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

ANNUAL REPORT ON TAX EXPENDITURES

FISCAL YEAR 2002

MICHAEL R. BLOOMBERG, MAYOR • MARTHA E. STARK, COMMISSIONER

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REPORT PREPARED BY THE
OFFICE OF TAX POLICY
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The tax expenditure report was produced by the Office of Tax Policy under the direction of Associate Commissioner Israel Schupper, Property Director Fran Joseph and Research Director Michael Hyman. Antonio Ampil directed the production of the report. The report's staff also included Jacob Glickman. The Tax Policy Business Tax Statistics Unit directed by Karen Schlain also provided valuable assistance.

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 Fiscal Year 2002 there were more than fifty tax expenditure programs related to the City-administered real estate tax and City-administered business and excise taxes. These programs were valued at more than $2.1 billion.

- Real estate tax expenditures accounted for the largest share, with more than $1.7 billion in tax benefits in FY 2002. Housing and economic development-related incentives comprised 49 percent and 33 percent of the real estate tax expenditures, respectively. The five largest real estate tax expenditure programs in FY 2002 are presented in the following table. These programs accounted for 54 percent of the cost of FY 2002 real estate tax expenditures.

5 Largest FY 2002 NYC Real Estate Tax Expenditure Programs $ Millions	
NYC Housing Authority	$254
Industrial & Commercial Incentive Program	$190
Co-op/Condo Abatement	$181
Limited Profit Housing Companies	$172
421-a New Multiple Dwellings	$130

- Business income and excise tax expenditure programs were valued at $427 million in Tax Year 1999, the latest year for which data are available. Many of these programs are designed to foster economic development, by, for example, reducing City energy costs for eligible businesses or providing relocation incentives. The five largest business income and excise tax expenditure programs in TY 1999 are presented in the following table. These programs accounted for 84 percent of the cost of TY 1999 business income and excise tax expenditures.

5 Largest TY 1999 NYC Business Income and Excise Tax Expenditure Programs $ Millions	
Insurance Corporation Non-Taxation	$191
International Banking Facility	$ 73
Business & Investment Capital Tax Limitation	$ 48
Energy Cost Savings Program	$ 30
Foreign Bank Alternative Tax on Capital Stock	$ 20

Parts II and III of the report provide descriptions of FY 2002 real estate and TY 1999 business income and excise tax expenditures and include tables and charts providing distributional and other information regarding City tax expenditure programs.

In past years, Part IV of the report provided a detailed review of selected tax expenditure programs. This feature is not included in this year’s report.

Part V of the report provides information on selected tax expenditures related to the City's sales tax and personal income tax, which are administered by New York State. City sales tax expenditures estimated in this report totaled nearly $300 million in Tax Year 1999. City personal income tax (PIT) credits were worth $49 million in Tax Year 1999.

Part VI of the report summarizes audits and evaluations of City tax expenditures conducted during the previous two years.

Part VII describes the City's major taxes and provides a summary list of major City tax law changes that have been enacted in recent years. These legislative actions include the creation of new programs and the continuation or expansion of preexisting programs.

The report also provides a variety of data to assist in analyzing the effectiveness of tax expenditure programs, such as the annual analysis of taxes per worker found in Appendix II and the property tax statistical supplement in Appendix IV.

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INTRODUCTION

Tax expenditures are deviations from the basic tax structure that 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 2002 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. In past years, Part IV has provided detailed examination of a selected aspect of the City’s tax system. This feature is not included in this year’s report. Part V describes tax expenditures for the City's Sales Tax and Personal Income Tax, which are administered by New York State. Part VI summarizes audits and evaluations of City tax expenditures that have been conducted during the previous two years. Part VII describes the main provisions of major New York City taxes and recent New York City tax law changes.

The Appendix to the report provides the text of New York City Charter Section 240, the Finance Department's taxes-per-worker calculations and ranking of industry sectors converted from the Standard Industrial Classification (SIC) to the North American Industrial Classification System (NAICS), and supplemental statistical data for FY 2002 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 that provides a *special* credit, preferential rate of tax, or deferral of tax liability.

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

City-Specific	-	The tax expenditure 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 V.

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 2002 (July 1, 2001 - June 30, 2002). Estimates for business income and excise taxes are for tax year 1999, which for most taxpayers corresponds to calendar year 1999. (For Commercial Rent Tax purposes, tax year 1999 was from June 1, 1998 to May 31, 1999.) 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's Office of Management and Budget.

Measurement

In Parts II and III, the tax expenditure information provided for each item represents a direct mathematical calculation of the tax revenue foregone.[1] 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.

[1] For purposes of the real property tax, the calculation is based on the assumption that the City would have sufficient authority under the New York State Constitutional tax limit to levy the tax if property tax exemptions were eliminated.

PART II

REAL PROPERTY TAX EXPENDITURES

Overview

The City estimates that the real estate tax, its single largest revenue source, is projected to provide more than $8.5 billion, or 40 percent of total tax revenue, in FY 2002. Real estate tax programs for the current year provide benefits through 159,623 exemptions and 417,163 abatements.[1] These exemptions and abatements result in a total tax expenditure of more than $1.7 billion in FY 2002.[2]

The City's property tax programs can generally be categorized as: (1) building-wide incentives for spurring residential construction or economic development; or (2) tax relief to individual homeowners or tenants. The City has maintained flexibility in its real estate tax incentive programs, restricting or expanding them as the economy has changed. Although certain housing and economic development incentives were curtailed or eliminated in prime Manhattan commercial and residential neighborhoods during the late 1980's, the City began offering such incentives on a limited basis in response to persistently high vacancy rates in commercial space and the lack of new housing even in 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 underlying agency regulations. Sunset dates are included for many programs to allow for periodic review of continuing need and, if necessary, to institute revisions in the law. Annual reports are mandated for some programs. Tax expenditures are largely granted and administered by various City agencies. The City also uses Statewide 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.

[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 taxable value. A single property may qualify for both an exemption and abatement of taxes.

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

Real Property Tax

Tax Expenditure Purposes

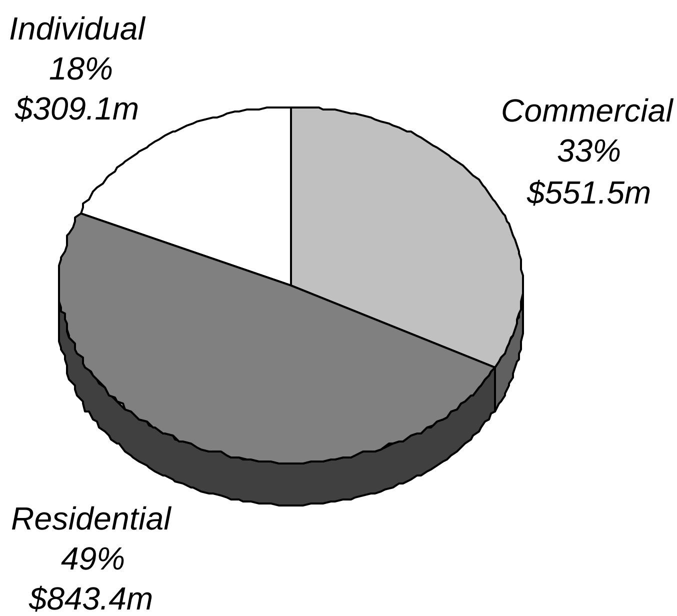
Property tax expenditures support residential, commercial and individual assistance programs. (Chart 1)

Residential - Housing benefits comprise 49 percent of property tax expenditures, or the equivalent of $843.4 million in FY 2002 revenues. Tax relief is currently provided through more than 52,000 exemptions and nearly 63,500 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. The single largest residential incentive program covers Limited Profit Housing Companies, otherwise known as Mitchell-Lama housing.

Commercial - The value of economic development incentives is $551.5 million in FY 2002, 33 percent of total property tax expenditures. The City provides these benefits through more than 7,800 exemptions and 851 abatements. The kinds of properties assisted by the commercial programs range from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs frequently provide more extensive benefits to industrial construction and renovation.

Individual Assistance - The smallest real property tax expenditure category, programs for individual assistance, totals $309.1 million in FY 2002. More than 99,500 exemptions currently reduce taxes for veteran and senior citizen homeowners, while Senior Citizen Rent Increase Exemption (SCRIE) provides relief to senior citizen renters. Senior citizen programs are based on the income of the qualifying individual who legally owns or occupies the property. In its sixth year, the City's Co-op/Condo Program has reduced FY 2002 tax bills of certain class two co-op and condo owners by more than $181.3 million.

Chart 1
Real Property Tax Expenditures
By Purpose, FY 2002
Total: $1,703.9 million



Tax Expenditure Sources

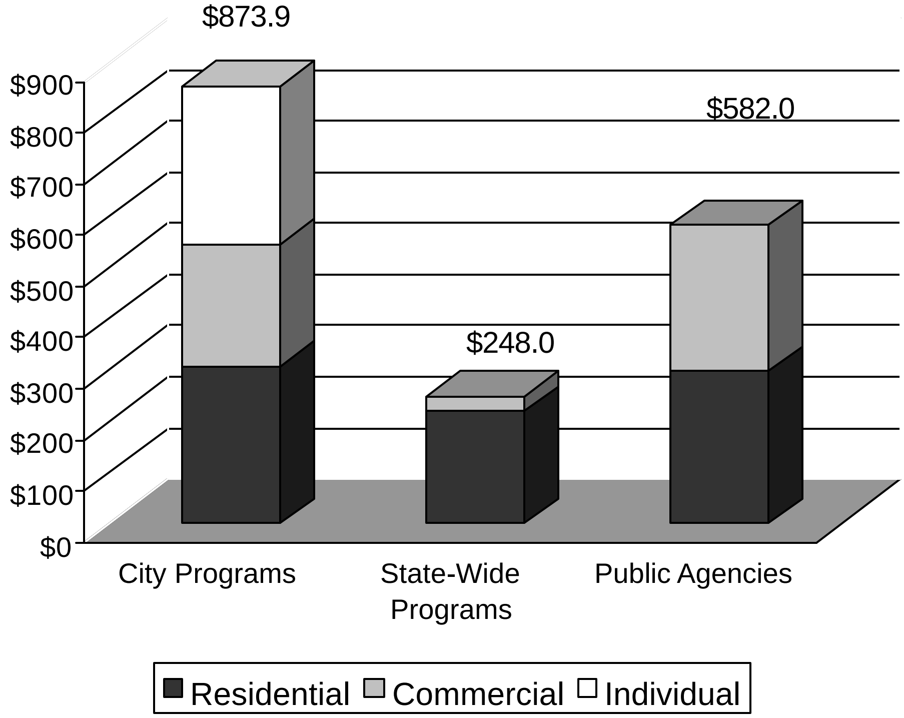
The major sources of expenditures include City and State programs and public agencies. Various State-wide programs have been included in this report since the City administers the related exemptions and these programs serve as channels for housing and economic development incentives in the City. (Chart 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 2002, tax expenditures from this source total $873.9 million or 51 percent of net City-wide property tax expenditures. Residential incentives comprised 37 percent of City program expenditures and are valued at $327.3 million. Another 28 percent of City Program tax expenditures are attributable to economic development programs.

State-wide Programs - These are predominantly residential programs that 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 $248.0 million of property tax expenditures in this category, 88 percent is 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. Commercial and industrial projects account for more than $283 million of the tax expenditures attributable to public agencies. The New York City Housing Authority accounts for 85 percent of the $298.4 million in residential tax expenditures in this category.

Chart 2
Real Property Tax Expenditures
By Source, FY 2002
Total: $1,703.9 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 - This column represents the quantity of exemptions under each program. Certain properties may be eligible for more than one exemption, such as the Veterans' and Senior Citizen exemptions. As a result, the number of exemptions does not coincide with the number of parcels receiving exemptions.

Exempt Assessed Value - Exemptions have the effect of excluding from the tax rolls a portion of the assessed value, whether the result of new construction (for example, the Industrial and Commercial Incentive Program) or tax relief (Senior Citizens Homeowner Exemption). 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.

Abatements are often based upon factors that are unrelated to assessed values. For example, an abatement granted to a landlord under the SCRIE program is based upon the cumulative amount of rent increases not collected from eligible senior citizen renters living in his or her apartment building.

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

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

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

Payments-in-Lieu-of-Taxes (PILOTs) - Although exempt from taxation, certain properties may be contractually obligated to make payments to the City. Additionally, certain housing programs are required to pay taxes based on a shelter rent formula, defined as gross rent less utility costs. 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.

The following set of tables is a complete description of the tax expenditure programs, including the legal citations, program objective, and distribution of benefits and the value of the tax expenditure. 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 2002
($ Millions)

Program Type	Number of Exemptions & Abatements	Exempt Assessed Value [1]	Tax Expenditure
Housing Development	**105,155**	**$2,189.3**	**$333.8**
J-51 Exemption	7,112	$611.3	$65.9
Residential	7,103	$607.7	$65.6
Commercial	9	$3.6	$0.4
J-51 Abatement	63,503	N/A	$96.5
Residential	63,476	N/A	$96.5
Commercial	27	N/A	$0.1
421-a, New Multiple Dwellings	20,301	$1,205.2	$130.0
10-year Exemption	2,868	$275.6	$29.5
15-year Exemption	13,769	$285.0	$30.9
20-year Exemption	23	$469.8	$50.7
25-year Exemption	3,641	$174.8	$19.0
Commercial	18,144	$1142.9	$124.0
Residential	2,157	$62.3	$6.1
421-b, New Private Housing	13,352	$125.5	$14.6
HPD Division of Alternative Management	820	$62.3	$6.7
Lower Manhattan Conversion[2]	67	$185.1	20.0
Individual Assistance	**452,635**	**$525.2**	**$309.1**
Senior Citizen Homeowner (SCHE)	32,063	$246.9	$28.4
Senior Citizen Rent Increase (SCRIE) [3]	44,006	N/A	$80.2
Veteran's Exemption	67,441	$276.4	$19.0
Co-op/Condo Abatement [4]	308,830	N/A	$181.3
Low Income Disabled Homeowners	294	$2.0	$0.2
Physically Disabled Crime Victims	1	$0.0	$0.0

[1] When the program provides an abatement rather than an exemption, this column is marked "N/A."
[2] The Lower Manhattan Conversion program was enacted as part of the Commercial Revitalization Program, which is described on page 42.
[3] SCRIE amounts are through June 2001.
[4] A total of 48,360 residential condo units plus 260,476 co-op units in 5,471 developments benefit from this program in FY 2002.

Table 1
(continued)

Program Type	Number of Exemptions & Abatements	Exempt Assessed Value	Tax Expenditure
Economic Development	**4,965**	**$2,164.9**	**$231.0**
Industrial & Commercial Incentive Board	151	$35.4	$3.4
New Construction	32	$10.7	$1.0
Alteration	119	$24.7	$2.4
Industrial & Commercial Incentive Program	3,868	$1,948.4	$190.0
Industrial & Special Commercial	2,334	$811.6	$79.6
All Other Commercial Projects	1,534	$1,136.7	$110.4
Other Commercial & Industrial Exemptions	946	$181.1	$37.6
Water-works Corporations	121	$90.8	$9.5
Major League Sports Facilities	1	$90.3	$8.8
Real Estate Tax Abatement	824	N/A	$19.3
Total: City Programs	**562,755**	**$4,879.3**	**$873.9**
Total Residential	102,962	$2,123.4	$327.3
Total Commercial/Industrial	7,158	$2,230.8	$237.5
Total Individual Assistance	452,635	$525.1	$309.1

Note: Totals may not add due to rounding.

Table 2

CITY PROGRAMS
Real Property Tax Expenditures by Borough
Fiscal Year 2002
($ Millions)

	Manhattan		The Bronx	
	Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure
Housing Development Programs	**26,961**	**$147.5**	**30,178**	**$54.0**
J-51 Exemption	2,185	22.0	1,337	26.4
J-51 Abatement	20,640	32.4	26,234	19.7
421-a, New Multiple Dwellings	3,725	88.7	1,535	5.5
421-a, New Private Housing	16	0.0	843	1.0
HPD Division of Alternative Management	395	4.3	229	1.5
Lower Manhattan Conversion	67	20.0	--	--
Individual Assistance Programs	**187,262**	**$172.5**	**30,835**	**$18.9**
Senior Citizen Homeowner Exemption	438	1.1	3,531	2.6
Senior Citizen Rent Increase Exemption	12,612	26.5	6,064	10.9
Veteran's Exemption	2,325	3.5	5,364	1.2
Co-op/Condo Abatement	171,883	141.3	15,848	4.1
Low Income Disabled Homeowners	4	0.0	28	0.0
Physically Disabled Crime Victims	0	--	0	--
Economic Development Programs	**1,407**	**$110.8**	**543**	**$21.7**
Industrial & Commercial Incentive Board	35	0.9	12	0.1
Industrial & Commercial Incentive Program	580	82.2	530	21.5
Water-works Corporation	0	--	0	--
Major League Sports Facilities	1	8.8	0	--
Real Estate Tax Abatement	791	18.9	1	0.1
Total: City Programs	**215,697**	**$450.8**	**61,556**	**$94.6**

Note: Totals may not add due to rounding.

Table 2
(continued)

Brooklyn		Queens		Staten Island	
Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure
17,606	**$55.8**	**16,760**	**$41.9**	**13,583**	**$14.6**
3,246	14.8	341	2.2	3	0.5
7,916	26.7	8,339	16.9	374	0.8
5,521	12.4	6,882	21.1	2,638	2.4
734	0.9	1,191	1.7	10568	10.9
189	0.9	7	0.0	0	--
--	--	--	--	--	--
75,828	**$46.4**	**137,435**	**$64.6**	**21,275**	**$6.8**
8,814	7.8	15,618	14.3	3,662	2.6
15,569	24.0	9,554	18.5	207	0.3
15,465	3.5	29,624	7.7	14,663	3.1
25,910	11.1	82,506	24.1	2,683	0.8
70	0.1	132	0.1	60	0.0
0	--	1	0.0	0	--
1,178	**$36.3**	**1,449**	**$50.1**	**388**	**$12.1**
41	0.4	58	1.1	5	0.9
1,121	35.8	1,254	39.2	383	11.2
0	--	121	9.5	0	--
0	--	0	0	0	--
16	0.1	16	0.3	0	--
94,612	**$138.5**	**155,644**	**$156.6**	**35,246**	**$33.5**

CITY PROGRAMS

J-51 Program, Residential Alterations and Rehabilitation

Citation

NYS Real Property Tax Law, Section 489
NYC Administrative Code, 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, replacing the last two benefit years at full exemption with a four year period of declining exemption, resulting in a less abrupt transition to full taxation. 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. 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 abatement benefits were extended to conversions of Class A multiple dwellings and rehabilitation of Class A buildings that are not entirely vacant, pursuant to the above conditions.

Properties that undergo renovations that qualify as Major Capital Improvements, such as the replacement of heating, plumbing or roofing systems, installation of new windows, or exterior and parapet wall 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 are eligible for abatement of taxes on the building assessment, not the land, up to $2,500 per unit. Moderate Rehabilitation projects, where there is a significant improvement to at least one major building-wide system, receive a 34-year tax exemption and an abatement of no more than 20 years for up to 100 percent of the reasonable cost. A major requirement is that the property remains substantially occupied during the rehabilitation.

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

In 1998, the State Legislature extended the authority of localities to adopt or amend local laws pursuant to section 489 of the Real Property Tax Law, from June 1, 1999 to June 1, 2003. The Legislature also amended the statute to require that all conversions, alterations, and improvements must be completed prior to December 31, 2003 to qualify for benefits under this program. The City Council amended the Administrative Code in 1999 to conform to these provisions (Local Law No. 72).

In 2001, the City Council extended J-51 benefits to cooperatives, condominiums, and housing development fund companies that convert from a direct metering system to a sub-metering system in their buildings (Local Law 44 of 2001). Under a sub-metering system, the distribution of utility services consists of a master meter for the entire building and individual sub-meters for individual housing units. The goal of the bill was to encourage further energy conservation by facilitating the billing of customers on the basis of time of usage (peak v. off-peak hours) as well as the amount of usage.

Distributional Information

In FY 2002, the J-51 program is providing 7,112 exemptions and 63,503 abatements to 682,275 apartments. The exempt value of these properties is $611.3 million. This total exempt value is distributed according to property type in the table below. Rentals in Manhattan, the Bronx, and Brooklyn receive the largest proportion of J-51 benefits.

	Percent of Total Units	Percent of Exempt Assessed Value[1]
1- 3 Family	0.06%	0.16%
Condos	4.20%	8.04%
Co-ops	34.28%	5.38%
Rentals	61.44%	86.38%
Mixed Use	0.01%	0.03%
	100.00%	100.00%

[1] For properties receiving exemption only.

Tax Expenditure

$162.4 million, which includes a $65.9 million exemption and a $96.5 million abatement.

Section 421-a, New Multiple Dwellings

Citation

NYS Real Property Tax Law, Section 421-a
NYC Administrative Code, 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. In 2000, the City Council extended the effective date of this designation until June 30, 2003.

- 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, 2003 and if the project meets qualifying condition (a) or (b). The property will receive a full exemption for 12 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 10-year exemption, unless they meet condition (a), (b), or (c). If one of these conditions is met, they are granted a 15-year exemption, 11 years of full exemption followed by a four-year phase-in of full taxation.

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

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

In 2000, the City Council passed an amendment to section 11-245.1 of the Administrative Code with regard to defining under-utilization of land for the purpose of granting 421-a benefits to projects built on land previously improved with a non-residential building or buildings. In the area of Manhattan south of or adjacent to 110th Street, a non-residential building was under-utilized if: (a) it contained no more than the permissible floor area ratio (FAR) for non-residential buildings in the applicable zoning district and a FAR which was 50 percent or less of the maximum FAR for residential buildings; or (b) had an assessed value no greater than 50 percent of the assessed valuation of the land on which the building was situated; or (c) the building could no longer be functionally or economically utilized in its former use, provided, however, this obsolescence was not the result of deferred maintenance practices or intentional conduct. For projects in all other areas, a non-residential building was under-utilized if: (a) it contained no more than the permissible FAR for non-residential buildings in the applicable zoning district and a FAR which was 75 percent or less of the maximum FAR for residential buildings; or (b) had an assessed value no greater than 75 percent of the assessed valuation of the land on which the building was situated; or (c) it met the conditions in (c) above.

In 2001, the State Legislature enacted Chapter 427 of the laws of 2001 amending construction commencement and completion dates. For purposes of qualifying for a Section 421a exemption, construction must commence after January 1, 1992 but before December 31, 2003. The amendment eliminated the requirement that construction must be completed prior to December 31, 2003. However, these new provisions do not apply to multiple dwellings eligible for exemption in Manhattan on tax lots now existing or hereafter created south of or adjacent to either side of 110th Street (subparagraph (iv) of paragraph (a) of subdivision 2 of Section 421a).

Distributional Information

In FY 2002, the City is providing 20,301 residential exemptions under the 421-a program. Condominium apartments and rental buildings receive a large percentage of these exemptions. Overall, there were 33,694 apartment units receiving tax benefits with an exempt value of $1,142.9 million. This total exempt value is distributed in the table below according to property type.

	Percent of Total Units	Percent of Total Exempt Assessed Value
1-3 Family	11.95%	2.58%
Condos	35.03%	30.06%
Co-ops	2.58%	2.08%
Rentals	50.43%	65.27%
Mixed Use	0.02%	0.00%
	100.00%	100.00%

Tax Expenditure

$130.0 million

Section 421-b, New Private Housing

Citation

NYS Real Property Tax Law, Section 421-b

Policy Objective

To promote new one- and two-family housing construction by making home ownership more affordable to a larger segment of the population.

Description

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

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

In 1998, the 421-b program was extended for an additional four years. Projects must start construction prior to July 1, 2002 and complete construction no later than July 1, 2004.

Distributional Information

In FY 2002, the City is providing 13,352 exemptions valued at $125.5 million in exempt assessed value. One- and two-family homes in Staten Island account for more than 70 percent of the units that received benefits granted through this program. The table below presents the distribution of 17,418 units.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	99.74%	99.66%
Condos	0.16%	0.27%
Co-ops	0.00%	0.00%
Rentals	0.04%	0.02%
Mixed Use	0.06%	0.06%
	100.00%	100.00%

Tax Expenditure

$14.6 million

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

Citation

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

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

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

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

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

Properties sold through DAMP receive certain real estate tax breaks on the residential portion of the property for a forty-year period. For properties in the program in FY1990, the taxable assessed value of the residential portion is equal to $3,500 per dwelling unit. For properties that have entered the program since FY1990, the taxable assessed value per unit is subject to the terms of the applicable City Council resolution. Commencing July 1, 1990 and applicable to all properties in the program, the taxable assessed value per dwelling unit is subject to limited increases of six percent annually and 20 percent over any five-year period. Any assessed value in excess of these amounts is fully exempt.

Distributional Information

In FY 2002, there are 820 DAMP exemptions containing 17,890 housing units. The total exempt assessed value is $62.3 million. Forty-five percent of all units are located in Manhattan, accounting for 64 percent of the exempt assessed value. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.09%	0.06%
Condos	0.00%	0.00%
Co-ops	75.52%	74.49%
Rentals	24.39%	25.45%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$6.7 million

Senior Citizen Homeowner Exemption (SCHE)

Citation

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

Policy Objective

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

Description

This program provides a partial exemption of the assessed value of the legal residence occupied in whole or in part by the owner or owners of the property. To qualify for the benefit, the following conditions must be met: (a) all owners must be at least 65 years of age, except that if the property is owned by a married couple or siblings, only one of them must meet the age criteria; (b) combined household income must be no greater than $26,899; and (c) the owner must have held title to the property for a minimum of 12 consecutive months, although exceptions may apply when a qualifying property is sold and a new one purchased. There are two instances in which a property will qualify for SCHE although the qualifying senior citizen does not hold title to the property: (1) the property is held in trust for the benefit of a person or persons who meet the income and age requirements; or, pursuant to a 1999 amendment, (2) the person or persons hold a legal life estate in the property. SCHE was also extended to eligible tenant-shareholders of cooperative apartments in 1995. For purposes of this program, the co-op tenant-shareholder is deemed to own that portion of the property represented by his or her proportionate share of the outstanding stock of the corporation. A co-op tenant-shareholder who resides in a dwelling subject to Articles II, IV, V, or XI of the Private Housing Finance Law may be eligible for an exemption under the SCHE program if he or she is not eligible for a rent increase exemption pursuant to the Senior Citizen Rent Increase Exemption program. The reduction in taxes realized by the cooperative housing corporation must be credited against the amount of taxes payable by the eligible shareholder. The tax exemption applies only to the portion of the property used for residential purposes.

Pursuant to a local law enacted in 1998 and applicable to assessment rolls completed in calendar year 1999 and thereafter, a 50 percent exemption is available for homeowners with incomes no greater than $19,500. For homeowners with incomes between $19,501 and $22,499, the tax exemption is reduced by five percentage points for each $1,000 increment in income above $19,500. For those with incomes of $22,500 but no greater than $27,899, the exemption percentage declines by five percentage points for each $900 increment in income above $22,499.

In 2000, the State Legislature enacted legislation authorizing localities to increase the income threshold for a 50 percent exemption to $20,500 (Chapter 198 of the Laws of 2000). In

November 2000, the City Council enacted Local Law 71 to implement this change in New York City, effective for tax rolls with a taxable status date on or after January 1, 2001.

In 2001, the State Legislature amended section 467 with regard to exemption from taxation for school purposes. The existing statute prohibited a tax exemption for school purposes if a child residing at such property attends a public elementary or secondary school. Effective January 1, 2002, chapter 199 of the laws of 2001 amended the law to authorize a governing board of a school district to adopt a resolution to provide for exemption from taxation for school purposes.

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

Distributional Information

In FY 2002, there are 32,063 exemptions (containing 54,818 housing units). The exempt value of $246.8 million increased by $8.8 million, or 4 percent from FY 2001. The following table gives a distribution of these households by income range:

Percentage Exemption	Income Range	Number of Exemptions	Percent of Total Exemptions	Exempt Assessed Value
50%	$0 – 20,500	24,960	77.8%	$190.8m
45%	$20,501 – 21,499	1,061	3.3%	7.4m
40%	$21,500 – 22,499	996	3.1%	6.2m
35%	$22,500 – 23,499	907	2.8%	5.1m
30%	$23,500 – 24,399	782	2.4%	3.7m
25%	$24,400 – 25,299	721	2.2%	2.8m
20%	$25,300 – 26,199	608	1.9%	1.9m
15%	$26,200 – 27,099	492	1.5%	1.2m
10%	$27,100 – 27,999	395	1.2%	0.6m
5%	$28,000 – 28,899	39	0.1%	0.0m
	Income unspecified[1]	1,102	3.4%	27.1m
	TOTAL	32,063	100.0%	$246.8m

[1] Senior Citizen Homeowner Exemptions are aggregated for each cooperative building. As a result, incomes cannot be specified for individual apartment owners.

The table below shows the distribution of benefits by property type.

	Percent of Total Units	Percent of Total Exempt Assessed Value
1-3 Family	90.38%	86.83%
Condos	1.15%	1.73%
Co-ops	7.53%	10.79%
Rentals	0.45%	0.16%
Mixed Use	0.49%	0.48%
	100.00%	100.00%

Tax Expenditure

$28.4 million

Senior Citizen Rent Increase Exemption (SCRIE)

Citation

NYS Real Property Tax Law, Section 467-b
NYC Administrative Code, 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 1996). The definition of "income" excludes payments made to individuals because of their status as victims of Nazi persecution as defined in P.L. 103-286. Once tenants qualify for the program, increases in their Social Security income are excluded from the determination of total household income. Furthermore, the tenant must reside in a rent controlled, rent stabilized or rent regulated (such as Mitchell-Lama housing) unit.

Distributional Information

As of March 1, 2002, 44,006 households were receiving SCRIE abatements. The following table gives a distribution of these households by borough:

	Total Units [1]	Percent of Total Units
Manhattan	12,612	28.66%
Bronx	6,064	13.78%
Brooklyn	15,569	35.38%
Queens	9,554	21.71%
Staten Island	207	0.47%
Citywide	44,006	100.00%

[1] Source: Department of Aging.

Tax Expenditure

FY 2001: $80.2 million

Veterans' Exemptions

Citation

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

Pursuant to an amendment enacted by the State Legislature in 2000 and applicable to tax rolls with a taxable status date on or after January 1, 2001, a veteran who sells a property that has been granted a section 458 veteran’s exemption and purchases a new property any time thereafter may be granted a section 458 exemption for the new property, provided such property qualifies for this exemption. The statute requires that the moneys received from the sale of the first property equal or exceed the amount of eligible funds used for its purchase and that such funds be subsequently used to purchase the second property.

New veterans' exemptions are granted under Section 458-a, based upon service rendered. An exemption equal to 15 percent of the property's assessed value is granted to eligible veterans who served during a specified period of war; an additional 10 percent exemption is available to eligible veterans who served in a combat zone; and an additional exemption may be granted to eligible disabled veterans equal to the product of 50 percent of the veteran's disability rating. However, these exemptions are subject to dollar limitations, which were increased in 1997 pursuant to state and local law as follows: (a) The period of war exemption may not exceed $45,000 or $45,000 multiplied by the latest class ratio, whichever is less; (b) The combat zone exemption may not exceed $30,000 or $30,000 multiplied by the latest class ratio; and (c) The disability exemption may not exceed $150,000 or $150,000 multiplied by the latest class ratio. These new maximum exemptions became effective with the assessment roll for FY 1999. The 458-a exemption does not apply to taxes levied for school purposes.

In 1999, the State Legislature amended section 458-a in two respects. First, it eliminated references to specific periods of war, in subparagraph (i) of paragraph (e) of subdivision 1, and broadened the definition of "veteran" eligible for a tax exemption. Second, it provided that a veteran could document his or her eligibility to receive the additional ten percent "combat zone" exemption by the award of the armed forces expeditionary medal, navy expeditionary medal or marine corps expeditionary medal (paragraph (b) of subdivision 2).

In 2000, the State Legislature enacted a provision that authorizes localities to adopt a local law to include a "Gold Star Parent" within the definition of "qualified owner." As defined in the statute, a Gold Star Parent means the parent of a child who died in the line of duty while serving in the armed forces during a period of war. Additionally, the property must be the primary residence of the Gold Star Parent. The property is eligible for "period of war" and "combat zone" exemptions but not the exemption based on the veteran's disability. In November 2000, the City Council enacted Local Law 69 to make this provision effective in New York City for tax rolls with a taxable status date on or after January 1, 2001.

Section 458 or 458-a exemptions may be granted to properties held in trust for the benefit of a person or persons who would otherwise be eligible for these exemptions but for the fact that they do not hold legal title to the property. Veterans who own and occupy a cooperative apartment, except those in Mitchell-Lama developments or other projects subject to Articles II, IV, V or XI of the state private housing finance law, are also eligible for a veterans' exemption. The property or cooperative apartment must be used exclusively for residential purposes and be the primary residence of the veteran or the surviving spouse who has not remarried. If the property is not used exclusively for residential purposes, the non-residential portions of the property are fully taxable.

Distributional Information

In FY 2002, there are 67,441 exemptions in this program with a total exempt value of $276.4 million. These properties represent 116,056 housing units, which are primarily located outside Manhattan. Queens accounts for 47 percent of the total housing units. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	84.82%	66.92%
Condos	1.18%	2.67%
Co-ops	11.23%	29.45%
Rentals	2.31%	0.58%
Mixed Use	0.47%	0.38%
	100.00%	100.00%

Tax Expenditure

$19.0 million

Physically Disabled Crime Victims

Citation

NYS Real Property Tax Law, Section 459-b

Policy Objective

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

Description

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

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

Tax Expenditure

Less than $100

Persons with Disabilities and Low Incomes

Citation

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

Policy Objective

To provide real estate tax relief to disabled homeowners with limited incomes

Description

This program provides a 50 percent tax exemption for an eligible homeowner with household income that does not exceed $18,500. The exemption ranges from 45 percent to 5 percent for homeowners with incomes greater than $18,500 but less than $26,900. For purposes of the exemption, a person is “disabled” if he or she has a physical or mental impairment which substantially limits such person’s ability to engage in one or more major life activities. Major life activities include: caring for one’s self; performing manual tasks; walking; seeing; hearing; speaking; breathing; learning and working. The person must: (a) be certified to receive social security disability insurance or supplemental security income benefits; (b) be certified to receive Railroad Retirement Disability benefits; or (c) have received a certificate from the State Commission of the Blind and Visually Handicapped stating that such person is legally blind. The property must be used exclusively for residential purposes or only that portion used for residential purposes shall be entitled to exemption. The property must also be the legal residence of and occupied by the eligible disabled person. An exception is permitted where the disabled person is absent while receiving health-related care as an inpatient of a residential health care facility. The exemption is also applicable to eligible owners of cooperative apartments. No parcel that receives an exemption under section 459-c may receive an exemption pursuant to section 467 (Senior Citizen Homeowner Exemption).

This exemption was implemented for the first time in FY 2000. State and city legislation enacted in 1998 authorized the City to grant a credit to any person: (a) who applied for the exemption and was determined to be eligible for the program for FY 2000; and (b) who would have been eligible for FY 1999 had the exemption applied to the FY 1999 assessment roll. The credit was applied against the property’s FY 2000 tax liability.

In 1999, the State Legislature amended section 459-c to authorize local legislative bodies to increase the maximum household income to $19,500 for a 50 percent exemption. This was further increased by the State Legislature in 2000 to $20,500. The City Council enacted Local Law 70 in November 2000 to implement this change locally for tax rolls with a taxable status date on or after January 1, 2001.

A second amendment in 2000 expands the population of eligible homeowners by including persons certified to receive a United States Postal Service Disability Pension. This provision is effective immediately and does not require local law.

Tax Expenditure:

$0.2 million

Class Two Cooperatives and Condominiums Partial Tax Abatement

Citation

NYS Real Property Tax Law, Section 467-a

Policy Objective

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

Description

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

The abatement granted to eligible dwelling units in property whose average unit assessed value is less than or equal to $15,000 is two percent for FY 1997; 16 percent for FY 1998; and 25 percent for FY 1999 and after. For eligible units in property whose average unit assessed value is greater than $15,000, the abatement percentages are 1.25 percent, 10.75 percent and 17.5 percent in FYs 1997, 1998 and 1999 and after, respectively.

In 2001, the State Legislature extended the co-op/condo abatement program for fiscal years 2002 through 2004 (Chapter 294 of the laws of 2001).

Tax Expenditure

$181.3 million

Industrial and Commercial Incentive Board (ICIB)

Citation

NYS Real Property Tax Law, Section 489-aaa - 489-iii
NYC Administrative Code, Sections 11-247 - 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

$3.4 million

Industrial and Commercial Incentive Program (ICIP)

Citation

NYS Real Property Tax Law, Section 489-aaaa - 489-llll
NYC Administrative Code, Sections 11-256 - 11-267

Policy Objective

To encourage economic development by means of tax exemptions and abatements 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.

(1) Industrial Projects

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

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

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

(2) Commercial Projects

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

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

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

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

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

(a) Special Exemption Areas: These areas are designated by the Boundary Commission based on criteria indicating that such areas need deeper tax incentives to encourage commercial construction work. Special exemption areas also include areas designated as economic development zones in accordance with Article 18-B of the General Municipal Law. Projects in special exemption areas receive the same tax exemption as industrial projects – 16 years of full exemption followed by a nine-year phase-out period.

(b) Regular Exemption Areas: Areas that have not been designated as Special Exemption Areas are Regular Exemption Areas. Commercial projects receive a tax exemption equal to 100 percent of the increase in assessed value for the first eight years following the effective date of the certificate of eligibility. This is followed by a four-year phase-out period in which the exemption percentage declines by 20 percentage points each year. By year 13, the exemption is fully phased-out.

(c) Revitalization Areas: The ICIP program was recently amended as part of the City's Commercial Expansion Program (see page 42). Within Regular or Special Exemption areas, an area may be designated as a Revitalization Area, which may be any area of the City, except in Manhattan south of 96th Street, that is zoned C4, C5, C6, M1, M2 or M3. The importance of the Revitalization Area designation is:

- it eliminates the two- or four-year waiting period for eligibility where commercial projects had more than 15 percent of the total net square footage used for manufacturing; and

- it allows a pro rata tax abatement for the industrial portion of a mixed-use project (commercial and industrial) in which less than 75 percent but at least 25 percent of the total square footage of the building or structure is used for manufacturing or immediately available for manufacturing use. Outside Revitalization Areas, an abatement is available only if at least 75 percent of the structure is used for manufacturing or immediately available for manufacturing use.

Tax Expenditure

$190.0 million

Water-works Corporations, Jamaica Water Supply

Citation

NYS Real Property Tax Law, Section 485-d
NYC Administrative Code, 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

$9.5 million

Major League Sports Facilities, Madison Square Garden

Citation

NYS Real Property Tax Law, 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 and Commercial Expansion Program

Description

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

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

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

Commercial Revitalization Program: Lower Manhattan

Commercial Expansion Program: Designated Areas outside of Manhattan's Central Business Districts

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

Real Estate Tax Abatement: Commercial Leases in Lower Manhattan

Citation

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

Policy Objective

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

Description

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

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

The program imposes other eligibility requirements as follows:

- The space leased must be located in a non-residential or mixed-use building constructed prior to 1975 and located in the statutorily designated Abatement Zone

- There are mandatory minimum required expenditures for tenant improvements and/or common areas.

[1] As noted on page 42, the original Commercial Revitalization Program included a tax abatement program for commercial leases in selected areas elsewhere in the City. This benefit is now part of the Commercial Expansion Program.

- Pursuant to an amendment enacted in 2001, the lease must be signed within the eligibility period that will end March 31, 2004. Additionally, the benefit period cannot extend beyond March 31, 2010

Tax Expenditure

See next page

Real Estate Tax Abatement: Commercial and Industrial Leases in Areas outside of Manhattan's Central Business Districts

Citation

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

Policy Objective

To encourage businesses to locate in Manhattan above 96th Street, the Bronx, Brooklyn, Queens and Staten Island.

Description

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

To be eligible, the premises must be located in a non-residential or mixed-use building with a minimum aggregate floor area of 25,000 square feet. The building must have been constructed prior to January 1, 1999. The lease must commence between July 1, 2000 and June 30, 2003. Finally, the program requires minimum improvements to the premises, varying by the length of the lease and the number of employees that will be located at the premises.

The program provides the same tax benefits and structure as the Real Estate Tax Abatement program under the Commercial Revitalization Program (see page 43). Qualifying leases with a term of five years or more are eligible for a five-year tax abatement while qualifying leases with a term of at least three years but less than five years are eligible for the three-year benefit.

Tax Expenditure

$19.3 million (total for Commercial Revitalization and Expansion Programs)

Lower Manhattan Conversion: Non-Residential Buildings to Residential Use

Citation

NYS Real Property Tax Law, Section 421-g

Policy Objectives

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

Description

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

To qualify for tax benefits, the building must be in the statutorily defined Lower Manhattan Abatement Zone and a permit for conversion must be issued between July 1, 1995 and June 30, 2007. If, after conversion, more than 12 percent of the building's aggregate floor area consists of commercial, community facility and accessory use space, the exemption and abatement will be reduced by the difference between the percentage of space so used and 12 percent. If more than 25 percent of the aggregate floor space is used for commercial, community facility or accessory use, the exemption and abatement will be revoked. For the purpose of this statute, "accessory use space" will be deemed not to include home occupation or accessory parking space located not more than 23 feet above the curb level. Notwithstanding any other provision of state or local law relating to rent stabilization, the rents of dwelling units in an eligible building are subject to control while the building is receiving a tax exemption and/or abatement.

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

Tax Expenditure

$19.9 million

Lower Manhattan Conversion: Non-Residential Buildings to Mixed Use

Citation

NYS Real Property Tax Law, Sections 489-aaaaa through 489-iiiii

Policy Objectives

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

Description

As part of the Commercial Revitalization Program, a tax exemption was granted to eligible buildings in the Lower Manhattan Abatement Zone that converted to residential or mixed residential/commercial use. After completion of construction, more than 25 percent of the building's floor space was required to be devoted to commercial or accessory use. To qualify, the owner was required to have applied for a certificate of eligibility later than June 30, 1999 with construction work performed pursuant to a building permit issued no later than July 31, 1999.

This program provided the same exemption benefits and schedule as the Residential Conversion Program under section 421-g of the Real Property Tax Law. However, the program did not provide an abatement of existing taxes. The tax exemption for the first eight years was equal to 100 percent of the increase in assessed value due to the conversion construction work followed by a four-year phase-out.

Tax Expenditure

$0.0 million

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Table 3

STATE-WIDE
Real Property Tax Expenditures
Fiscal Year 2002
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs [1]	Net Tax Expenditures
Limited Profit Housing Cos.	355	$2,205.7	$237.0	$65.4	$171.6
Residential	313	$2,104.7	$227.1	$65.4	$161.8
Commercial	42	$101.0	$9.8	--	$9.8
Limited Dividend Cos.	11	$35.5	$3.8	$0.2	$3.6
Redevelopment Cos.	403	$520.6	$56.1	$35.3	$20.8
Residential	381	$515.8	$55.7	$35.3	$20.3
Commercial	22	$4.8	$0.5	--	$0.5
Housing Development Fund Cos.	278	$380.1	$39.7	$12.5	$27.2
Residential	205	$260.1	$28.1	$12.5	$15.6
Commercial	73	$119.9	$11.6	--	$11.6
Urban Development Action Area Program	8,011	$127.3	$14.4	$4.8	$9.6
State Assisted Housing	69	$153.1	$15.6	$0.4	$15.2
Residential	36	$66.5	$7.2	$0.4	$6.7
Commercial	33	$86.6	$8.4	--	$8.4
Total: State-Wide Programs	9,127	$3,422.3	$366.6	$118.6	$248.0
Total: Residential	8,957	$3,109.9	$336.3	$118.6	$217.7
Total: Commercial	170	$312.4	$30.3	--	$30.3

Note: Totals may not add due to rounding.

[1] PILOTs are FY 2002 estimates.

Table 4

STATE-WIDE
Real Property Tax Expenditures by Borough
Fiscal Year 2002
($ Millions)

	Manhattan		The Bronx	
	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
Limited Profit Housing Companies	100	$80.4	97	$35.9
Limited Dividend Companies	2	$2.6	0	$0.0
Redevelopment Companies	92	$12.4	165	$1.4
Housing Development Fund Companies	66	$10.7	74	$8.1
Urban Development Action Area Program	605	$0.5	1,676	$2.7
State-Assisted Housing	31	$4.8	16	$3.9
Total: State-Wide Programs	**896**	**$107.3**	**2,028**	**$51.9**

Note: Totals may not add due to rounding.

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	$39.1	43	$15.0	5	$1.1
9	$1.1	0	$0.0	0	$0.0
131	$6.4	7	$0.6	8	$0.0
110	$5.6	21	$2.4	7	$0.4
5,048	$5.5	664	$1.0	18	$0.0
15	$4.6	6	$1.7	1	$0.2
5,423	**$58.1**	**741**	**$20.7**	**39**	**$1.7**

STATE-WIDE PROGRAMS

Limited Profit Housing Companies

Citation

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

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 2002, there are 313 residential and 42 commercial exemptions under this program. The residential properties contain 113,582 housing units with a total exempt assessed value of $2,104.0 million.

Almost 60 percent of residential units receiving benefits are co-ops, which are located in all boroughs except Staten Island. Although 25 percent of the exempt assessed value is attributable to Manhattan co-op projects, 34 percent of the co-op units are located in the Bronx (the location of Co-op City). Rental units receiving benefits are primarily located in Manhattan, the Bronx, and Brooklyn.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	59.65%	60.13%
Rentals	40.35%	39.87%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$171.6 million

Limited Dividend Housing Companies

Citation

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

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)

$3.6 million

Redevelopment Companies

Citation

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

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, which provide financing for the development of rental and co-op units. Participants 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 granted 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.

In 2001, the State Legislature authorized the City Council to extend the tax exemption period for the Penn South Redevelopment Company for ten years, provided the total tax exemption not exceed 60 years. The Legislature also imposed a floor on the amount of payment in lieu of tax such development will be required to pay during the remainder of its current 25 year exemption extension and any additional extension period authorized by the City Council. The payment shall not be less than the greater of: a) ten percent of the annual rent or carrying charge less utilities for the residential portion of the project ; or b) the taxes payable for the residential portion of the project in the fourteenth year of its current 25-year extension period.

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)

$20.8 million

Housing Development Fund Companies (HDFC)

Citation

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

Policy Objective

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

Description

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

Projects that are entitled to full exemptions include housing constructed in the 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. Thirty percent of a project's residents must be households previously residing in emergency shelter facilities.

This enabling legislation does not include a sunset provision.

Distributional Information

In FY 2002, there are 205 residential and 73 commercial exemptions under this program. The residential properties contain 14,675 housing units with an exempt assessed value of $260.0 million. Rentals make up almost 98 percent of this program. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.02%	0.01%
Condos	0.00%	0.00%
Co-ops	2.02%	2.12%
Rentals	97.96%	97.78%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$27.2 million

Urban Development Action Area Project (UDAAP)

Citation

NYS General Municipal Law, Section 696

Policy Objective

To encourage the construction of residential housing in designated areas.

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 2002, there are 8,011 residential exemptions under this program that contain 13,483 housing units with an exempt assessed value of $127.0 million. One-, two-, and three-family houses in Brooklyn and rentals in Manhattan receive the largest proportion of UDAAP benefits. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	82.70%	60.09%
Condos	1.92%	7.57%
Co-ops	0.00%	0.00%
Rentals	14.71%	32.07%
Mixed Use	0.66%	0.26%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$9.6 million

Miscellaneous State-Assisted Housing

Citation

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

The laws relating to these programs do not 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)

$15.2 million

Table 5

PUBLIC AGENCIES
Real Property Tax Expenditures
Fiscal Year 2002
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs [1]	Net Tax Expenditures
Industrial Dev't Agency	683	$1,099.3	$106.8	$40.2	$66.6
Economic Dev't Corp.	218	$92.7	$9.0	$1.9	$7.1
NYC Housing Authority	1,294	$2,606.6	$280.9	$26.8	$254.0
Residential	1,198	$2,568.8	$277.3	$26.8	$250.5
Commercial	96	$37.8	$3.7		$3.7
Urban Development Corp.	81	$1,160.2	$113.1	$0.0	$113.1
Residential	13	$39.6	$4.3	$0.0	$4.3
Commercial	68	$1,120.6	$108.8	--	$108.8
NYS Power Authority	8	$483.9	$50.3	--	$50.3
Battery Park City Authority	2,342	$1,382.9	$138.7	$65.9	$72.8
Residential	2,301	$404.6	$43.7	--	$43.7
Commercial	41	$978.3	$95.0	$65.9	$29.1
World Trade Center, Port Authority	1	$927.0	$5.4	--	$5.4
Teleport, Port Authority	26	$70.7	$6.9	--	$6.9
Trust for Cultural Resources	251	$56.6	$5.9	$0.1	$5.7
Total: Public Agencies	**4,904**	**$7,879.9**	**$716.9**	**$134.9**	**$582.1**
Total Residential	3,512	$3,013.0	$325.2	$26.8	$298.4
Total Commercial/Industrial	1,392	$4,866.9	$391.7	$108.1	$283.7

Note: Totals may not add due to rounding.

[1] PILOTs are FY 2002 billing estimates.

Table 6

PUBLIC AGENCIES
Real Property Tax Expenditures by Borough
Fiscal Year 2002
($ Millions)

	Manhattan		The Bronx	
	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
Industrial Development Agency	285	$62.4	52	$7.8
Economic Development Corporation	1	$0.0	1	$0.1
NYC Housing Authority	285	$107.2	240	$67.2
Urban Development Corporation	60	$101.9	8	$3.5
NYS Power Authority	3	$2.7	2	$0.0
Battery Park City Authority	2,342	$138.7	--	--
World Trade Center, Port Authority	1	$5.4	--	--
Teleport, Port Authority	--	--	--	--
Trust for Cultural Resources	251	$5.9	--	--
Total: Public Agencies	**3,227**	**$424.2**	**303**	**$78.6**

Note: Totals may not add due to rounding.

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	$13.3	171	$16.0	9	$7.3
51	$6.4	21	$0.8	144	$1.7
429	$79.6	324	$22.1	16	$4.8
9	$5.4	3	$0.0	1	$2.3
--	--	3	$47.6	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	26	$6.9
--	--	--	--	--	--
655	**$104.6**	**522**	**$86.5**	**196**	**$23.0**

PUBLIC AGENCIES

Industrial Development Agency (IDA)

Citation

NYS General Municipal Law, Section 858 and Section 917
NYS Real Property Tax Law, Section 412-a

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) on land and buildings.

The enabling legislation does not include a sunset provision.

Net Tax Expenditure (after PILOTs)

$66.6 million

Economic Development Corporation (EDC)

Citation

NYS Real Property Tax Law, 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)

$7.1 million

New York City Housing Authority (NYCHA)

Citation

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

Policy Objective

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

Description

As of January 1, 2002, the New York City Housing Authority operated 345 developments with more than 181,000 apartments. An additional 78,868 apartments are in its leasing program. In total, these units house approximately 630,000 persons.

Except for New York State-assisted projects, NYCHA property is exempt from direct taxation. City-aided projects are exempt for a period of 50 years. Federally aided projects may be exempt for up to 60 years. However, by law, the City may require payments-in-lieu-of-taxes (PILOTs) from NYCHA projects. The fixed annual PILOT for NYCHA's City funded projects is $109,000. For the Federally aided projects, NYCHA pays a PILOT based on net routine operating expenses, which may vary annually. For fiscal year 2002, PILOTs for the federally aided projects are estimated to be $26.7 million. The State-assisted projects paid $1.9 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 2002, there are 1,198 residential and 96 commercial exemptions containing 187,093 housing units with an exempt assessed value of $2.6 billion. NYCHA benefits are distributed throughout the five boroughs. Manhattan and Brooklyn have the greatest proportion of NYCHA exempt value. Rental properties comprise 99 percent of NYCHA exemptions; therefore, a distribution by housing type is not provided.

NYCHA provided data for 174,121 households living in public housing as of January 1, 2001.

Based on this data, the distribution of households is as follows:

Household Income Range	Number of Households	Percent of Total Households
$0 - 9,999	86,842	49.9%
$10,000 - 12,499	18,853	10.8%
$12,500 - 14,999	13,592	7.8%
$15,000 - 19,999	16,026	9.2%
$20,000 - 24,999	11,158	6.4%
$25,000 - 29,999	8,884	5.1%
$30,000 - 34,999	6,072	3.5%
$35,000 - 39,999	3,860	2.2%
$40,000 - 44,999	2,452	1.4%
$45,000 - 49,999	1,743	1.0%
$50,000 and over	4,639	2.7%
Total Reporting Income	174,121	100.00%

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

Net Tax Expenditure (after PILOTs)

$254.1 million

Urban Development Corporation (UDC)

Citation

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

Policy Objective

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

Description

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

The UDC exemption does not contain a sunset provision.

Distributional Information

In FY 2002, there are 13 residential and 68 commercial exemptions under this program. The residential properties contain 615 housing units with an exempt assessed value of $39.6 million. The exempt assessed value for the commercial properties is $1,120.6 million. The residential component of the UDC exemption consists of rentals in Manhattan.

Net Tax Expenditure (after PILOTs)

$113.1 million

New York Power Authority

Citation

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

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

$50.3 million

Battery Park City Authority (BPCA)

Citation

NYS Public Authorities Law, Section 1981
NYS Real Property Tax Law, 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 has developed a mixed-use community, combining residential and commercial properties with public facilities (schools, parks, etc.) and utilities. Under a 1981 agreement with a developer, four office towers containing six million square feet of space were completed in 1987.

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 2002, there are 2,301 residential exemptions with an exempt value $404.6 million, providing tax relief for 2,293 condominiums and 3,371 rental apartments. Similarly, there are 41 commercial exemptions with an exempt value of $978.3 million.

Net Tax Expenditure (after PILOTs)

$72.8 million

World Trade Center, Port Authority of NY and NJ

Citation

NYS Unconsolidated Laws, Title 17, Chapter 5
NYS Real Property Tax Law, Section 412

Policy Objective

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

Description

As a center for national and international trade, the World Trade Center (WTC) was comprised of facilities for customs clearance, shipping management, financing, insurance, commodities trading, governmental functions, and related support services.

The WTC, owned and operated by the Port Authority of New York and New Jersey, was tax exempt until July 23, 2001 and the tax expenditure reflects its exempt status to that date. Thereafter, the exemption was removed and the property restored to the tax roll. Payments received during FY 2002 have been applied to the property tax due.

Net Tax Expenditure (after PILOTs)

$5.4 million

Teleport Center, Port Authority of NY and NJ

Citation

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

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

$6.9 million

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

Citation

NYS Arts and Cultural Affairs Law, Sections 20.33 and 21.11

Policy Objective

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

Description

In 1976, the legislature enacted 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 52-story tower was developed adjacent to the museum, containing six floors dedicated to the Museum and 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, equivalent to real estate taxes. These payments are used primarily to defray administrative costs of the trust, fund the debt service on the mixed-use facility and provide the cultural institution with funds for operating expenses.

Tax Expenditure

$5.7 million

PART III

BUSINESS INCOME AND EXCISE TAX EXPENDITURES

Overview

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

In 1999, the business income and excise tax laws contained 24 provisions granting tax preferences that can be defined as tax expenditures. Data exist to estimate the value of 16 of these tax expenditures. The estimates are stated on a tax year rather than New York City fiscal year basis. When available, information is provided on the number of businesses benefiting from a tax expenditure program.

In Tax Year 1999, the tax expenditure value of the 16 programs totaled approximately $427 million. Certain tax benefits are explicitly designed to foster economic development. Other tax expenditures, while created for economic development purposes, are also intended to reflect the unique economic activity in which certain industries are engaged. For example, there are special rules for allocating net income for the broadcasting, publishing and mutual fund industries. Still other tax expenditures are created for social objectives, such as to assist the dramatic arts or to promote certain types of scientific research.

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 1999 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 1999

Program	($ Millions) Amount
Quantifiable	
Insurance Corporation Non-Taxation	191
International Banking Facility	73
Business and Investment Capital Tax Limitation	48
Energy Cost Savings Program	30
Foreign Bank Alternative Tax on Capital Stock	20
Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital	16
Commercial Revitalization Program	16
Double-Weighting Manufacturers' Receipts Factor	14
Special Allocation Rule: Regulated Investment Company Management Fees	13
Relocation and Employment Assistance Program	5
Real Estate Investment Trusts	2
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	427[1]

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
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

* = Less than 1 million.

[1] Total tax expenditure cost is lower than sum of costs of individual programs because $3 million of cost of Energy Cost Savings Program is also attributable to the Commercial Revitalization Program.

Insurance Corporation Non-Taxation

Citation

Chapter 649, Section 11, NYS Laws of 1974

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

$ 191 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, and to exclude IBF payroll, receipts and deposits from the numerator and denominator of the income allocation formula, in calculating taxable income under their banking corporation taxes. Alternatively, a bank can elect to include its IBF's results in calculating its net income, but to exclude IBF payroll, receipts and deposits from the numerator (while including them in the denominator) of its income allocation formula. As a result, banking offices in New York can, through their IBFs, conduct transactions with foreign residents in a regulatory environment broadly similar to that of the Eurocurrency market without having to use an offshore facility.

Tax Affected

Banking Corporation Tax

Tax Expenditure

$73 million

Number of Beneficiaries

158 banking 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 that have low taxable income but large net worth.

Description

A corporation subject to taxation in New York City determines its tax liability by making three alternative calculations (net income, net income plus compensation paid to certain shareholders and business and investment capital), comparing the results to a 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

$48 million

Number of Beneficiaries

30 corporations

Energy Cost Savings Program (ECSP) Credit

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 other boroughs of New York City.

Description

The ECSP program applies to industrial and commercial companies that relocate to Manhattan north of 96th Street or the other boroughs or that occupy new or improved space in these areas. Manufacturing firms that own or lease space in a building located in Manhattan south of 96th Street may also qualify for ECSP benefits. In addition, legislation enacted in 1995 expanded ECSP to include certain other eligible businesses in lower Manhattan (see Commercial Revitalization Program write-up on pages 84-85).

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

In Tax Year 1999, the program provided 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.

Legislation enacted in 2000 changed the ECSP benefit structure. Effective November 1, 2000, the discount on energy costs is calculated as a percentage of the cost of delivery, rather than the combined costs of the delivery and purchase of the commodity. Under the new law, eligible firms receive a 45 percent discount off of the delivery portion of the electric bill and 35 percent off of gas delivery costs. This change will enable businesses to purchase the electric or natural gas commodity in the deregulated market and realize additional savings. The new law also removes restrictions that limit the availability of ECSP benefits to firms using space in buildings in Long Island City or Fulton Ferry that are converted from manufacturing to commercial use. In addition, under the new law ECSP benefits must be received directly from a PSC-supervised utility, which will continue to receive a credit for rebate amounts against its utility gross receipts tax payments. The tax credit mechanism for eligible energy users and suppliers of fuel services has been eliminated. (Previously, an eligible user that purchased electricity or gas from a vendor of utility services -- a provider of utility services not subject to PSC supervision -- such as a landlord, could qualify for a tax credit if the vendor elected not to provide the special rebate. In addition, a supplier of fuel services that provided discounts to vendors of energy services could claim a tax credit for the amount of the discounts.)

Certificates of eligibility must be obtained from the City before July 1, 2002 to participate in this program.

Taxes Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax
Utility Tax

Tax Expenditure

$30 million

Number of Beneficiaries

901 companies

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, banking 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

$20 million

Number of Beneficiaries

117 banking corporations

Cooperative Housing Corporation Four-tenths Mill 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

$16 million

Number of Beneficiaries

5,164 corporations

Commercial Revitalization Program: Lower Manhattan

Citation

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

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

Policy Objective

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

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

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 government entity may also qualify for the CRT benefit if it meets certain eligibility requirements.

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

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

Pursuant to an amendment enacted by the State Legislature in 1997, the CRT benefit available through this program was amended to conform eligibility criteria and benefit levels, where appropriate, to amendments to the real estate tax abatement benefit. In particular, a modified CRT benefit is available to eligible tenants who enter into minimum three- year leases, rather than five-year terms. In addition, the 1997 amendment allows tenants who meet specified eligibility requirements but who are related to their landlords to receive the commercial rent tax benefit.

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.

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 April 1, 2004 and before a building permit for the required construction or renovation is issued.

Taxes Affected

Commercial Rent Tax
Utility Tax

Tax Expenditure

CRT: $16 million
UTX: $3 million

Special Allocation Rule: Double-Weighting of Manufacturers' Receipts Factor

Citation

NYC Administrative Code, Sections 11-508(g), 11-604.3(a)(8)

Policy Objective

To encourage manufacturing firms to locate in New York City.

Description

In determining their business allocation percentage, taxpayers normally determine the ratio of their in-City operations or activities to their total operations or activities for each of the three apportionment factors -- property, payroll and receipts (GCT) or gross income (UBT) -- add the three ratios and divide by three. Manufacturing firms may elect to include the ratio of in-city to total receipts or gross income twice in the formula and divide by four. For manufacturing firms that ship their products to out-of-city customers, this can lower the companies' City business allocation percentage and thus their City business income tax liability.

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

$14 million

Number of Beneficiaries

1,200 businesses

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

Citation

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

Policy Objective

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

Description

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

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 that are owned on the last day of the month by shareholders domiciled in the City by;

(b) the total number of shares in the RIC outstanding on that date.

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

Legislation enacted in 2000 extended this apportionment rule to the City's unincorporated business tax and banking corporation tax.

Tax Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

$13 million

Relocation and Employment Assistance Program (REAP)

Citation

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

Policy Objective

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

Description

A credit is available for certain taxpayers that relocate all or part of their business operations to eligible premises located above 96th Street in Manhattan or in the other boroughs. Under the original program, a business income tax credit of $500 per eligible employment share was available for the year of relocation and for a maximum of eleven succeeding tax years. Legislation enacted in 1995 increased the business income tax credit to $1,000 per eligible employment share for recipients that received their certificate of eligibility on or after July 1, 1995.

Legislation enacted in 1999 extended REAP to utility tax payers.

Legislation enacted in 2000 significantly enhanced REAP benefits. Under the New York City Commercial Expansion Program, an eligible business that obtains its certification of eligibility on or after July 1, 2000 can receive an annual credit of $3,000 for each eligible employee relocated to an eligible premises, which must be located within a City "revitalization area." Under the enhanced REAP program, available credits for the taxable year in which a firm relocates and the four succeeding taxable years are refundable, meaning that if the credit value exceeds a taxpayer's City tax liability for the year, the City will pay the taxpayer the excess amount. Credits that go unused in a subsequent year may be carried over to the next five years.

Taxpayers must be certified annually by the City in order to participate in this program. A firm must receive its certificate of eligibility or file a preliminary application and fulfill certain requirements before July 1, 2003 to be eligible to receive REAP benefits.

Taxes Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax
Utility Tax

Tax Expenditure

$5 million

Number of Beneficiaries

32 companies with 9,494 eligible employees

Real Estate Investment Trusts (REITS)

Citation

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

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 subject to only two of 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.

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

Legislation enacted in 1996 made the above benefit permanent and extended the benefit to certain transfers to preexisting REITs. Legislation enacted in 1999 extended the reduced tax rate for transfers of real property into existing REITs until September 1, 2002.

Tax Affected

General Corporation Tax
Real Property Transfer Tax

Tax Expenditure

GCT: Not available
RPTT: $2 million

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

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

Tax Affected

Commercial Rent Tax

Tax Expenditure

Less than $1 million

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 ten employment opportunities.

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

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

NYS 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 that is secured by a mortgage on City-situated real property. However, for a credit-line mortgage – a mortgage that secures indebtedness under a financing agreement that allows the borrower to receive a series of advances or 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.

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

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, certain owners of real property, lessees or fiduciaries engaged in holding, leasing or managing real property are not considered to be engaged in an unincorporated business. Under UBT law prior to a 1994 legislative change, owners, lessees or fiduciaries had to be engaged exclusively in qualified activities to receive the exemption.

Legislation enacted in 1994 expanded the 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 provided 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.

Under legislation enacted in 1996, an owner of real property, a lessee or a fiduciary who operates a garage in a building exempt from the UBT receives an exemption for income received from building tenants who rent parking spaces in the building's public garage on a monthly or longer-term basis. Income from renting parking spaces to the public or to building tenants on a short-term basis continues to be subject to tax.

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code, Section 11-502(c)

Policy Objective

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, individuals or entities engaged in certain trading activities for their own account are not considered to be engaged in an unincorporated business. Under UBT law prior to legislative changes in 1994 and 1996, the exemption was only applicable to an individual or entity engaged exclusively in the purchase and sale of property or the purchase, sale or writing of stock option contracts, or both, for his or her own account.

Legislation enacted in 1994 provided that the UBT would not be imposed if an entity that 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) broadened 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.

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

Special Allocation Rule: Credit Card Interest

Citation

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

Policy Objective

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

Description

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

Not available

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

Citation

NYS Corporate Franchise Tax Regulation, Section 4-4.3(c)
NYC Unincorporated Business Tax Regulation, Section 28-07(h)

Policy Objective

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

Description

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed (GCT) or where the office at which the employees are performing the services is located (UBT). However, taxpayers that are security and commodity brokers allocate commissions derived from the execution of purchase 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, Sections 11-508(e-1), 11-604.3(a)(2)(B)

Policy Objective

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

Description

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed (GCT) or where the office at which the employees are performing the services is located (UBT). 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.

Legislation enacted in 1996 expanded this benefit to businesses subject to the Unincorporated Business Tax.

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Special Allocation Rule: Radio/TV Commercial Receipts

Citation

NYC Administrative Code, Section 11-508(e-1)
NYC General Corporation Tax Regulation, Section 11-65(b)(3)

Policy Objective

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

Description

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed (GCT) or where the office at which the employees are performing the services is located (UBT). However, the income a business receives from broadcasting radio and television commercials (by FCC license) is allocated to the City based on the "audience location method," i.e., the ratio of the number of the broadcaster's New York City listeners/viewers to its total listeners/viewers.

Legislation enacted in 1996 expanded this benefit to businesses subject to the Unincorporated Business Tax. In addition, the UBT allocation method was modernized to apply to income from the sale of subscriptions to radio or television programs as well as advertising income, and to broadcasting by means of cable, and satellite transmission, as well as over the public airwaves.

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

PART IV

DETAILED REVIEW OF SELECTED TAX EXPENDITURE PROGRAMS

This year's Tax Expenditure Report does not include a detailed review of a selected tax expenditure program.

PART V

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, Annual Report on New York State Tax Expenditures (February 2002). Second, revenue estimates are provided for sales tax expenditures for which the Department of Finance has data. The aggregate Tax Year 1999 value of the tax expenditures for which estimates are provided was $299 million.

Personal Income Tax Expenditures

The Personal Income Tax section provides a list of tax expenditures based on 1999 law and two tables showing components of income and modifications to income of New York City resident filers in 1999. These tables are derived from a statistical sample of 1999 Personal Income Tax returns created by the New York State Department of Taxation and Finance. Descriptions are also provided for two New York City-specific Personal Income Tax credits. These credits were worth a combined value of $49 million in Tax Year 1999.

NEW YORK CITY SALES TAX EXPENDITURES

New York City generally imposes the sales tax on the same products and services to which the statewide sales 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 Annual Report on New York State Tax Expenditures (February 2002).

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
Municipal parking services
Certain parking and garaging services
Certain protective and detective services
Medical emergency alarm call services
Certain information services provided over the telephone
Coin-operated car wash services

Food

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

[1] Starting in 1991, the City taxed credit rating and credit reporting, whether rendered in written or oral form or in any other manner.

Medical

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

Energy

Sales of energy sources for residential purposes [1]
Use tax on gas, electricity, refrigeration and steam [2]
Fuel, gas, electricity, refrigeration and steam used in research and development and production [3]
Fuel, gas, electricity, refrigeration and steam used in farming
Reduced rate on gas and electric service
Gas and electricity used in transmission, distribution and storage

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
Alternative fuel vehicle refueling equipment
Rental of trucks in certain cases
Tractor-trailer combinations
Sales of property by railroads in reorganization
Commercial buses

[1] The City taxes sales of energy sources used for residential purposes.
[2] Effective June 1, 2000, gas and electricity are subject to State and local use taxes.
[3] Effective November 1, 2000, energy used in the production of tangible personal property for sale is also exempt from City taxation. Prior to that date, the City granted taxpayers a refundable credit against their business taxes for sales taxes paid on purchases of electricity used in the production process.

Communication

Interstate and international telephone and telegraph service
Newspapers and periodicals
Shopping papers
Telephone services used by the media
Certain coin-operated telephone charges
Cable television service
Internet access services
Digital cable equipment
Certain telecommunications and Internet
Radio and television broadcasting
Internet data centers

Industry

Tools and supplies used in production
Farm production
Research and development property
Machinery and equipment used in production
Services to machinery and equipment used in production
Wrapping and packaging materials
Commercial fishing vessels
Certain services used in gas/oil production
Pollution control equipment
Property manufactured by user

Miscellaneous

Certain property sold through vending machines
Trade-in allowances
Hotel room rents paid by a permanent resident [1]
Dues for fraternal societies
Dues for homeowners' associations
Homeowners' associations parking services
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

[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.

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 prewritten software by its author
Certain computer system hardware
Promotional materials mailed out of state
Printed promotional materials
U.S. postage used in the distribution of promotional materials
Clothing and footwear [1]
Coin-operated photocopying machines
Luggage carts
Emissions-testing equipment
College textbooks
Live dramatic or musical arts production
Qualified empire zone enterprises

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 such nations residing in New York
U.S. military base post exchanges
Non-profit health maintenance organizations
Non-profit medical expense indemnity or
hospital service corporations
Rural electric cooperatives
Municipal trash removal services

[1] Effective March 1, 2000, clothing and footwear priced under $110 are exempt from State and City sales taxation.

Exempt Admission Charges

Certain admission charges
Events given by charitable organizations, veterans' posts, and Indian nations
Certain symphony orchestra and opera company events
National guard organization events
Municipal police and fire department events
Athletic games or exhibitions where proceeds go exclusively to elementary or secondary schools
Admissions to carnivals, rodeos and circuses for charitable organizations
Admissions to agricultural fairs, historical homes, gardens, sites, and museums

Credits

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

[1] The City does not grant this sales tax credit. Effective March 1, 2001, qualified enterprises can receive an exemption from State sales taxation of goods and services purchased in Empire Zones (formerly known as Economic Development Zones). Localities can elect to also provide relief from local sales taxation.

Table 8
TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS FROM THE SALES TAX BASE [1]
Tax Year 1999

Program	($ Million) Amount
Interstate and International Telephone and Telegraph	98
Newspapers and Periodicals	83
Aviation Fuel Sold to Airlines	32
Water Delivered Through Mains or Pipes	30
Cable Television	25
Production-Related Machinery, Equipment, Parts, Tools, Supplies and Services	23
Airline Food and Drink for In-Flight Consumption	7
Electricity Used in Manufacturing	1

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

Interstate and International Telephone and Telegraph

Citation
NYS Tax Law Section 1105(b)

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

Estimate
$98 million

Data Source
Federal Communications Commission

Newspapers and Periodicals

Citation
NYS Tax Law Section 1115(a)(5)

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

Estimate
$83 million

Data Sources
Audit Bureau of Circulation

Aviation Fuel Sold to Airlines

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

Description
Aviation fuel sold to airlines is tax exempt.

Estimate
$32 million

Data Source
Port Authority of New York and New Jersey

Water Delivered Through Mains or Pipes

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

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

Estimate
$30 million

Data Source
NYC Department of Environmental Protection

Cable Television Service

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

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

Estimate
$25 million

Source
National Cable Television Association

Production-Related Machinery, Equipment, Parts, Tools, Supplies and Services

Citation
NYS Tax Law Sections 1105-B, 1115(a)(12)

Description
New York City exempts from sales taxation purchases of machinery, equipment, parts, tools, supplies and services for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration or steam for sale.

Legislation enacted in 2000 enhanced the exemption of certain telephone and telegraph equipment by providing a State and local exemption from sales taxation for purchases of tangible personal property used to provide telecommunications services for sale, Internet access services for sale or a combination of those services. The new measure took effect September 1, 2000.

Tax Expenditure
$23 million

Data Source
NYC Department of Finance

Airline Food and Drink for In-Flight Consumption

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

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

Estimate
$7 million

Data Sources
Port Authority of NY and NJ
Air Transport World

Energy Used in Manufacturing

Citation
NYC Administrative Code Sections 11-503(g), 11-604.15

Description
Prior to a recent law change, sales taxes paid on purchases of electricity used directly and exclusively in the production of tangible personal property for sale by manufacturing, processing or assembling could be claimed as a credit applied to the General Corporation Tax or Unincorporated Business Tax.

Legislation enacted in 2000 conformed City tax law to State law by providing an exemption from City sales taxation for purchases of fuel, gas, electricity, refrigeration or steam used in the production of tangible personal property for sale. The new law took effect November 1, 2000 and replaced the above credit.

Estimate
$1 million

Data Sources
NYC Department of Finance

NEW YORK CITY PERSONAL INCOME TAX

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

Federal Exclusions to Income

Tax Year 1999

IRA and Keogh Contributions
Income Earned Abroad by U.S. Citizens
Limited Exception to Passive Loss Rules on Rental Real Estate
Exclusion of Gain from Sale of Principal Residence
Qualified Higher Education Loan Interest
Scholarship and Fellowship Income
Employee Meals and Lodging
Public Assistance Benefits
Veterans' Benefits
Employer Contributions for Medical Insurance and Care and Long Term Care Insurance
Employer Contributions for Employee Pensions
Workers' Compensation Benefits
Employer-Provided Education Assistance
Employer-Provided Child Care
Certain Employer-Provided Transportation Benefits
Benefits and Allowances to Armed Forces Personnel
Accelerated Death Benefits
Contributions to Medical Savings Accounts
Self-Employed Persons' Health and Long-Term Care Insurance
Employer-Provided Adoption Assistance
Employer-Paid Premiums on Life and Accident Disability Insurance
Interest on Life Insurance Policy and Annuity Cash Value
Interest on Qualified New York State and Local Bonds
MACRS/ACRS Depreciation
Amortization of Business Start-Up Costs
Capital Gains at Death
Expensing of R&D Costs
Social Security and Tier I Railroad Retirement Benefits (Partial Exclusion)
Capital Gains from Small Business Stock
Expensing up to $19,000 on Certain Depreciable Business Property
Deferred Tax on Installment Sales

New York State Modifications - Tax Year 1999

New York Additions

Interest or Dividends on Obligations or Securities of Certain Federal Authorities
Interest on Obligations of Other States or Political Subdivisions of those States
Income Taxes Imposed by New York and Deducted in Determining Fed Taxable Income
Interest on Loans Incurred to Carry Tax-Exempt Securities
Expenses for Production of Tax-Exempt Income
Public Employee Retirement Contributions
Federal Percentage Depletion
New Business Investment Deferral
S Corporation Additions
5% of Acquisition-Related Interest [1]
Deferred Gain from Qualified Emerging Technology Investments
Other Additions

New York Subtractions

Interest and Dividends on Obligations or Securities of Certain Federal Authorities
Interest on Obligations of the U.S. and its Possessions
Pensions Paid by the Federal Government,
  the State of New York or Municipal Governments
Portion of Pensions and Annuities Received by Individuals 59 ½ Years of Age or Older
Disability Income Included in Federal AGI
Social Security and Tier I Railroad Retirement Benefits Included in Federal AGI
Taxable Income Tax Refunds or Credits Included in Federal AGI
New Business Investment Gains
New York Depletion Allowance
S Corporation Subtractions
Railroad Unemployment Benefits
Accelerated Death Benefits and Viatical Settlements
Contribution to NYS College Choice Tuition Savings Program
Long-term care insurance premiums [2]
Deferral of gain from sale of qualifying Emerging Technology Investments
Payments to victims of Nazi persecution
Other Subtractions

[1] This provision has been repealed, effective for tax years beginning after 1999.
[2] Effective for tax years beginning on or after January 1, 2002, the subtraction modification is repealed and replaced with the NYS long-term care insurance credit.

New York State Deductions and Exemptions

Standard Deduction (1999)

- Single:	$ 7,500
- Married/Joint: [1]	13,000
- Head of Household:	10,500
- Married/Separate:	6,500

Itemized Deductions [2]

- Medical and Dental Expenses
- Interest Expenses
- Charitable Contribution Deduction
- Casualty, Theft and Wagering Losses
- State and Local Taxes Paid
- Miscellaneous Expenses (subject to 2% AGI threshold)
- Other Miscellaneous Expenses

Dependent Exemptions

- $1,000 Exemption per Dependent

New York City Tax Credits [3]

Household Credit
UBT Paid [4]

[1] Legislation was enacted in 2000 to help reduce the income tax penalties faced by married couples. The standard deduction for married couples filing a joint tax return was increased from $13,000 to $13,400 in tax year 2001, $14,200 in tax year 2002, and to $14,600 in following years.

[2] Legislation enacted in 2000 permits resident taxpayers to take an itemized deduction for certain college tuition expenses of up to $10,000. The deduction is phased-in over a four-year period beginning in tax year 2001. In lieu of a deduction a taxpayer can elect to claim a New York State credit based on such expenses; if the credit is elected, no deduction or credit is allowed for City tax purposes.

[3] Under the State School Tax Relief ("STAR") program, City residents receive a refundable credit against their City personal income tax liability. The credit was first available in tax year 1998.

[4] Effective for tax years beginning on or after January 1, 1997, City residents can receive a partial credit against the City personal income tax for City unincorporated business taxes paid by firms they own or have an interest in.

Components of Adjusted Gross Income and Summary of Deductions and Credits

The data presented in this section regarding the 1999 New York City Personal Income Tax (PIT) are based on a statistical sample of approximately 31,000 New York City personal income tax returns, prepared by the New York State Department of Taxation and Finance. The total number of returns filed by New York City resident taxpayers was nearly 2.2 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 independent of the State rates and reflect local policy choices as to the distribution of the tax burden among income groups. The New York City Household Credit is a City-specific tax expenditure that reduced tax liability by $12.6 million in 1999.

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 graduated tax rate structure and the different amounts claimed for each of the items by different income groups and filing types, 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 exclusions of pension income, U.S. government bond interest and state and local tax refunds, decreased Federal AGI by 3 percent, from $163.5 billion to $158.1 billion. Of the $25.9 billion in deductions available to be used against New York AGI, approximately 69 percent was attributable to the standard deduction. Dependent exemptions totaling $1.6 billion brought taxable income to $130.5 billion. The $4.5 billion tax liability attributable to this taxable income reflects an overall average tax rate of 3.5 percent.

Table 9
NEW YORK CITY PERSONAL INCOME TAX
COMPONENTS OF ADJUSTED GROSS INCOME (AGI)
Tax Year 1999

($ Millions)

INCOME		
Wages and Salaries	109,898	
Dividend and Interest	9,622	
Business Income	4,611	
Capital Gains	21,973	
Social Security, Pension, IRA	6,627	
Other Income [1]	12,242	
Federal Adjustments [2]	(1,428)	
FEDERAL AGI		163,546
NY ADDITIONS		
State and Local Bond Interest [3]	197	
Other Additions [4]	1,250	
TOTAL ADDITION ADJUSTMENTS		1,448
NY SUBTRACTIONS		
Pension Income from Federal, New York State and Local Governments	(1,119)	
US Government Bond Interest	(1,254)	
State and Local Tax Refunds	(856)	
Taxable Social Security Benefits	(1,488)	
Pension Exclusion	(1,407)	
Other Subtractions	(825)	
TOTAL SUBTRACTION ADJUSTMENTS		(6,948)
NY STATE AGI		158,045

Table 9
(continued)

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[1]Other Income includes taxable tax refunds, unemployment compensation, alimony received and other miscellaneous income or losses.

[2] Federal Adjustments include IRA and Keogh plan contributions, one-half of self-employment tax, self-employed health insurance deduction, penalty on early withdrawal of savings and alimony paid.

[3] Interest income on state and local bonds does not include interest paid on debt issued by NY State or local governments within the state.

[4] Includes public employee retirement contributions and miscellaneous adjustments.

Table 10
NEW YORK CITY PERSONAL INCOME TAX
SUMMARY OF DEDUCTIONS AND CREDITS
Tax Year 1999
($ Millions)

DEDUCTIONS		
ITEMIZED DEDUCTIONS		
Taxes Paid		(8,743)
Interest Paid		(4,694)
Contributions		(4,072)
Medical expenses		(477)
Job and Employee Expenses [1]		(2,140)
Other Miscellaneous Expenses [2]		(223)
TOTAL FEDERAL ITEMIZED DEDUCTIONS		(20,348)
NY ADJUSTMENTS		
State and Local Income Taxes		6,765
NYS Addition Adjustments [4]		6
State High-Income Limitation [5]		2,392
TOTAL ITEMIZED DEDUCTIONS		(11,185)
TOTAL STANDARD DEDUCTION		(17,978)
UNUSED DEDUCTIONS [6]		3,178
TOTAL DEDUCTIONS APPLIED		(25,985)
EXEMPTIONS		
TOTAL EXEMPTIONS APPLIED		(1,561)
TAXABLE INCOME		130,500
NYC RESIDENT TAX		4,503
NYC Household Credit	(13)	
UBT Credit	(36)	
Other Taxes [7]	123	
TOTAL NYC TAX LIABILITY		4,578

Table 10
(continued)

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[1] Job expenses and most other miscellaneous deductions are subject to a 2% of AGI threshold.

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

[3] The Federal high-income limitation reduces itemized deductions for filers with Federal AGI exceeding $126,600 ($63,300 if married filing separate) in tax year 1999.

[4] Minor New York State items affecting partners and S corporation shareholders.

[5] Reduces itemized deductions for single filers and married separate filers with NY AGI exceeding $100,000, heads of households with NY AGI exceeding $150,000 and married individuals filing jointly and qualifying widows and widowers with NY AGI exceeding $200,000.

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

[7] Includes the New York City minimum tax.

Personal Income Tax Household Credit

Citation

NYS Tax Law Section 1310(d)

Policy Objective

To provide tax relief to low-income New York City households.

Description

New York City taxpayers with federal adjusted gross income below specified levels may claim the household credit. The amount of the credit varies according to filing status, federal adjusted gross income and the number of persons in the household. In tax year 1999, the credit was available to single taxpayers with federal adjusted gross income not greater than $12,250 and other filing types with adjusted gross income not greater than $22,500. The credit amount decreases as income increases, and in 1999 ranged from $15 to $10 for single filers and from $30 to $10 per household member for all other filers. The household credit is not refundable.

Distributional Information

In 1999, 409,022 New York City households claimed the household credit -- 50 percent of these households were headed by single parents, 19 percent were married couples and 31 percent were single individuals. The household credit reduced the 1999 tax liability of New York City taxpayers by $12.6 million. Of the 2.2 million New York City returns filed in 1999, approximately 18 percent claimed the household credit. The household credit reduced the City tax liability of roughly 77,000 low-income taxpayers to zero. The average benefit was $31 per household, with the majority of the beneficiaries (66 percent) reporting income below $17,500.

HOUSEHOLD CREDIT

Household Income Range	Number of Households	Total Value of Credit (000s)	Average Value
Under $10,000	66,814	$918.07	$14
$10,000 - $12,500	77,681	$911.46	$12
$12,500 - $15,000	55,205	$2,224.49	$40
$15,000 - $17,500	70,917	$3,815.52	$54
$17,500 - $20,000	73,737	$2,946.31	$40
$20,000 - $22,500	64,668	$1,809.20	$28
Total	**409,022**	**$12,625.06**	**$31**

Tax Expenditure

$13 million

Personal Income Tax Credit for Unincorporated Business Tax Payments

Citation

NYS Tax Law Section 1310(e)

Policy Objective

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

Description

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

Tax Expenditure

$36 million

PART VI

SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES

Introduction

In accordance with the requirements of the City Charter, this section summarizes audits and evaluations of City tax expenditures conducted during the previous two years. Two evaluations meet this criterion: the Local Law 69 Report issued by the NYC Economic Development Corporation and the ICIP Report issued by the NYC Department of Finance.

New York City Economic Development Corporation, Local Law 69 Report, 2001[1]

Introduction

The New York City Economic Development Corporation (EDC) is the City's primary vehicle for economic development services. Acting under annual contracts with the City, EDC serves as the catalyst for promoting economic development and business growth in New York City. EDC's principal mandate is to attract, retain and create jobs in New York City. EDC provides access to capital through a variety of financing initiatives and oversees industrial parks, wholesale and retail markets, heliports, rail lines and waterfront development.

In 1993, the New York City Council (the Council) adopted Local Law 69 (LL69), which requires EDC to submit an annual report to the Council containing:

- descriptive data on a selected group of EDC projects covering a seven-year period;
- calculation of the amount of City assistance (hereinafter referred as City Costs) provided to the businesses involved in these projects; and
- estimates of the amount of retained or additional tax revenues generated (hereinafter referred to as City Benefits) by these projects.

This is EDC's ninth report pursuant to this law. EDC appreciates this opportunity to report to the Council on EDC's economic development programs and on the results of its efforts. EDC believes that this report demonstrates how critical EDC's efforts are toward rebuilding and expanding New York City's economic base by stimulating job growth and business expansion.

The general purpose of LL69 is to provide the Council with a criterion to measure the success of EDC 's economic development initiatives. This report will refer to this measure as the ***Net Impact*** of EDC's economic development program.

In adopting LL69, it was the intention of the Council to limit the EDC data collection and analysis effort to what was reasonably obtainable. Accordingly, the FY'01 report primarily relies on information collected at project closing and on annually updated project employment information collected by EDC.

The model EDC created for this effort relies on a series of assumptions. These assumptions are based on an analysis of the relationships between jobs, economic output, earnings and tax revenues, and have been applied across the different types of industry sectors represented in the LL69 project list. The assumptions stem from complex economic models on the New York City economy developed by the United States Department of Commerce. All of the assumptions and the calculations associated with the results are fully explained in the chapters and supporting documents that follow.

[1] The following summary is excerpted from the LL69 Report.

EDC offers economic development assistance and programs to attract, retain and expand businesses in the City. The typical company included in this analysis would have delayed or abandoned plans to expand, open or relocate to New York City or, worse, closed down or moved elsewhere if it were not for the intervention of EDC.

Summary of Aggregate Benefits

The LL69 analysis reveals that EDC 's economic development initiatives associated with qualifying projects will return a Net Impact to the City of approximately $14.6 billion between FY'94 and FY'08. EDC is required to report on each LL69 project for an eight-year period (base year plus seven years). Including the projects which commenced in FY'01, the entire reporting period covers the period beginning in FY'94 and ending in FY'08. The LL69 eligibility criteria covers 548 individual projects.

- Gross City Benefits were $15.4 billion for the 548 LL69 projects. These projects involve the projected retention of 164,885 jobs and the creation of 64,194 jobs through the FY'08 reporting period.
- City Costs were $376.1 million. City Costs include assistance provided to the 548 projects.
- The City enjoyed a 41:1 ratio of Gross City Benefits ($15.4 billion) to City Costs ($376.1 million).

These figures compare to $14.2 billion in Net Impact to the City reported in the FY'00 report and a ratio of Gross City Benefits to City Costs of 46:1.

Project Eligibility

LL69 requires EDC to report on all projects undertaken by EDC for the purpose of the creation or retention of jobs when the project meets the following criteria:

- a loan, grant or tax benefit in excess of $250,000, or
- a sale or lease of real property where the project is estimated to retain or create at least 25 jobs.

EDC is required to report on each qualifying project for seven years following the year in which assistance was first provided. For example, for projects that closed in FY'01, this report provides actual figures for the first project year and forecasts future activity for the next seven-year period. EDC will revise and update project information for these projects in the next seven LL69 reports. We have included projects that closed in FY'94 and subsequent years in the FY'01 report.

Audits and Evaluations

LL 69 requires that EDC provide a variety of descriptive information for each eligible project, including project name (usually the name of the business receiving the benefits), the location, the type and amount of City assistance received and the number of jobs created or retained.

EDC has reviewed project records dating back to FY'94 and determined that there are 548 individual EDC projects that meet the LL69 criteria. The LL69 projects generally fall into four EDC program categories:

1. IDA Transactions;
2. Land Sales;
3. Leases; and
4. Other Lending Programs (non-IDA).

New York City Department of Finance, Industrial and Commercial Incentive Program Report, May 2001[1]

Background

The Industrial and Commercial Incentive Program (ICIP) was created on November 5, 1984 through Local Law 71. The program is designed to stimulate economic development through new construction, modernization, rehabilitation or expansion of existing industrial and commercial structures by offering property tax exemptions and for industrial projects only, tax abatements.

ICIP provides benefits on an "as-of-right" basis. This means that no project can be denied a tax benefit if it meets specific eligibility requirements and follows the appropriate legal and administrative procedure.

The ICIP is administered by the Department of Finance, which receives and processes applications for exemption and abatement, certifies eligibility and grants the benefit. The Department also reviews projects receiving benefits and ascertains continuing compliance with the rules of the program. If the Department determines that a project is not in compliance with applicable statutes and rules, it may deny, suspend or revoke the benefits available through ICIP.

Legislative Changes

In 1995, 1999 and 2000, state enabling legislation amending the Industrial and Commercial Incentive Program was enacted. The 2000 legislation is currently waiting local approval while the 1995 and 1998 changes were incorporated into the administrative code. These amendments reformed ICIP to reflect changes in the economic climate of the City and to meet current needs. These changes allowed for deeper benefits across the board, lower expenditure requirements, easier utilization of the program and a new abatement benefit that targeted industrial projects. The specific changes were as follows:

- An increase in the regular area commercial benefit from a twelve year to a fifteen year benefit period. Additionally, the minimum required expenditure was reduced from twenty percent of the initial assessed value to ten percent of the initial assessed value. (1995)

- An increase in both the special area commercial benefit and industrial benefit citywide from a twenty-two year to a twenty-five year benefit period. Additionally, the minimum required expenditure was reduced from twenty percent of the initial assessed value to ten percent of the initial. (1995)

- An extension from January 31, 1995 to June 30, 1999 of commercial renovation benefits for the area south of the centerline of 59th Street and north of the centerline of 23rd Street in Manhattan. (1995)

- Provision for an abatement of existing real estate taxes for the renovation or new construction of industrial projects. The program grants a twelve year tax abatement for eligible projects, with a

[1] The following summary is excerpted from the ICIP Report.

fifty percent abatement based on the pre-existing taxes for the first four years and a phase-out in ten percent increments every other year for the remaining eight year period. The program also requires a minimum expenditure of the assessed value of twenty-five percent. (1995)

- Provision of a new construction incentive for the development of "Smart Buildings" (as defined in the legislation). This benefit, up to December 31, 1996 was limited to commercial construction in Manhattan, south of the centerline of 96th Street. As of January 1, 1997, this benefit was only available in Manhattan, south of Murray, Dover and Frankfort Streets, excluding Battery Park City and the piers. The program grants an eight year partial tax exemption, with a full exemption on the increase in assessed value due to the new construction for the first four years and a phase-out in twenty percent increments in the last four years. (1995)

- Legislation to extend the program to June 30, 2003 from June 30, 1999. (1999)

- In areas zoned C4, C5, C6, M1, M2 or M3, north of the centerline of 96th Street in Manhattan and in the boroughs other than Manhattan created a Commercial Revitalization Area. (2000, requires local law)

- In the Commercial Revitalization Area, amend the definition of commercial to eliminate the “waiting period.” In these areas, commercial tax exemptions would no longer be denied to commercial properties in which at least fifteen percent of the square footage had been used for manufacturing activities for a period of twenty-four or forty-eight months (depending on location) prior to the date of the application for benefits. (2000, requires local law)

- Provision of a prorated industrial abatement in buildings that contain at least twenty-five percent industrial use but less than seventy-five percent industrial use. This abatement would not be available where the industrial space after completion of the project is less than existed immediately before the commencement of the construction work. (2000, requires local law)

Program Highlights

- ICIP has reached historic highs in the number of applicants, the number of properties receiving benefits and, as well, the value of benefits granted. These accomplishments were jump started by the legislative changes in 1992 and enhanced by the 1995 changes. As the economy grew, these changes helped spur real estate renovation and new construction in industrial properties in particular and in conjunction with the 1995 commercial revitalization program, lower Manhattan.

- Applicants have continued to apply to the program in historically large numbers reaching a peak of 905 preliminary applications in calendar year 1999. From 1995 through 2000, preliminary applications averaged almost 67 a month, almost double the monthly average during the first ten years of the program.

- Exemption benefits granted have continued to grow reaching 1,760 million dollars in FY 2001, an increase of 108% from FY 1997. This increase was attributable to the greater number of properties receiving benefits and due to the revitalized real estate market, higher assessed values resulting in larger exemptions.

- Benefits for industrial abatements became available with the passage of the 1995 legislation and were granted for the first time in FY 1997. In that year, only nine lots received abatements worth less than $400,000 but growth has been astronomical seen that time. Increasing to 70 lots worth $1.5 million in FY 98, it has continued to grow to 270 lots worth over $6.7 million. Since the inception of this benefits targeted to industrial properties, over $19.1 have been granted.

- ICIP deferral benefits required the future repayment to the City of benefits previously granted. While this benefit is no longer available, repayment of benefits previously granted has begun. In FY 2002, over $28 million in deferral paybacks covering ninety-two lots will be billed.

PART VII

DESCRIPTIONS OF MAJOR NEW YORK CITY TAXES

This section outlines the main features of New York City's major taxes and recent legislation affecting New York City taxes.

Banking Corporation Tax

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

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

(1) 9 percent of entire net income allocated to the City;

(2) 3 percent of alternative entire net income allocated to the City;

(3) one-tenth of a mill on each dollar of taxable assets allocated to the City (except that 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 (but see effective rates below) of the base rent paid by tenants of premises used to conduct any business, profession or commercial activity.

Effective September 1, 1995, the commercial rent tax was eliminated in Manhattan north of 96th Street and in the other boroughs. Effective for tax years beginning on or after June 1, 2001, the taxable threshold was increased to annual rent (or annualized rent for part-year filers) of $250,000. Tenants with rents below this level are exempt from the tax. In addition, tenants with annual taxable rents between $250,000 and $300,000 are eligible for a sliding-scale credit, which partially offsets tax liability. Effective June 1, 1996, the effective tax rate of the commercial rent tax was reduced to 4.5 percent. The effective rate was further reduced to 3.9 percent on September 1, 1998.

General Corporation Tax

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

A corporation determines its tax liability by making three alternative calculations and comparing the results to a 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 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] Effective for tax years beginning on or after July 1, 1999 the officers' addback provision of the income-plus-compensation base is eliminated.

Personal Income Tax

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

The personal income tax rates imposed on every resident of New York City for 2002 range from 2.907 percent to 3.648 percent.[1]

Legislation enacted in 1999 eliminated the City's non-resident earnings tax, effective July 1, 1999. (This tax was imposed on the New York City wages and net earnings from self-employment of every non-resident of the City.)

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 FY 2002 the real property tax rates are as follows:

(1) For Class 1, the tax rate is $11.609 per $100 of assessed value.

(2) For Class 2, the tax rate is $10.792 per $100 of assessed value.

(3) For Class 3, the tax rate is $10.541 per $100 of assessed value.

(4) For Class 4, the tax rate is $9.712 per $100 of assessed value.

[1] The New York City "Safe Streets, Safe City" personal income tax surcharge (NYS Tax Law Section 1304-A) expired at the end of tax year 1998.

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. For tax years beginning after 1996, businesses owing unincorporated business tax liability of $1,800 or less may receive a credit to fully offset liability; businesses owing between $1,800 and $3,200 may receive a credit providing partial relief.

Utility Tax

This tax is imposed on every utility and vendor of utility services that does business in New York City. Utilities are those companies that are subject to the supervision of the New York State Department of Public Service. They include gas and electric companies and telephone companies. Vendors of utility services are those that are not subject to Department of Public Service supervision but that sell gas, electricity, steam, water, refrigeration, or telecommunications services, or that operate omnibuses, whether or not those activities represent the vendor's main business.

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

RECENT NYC TAX PROGRAM LEGISLATION

This section provides a brief summary of significant New York City tax law changes that have been enacted in recent years. These changes are also noted in the sections of this report that describe the individual tax expenditure items to which they relate. The listing below is organized chronologically. Thus, specific tax law changes in a given year may not reflect current law.

1995 TAX LAW CHANGES

Commercial Rent Tax (CRT) Reduction

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 41-45?? 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 37-38?? 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.

1996 TAX LAW CHANGES

Business Tax Reform

Citation: Chapter 625, NYS Laws of 1996

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. The latter two provisions affect both GCT and UBT taxpayers.

Cooperative/Condominium Property Tax Relief

Citation: Chapter 273, NYS Laws of 1996

The Real Property Tax Law was 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.

Credit Line Mortgages

Citation: Chapters 489 and 490, NYS Laws 1996

The favorable mortgage recording tax treatment already accorded to credit line mortgages on 1- to 6-family owner-occupied residences was extended to all other credit line mortgages with a credit limit of less than $3 million. (A credit line mortgage is one that allows a series of advances, repayments and readvances, and that places a dollar limit on the amount that may be outstanding at any one time.) Readvances made under qualifying credit line mortgages are not subject to additional mortgage recording taxes, whereas readvances under other mortgages are taxable.

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 took effect December 1, 1996.

Sales Tax Exemption: Production Items

Citation: Chapter 366, 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 took effect September 1, 1996.

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 was increased from $16,500 to $20,000; the ownership period requirement for SCHE eligibility was reduced from two years to one year; SCHE exemption benefits were extended to qualifying owners of cooperative apartments; the income ceiling for the basic 50 percent SCHE exemption was increased from $17,500 to $18,500; and an additional bracket was 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 24-28 of this report.

Unincorporated Business Tax (UBT) Relief/Reform

Citation: Chapter 128, NYS Laws of 1996

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

1997 TAX LAW CHANGES

Additional Commercial Rent Tax (CRT) Reduction

Citation: NYC Local Law 63 of 1997

Effective June 1, 1997, the CRT’s taxable threshold was increased to $100,000 annual rent and tenants with annual rents between $100,000 and $139,999 became eligible to receive the sliding-scale credit, which partially offsets CRT liability. Effective September 1, 1998, the CRT’s effective rate was reduced to 3.9 percent.

Coin-Operated Amusement Devices Tax Repealed

Citation: Local Law 48 of 1997

The tax on coin-operated amusement devices was repealed, effective for tax years beginning on and after August 1, 1997.

Annual Vault Charge Repealed

Citation: Local Law 47 of 1997

The annual vault charge was repealed, effective for tax years beginning on and after June 1, 1998.

Real Property Tax Veteran's Exemption Enhancements

Citation: Chapters 171 and 417, NYS Laws of 1997
and NYC Local Laws 68 and 82 of 1997

Under these measures, localities, including New York City, were authorized to enact local laws to extend to veterans residing in cooperative apartments the same exemption as veterans who own their homes could claim under section 458 or 458-a of the State Real Property Tax Law. In addition, the alternative veteran's exemption pursuant to section 458-a of the Real Property Tax Law was amended: (a) to authorize localities to increase the maximum exemptions available; and (b) to permit the City of New York to use previously established maximum exemptions for the FY 1998 assessment roll. The City Council passed and the Mayor signed legislation implementing these measures.

Additional Unincorporated Business Tax (UBT) Relief Measures

Citation: Chapter 481, NYS Laws of 1997

Continuing an ongoing effort to reduce the UBT burden on small businesses, the following relief measures were enacted: For tax years beginning after 1996, a taxpayer whose UBT liability is not more than $1,800 (formerly $1,000) is allowed a credit for the full amount of the tax, while taxpayers with liabilities between $1,801 and $3,199 (formerly between $1,001 and $1,999) are allowed a sliding-scale credit. For tax years beginning after 1996, an unincorporated business, other than a partnership, is not required to file a UBT return if its gross income, before any deduction for cost of goods sold or services performed, is not over $75,000 and its taxable income is not over $35,000. For partnerships, the filing threshold remains at $25,001 of gross income or $15,001 of taxable income.

City Personal Income Tax (PIT) Credit Allowed For Unincorporated Business Tax (UBT) Payments

Citation: Chapter 481, NYS Laws of 1997

Under this measure, New York City residents are allowed to claim credits against their City personal income tax liabilities for unincorporated business taxes paid by businesses they carry on as sole proprietors or paid by partnerships in which they are partners. For taxable years beginning in 1997, a City resident whose taxable income is not more than $42,000 is allowed a credit for 65 percent of the UBT paid by the firm for its tax year ending within or at the same time as the resident's tax year; a resident whose taxable income is more than $42,000 but not more than $142,000 is allowed a declining credit computed by subtracting from 65 percent, one-tenth of a percentage point for each $200 of taxable income above $42,000; and a resident whose taxable income is over $142,000 is allowed a 15 percent credit. For tax years beginning after 1997, the City is empowered to adopt local laws to raise (but not reduce) the above percentages to as much as a 100 percent credit.

Realty Transfer Tax Deduction Allowed for Continuing Liens

Citation: Chapter 314, NYS Laws of 1997

Under this measure, a deduction from the consideration reported in figuring the real estate transfer tax payable on the transfer of a one- to three-family house or an individual residential cooperative or condominium unit is allowed for the amount of any mortgage or other lien that existed on the property before the transfer and remains on it after the transfer. However, no deduction is allowed if: (1) the mortgage or lien was placed on the property in connection with, or in anticipation of, the transfer; (2) the transfer is being made to the mortgagee or lienor; or (3) the transfer is a "real estate investment trust transfer" as defined in the law. The new deduction provision applies to transfers occurring on or after August 28, 1997.

Commercial Revitalization Program Amendments

Citation: Chapter 629, NYS Laws of 1997

The tax incentive program adopted in 1995 to help promote the revitalization of Lower Manhattan and designated zones in other parts of the City was amended: In calculating the real estate tax abatement benefit granted with respect to commercial space leases commencing on or after April 1, 1997, the "abatement base" is the lesser of the tax liability per square foot or $2.50 per square foot (instead of the lesser of $2.50 per square foot or 50 percent of the tax liability per square foot). The period during which applications may be filed for abatement benefits on leased commercial space was extended from March 31, 1998 to March 31, 2001; the period during which benefits can be received was extended from March 31, 2004 to March 31, 2007. For leases commencing on or after April 1, 1997, a minimum three-year--rather than five-year--lease term is permitted where the space is to be occupied by not more than 125 employees. For such leases, a three-year benefit period applies.

Sales Tax Exemption for Production of Dramatic and Musical Arts Performances

Citation: Chapter 670, NYS Laws of 1997

Under this measure, purchases of certain tangible personal property and services used directly and predominantly in producing certain live dramatic or musical arts performances in New York City are exempt from the City's 4 percent sales and compensating use taxes.

1998 TAX LAW CHANGES

Utility Tax Provisions Revised

Citation: Chapter 536, NYS Laws of 1998

The following changes were made in the City utility tax:

- For purposes of the tax imposed on telecommunications providers, the definition of "telecommunications services" was modernized to conform to the definition used for State utility tax purposes. The new definition includes all telephone or telegraph service, including any transmission of voice, image, data, information and paging, through the use of wire, cable, fiber-optic, laser, microwave, radio wave, satellite or similar media or any combination thereof.

- Prior to the legislative change, landlords who sold gas, electricity, steam, water or refrigeration to their tenants were considered vendors of utility services and subject to the utility tax on these sales. If the landlord was the reseller of such a utility service purchased from another, the original seller was not subject to the tax on its sales to the landlord for resale. Under the amended law, which is retroactive to January 1, 1998, the original seller is taxable on its sales to the landlord for resale, and the landlord is no longer taxable on the sale to the tenant. However, if the original seller is beyond the City's taxing jurisdiction, the landlord remains liable for the tax.

- Prior to the legislative change, every person subject to the utility tax was required to file a monthly return. However, beginning in 1999 a taxpayer whose tax liability for the preceding year did not exceed $100,000 is permitted to file semiannual returns for the current year. For the first calendar year in which a taxpayer becomes subject to the utility tax, monthly returns continue to be required.

Internet Access Services Exempted from Sales Tax

Citation: Chapter 615, NYS Laws of 1998

Effective as of February 1, 1997, Internet access service, including startup charges are exempt from State and City sales taxes. For this purpose, "Internet access service" is defined as the service of providing connection to the Internet. The provision of communication or navigation software, an e-mail address, e-mail software, news headlines, space for a web site and web site services are included within the definition, provided they are merely incidental to the Internet connection service.

Offshore Funds Shielded from State/City Corporate Taxes

Citation: Chapter 340, NYS Laws of 1998

For taxable years beginning on or after January 1, 1998, the NYS and NYC general and banking corporation taxes do not apply to an alien corporation whose activities in New York are limited solely to investing or trading in stocks, securities or commodities for its own account.

Parking Fees Paid by Homeowners Association Members Exempted from City Parking Taxes

Citation: Chapter 344, NYS Laws of 1998

Effective September 12, 1998, parking charges paid to a homeowners association (including cooperative and condominium housing) by its members for parking space in a facility owned or operated by the association are exempted from the 6 percent City sales tax on parking and the additional 8 percent Manhattan parking tax. In addition, the 1997 law that exempted such charges from the State sales tax when the parking facility was operated by the homeowners association was amended to include facilities owned by such an association even though operated by a third party.

1999 TAX LAW CHANGES

New Sales Tax Holidays on Clothing Purchases and Delay of Start Date for Permanent Exemption

Citation: Chapter 407, NYS Laws of 1999

The State budget established two sales tax free weeks for clothing and footwear costing under $500 per item. The first exemption period took place from September 1-7, 1999, followed by another week-long holiday from January 15-21, 2000. The permanent exemption for purchases of clothing and footwear costing under $110 was delayed from December 1, 1999 to March 1, 2000. Localities were authorized to grant the same exemption for local sales tax purposes. The City Council passed resolutions providing the one-week holidays and permanent exemption for City sales tax purposes.

City Non-Resident Tax Repealed

Citation: Chapter 5, NYS Laws of 1999

Legislation was enacted that eliminated the New York City nonresident earnings tax, effective July 1, 1999.

Four-Year Extension of Industrial and Commercial Incentive Program (ICIP)

Citation: Chapter 143, NYS Laws of 1999 and NYC Local Law 44 of 1999

The ICIP real property tax incentive program was extended for four years, until June 30, 2003. This allows benefits to continue for new construction in Lower Manhattan and for renovations in Manhattan south of 59th Street.

Four-Year Extension of Relocation and Employment Assistance Program (REAP)

Citation: Chapter 149, NYS Laws of 1999

This economic development incentive program was extended for four years, until July 1, 2003. The program provides a $1,000 tax credit for each eligible employee relocated from Manhattan south of 96th Street or from any location outside New York City to an eligible premises anywhere else in the City. The credit is applied against tax liability owed under the general corporation tax, bank tax or unincorporated business tax. The bill also extended the credit to companies that are subject to the City's utility tax.

Three-Year Extension of Transfer Tax Reduction for Real Estate Investment Trusts (REITs)

Citation: Chapter 407, NYS Laws of 1999

The State budget included a provision that provided for the continuation of the 50 percent reduction in State and City real property transfer taxes for conveyances of real property to existing REITs. This tax benefit was extended until August 31, 2002.

Energy Cost Savings Program (ECSP) Sunset Date Postponed

Citation: Chapter 154, NYS Laws of 1999

Legislation was enacted that postponed the sunset date for participation in the Energy Cost Savings Program from June 30, 1999 to June 30, 2000.

Sales Tax Exemption Extended to Certain Equipment Used by Cable TV and Telecommunications Companies

Citation: Chapter 407, NYS Laws of 1999

Effective March 1, 2001, machinery, equipment or apparatus (including related parts, tools and supplies) used or consumed directly and predominantly to upgrade cable television systems to permit them to be used in providing telecommunications services for sale will be exempt from NYS and local sales and use taxes.

An equivalent exemption was granted to telecommunications companies that provide Internet access services.

Computer Hardware Used in Designing Web Sites Exempted from Sales Tax

Citation: Chapter 407, NYS Laws of 1999

Computer system hardware used or consumed directly and predominantly in providing the service, for sale, of designing and developing Internet web sites will be exempt from NYS and local sales and use taxes beginning March 1, 2001.

Sales Tax Rules Adopted for Sales of Prepaid Telephone Calling Services

Citation: Chapters 649 and 651, NYS Laws of 1999

Effective March 1, 2000, New York State and local sales and use taxes apply to the total amount paid, at the time of sale, for “prepaid telephone calling service,” which is defined as the right--paid for in advance--to purchase telecommunication services that permit the origination of intrastate, interstate or international telephone calls using an access number or authorization code. The taxes apply regardless of whether the right to use the service is evidenced by a card. If the sale of the prepaid calling service does not take place at the vendor’s place of business, it is deemed to take place at the purchaser’s shipping address or, if there is no item shipped, at the purchaser’s billing address.

2000 TAX LAW CHANGES

Sales Tax Exemption Enacted for Internet Data Center Operators

Citation: Chapter 63 (Part C), NYS Laws of 2000

Purchases of machinery, equipment and certain other tangible personal property and services by the operator of an Internet data center that sells Internet web site services are exempted from State and local sales taxes, effective September 1, 2000. For purposes of this exemption, an Internet data center operator is a firm that operates a facility housing servers on which Internet web sites reside, and that sells the Internet web site services of uninterrupted Internet access to its customers' web pages and continuous Internet traffic management for such web pages.

"Marriage Penalty" Reduced for State and City Personal Income Tax Purposes

Citation: Chapter 63 (Part P), NYS Laws of 2000

In order to reduce the "marriage penalty" under the New York State and New York City personal income taxes, the standard deduction for a husband and wife filing jointly or a surviving spouse will be increased from its current $13,000 level to $13,400 for tax years beginning in 2001, $14,200 for tax years beginning in 2002, and $14,600 for tax years beginning after 2002. (The standard deduction for single filers is $7,500.)

Telecommunications and Cable Service Providers Granted New Sales Tax Exemptions

Citation: Chapter 63 (Part S), NYS Laws of 2000

An existing State and local sales tax exemption for certain telephone and telegraph equipment was expanded to include all tangible personal property (and certain related services) used in providing telecommunications services for sale or Internet access services for sale. A new exemption is also provided for machinery, equipment, parts, tools, supplies and certain related services used in upgrading cable television systems to enable them to offer digital cable TV service for sale or Internet access service for sale. These exemptions take effect September 1, 2000; however, the cable TV exemption will expire on September 1, 2003.

Broadcasters Exempted from Sales Tax on Program Production and Transmission Equipment

Citation: Chapter 63 (Part T), NYS Laws of 2000

Under this legislation, television and radio stations licensed by the FCC, television and radio broadcast networks and cable television networks are exempted from State and local sales taxes on machinery, equipment and other tangible personal property (as well as certain related services) used in producing live or recorded programs for broadcast over-the-air or transmission through a cable television or direct broadcast satellite system. Also exempted are the machinery, equipment and other tangible personal property (and related services) used in the broadcasting or transmission of such programming. These exemptions took effect September 1, 2000.

New Bank Tax and UBT Allocation Rules Adopted for Mutual Fund Management Fees

Citation: Chapter 63 (Part AA), NYS Laws of 2000

The receipts factors of the income allocation formulas of the City's banking corporation tax and unincorporated business tax were amended, effective for tax years beginning on or after January 1, 2000, to permit receipts from management, administration or distribution services performed for regulated investment companies (mutual funds) to be allocated based on the domicile of the mutual fund's shareholders. This allocation method is already permitted for City general corporation tax purposes.

Personal Income Tax Credit or Itemized Deduction Offered for College Tuition Payments

Citation: Chapter 63 (Part DD), NYS Laws of 2000

Beginning in 2001, New York resident taxpayers will be given the option of claiming a refundable credit or an itemized deduction on their New York State personal income tax returns for a portion of the undergraduate college tuition paid for the taxpayer, the taxpayer's spouse or a dependent. Although a credit is not allowed against the New York City personal income tax, a taxpayer who elects to claim a State itemized deduction will also be allowed an itemized deduction on his or her City return. The credit or deduction is phased-in in 25 percent increments over a four-year period beginning in 2001, and is based on only the first $10,000 of allowable tuition expenses.

City Authorized to Reduce Personal Income Tax Surcharge

Citation: Chapter 184, NYS Laws of 2000

Since 1991, the City has imposed an across-the-board 14 percent personal income tax surcharge. Legislation enacted this year authorizes the City to reduce the rate of the surcharge and to impose it at different rates depending on a taxpayer's filing status and income level.

Energy Used in Production Exempted from City Sales Tax

Citation: Chapter 472, NYS Laws of 2000

Conforming to a long-standing New York State sales tax exemption, the City sales tax was amended, to provide an exemption (effective November 1, 2000) for fuel, gas, electricity, refrigeration or steam used in the production of tangible personal property for sale. (Unlike the State provision, however, the City exemption does not cover energy used in producing gas, electricity, refrigeration or steam for sale.) Coupled with the allowance of this exemption is the repeal of a credit allowed under the City general corporation tax or unincorporated business tax for sales tax paid on electricity used in producing tangible products for sale.

Energy Cost Savings Program Extended and Restructured

Citation: Chapters 103 and 472, NYS Laws of 2000

State legislation was enacted extending the current ECSP program until October 31, 2000 and extending and revamping the ECSP program effective November 1, 2000. Under the restructured program, the discount on energy costs is calculated as a percentage of the cost of delivery, rather than the combined costs of the delivery and purchase of the commodity. Under the new law, eligible firms receive a 45 percent discount off of the delivery portion of the electric bill and 35 percent off of gas delivery costs. This change enables businesses to purchase the electric or natural gas commodity in the deregulated market and realize additional savings. The new law also removes restrictions that limit the availability of ECSP benefits to firms using space in buildings in Long Island City or Fulton Ferry that are converted from manufacturing to commercial use. The new law sunsets July 1, 2002.

City Economic Development Programs Expanded

Citation: Chapter 261, NYS Laws of 2000

Several tax incentive programs designed to promote economic development in the City were liberalized as follows:

- The Relocation and Employment Assistance Program (REAP) was amended to provide an enhanced level of benefits to firms located in certain commercial or industrial zones (excluding the area below 96th Street in Manhattan) designated "revitalization areas." The enhanced benefit, available to revitalization-area firms that receive certificates of eligibility after July 1, 2000, provides a $3000-per-employee credit instead of the $1000-per-employee credit otherwise available. In addition, to the extent that it exceeds tax liability, the enhanced credit is made refundable for the taxable year of the relocation and the four succeeding years (unlike the unenhanced credit, which is eligible only for a five-year carryforward).

- The Industrial and Commercial Incentive Program (ICIP) was liberalized by modifying several eligibility requirements for projects in designated commercially and industrially zoned districts of the five boroughs (except Manhattan below 96th Street) referred to as "commercial revitalization areas." In these areas (which coincide with the REAP "revitalization areas"), a "waiting period" requirement is eliminated that denied benefits for commercial projects where at least 15 percent of the property had been used for manufacturing during the 24 months (48 months in Long Island City) prior to the ICIP-application filing date. Also eliminated is a requirement that denied benefits for industrial projects where less than 75 percent of the property is used for manufacturing; instead, such projects can qualify for a prorated benefit, provided at least 25 percent of the space is devoted to manufacturing. These new requirements apply to projects for which an application for a certificate of eligibility is filed on or after July 1, 2000.

- The Commercial Expansion Program (CEP), which offers landlords that improve their buildings real estate tax abatement benefits that they must pass along to their eligible commercial tenants, was expanded and extended. (The CEP covers Upper Manhattan and the other boroughs; a special revitalization program is available in Lower Manhattan.) Formerly limited to office space and related retail space in designated commercial districts, the program was expanded to encompass manufacturing districts and additional commercial districts and to buildings used for any business, commercial or manufacturing activities, excluding, however, retail activities. Buildings constructed before 1999 (formerly 1975) were also made eligible for the program and certain time periods pertaining to eligibility, benefits and application filings were extended.

2001 TAX LAW CHANGES

Cooperative/Condominium Property Tax Relief Extended

Citation: Chapter 294, NYS Laws of 2001

Pursuant to section 467-a of the Real Property Tax Law, the City grants an abatement of real estate taxes to eligible Class Two cooperative and condominium units. This amendment extends the program for an additional three years through FY 2004.

Industrial and Commercial Incentive Program Modified

Citation: NYC Local Law 42 of 2001

The City Council adopted a local law to implement changes to the Industrial and Commercial Incentive Program authorized by State law in 2000. The amendments ease restrictions regarding the availability of benefits for commercial construction in commercial and manufacturing areas ("commercial revitalization areas"), excluding Manhattan south of 96th Street. It also expands the use of tax abatements for industrial construction work by allowing a proportionate abatement if the portion of the building to be used for industrial purposes will be at least 25 percent of the total net square footage but not more than 75 percent.

Commercial Rent Tax Exemption and Credit Amounts Increased

Citation: New York City Local Laws 6 and 38 of 2001

The rent threshold below which a tenant is exempt from the commercial rent tax has been increased. Beginning June 1, 2001, the tax does not apply to any tenant whose annual base rent is less than $250,000. Corresponding adjustments have been made to the commercial rent tax credit that is designed to phase in the tax due from tenants whose rents exceed the exemption levels. Beginning June 1, 2001, a tenant whose base rent is at least $250,000 but not over $300,000 is allowed a credit determined by multiplying 3.9% of base rent by a fraction whose numerator is $300,000 less the amount of base rent and whose denominator is $50,000.

City Personal Income Tax Surcharge Reduced

Citation: New York City Local Laws 68 of 2000 and 37 of 2001

Between 1991 and 2000 the City levied an across-the-board 14% surcharge on the City resident personal income tax. In 2001, several local laws reduced the surcharge for the 2001 tax year, producing annual surcharge rates ranging from of 5.25% and 12.25% -- the lower surcharge rate applied to tax brackets below the top marginal rate. Unless additional local legislation is enacted, the original 14% surcharge rate will be reinstated for tax years beginning after 2001.

Certain City Corporate Tax Provisions Conformed to State Counterparts

Citation: New York City Local Law 57 of 2001

In an effort to promote greater uniformity between New York City and New York State corporate income tax laws, amendments have been made to the City's general corporation tax and banking corporation tax provisions in order to bring these sections into conformity with their State counterparts.

Lower Manhattan Tax Incentive Program Sunset Dates Extended

Citation: Chapter 118 (Part FF), NYS Laws of 2001

The City's Energy Cost Savings Program (ECSP) includes provisions that allow eligible tenants in Lower Manhattan to obtain lower cost electricity. Certain sunset dates that relate to the eligibility of the buildings in which such benefits are available are extended from August 1, 2001 to March 31, 2004. The real property tax abatement program for tenants in Lower Manhattan, designed to produce lower rental costs, is extended from August 2, 2001 to March 31, 2004.

Rental of Hotel Rooms Necessitated by 9-11 Attack Exempted From City Hotel Tax

Citation: New York City Local Law 73 of 2001

A person who rents a hotel room in the City solely and directly as a result of his or her involuntary displacement from any non-hotel space by the attack on the World Trade Center on September 11, 2001 will be exempt from the City's hotel room occupancy tax on and after that date. To claim the exemption a signed statement containing information required by the Commissioner of Finance must be submitted to the hotel.

APPENDICES

INTRODUCTION

This section includes:

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 Department of Finance's estimates of the average amounts of New York City taxes attributable to workers employed in various economic sectors in the City are 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 1999 and tax data are for tax year 1999, which roughly corresponds to calendar year 1999.

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.)

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 that 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 break-even analysis of any tax expenditure program.

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

Calculation of Average Taxes per Worker

NAICS Industry Sector*	Non-Property Taxes Average per worker	All Taxes Average per worker
Finance & Insurance	$7,834	$9,281
Legal Services	6,187	6,972
Professional/Technical/ Managerial	5,543	6,403
Information	3,484	4,039
Real Estate	3,570	3,986
Manufacturing	2,731	3,297
Trade	2,312	2,831
Others	2,322	2,348
Services	1,809	2,290
Public Administration	1,363	1,531
Private	3,101	3,741
ALL INDUSTRIES	**$2,807**	**$3,397**

* This is the first year taxes-per-worker estimates are being provided for economic sectors based on the North American Industrial Classification System (NAICS). In Tax Year 1999, taxpayers were required to report their economic activities based on NAICS, rather than the old Principal Business Activity system, which was based on the Federal Standard Industrial Classification system.

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 Statistics 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. The City's Non-Resident Earnings Tax was repealed, effective July 1, 1999. Thus, the non-resident earnings tax estimate for tax year 1999 is for a half-year period. A weighted average of resident/non-resident taxes per sector per worker is determined using DOF PIT/Non-Resident Tax data. The resident PIT estimate for each industry sector was also adjusted to reflect the tax liability of high-wage taxpayers.

Sources: DOF Tax Policy PIT 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 Statistics 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 Tax Policy Statistics Unit; 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 payroll 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 data; Tax Policy Real Property data; Tax Policy Statistics Unit data; NYS DOL data

6. Utility Tax (UTX)

Utility Tax liability is distributed 55 percent 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 distribution of payroll by sector. Sector liability is then divided by sector employment to determine UTX paid per worker.

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

APPENDIX III

NYC TAXES DIRECTLY RELATED TO CITY EMPLOYMENT BY INDUSTRY SECTOR TAX YEAR 1999

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 NAICS Industry sectors in descending order of total taxes attributable to the sectors. Following is a more detailed NAICS Sub-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 sub-industry 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 other workers employed in those sectors in the City. Thus, for example, Petroleum and Coal is ranked first in average taxes per worker but last in City employment.

NYC Taxes Directly Related to City Employment [1]
By NAICS Industry Sector
Tax Year 1999 [2]
$ Millions

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
	All Industries	11,904.6	$3,396.74		
	Private	11,070.0	$3,740.58		
1	Finance & Insurance	3,332.9	$9,281.09	1	4
2	Services	2,852.0	$2,290.16	9	1
3	Trade	1,258.0	$2,831.38	7	3
4	Public Administration	834.6	$1,530.58	10	2
5	Professional/Technical/Managerial	829.1	$6,403.24	3	8
6	Information	644.3	$4,039.34	4	7
7	Others	613.3	$2,347.89	8	5
8	Manufacturing	593.6	$3,296.90	6	6
9	Legal Services	531.4	$6,972.15	2	10
10	Real Estate	414.4	$3,986.15	5	9

[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. NAICS stands for North American Industrial Classification System.

[2] See Appendix II for discussion of methodology.

NYC Taxes Directly Related to City Employment By NAICs Sub-Industry Sector[1] Tax Year 1999

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employ-ment Rank
1	Securities & Commodites	$2,129,996,324	$12,585.88	2	5
2	Credit Agencies	$928,748,833	$7,895.11	4	9
3	Business Services	$794,489,624	$2,713.97	26	3
4	Health Care	$679,052,309	$2,126.17	36	2
5	Professional/Technical	$659,982,576	$5,893.28	8	10
6	Local Government	$647,465,650	$1,471.84	44	1
7	Legal Services	$531,389,411	$6,972.15	6	16
8	Accommodations	$508,361,156	$2,768.63	24	4
9	Real Estate	$415,412,237	$3,986.15	14	12
10	Nondurable Wholesale	$330,532,397	$3,186.16	20	13
11	Construction	$301,237,065	$2,521.34	29	8
12	Retail Trade	$281,365,061	$2,978.42	22	14
13	Insurance	$274,150,635	$3,795.37	17	18
14	Publishing	$265,114,501	$4,453.91	10	22
15	Durable Wholesale	$260,183,239	$3,324.69	19	15
16	Transportation	$242,949,478	$1,980.79	38	7
17	Broadcasting/Telecomm	$234,436,861	$3,730.34	18	20
18	Social Services	$228,269,454	$1,363.23	45	6
19	Education	$202,666,639	$1,902.78	39	11
20	Textiles/Apparel/Leather	$174,523,818	$2,346.38	33	17
21	Holding Companies	$169,108,795	$9,668.33	3	33
22	Arts & Entertainment	$165,350,929	$3,804.49	16	25
23	Movies/Video/Sound	$144,714,913	$3,897.73	15	28
24	Clothing & Accessories	$140,428,679	$2,760.97	25	23
25	Federal Government	$114,662,165	$1,806.64	41	19
26	Other Manufacturing	$114,155,294	$2,947.54	23	27
27	Food & Beverage Stores	$111,726,585	$1,832.54	40	21
28	Other Services	$104,400,034	$2,392.36	32	24
29	Chemical & Allied Products	$91,640,776	$6,162.38	7	37
30	General Merchandise	$77,205,067	$2,302.15	35	29
31	State Government	$72,452,072	$1,729.08	42	26
32	Repair & Maintenance	$71,581,325	$2,343.78	34	31

[1] Table includes the NAICS Industries Legal Services and Real Estate, which do not have sub-industries, in order to provide a complete listing of economic sectors.

NYC Taxes Directly Related to City Employment
By NAICs Sub-Industry Sector
Tax Year 1999

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employ-ment Rank
33	Printing	$69,396,136	$4,449.33	11	35
34	Personal Services	$65,866,049	$2,118.77	37	30
35	Electrical Equipment	$58,241,961	$4,605.93	9	39
36	Furniture & Homefurnishings	$56,584,709	$2,516.67	30	32
37	Food & Beverage Mfg/Processing	$53,312,611	$4,092.78	12	38
38	Utilities	$37,706,182	$2,511.57	31	36
39	Agriculture & Mining	$31,420,395	$7,704.85	5	41
40	Private Households	$17,103,737	$1,009.90	46	34
41	Museums	$14,876,174	$1,490.60	43	40
42	Furniture & Related	$10,836,475	$2,701.02	27	42
43	Rubber & Miscellaneous Plastics	$8,789,492	$2,655.44	28	43
44	Wood/Paper	$7,310,445	$2,994.86	21	44
45	Primary Metal Industries	$3,947,106	$4,052.47	13	45
46	Petroleum & Coal	$1,429,288	$24,642.89	1	46

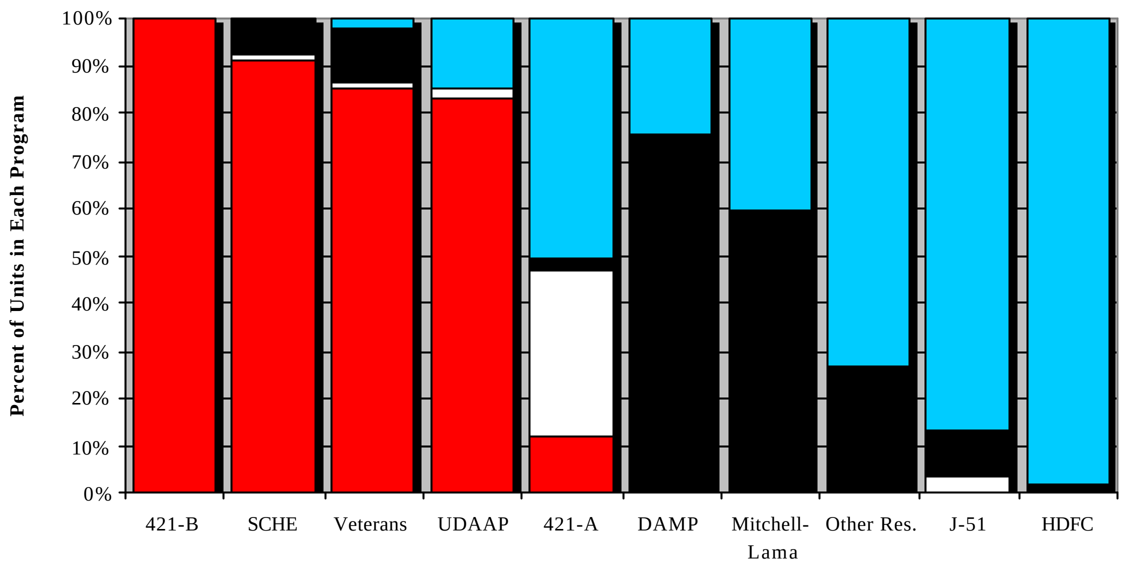
APPENDIX IV

REAL PROPERTY TAX EXPENDITURE STATISTICAL SUPPLEMENT FY 2002

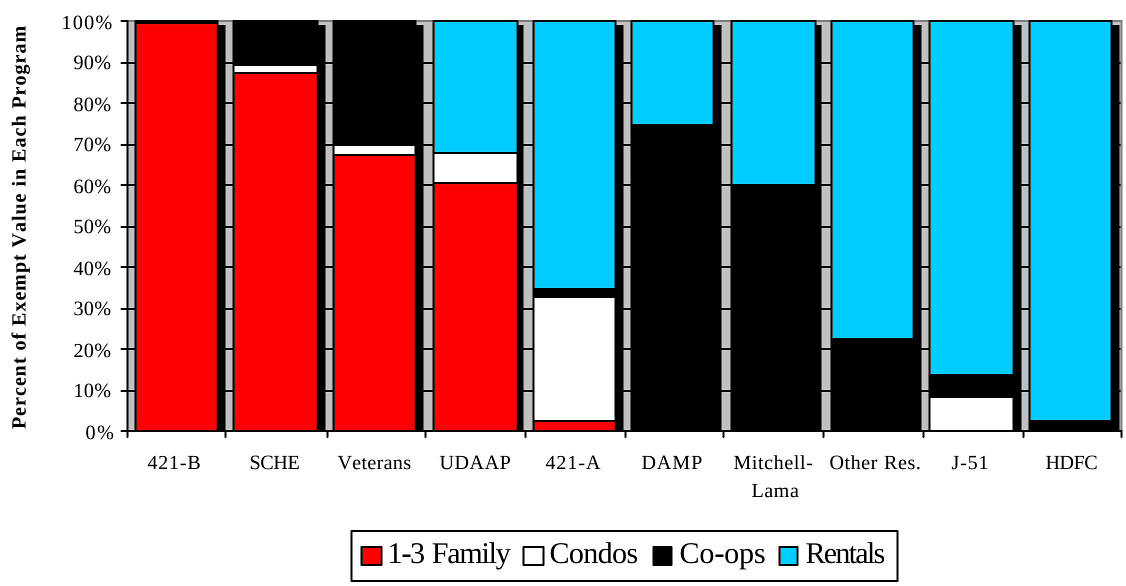
Included in the statistical appendix of this year's annual report is a distribution of residential property tax expenditures. This appendix provides information on the number of housing units, the exempt assessed value, and the taxable assessed value for the City's various residential tax expenditure 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 of Housing Units by Building Type



Distribution of Exempt Value by Building Type



Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

J-51

Exemption		**Citywide**	**Manhattan**	**Bronx**	**Brooklyn**	**Queens**	**Staten Island**
1-3 FAMILY	Number of Units	303	45	36	219	3	0
	Exempt AV	1.00	0.20	0.11	0.67	0.01	0.00
	Taxable AV	0.60	0.04	0.04	0.51	0.00	0.00
CONDOS	Number of Units	3,209	1,069	1	1,868	271	0
	Exempt AV	48.86	13.46	1.45	31.36	2.59	0.00
	Taxable AV	56.06	27.40	0.43	25.40	2.83	0.00
CO-OPS	Number of Units	9,793	1,034	4,422	1,633	2,704	0
	Exempt AV	32.71	9.41	10.85	7.93	4.53	0.00
	Taxable AV	109.12	13.11	45.53	17.05	33.42	0.00
RENTALS	Number of Units	85,307	19,129	47,229	15,328	3,215	406
	Exempt AV	524.79	180.45	232.06	94.21	13.41	4.66
	Taxable AV	450.26	117.38	223.27	80.60	28.16	0.85
MIXED USE	Number of Units	33	0	0	33	0	0
	Exempt AV	0.17	0.00	0.00	0.17	0.00	0.00
	Taxable AV	0.30	0.00	0.00	0.30	0.00	0.00
ALL	Number of Units	98,645	21,277	51,688	19,081	6,193	406
	Exempt AV	607.53	203.52	244.47	134.33	20.54	4.66
	Taxable AV	616.33	157.94	269.27	123.85	64.42	0.85
Abatement							
1-3 FAMILY	Abatement Only Units	134	6	11	108	6	3
	Total Abatement	0.15	0.01	0.01	0.13	0.00	0.00
CONDOS	Abatement Only Units	25,457	8,084	12,262	1,316	3,633	162
	Total Abatement	6.27	2.37	1.00	2.55	0.35	0.01
CO-OPS	Abatement Only Units	224,101	82,432	17,857	44,639	78,288	885
	Total Abatement	25.43	8.86	2.33	5.48	8.68	0.08
RENTALS	Abatement Only Units	333,898	105,069	55,781	94,945	73,757	4,346
	Total Abatement	65.94	21.73	16.41	18.98	8.08	0.74
MIXED USE	Abatement Only Units	40	4	6	30	-	-
	Total Abatement	0.07	0.01	0.00	0.06	0.00	0.00
ALL	Abatement Only Units	583,630	195,595	85,917	141,038	155,684	5,396
	Total Abatement	97.86	32.97	19.75	27.21	17.11	0.83
Total Number of Exemption and	**Abatement Units**	682,275	216,872	137,605	160,119	161,877	5,802

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

421-A

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	4,026	0	1,199	1,403	1,420	4
	Exempt AV	29.48	0.00	7.03	11.97	10.46	0.02
	Taxable AV	13.63	0.00	3.48	5.24	4.90	0.00
CONDOS	Number of Units	11,802	1,509	718	3,571	3,797	2,207
	Exempt AV	343.57	184.25	11.44	59.07	75.33	13.49
	Taxable AV	205.08	137.17	3.94	18.34	33.42	12.21
CO-OPS	Number of Units	868	519	74	153	122	0
	Exempt AV	23.82	16.60	0.86	2.06	4.30	0.00
	Taxable AV	19.78	18.01	0.08	0.57	1.12	0.00
MIXED USE	Number of Units	6	0	0	2	4	0
	Exempt AV	0.06	0.00	0.00	0.04	0.02	0.00
	Taxable AV	0.06	0.00	0.00	0.02	0.04	0.00
RENTALS	Number of Units	16,992	9,853	1,078	1,601	3,930	530
	Exempt AV	746.08	598.59	21.16	36.51	81.69	8.14
	Taxable AV	130.02	106.40	1.17	4.13	17.72	0.61
ALL	Number of Units	33,694	11,881	3,069	6,730	9,273	2,741
	Exempt AV	1,143.02	799.44	40.49	109.66	171.79	21.65
	Taxable AV	368.56	261.58	8.68	28.29	57.20	12.82

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

421-B

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	17,373	12	1,560	1,136	1,991	12,674
	Exempt AV	124.84	0.07	8.40	7.96	14.91	93.51
	Taxable AV	146.00	0.42	8.93	16.96	14.92	104.77
CONDOS	Number of Units	27	8	0	11	8	0
	Exempt AV	0.34	0.25	0.00	0.08	0.01	0.00
	Taxable AV	0.44	0.15	0.00	0.22	0.07	0.00
MIXED USE	Number of Units	11	0	2	6	0	3
	Exempt AV	0.08	0.00	0.02	0.02	0.00	0.04
	Taxable AV	0.16	0.00	0.02	0.09	0.00	0.05
RENTALS	Number of Units	7	0	0	7	0	0
	Exempt AV	0.02	0.00	0.00	0.02	0.00	0.00
	Taxable AV	0.06	0.00	0.00	0.06	0.00	0.00
ALL	Number of Units	17,418	20	1,562	1,160	1,999	12,677
	Exempt AV	125.28	0.31	8.42	8.07	14.93	93.55
	Taxable AV	146.66	0.57	8.95	17.33	14.98	104.82

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

DAMP

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	16	7	3	0	6	0
	Exempt AV	0.03	0.01	0.01	0.00	0.01	0.00
	Taxable AV	0.07	0.04	0.02	0.00	0.02	0.00
CO-OPS	Number of Units	13,511	6,973	3,687	2,792	59	0
	Exempt AV	46.29	32.66	6.41	7.08	0.15	0.00
	Taxable AV	77.94	41.52	19.81	16.27	0.34	0.00
RENTALS	Number of Units	4,363	1,076	2,653	628	6	0
	Exempt AV	15.82	7.30	7.22	1.27	0.02	0.00
	Taxable AV	21.17	6.35	11.37	3.42	0.03	0.00
ALL	Number of Units	17,890	8,056	6,343	3,420	71	0
	Exempt AV	62.15	39.97	13.65	8.36	0.18	0.00
	Taxable AV	99.19	47.92	31.19	19.68	0.40	0.00

Distribution of Exemptions by Borough and Property Type
Fiscal Year 2002
(Dollars in millions)

SENIOR CITIZENS HOMEOWNER

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	49,544	92	6,256	15,632	23,285	4,279
	Exempt AV	213.91	0.54	21.25	62.60	107.71	21.81
	Taxable AV	196.19	0.53	22.21	48.50	108.84	16.12
CONDOS	Number of Units	632	73	157	34	233	135
	Exempt AV	4.27	1.04	0.46	0.22	1.84	0.70
	Taxable AV	3.25	1.11	0.11	0.15	1.49	0.39
CO-OPS	Number of Units	4,128	831	155	693	2,413	36
	Exempt AV	26.59	8.23	0.94	3.87	13.37	0.17
	Taxable AV	2,902.73	1,401.15	168.75	302.14	1,016.26	14.43
MIXED USE	Number of Units	268	0	22	115	119	12
	Exempt AV	1.19	0.00	0.06	0.42	0.66	0.06
	Taxable AV	1.15	0.00	0.05	0.58	0.50	0.03
RENTALS	Number of Units	246	19	22	64	31	110
	Exempt AV	0.40	0.03	0.02	0.22	0.13	0.00
	Taxable AV	1.41	0.02	0.06	0.23	0.11	0.99
ALL	Number of Units	54,818	1,015	6,612	16,538	26,081	4,572
	Exempt AV	246.36	9.84	22.74	67.33	123.71	22.75
	Taxable AV	3,104.73	1,402.82	191.18	351.59	1,127.19	31.96

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

VETERANS

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	98,433	312	8,778	24,521	47,460	17,362
	Exempt AV	184.92	0.57	14.49	43.50	84.02	42.34
	Taxable AV	813.81	11.91	58.50	170.54	420.82	152.04
CONDOS	Number of Units	1,368	362	85	21	571	329
	Exempt AV	7.38	4.29	0.29	0.09	1.75	0.96
	Taxable AV	26.49	17.15	0.92	0.28	5.71	2.42
CO-OPS	Number of Units	13,032	4,465	595	1,549	6,350	73
	Exempt AV	81.37	49.04	2.33	5.20	24.56	0.24
	Taxable AV	13,645.15	9,740.59	519.26	709.78	2,640.68	34.85
MIXED USE	Number of Units	543	22	25	273	165	58
	Exempt AV	1.04	0.04	0.04	0.41	0.42	0.13
	Taxable AV	7.48	1.59	0.19	2.93	2.11	0.66
RENTALS	Number of Units	2,680	365	271	1,430	429	185
	Exempt AV	1.60	0.22	0.16	0.79	0.36	0.06
	Taxable AV	26.37	7.93	2.11	11.22	3.59	1.52
ALL	Number of Units	116,056	5,526	9,754	27,794	54,975	18,007
	Exempt AV	276.32	54.16	17.31	50.00	111.12	43.73
	Taxable AV	14,519.29	9,779.16	580.97	894.75	3,072.91	191.49

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

LIMITED PROFIT/MITCHEL-LAMA

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
CO-OPS	Number of Units	67,750	19,292	23,307	13,931	11,220	0
	Exempt AV	1,265.12	522.98	326.87	252.35	162.92	0.00
	Taxable AV	0.94	0.94	0.00	0.00	0.00	0.00
RENTALS	Number of Units	45,832	13,800	12,415	14,891	3,736	990
	Exempt AV	838.84	405.05	140.46	240.94	39.60	12.80
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
ALL	Number of Units	113,582	33,092	35,722	28,822	14,956	990
	Exempt AV	2,103.96	928.03	467.33	493.29	202.52	12.80
	Taxable AV	0.94	0.94	0.00	0.00	0.00	0.00

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

HDFC

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	3	0	3	0	0	0
	Exempt AV	0.02	0.00	0.02	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	296	230	0	66	0	0
	Exempt AV	5.73	4.59	0.00	1.14	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
MIXED USE	Number of Units	1	0	0	1	0	0
	Exempt AV	0.03	0.00	0.00	0.03	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	14,375	3,609	4,114	4,956	1,524	172
	Exempt AV	254.24	96.68	56.92	70.92	26.33	3.40
	Taxable AV	0.79	0.00	0.79	0.00	0.00	0.00
ALL	Number of Units	14,675	3,839	4,117	5,023	1,524	172
	Exempt AV	260.02	101.26	56.94	72.09	26.33	3.40
	Taxable AV	0.79	0.00	0.79	0.00	0.00	0.00

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

UDAAP

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	11,151	618	2,831	6,621	1,052	29
	Exempt AV	76.31	3.42	20.91	44.04	7.71	0.23
	Taxable AV	19.13	0.66	2.12	13.91	2.39	0.05
CONDOS	Number of Units	259	138	120	0	1	0
	Exempt AV	9.62	7.41	1.75	0.09	0.36	0.00
	Taxable AV	4.53	4.37	0.15	0.00	0.02	0.00
RENTALS	Number of Units	1,984	1,375	54	536	19	0
	Exempt AV	40.73	37.46	0.19	3.03	0.05	0.00
	Taxable AV	22.15	20.90	0.08	1.13	0.04	0.00
MIXED USE	Number of Units	89	0	0	71	18	0
	Exempt AV	0.33	0.00	0.00	0.27	0.07	0.00
	Taxable AV	0.12	0.00	0.00	0.09	0.03	0.00
ALL	Number of Units	13,483	2,131	3,005	7,228	1,090	29
	Exempt AV	126.99	48.29	22.86	47.42	8.19	0.23
	Taxable AV	45.93	25.92	2.34	15.13	2.48	0.05

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

OTHER RESIDENTIAL		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	5	0	1	4	0	0
	Exempt AV	0.04	0.00	0.01	0.03	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	9,187	6,146	90	2,951	0	0
	Exempt AV	140.35	86.27	1.26	52.81	0.00	0.00
	Taxable AV	46.74	46.74	0.00	0.00	0.00	0.00
RENTALS	Number of Units	25,426	7,756	8,857	6,428	2,140	245
	Exempt AV	477.34	189.31	145.48	108.90	28.49	5.16
	Taxable AV	0.33	0.00	0.33	0.00	0.00	0.00
ALL	Number of Units	34,618	13,902	8,948	9,383	2,140	245
	Exempt AV	617.72	275.58	146.76	161.74	28.49	5.16
	Taxable AV	47.06	46.74	0.33	0.00	0.00	0.00

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2002

(Dollars in millions)

NYC HOUSING AUTHORITY

		Citywide	**Manhattan**	**Bronx**	**Brooklyn**	**Queens**	**Staten Island**
1-3 FAMILY	Number of Units	537	0	3	229	305	0
	Exempt AV	4.34	0.00	0.03	1.42	2.90	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	1,288	317	455	300	216	0
	Exempt AV	14.15	0.11	6.44	5.55	2.05	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	185,268	55,574	46,521	61,416	17,442	4,315
	Exempt AV	2,550.05	980.37	613.21	717.55	194.18	44.74
	Taxable AV	1.45	1.45	0.00	0.00	0.00	0.00
ALL	Number of Units	187,093	55,891	46,979	61,945	17,963	4,315
	Exempt AV	2,568.55	980.48	619.68	724.52	199.12	44.74
	Taxable AV	1.45	1.45	0.00	0.00	0.00	0.00

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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
PIT	-	Personal Income Tax
RPT	-	Real Property Tax
STX	-	Sales Tax
UBT	-	Unincorporated Business Tax
UTX	-	Utility Tax

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