

Designed to stimulate economic development in lower Manhattan and elsewhere in the City, this program provides an array of tax benefits for eligible commercial tenants and for residential and mixed-use building conversions. The program is described in detail on pages 36-39 of this report.

Industrial and Commercial Incentive Program (ICIP) Revisions

Citation: Chapter 661, NYS Laws of 1995 and NYC Local Law 58 of 1995

Various enhancements were provided under the ICIP program, including the extension of the benefit for building renovations in certain areas of midtown Manhattan and the adoption of a benefit for the construction of "smart buildings" in Manhattan below 96th street. These enhancements are described in more detail on pages 32-33 of this report.

Interior Decorating Sales Tax

Citation: Chapters 297 and 298, NYS Laws of 1995

The City's 4 percent sales and use taxes on interior decorating and design services were repealed, effective December 1, 1995.

Cooperative/Condominium Property Tax Relief

Citation: Chapter 273 of NYS Laws of 1996

The Real Property Tax Law has been amended to provide a partial abatement of real estate taxes for cooperative and condominium apartment owners whose properties are classified as Tax Class Two. The three-year abatement program is intended to partially close the gap in tax burden between cooperative and condominium homeowners and Class One homeowners.

Unincorporated Business Tax (UBT) Relief/Reform

Citation: Chapter 128 of NYS Laws of 1996

In an effort to reduce the burden of the UBT on small firms, the UBT credit has been increased so that, effective for tax years beginning after 1996, taxpayers with liability up to $1,000 will receive full tax relief and those with liabilities between $1,001 and $2,000 will receive partial relief. In addition, various provisions of the UBT have been reformed to ease administration of the tax, create greater conformity between the UBT and the City's general corporation tax (GCT) and to promote local economic development.

Business Tax Reform

Citation: S.7635-B (awaiting Governor's signature)

This legislation includes various City business tax reform proposals, including reform of the GCT alternative tax base measured by income plus compensation paid to officers and certain shareholders; elimination of the regular place of business requirement as a prerequisite to apportionment of income within and without the City; and double-weighting of the receipts factor of the business allocation formula utilized by taxpayers engaged in manufacturing.

Senior Citizen Homeowners' Real Estate Tax Exemption (SCHE)/ Senior Citizen Rent Increase Exemption (SCRIE)

Citation: NYC Local Laws 1, 2, 40 and 75 of 1996

The income eligibility ceiling for SCRIE benefits has been increased from $16,500 to $20,000; the ownership period requirement for SCHE eligibility has been reduced from two years to one year; SCHE exemption benefits have been extended to qualifying owners of cooperative apartments; the income ceiling for the basic 50 percent SCHE exemption has been increased from $17,500 to $18,500; and an additional bracket has been added to the SCHE exemption schedule so as to allow a 5 percent exemption where a senior citizen's income is between $26,000 and $26,899. SCHE and SCRIE are described on pages 26-28 of this report.

Lessee's Parking Tax Exemption

Citation: NYC Local Law 74 of 1996

This measure allows Manhattan residents who lease their cars under a lease for one year or more to claim the exemption from the 8 percent Manhattan parking tax that is currently available to Manhattan residents who own their vehicles. This measure takes effect December 1, 1996.

Sales Tax Exemption: Production Items

Citation: Chapter 366 of NYS Laws of 1996

This measure allows a City sales tax exemption for parts, tools, supplies and services used in the production process and conforms City law in this area to State law. This measure takes effect September 1, 1996.

APPENDICES

INTRODUCTION

This section includes:

Appendix I	New York City Charter Section 240
Appendix II	Calculation of Average NYC Taxes Per Worker
Appendix III	NYC Taxes Directly Related to City Employment
Appendix IV	Real Property Tax Expenditure Statistical Supplement FY 1996
Appendix V	Real Property Tax Expenditure FY 1995

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

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 1994 and tax data are for tax year 1994, which roughly corresponds to calendar year 1994.

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, Transportation-Communications-Utilities and Government.

In previous issues of this report, the average taxes-per-worker calculations were used to conduct a "break-even" analysis of selected tax expenditure programs. The analysis calculated the amount of measurable benefits which would have to be achieved in order to offset known program costs and was used to help evaluate the programs. This year's report does not include a detailed review of any tax expenditure program.

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	$4,491	$5,762
Services	2,054	2,645
Manufacturing	2,533	3,164
Wholesale Trade	2,579	2,838
Transport & Public Utilities	2,055	2,055
Construction	1,984	1,984
Retail Trade	1,385	2,022
Government	1,167	1,382
ALL SECTORS	**$2,254**	**$2,818**

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 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 III

NYC TAXES DIRECTLY RELATED TO CITY EMPLOYMENT BY INDUSTRY SECTOR TAX YEAR 1994

The ranking of industry sectors based on the City taxes directly attributable to them, is derived from the taxes-per-worker analysis described in Appendix II and utilizes the same methodological assumptions. For taxes paid by businesses, aggregate City tax liability is sorted by industry sector. For taxes paid by individuals, average taxes per worker calculated by industry sector are multiplied by industry-sector employment levels to determine the aggregate individual taxes attributable to the sectors. The two amounts are combined to provide the total taxes directly attributable to an industry sector. As in the average taxes-per-worker analysis, the calculation of total taxes is not intended to capture marginal revenues resulting from new employment, either directly or indirectly through "multiplier effects."

The first table presented below provides a ranking of one-digit industry sectors in descending order of total taxes attributable to the sectors. Following is a more detailed two-digit industry sector listing. For comparison purposes, the average taxes-per-worker and NYC employment rankings of the industry sectors are provided.

Please note that for several two-digit sectors, the average taxes-per-worker numbers are atypically high. This is due to the presence in the City of management offices and employees with relatively high City tax liabilities compared to the number of City workers employed in those sectors. Thus, for example, Petroleum Refining is ranked first in average taxes per worker but last in City employment.

NYC Taxes Directly Related to City Employment [1]
By One-Digit Industry Sector
Tax Year 1994 [2]

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
	All Industries	9,134.4	2,818.48		
	Private	8,380.7	3,109.00		
1	FIRE	2,744.3	$5,762.31	1	3
2	Services	2,955.5	$2,645.31	6	1
3	Government	753.7	$1,382.24	10	2
4	Retail Trade	705.2	$2,021.84	8	4
5	Nondurable Manufacturing	686.5	$3,263.65	3	5
6	Wholesale Trade	512.0	$2,838.31	5	7
7	Transport & Public Utility	404.1	$2,054.71	7	6
8	Durable Manufacturing	197.5	$2,861.63	4	9
9	Construction	170.6	$1,983.72	9	8
10	Agriculture, Forestry, Fisheries	3.3	$1,145.26	11	10
11	Mining	1.4	$4,512.58	2	11

[1] Employment numbers are from the NYS Department of Labor Unemployment Insurance Series (ES 202), which matches the data and industry sectors used to calculate the average taxes-per-worker. The ES 202 data slightly understates NYC employment since it does not include employees not covered by unemployment insurance. Taxes included in the calculations are: Real Property Tax (Class 4 Buildings only), Banking Corporation Tax, General Corporation Tax, Unincorporated Business Tax, Utility Tax, Commercial Rent Tax, Personal Income Tax, and Sales Tax. Minor taxes not directly related to primary City business activities are not included.

[2] See Appendix II for discussion of methodology.

NYC Taxes Directly Related to City Employment
By Two-Digit Industry Sector
Tax Year 1994

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
1	Security & Commodities	1,102,382,482	$7,586.89	4	4
2	Depository Institutions	804,910,085	$6,174.99	7	6
3	Business Services	626,521,810	$2,890.86	25	3
4	Medical & Other Health Services	581,360,037	$1,979.41	47	2
5	Local Government	562,946,020	$1,305.15	61	1
6	Legal Services	428,533,801	$6,153.38	8	15
7	Engineering, Accounting & Related	315,499,730	$3,519.28	15	11
8	Real Estate	301,297,117	$3,077.76	22	9
9	Nondurable Wholesale Trade	292,624,705	$2,807.01	29	8
10	Printing & Publishing	280,740,564	$3,817.63	12	14
11	Holding & Other Investments	223,649,170	$13,359.37	3	40
12	Durable Wholesale Trade	219,389,643	$2,881.17	26	13
13	Communication	185,291,801	$3,193.58	20	18
14	Social Services	178,248,223	$1,228.39	63	5
15	Apparel	172,950,409	$2,217.91	43	12
16	Eating & Drinking Places	169,472,768	$1,400.83	59	7
17	Miscellaneous Retail	162,111,082	$2,863.50	27	19
18	Insurance Carriers	153,270,168	$2,835.50	28	21
19	Hotels	150,489,396	$4,733.26	9	28
20	Educational Services	140,380,173	$1,518.03	57	10
21	Amusement & Recreation	122,108,371	$3,416.86	18	26
22	Federal Government	116,958,477	$1,747.37	52	16
23	Special Trade Contractors	109,122,044	$1,807.43	50	17
24	Insurance Agents, Brokers, Services	108,884,965	$4,453.74	10	32
25	Chemicals & Allied Products	106,828,695	$7,162.02	5	42
26	Apparel & Accessories	104,144,780	$2,477.99	33	23
27	Motion Pictures	97,990,940	$3,454.03	17	30
28	Food Stores	85,287,749	$1,512.86	58	20
29	State Government	78,380,890	$1,667.61	55	22
30	General Merchandise	77,884,943	$2,256.49	41	27
31	Air Transportation	70,281,359	$1,684.03	54	24
32	Membership Organizations	66,536,489	$1,773.60	51	25
33	Electrical Equipment	59,612,277	$4,232.92	11	43
34	Miscellaneous Manufacturing Industries	50,975,651	$2,249.69	42	33
35	Nondepository Institutions	49,676,686	$6,652.83	6	52

NYC Taxes Directly Related to City Employment
By Two-Digit Industry Sector
Tax Year 1994

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
36	Automotive Repair & Garages	47,513,473	$2,378.41	37	36
37	Personal Services	45,503,871	$1,732.82	53	31
38	Auto Dealers & Gas Stations	45,414,344	$3,535.02	14	45
39	Food & Kindered Products	45,044,844	$2,930.51	23	41
40	General Building Contractors	41,191,246	$2,424.44	34	39
41	Motor Freight & Warehousing	39,354,938	$1,304.14	62	29
42	Electric, Gas & Sanitary	38,590,542	$1,886.98	49	35
43	Furniture Homefurnishings	36,516,350	$2,084.74	46	38
44	Transportation Services	34,922,740	$1,667.35	56	34
45	Textile Mill Products	30,657,725	$2,526.60	32	46
46	Building Materials	24,357,217	$3,078.90	21	50
47	Local & Suburban Transit	24,302,838	$1,220.57	64	37
48	Fabricated Metal Products	23,726,088	$2,402.89	36	47
49	Miscellaneous Repair Services	23,355,252	$3,658.98	13	53
50	General Contractors other than Bldgs	19,624,087	$2,267.11	40	48
51	Paper & Allied Products	17,925,784	$2,335.91	38	51
52	Industrial & Commercial Machinery	15,647,768	$2,776.89	30	54
53	Tobacco Products	14,842,459	$16,185.89	2	64
54	Instruments, Photo & Optical Goods	14,354,178	$3,501.87	16	58
55	Private Households	11,858,131	$848.71	65	44
56	Water Transportation	11,360,680	$2,090.67	45	55
57	Museums, Art Galleries & Gardens	10,577,040	$1,305.32	60	49
58	Furniture & Fixtures	9,662,729	$2,306.14	39	57
59	Rubber & Miscellaneous Plastics	8,267,962	$1,933.12	48	56
60	Leather & Leather Products	7,203,819	$2,095.35	44	59
61	Stone, Clay & Glass	6,777,792	$2,915.18	24	61
62	Lumber & Wood	6,288,073	$2,423.15	35	60
63	Transportation Equipment	5,892,589	$2,673.59	31	62
64	Primary Metal Industries	4,569,791	$3,372.54	19	63
65	Petroleum Refining	2,001,701	$21,757.62	1	65

APPENDIX IV

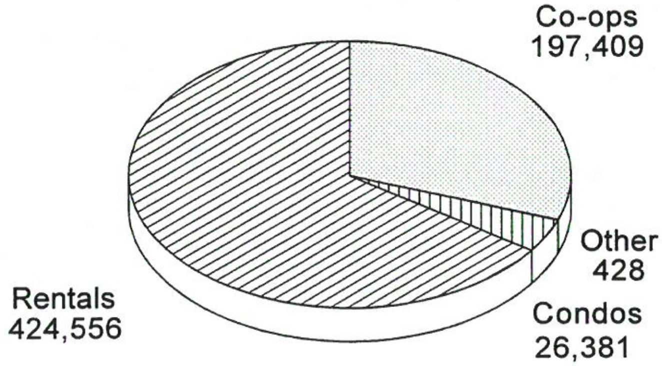
REAL PROPERTY TAX EXPENDITURE STATISTICAL SUPPLEMENT FY 1996

Included in the 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.

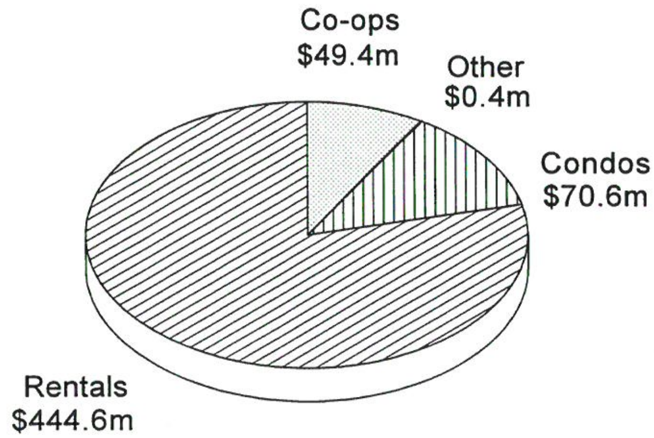
It should be noted that the number of exemptions presented in Part II of this report may not equal the number of properties presented in this appendix. For example, a single property may receive more than one J-51 exemption if the rehabilitation of the property consisted of separate improvements initiated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

Distribution by Housing Type
J-51 Program

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions and Abatements
By Borough and Property Type

Program: J-51

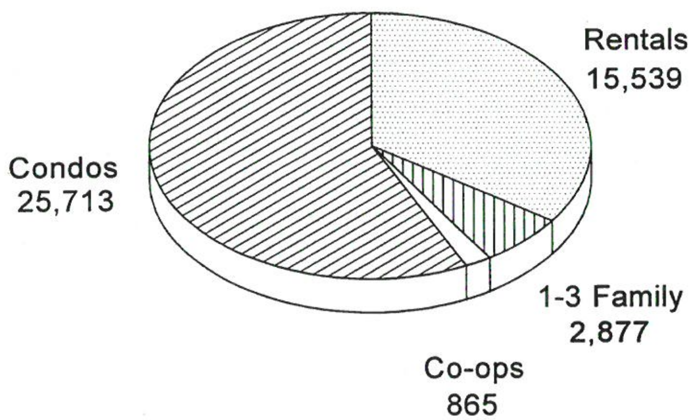
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Total Units	364	33	34	269	25	3
	Exemption Units	151	12	17	113	6	3
	Abatement Only Units	213	21	17	156	19	0
	Exempt Assessed Value	$0.3	$0.0	$0.0	$0.3	$0.0	$0.0
	Taxable Assessed Value	$1.8	$0.3	$0.0	$1.2	$0.2	$0.0
	Total Abatement	$0.1	$0.0	$0.0	$0.1	$0.0	$0.0
Condos	Total Units	26,381	8,354	9,792	3,625	4,131	479
	Exemption Units	4,780	1,399	85	2,247	804	245
	Abatement Only Units	21,601	6,955	9,707	1,378	3,327	234
	Exempt Assessed Value	$70.6	$27.3	$1.3	$34.8	$4.4	$2.8
	Taxable Assessed Value	$698.7	$510.9	$60.3	$36.5	$85.9	$5.2
	Total Abatement	$7.8	$4.2	$0.3	$1.7	$1.4	$0.2
Cooperatives	Total Units	197,409	56,928	18,010	43,529	77,999	943
	Exemption Units	12,479	1,269	5,739	2,767	2,576	128
	Abatement Only Units	184,930	55,659	12,271	40,762	75,423	815
	Exempt Assessed Value	$49.4	$13.6	$4.0	$25.6	$5.4	$0.8
	Taxable Assessed Value	$3,014.9	$1,254.7	$249.2	$504.2	$994.4	$12.6
	Total Abatement	$27.2	$8.5	$2.1	$7.3	$9.1	$0.2
Rentals	Total Units	424,556	113,122	107,804	117,150	84,063	2,417
	Exemption Units	78,406	11,992	45,526	16,550	4,131	207
	Abatement Only Units	346,150	101,130	62,278	100,600	79,932	2,210
	Exempt Assessed Value	$444.6	$100.2	$238.1	$94.6	$11.4	$0.3
	Taxable Assessed Value	$4,135.7	$1,572.7	$660.4	$972.7	$909.0	$21.0
	Total Abatement	$73.4	$21.4	$20.1	$20.6	$11.1	$0.2
Mixed Use[1]	Total Units	64	4	6	52	2	0
	Exemption Units	20	0	0	20	0	0
	Abatement Only Units	44	4	6	32	2	0
	Exempt Assessed Value	$0.1	$0.0	$0.0	$0.1	$0.0	$0.0
	Taxable Assessed Value	$0.7	$0.2	$0.3	$0.2	$0.0	$0.0
	Total Abatement	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Total Units	648,774	178,441	135,646	164,625	166,220	3,842
	Exemption Units	95,836	14,672	51,367	21,697	7,517	583
	Abatement Only Units	552,938	163,769	84,279	142,928	158,703	3,259
	Exempt Assessed Value	$565.0	$141.1	$243.4	$155.4	$21.2	$3.9
	Taxable Assessed Value	$7,851.8	$3,338.7	$970.1	$1,514.7	$1,989.5	$38.7
	Total Abatement	$108.6	$34.1	$22.5	$29.6	$21.6	$0.7
	Number of Properties With Unit Data	38,830	12,019	12,348	7,678	6,267	518
	Number of Properties Without Unit Data	17	7	1	9	0	0

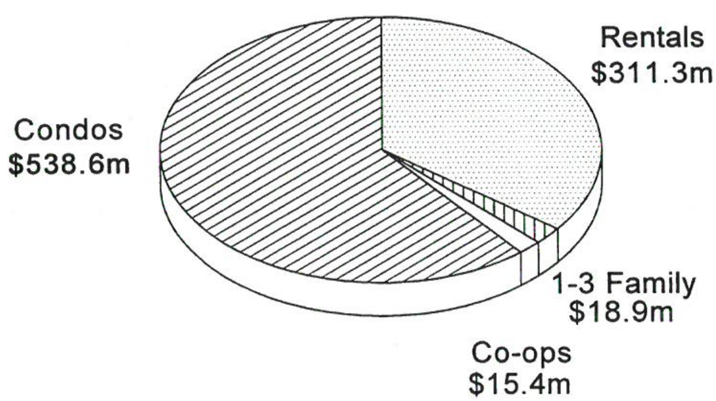
[1] Mixed Used properties include structures that combine residential with retail or office uses.

Distribution 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

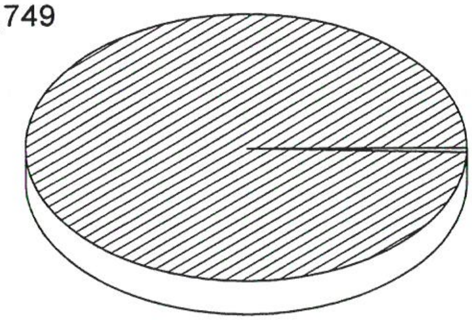
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	2,877	0	1,065	930	881	1
	Exempt Assessed Value	$18.9	$0.0	$6.5	$6.8	$5.5	$0.1
	Taxable Assessed Value	$7.9	$0.0	$1.6	$3.7	$2.5	$0.0
Condos	Number of Units	25,713	13,169	724	2,905	5,131	3,784
	Exempt Assessed Value	$538.6	$359.7	$16.0	$53.5	$84.8	$24.8
	Taxable Assessed Value	$603.9	$536.9	$2.6	$11.8	$37.4	$15.0
Cooperatives	Number of Units	865	543	78	244	0	0
	Exempt Assessed Value	$15.4	$12.5	$1.3	$1.5	$0.0	$0.0
	Taxable Assessed Value	$22.3	$17.1	$1.4	$3.8	$0.0	$0.0
Rentals	Number of Units	15,539	10,919	547	858	2,990	225
	Exempt Assessed Value	$311.3	$212.5	$11.0	$26.2	$56.3	$5.1
	Taxable Assessed Value	$375.4	$360.0	$1.4	$2.8	$11.3	$0.1
Mixed Use[1]	Number of Units	19	0	0	6	13	0
	Exempt Assessed Value	$0.6	$0.0	$0.0	$0.2	$0.4	$0.0
	Taxable Assessed Value	$0.7	$0.0	$0.0	$0.1	$0.6	$0.0
All	Number of Units	45,013	24,631	2,414	4,943	9,015	4,010
	Exempt Assessed Value	$884.8	$584.7	$34.9	$88.2	$147.0	$30.0
	Taxable Assessed Value	$1,010.2	$914.0	$7.0	$22.2	$51.9	$15.2
	Number of Properties With Unit Data	26,863	13,090	1,111	3,274	5,659	3,729
	Number of Properties Without Unit Data	3,204	906	315	1,027	574	382

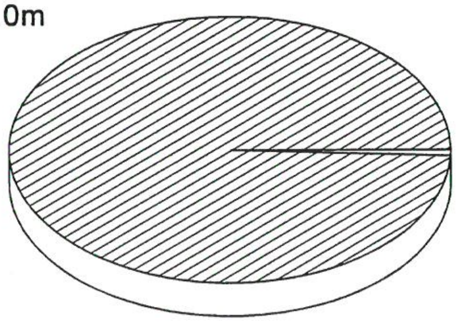
[1] Mixed Used properties include structures that combine residential with retail or office uses.

Distribution 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

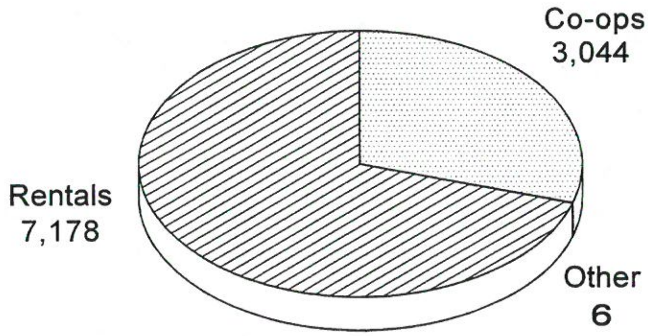
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	20,749	20	2,786	2,258	4,042	11,643
	Exempt Assessed Value	$95.0	$0.2	$10.1	$11.0	$7.3	$66.5
	Taxable Assessed Value	$736.1	$0.7	$12.4	$15.5	$32.2	$97.3
Condos	Number of Units	38	14	0	8	16	0
	Exempt Assessed Value	$0.5	$0.2	$0.0	$0.2	$0.1	$0.0
	Taxable Assessed Value	$0.4	$0.2	$0.0	$0.1	$0.1	$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	79	0	0	19	56	4
	Exempt Assessed Value	$0.2	$0.0	$0.0	$0.0	$0.1	$0.0
	Taxable Assessed Value	$0.6	$0.0	$0.0	$0.1	$0.4	$0.0
Mixed Use[1]	Number of Units	18	0	0	6	4	8
	Exempt Assessed Value	$0.4	$0.0	$0.0	$0.0	$0.0	$0.3
	Taxable Assessed Value	$0.3	$0.0	$0.0	$0.0	$0.1	$0.2
All	Number of Units	20,884	34	2,786	2,291	4,118	11,655
	Exempt Assessed Value	$96.1	$0.4	$10.1	$11.3	$7.5	$66.8
	Taxable Assessed Value	$159.4	$0.9	$12.4	$15.8	$32.7	$97.6
	Number of Properties With Unit Data	14,013	28	1,601	1,394	994	9,996
	Number of Properties Without Unit Data	834	2	0	16	2	814

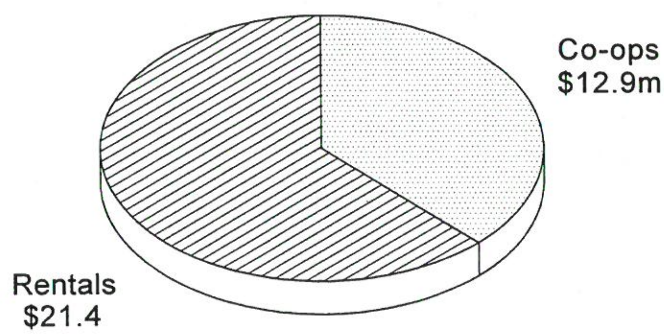
[1] Mixed Used properties include structures that combine residential with retail or office uses.

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)

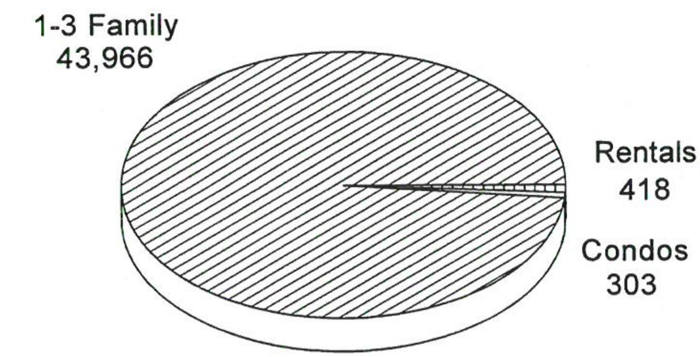
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	6	6	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cooperatives	Number of Units	3,044	1,831	554	659	0	0
	Exempt Assessed Value	$12.9	$9.4	$1.2	$2.3	$0.0	$0.0
	Taxable Assessed Value	$14.0	$8.6	$2.4	$3.0	$0.0	$0.0
Rentals	Number of Units	7,178	2,598	2,625	1,898	57	0
	Exempt Assessed Value	$21.4	$11.1	$6.6	$3.5	$0.2	$0.0
	Taxable Assessed Value	$32.3	$12.5	$11.2	$8.3	$0.3	$0.0
Mixed Use[1]	Number of Units	7	0	0	7	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	10,235	4,435	3,179	2,564	57	0
	Exempt Assessed Value	$34.3	$20.5	$7.8	$5.8	$0.2	$0.0
	Taxable Assessed Value	$46.4	$21.2	$13.6	$11.3	$0.3	$0.0
	Number of Properties With Unit Data	442	215	99	125	3	0
	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.

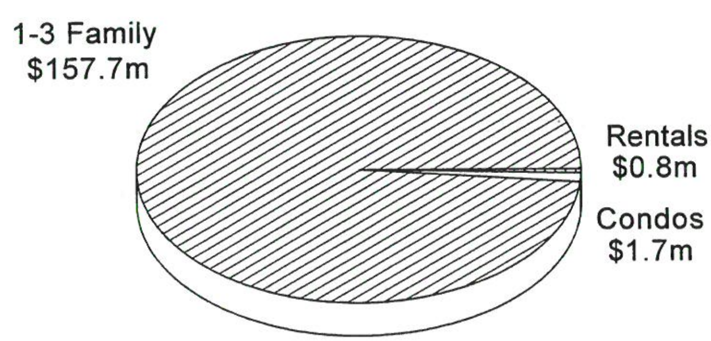
Distribution by Housing Type

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

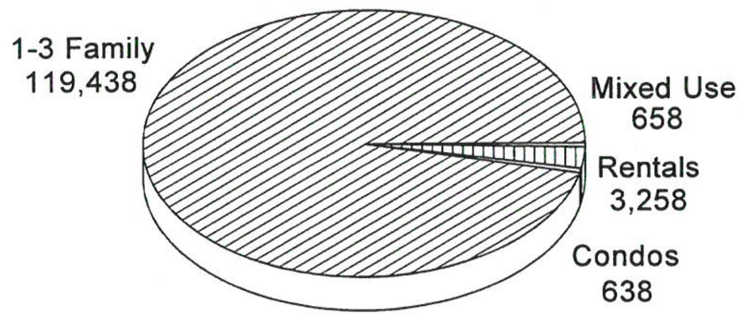
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	43,966	93	5,519	14,145	20,389	3,820
	Exempt Assessed Value	$157.7	$0.4	$16.4	$45.9	$78.7	$16.4
	Taxable Assessed Value	$209.7	$0.4	$25.3	$53.8	$110.7	$19.6
Condos	Number of Units	303	32	118	8	92	53
	Exempt Assessed Value	$1.7	$0.4	$0.3	$0.0	$0.7	$0.3
	Taxable Assessed Value	$2.1	$0.5	$0.3	$0.1	$0.8	$0.4
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	418	24	38	189	51	116
	Exempt Assessed Value	$0.8	$0.0	$0.1	$0.5	$0.1	$0.0
	Taxable Assessed Value	$1.9	$0.0	$0.1	$0.5	$0.1	$1.2
Mixed Use[1]	Number of Units	101	1	12	36	61	13
	Exempt Assessed Value	$0.5	$0.0	$0.0	$0.1	$0.3	$0.1
	Taxable Assessed Value	$0.6	$0.0	$0.0	$0.2	$0.3	$0.1
All	Number of Units	44,810	150	5,687	14,378	20,593	4,002
	Exempt Assessed Value	$160.7	$0.9	$16.8	$46.6	$79.8	$16.7
	Taxable Assessed Value	$214.2	$0.9	$25.7	$54.5	$111.9	$21.2
	Number of Properties With Unit Data	27,491	87	3,071	7,862	13,288	3,183
	Number of Properties Without Unit Data	29	0	2	0	4	23

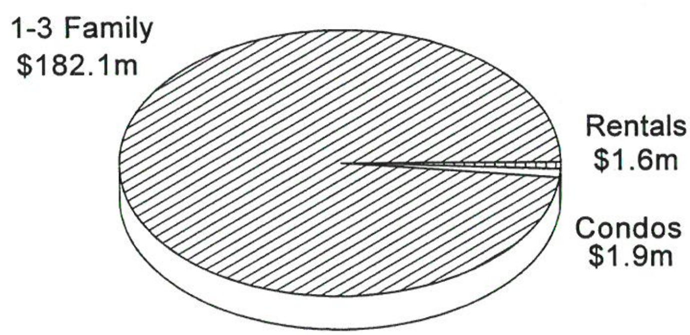
1 Mixed Used properties include structures that combine residential with retail or office uses.

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

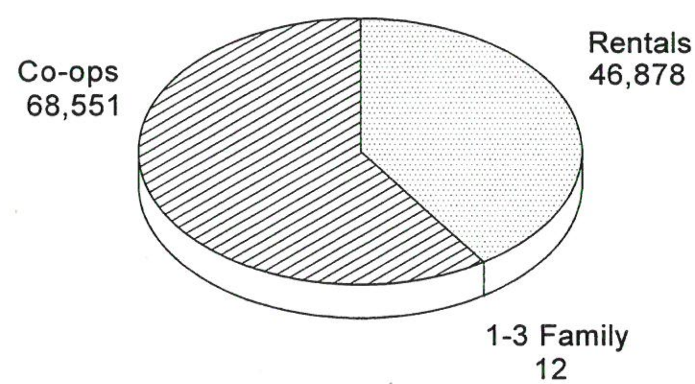
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	119,438	301	13,212	31,153	55,178	19,594
	Exempt Assessed Value	$182.1	$0.4	$14.6	$44.8	$83.0	$39.3
	Taxable Assessed Value	$976.6	8.4	96.6	218.5	477.1	176.1
Condos	Number of Units	631	108	65	11	302	145
	Exempt Assessed Value	$1.9	$0.3	$0.1	$0.0	$1.0	$0.5
	Taxable Assessed Value	$11.8	4.5	0.4	0.2	4.9	1.9
Cooperatives	Number of Units	7	7	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.2	0.2	0.0	0.0	0.0	0.0
Rentals	Number of Units	3,258	372	296	1,644	725	221
	Exempt Assessed Value	$1.6	$0.2	$0.1	$0.8	$0.4	$0.1
	Taxable Assessed Value	$23.4	6.5	1.7	9.2	4.3	1.7
Mixed Use[1]	Number of Units	658	19	51	321	206	61
	Exempt Assessed Value	$1.2	$0.0	$0.1	$0.5	$0.4	$0.2
	Taxable Assessed Value	$8.0	1.1	0.4	3.1	2.6	0.8
All	Number of Units	123,992	807	13,624	33,129	56,411	20,021
	Exempt Assessed Value	$186.9	$0.9	$14.9	$46.2	$84.8	$40.0
	Taxable Assessed Value	$1,020.1	20.7	99.1	230.9	488.9	180.5
	Number of Properties With Unit Data	76,304	329	6,217	19,010	34,582	16,166
	Number of Properties Without Unit Data	231	6	8	9	63	145

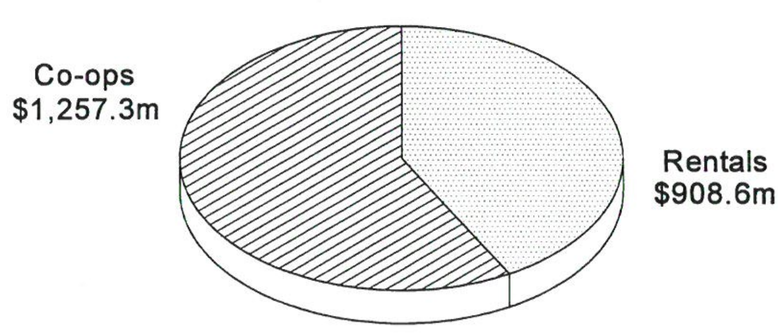
[1] Mixed Used properties include structures that combine residential with retail or office uses.

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)

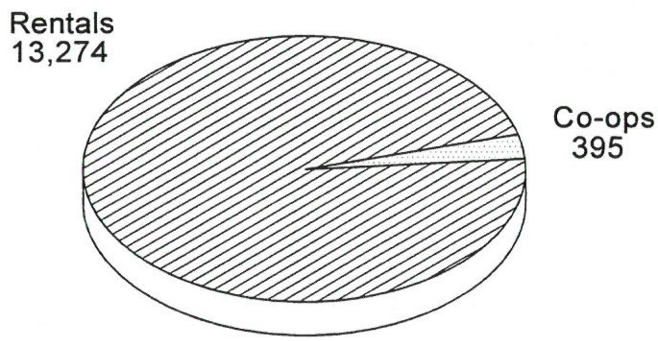
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	12	0	0	12	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	68,551	19,290	23,941	14,100	11,220	0
	Exempt Assessed Value	$1,257.3	$486.3	$360.2	$244.4	$166.5	$0.0
	Taxable Assessed Value	$11.3	$1.8	$2.3	$7.1	$0.0	$0.0
Rentals	Number of Units	46,878	13,733	12,810	14,340	5,005	990
	Exempt Assessed Value	$908.6	$411.3	$174.5	$245.6	$59.6	$17.7
	Taxable Assessed Value	$0.4	$0.0	$0.0	$0.1	$0.3	$0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$1.6	$0.0	$0.2	$1.3	$0.2	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	115,441	33,023	36,751	28,452	16,225	990
	Exempt Assessed Value	$2,167.6	$897.6	$534.9	$491.3	$226.2	$17.7
	Taxable Assessed Value	$11.7	$1.8	$2.3	$7.2	$0.3	$0.0
	Number of Properties With Unit Data	293	92	79	87	33	2
	Number of Properties Without Unit Data	36	0	5	11	17	3

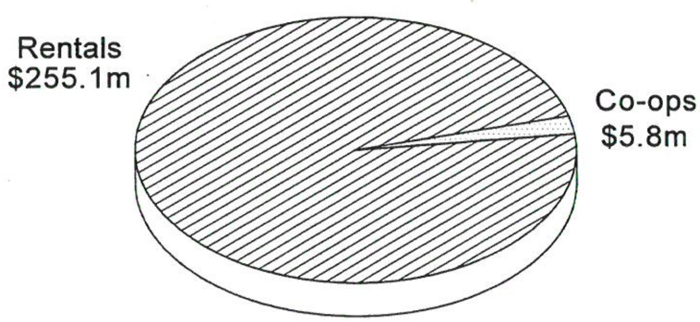
[1] Mixed Used properties include structures that combine residential with retail or office uses.

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)

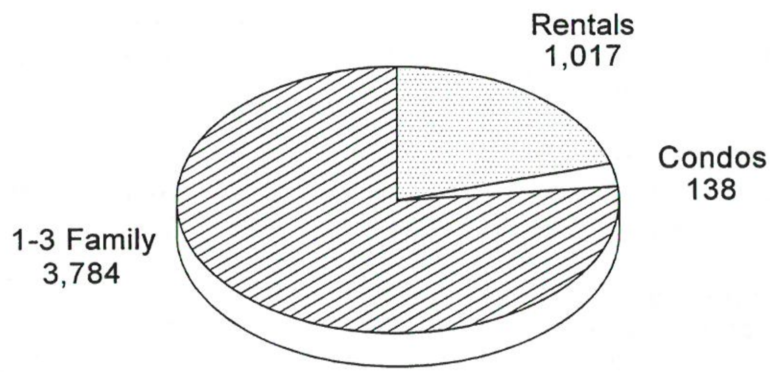
($ Millions)

		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	$5.8	$4.7	$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	13,274	3,671	4,070	4,094	1,339	100
	Exempt Assessed Value	$255.1	$83.7	$65.4	$75.4	$28.9	$1.7
	Taxable Assessed Value	$0.2	$0.0	$0.0	$0.2	$0.1	$0.0
Mixed Use[1]	Number of Units	2	0	0	2	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	13,671	4,000	4,070	4,162	1,339	100
	Exempt Assessed Value	$261.0	$88.5	$65.5	$76.5	$28.9	$1.7
	Taxable Assessed Value	$0.2	$0.0	$0.0	$0.2	$0.1	$0.0
	Number of Properties With Unit Data	156	50	46	49	10	1
	Number of Properties Without Unit Data	11	0	3	7	1	0

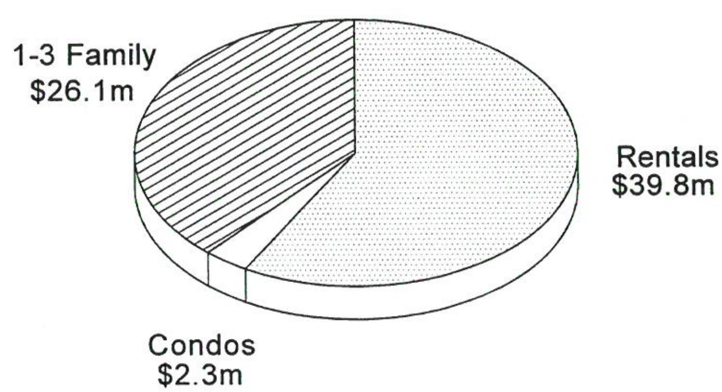
[1] Mixed Used properties include structures that combine residential with retail or office uses.

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)

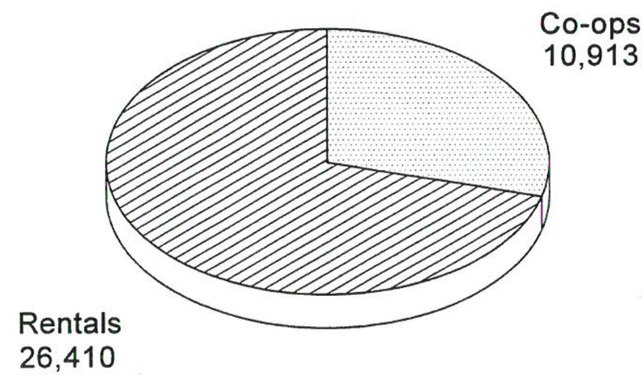
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	3,784	0	342	3,151	287	4
	Exempt Assessed Value	$26.1	$0.0	$2.3	$21.9	$1.9	$0.0
	Taxable Assessed Value	$7.9	$0.0	$0.3	$6.9	$0.7	$0.0
Condos	Number of Units	138	138	0	0	0	0
	Exempt Assessed Value	$2.3	$2.3	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$1.3	$1.3	$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	1,017	802	0	215	0	0
	Exempt Assessed Value	$39.8	$39.0	$0.0	$0.8	$0.0	$0.0
	Taxable Assessed Value	$9.8	$9.5	$0.0	$0.3	$0.0	$0.0
Mixed Use[1]	Number of Units	5	0	0	5	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	4,944	940	342	3,371	287	4
	Exempt Assessed Value	$68.2	$41.3	$2.3	$22.7	$1.9	$0.0
	Taxable Assessed Value	$19.0	$10.8	$0.3	$7.2	$0.7	$0.0
	Number of Properties With Unit Data	3,574	148	294	2,943	185	4
	Number of Properties Without Unit Data	54	0	0	53	1	0

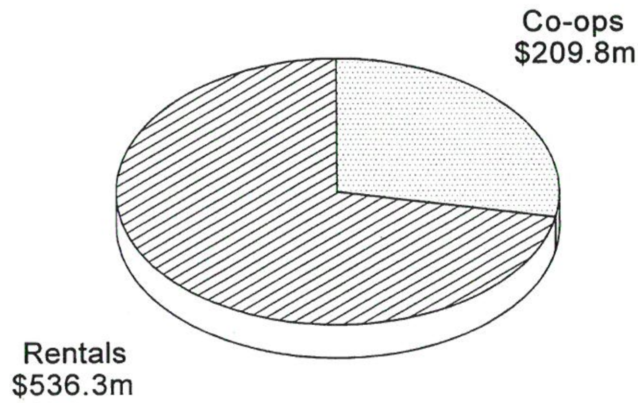
[1] Mixed Used properties include structures that combine residential with retail or office uses.

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)

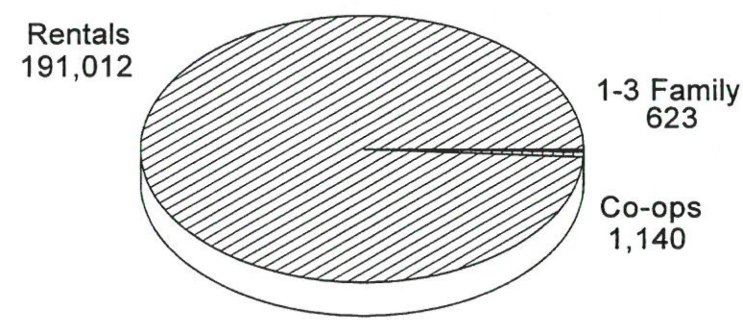
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	5	0	1	4	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cooperatives	Number of Units	10,913	7,261	407	3,245	0	0
	Exempt Assessed Value	$209.8	$143.8	$7.5	$58.5	$0.0	$0.0
	Taxable Assessed Value	$26.1	$25.5	$0.6	$0.0	$0.0	$0.0
Rentals	Number of Units	26,410	8,313	8,723	6,851	2,278	245
	Exempt Assessed Value	$536.3	$196.3	$180.6	$116.9	$37.1	$5.4
	Taxable Assessed Value	$1.0	$0.0	$0.8	$0.2	$0.0	$0.0
Mixed Use[2]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.1	$0.0	$0.0	$0.0	$0.1	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	37,328	15,574	10,100	2,278	245	
	Exempt Assessed Value	$746.2	$340.0	$188.1	$175.5	$37.2	$5.4
	Taxable Assessed Value	$27.1	$25.5	$1.5	$0.2	$0.0	$0.0
	Number of Properties With Unit Data	418	106	153	139	12	8
	Number of Properties Without Unit Data	13	0	9	3	1	0

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

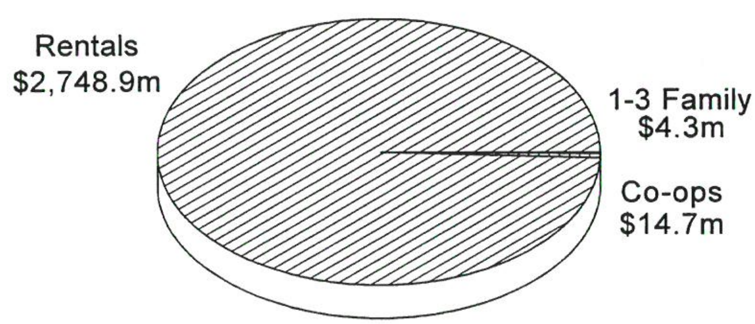
[2] Mixed Used properties include structures that combine residential with retail or office uses.

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

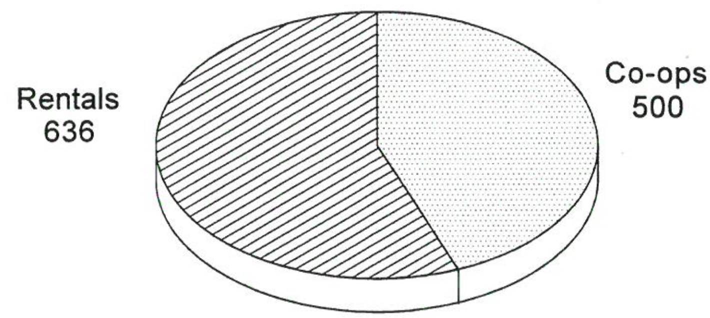
($ Millions)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	623	0	8	187	428	0
	Exempt Assessed Value	$4.3	$0.0	$0.1	$1.0	$3.3	$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	1,140	317	307	300	216	0
	Exempt Assessed Value	$14.7	$0.1	$5.6	$6.8	$2.2	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Rentals	Number of Units	191,012	61,371	46,772	61,095	17,442	4,332
	Exempt Assessed Value	$2,748.9	$933.9	$740.6	$813.4	$209.5	$51.6
	Taxable Assessed Value	$25.2	$13.5	$5.8	$5.7	$0.0	$0.2
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.3	$0.1	$0.0	$0.2	$0.1	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	192,775	61,688	47,087	61,582	18,086	4,332
	Exempt Assessed Value	$2,768.3	$934.0	$746.3	$821.4	$215.1	$51.6
	Taxable Assessed Value	$25.3	$13.5	$5.8	$5.7	$0.0	$0.2
	Number of Properties With Unit Data	1,244	254	206	349	422	13
	Number of Properties Without Unit Data	62	16	16	21	9	0

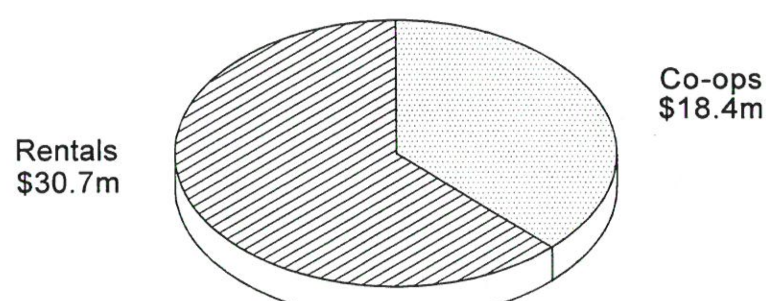
1 Mixed Used properties include structures that combine residential with retail or office uses.

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	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	500	225	0	275	0	0
	Exempt Assessed Value	$18.4	$7.5	$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	636	636	0	0	0	0
	Exempt Assessed Value	$30.7	$30.7	$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	1,136	861	0	275	0	0
	Exempt Assessed Value	$49.1	$38.2	$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	17	16	0	1	0	0
	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.

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APPENDIX V

REAL PROPERTY TAX EXPENDITURE
FY 1995

This appendix provides real property tax expenditure data for FY 1995 comparable to the information provided in Part II of the report.

Table 1
CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1995
($ Millions)

	Number of Exemptions and Abatements	Exempt Assessed Value [1]	Tax Expenditure
HOUSING DEVELOPMENT PROGRAMS	**105,146**	**$1,919.6**	**$316.7**
J-51 Exemption	8,279	$671.3	$70.8
Residential	8,266	$669.9	$70.7
Commercial	13	$1.4	$0.1
J-51 Abatement	45,739	N/A	$113.8
Residential	45,697	N/A	$113.6
Commercial	42	N/A	$0.2
421-a, New Multiple Dwellings	35,378	$1,109.6	$117.2
10 year exemption	21,111	$742.1	$78.3
15 year exemption	11,401	$243.3	$25.8
25 year exemption	2,866	$124.2	$13.1
Residential	32,742	$1,044.9	$110.4
Commercial	2,636	$64.7	$6.9
421-b, New Private Housing	15,281	$102.1	$10.9
HPD Division of Alternative Management	469	$36.6	$3.9
INDIVIDUAL ASSISTANCE PROGRAMS	**103,466**	**$332.3**	**$84.9**
Senior Citizens Homeowner Exemption	24,631	$141.3	$15.1
Senior Citizen Rent Increase Exemption	N/A	N/A	$59.8
Veterans' Exemption	78,835	$191.0	$10.1

Note: Totals may not add due to rounding.

[1] When the program provides an abatement of property taxes, this column is marked "N/A" and the value of the abatement can be found in the column marked "Tax Expenditures."

Table 1
(continued)

	Number of Exemptions and Abatements	Exempt Assessed Value	Tax Expenditure
ECONOMIC DEVELOPMENT PROGRAMS	**2,662**	**$1,178.8**	**$123.0**
Industrial & Commercial Incentive Board	402	$178.2	$18.9
New Construction	105	$36.5	$3.9
Alterations	297	$141.7	$15.0
Industrial & Commercial Incentive Program	2,138	$831.8	$88.2
Deferral Areas [1]	102	$222.3	$23.6
Industrial & Special Commercial	1,086	$264.5	$28.1
All Other Commercial Projects	950	$344.9	$36.6
Other Commercial and Industrial Exemptions	122	$168.9	$15.8
Water-works Corporations	121	$83.8	$6.8
Major League Sports Facilities	1	$85.1	$9.0
TOTAL CITY PROGRAMS	**211,274**	**$3,430.6**	**$524.6**
Total Residential	102,455	1,853.5	309.5
Total Commercial/Industrial	5,353	1,244.9	130.2
Total Individual Assistance	103,466	332.3	84.9

Note: Totals may not add due to rounding.

[1] 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 1995
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Tax Expenditure
HOUSING DEVELOPMENT PROGRAMS	**35,699**	**142**	**14,860**	**57**
J-51 Exemption	3,028	$21.3	1,004	$27.4
J-51 Abatement	16,879	$37.2	10,726	$23.9
421-a, New Multiple Dwellings	15,533	$81.4	1,510	$3.7
421-b, New Private Housing	33	$0.1	1,501	$1.1
HPD Div. of Alternative Management	226	$2.2	119	$0.9
INDIVIDUAL ASSISTANCE PROGRAMS	**414**	**$0.1**	**9,113**	**$2.4**
Senior Citizen Homeowner Exemption	83	$0.1	2,811	$1.6
Senior Citizen Rent Increase Exemption	N/A		N/A	
Veterans' Exemption	331	$0.0	6,302	$0.8
ECONOMIC DEVELOPMENT PROGRAMS	**267**	**$49.7**	**277**	**$11.3**
Industrial & Commercial Incentive Board	90	$11.9	36	$0.4
Industrial & Commercial Incentive Program	176	$28.8	241	$10.9
Water-works Corporations	0	$0.0	0	$0.0
Major League Sports Facilities	1	$9.0	0	$0.0
TOTAL CITY PROGRAMS	**36,380**	**$192.0**	**24,250**	**$70.7**

Note: Totals may not add due to rounding.

Table 2
(continued)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Expenditure
17,596	**60**	**19,629**	**45**	**17,362**	**13**
3,097	$18.1	895	$3.5	255	$0.6
8,109	$29.7	9,341	$22.4	684	$0.7
4,923	$10.2	8,359	$18.2	5,053	$3.7
1,345	$1.2	1,032	$0.9	11,370	$7.7
122	$0.7	2	$0.0	0	$0.0
26,788	**$6.9**	**47,674**	**$12.1**	**19,477**	**$3.7**
7,024	$4.4	11,879	$7.5	2,834	$1.6
N/A		N/A		N/A	
19,764	$2.5	35,795	$4.6	16,643	$2.1
576	**$11.3**	**1,134**	**$38.9**	**408**	**$11.8**
84	$1.7	162	$3.9	30	$1.0
492	$9.6	851	$28.1	378	$10.8
0	$0.0	121	$6.8	0	$0.0
0	$0.0	0	$0.0	0	$0.0
44,960	**$78.0**	**68,437**	**$95.9**	**37,247**	**$28.2**

Note: Totals may not add due to rounding.

Table 3
STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1995
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs [1]	Net Tax Expenditures
Limited Profit Housing Companies	370	$2,434.0	$256.9	$57.9	199.0
Residential	329	2,326.9	245.5		
Commercial	41	107.1	11.4		
Limited Dividend Companies	14	56.0	5.9	3.6	2.3
Redevelopment Companies	405	665.4	70.2	35.0	35.2
Residential	384	660.3	69.7		
Commercial	21	5.1	0.5		
Housing Development Fund Companies	200	346.3	36.6	8.6	28.0
Residential	167	271.1	28.6		
Commercial	33	75.2	8.0		
Urban Development Action Area Program	3,436	68.7	7.3	2.4	4.9
State Assisted Housing	58	172.7	18.3	0.3	18.0
Residential	31	93.6	9.9		
Commercial	27	79.1	8.4		
TOTAL STATE-WIDE PROGRAMS	**4,483**	**3,743.0**	**395.1**	**107.7**	**287.4**
Total Residential	4,361	3,476.5	366.9	N/A	
Total Commercial	122	266.4	28.3	N/A	

Note: Totals may not add due to rounding.

[1] PILOTs are Payments In Lieu of Taxes. Information by type of property is not currently available.

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Table 4
STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES [1]
Borough Distribution
Fiscal Year 1995
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
Limited Profit Housing Companies	99	$82.1	101	$52.0
Limited Dividend Companies	3	$3.1	1	$0.3
Redevelopment Companies	94	$20.6	164	$5.8
Housing Development Fund Companies	57	$9.5	61	$10.6
Urban Development Action Area Program	144	$2.3	243	$0.2
State Assisted Housing	25	$5.6	13	$3.7
TOTAL STATE-WIDE PROGRAMS	**422**	**$123.2**	**583**	**$72.6**

Note: Totals may not add due to rounding.

[1] For comparative purposes with previous years, the total gross tax expenditures by borough are as follows: Manhattan, $158.8; Bronx, $106.5; Brooklyn, $89.3; Queens, $35.2; Staten Island, $5.3.

Table 4
(continued)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
110	$44.3	55	$18.8	5	$1.9
10	$1.5	0	($2.5)	0	$0.0
132	$7.8	7	$1.0	8	($0.1)
59	$5.2	21	$2.4	2	$0.3
2,922	$2.2	127	$0.1	0	$0.0
12	$3.8	7	$2.6	1	$2.2
3,245	**$64.8**	**217**	**$22.4**	**16**	**$4.4**

Table 5
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1995
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs [1]	Net Tax Expenditures
Industrial Devt. Agencies	656	$872.7	$92.6	$40.0	$52.6
Economic Devt. Corporation	87	51.9	5.5	1.2	$4.3
NYC Housing Authority	1,400	3,052.5	322.1	26.9	$295.2
Residential	1,290	3,030.8	319.8		
Commercial	110	21.7	2.3		
Urban Devt. Corporation	93	738.9	78.4	0.1	$78.3
Residential	17	50.0	5.3		
Commercial	76	688.9	73.1		
NYS Power Authority	8	389.6	31.8	$0.0	$31.8
Battery Park City Authority	2,334	1,304.6	138.2	24.6	$113.7
Residential	2,296	263.5	27.8		
Commercial	38	1,041.1	110.4		
World Trade Center, Port Authority	1	931.5	98.8	18.1	$80.7
Teleport, Port Authority	5	21.0	2.2	1.3	$0.9
Trust for Cultural Resources	240	47.9	5.1	$0.0	$5.1
TOTAL PUBLIC AGENCIES	**4,824**	**$7,410.5**	**$774.6**	**$112.1**	**$662.6**
Total Residential	3,603	3,344.3	352.9	N/A	N/A
Total Commercial/Industrial	1,221	4,066.2	421.7		

Totals may not add due to rounding.

[1] PILOTs are Payments In Lieu Of Taxes; this information by property type is not currently available. Teleport exempt AV source: Real Estate of Utility Corporations unit.

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Table 6
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES [1]
Borough Distribution
Fiscal Year 1995
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
Industrial Development Agency	204	$45.4	76	$4.4
Economic Development Corporation	0	$0.0	1	$0.2
NYC Housing Authority	291	$104.3	228	$88.0
Urban Development Corporation	76	$68.5	7	$3.6
NYS Power Authority	3	$2.0	2	$0.0
Battery Park City Authority	2,334	$138.2	0	$0.0
World Trade Center, Port Authority	1	$98.8	0	$0.0
Teleport, Port Authority	0	$0.0	0	$0.0
Trust for Cultural Resources	240	$5.0	0	$0.0
TOTAL PUBLIC AGENCIES	**3,149**	**$462.3**	**314**	**$96.1**

Note: Totals may not add due to rounding.

[1] Calculation of Net Tax Expenditure not possible due to lack of PILOT information by 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
166	$17.5	205	$25.0	5	$0.3
62	$4.8	21	$0.5	3	$0.0
432	$96.5	434	$26.0	15	$7.2
8	$3.8	1	$0.0	1	$2.5
0	$0.0	3	$29.8	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	5	$2.2
0	$0.0	0	$0.0	0	$0.0
668	**$122.6**	**664**	**$81.3**	**29**	**$12.3**

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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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