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

# ANNUAL REPORT ON TAX EXPENDITURES

Fiscal Year 1998

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

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REPORT PREPARED BY THE
OFFICE OF TAX POLICY

FINANCE
NEW • YORK
ALFRED C. CERULLO, III
COMMISSIONER

June 1998

Dear Readers:

I am pleased to present this year's annual report on New York City tax expenditures, in compliance with New York City Charter Section 240. The report is the eighth issue of the series and covers programs that are in effect for Fiscal Year 1998.

The report is intended to inform taxpayers and elected officials about special tax benefit programs enacted into law and administered by the City of New York to further economic and social objectives, such as local economic development or assistance to the City's senior citizen population. This year the City provided more than fifty tax expenditure programs valued at close to $1.7 billion.

The tax expenditure report series has become an important reference tool for those interested in the City's tax system. This year's report continues the series' goal of informing the public about this important area of tax policy.

Sincerely,

Fred Cerullo

Alfred C. Cerullo, III
Commissioner

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# ACKNOWLEDGMENTS

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. The report's staff included Antonio Ampil, Catherine Kenefick and Gillian Persaud. 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 FY 1998 there were more than fifty tax expenditure programs related to the City-administered real estate tax and business and excise taxes. These programs were valued at close to $1.7 billion.

- Real estate tax expenditures accounted for the largest share, with nearly $1.4 billion in tax benefits. Housing and economic development-related incentives comprised 55 percent and 33 percent of the real estate tax expenditures, respectively.

- Business income and excise taxes accounted for more than half of the total number of tax expenditure programs and were valued at $341 million. Many of these programs are designed to foster economic development, by, for example, reducing City energy costs for eligible businesses or providing relocation incentives.

There have been many changes in City tax expenditures in recent years. These changes are the result of the expiration and phasing-out of certain incentives, as well as the creation of new programs and the expansion of existing programs.

The report describes several major changes in real estate tax expenditure programs. These include the creation of the Commercial Revitalization Program for Lower Manhattan and other areas of the City, the cooperative and condominium abatement programs, and amendments made to various senior citizen programs. Similarly, the report provides information on recently enacted reforms affecting business and excise tax expenditure programs and an overview discussion of recent tax reform initiatives affecting New York City businesses and consumers.

The section describing the City's major taxes includes a summary of recent New York City tax law changes, such as the elimination of the Commercial Rent Tax in Manhattan north of 96th street and in the other boroughs and reforms affecting the City's Unincorporated Business Tax.

The report includes tables and charts detailing tax expenditure costs. Real estate tax expenditure data are for FY 1998. The business and excise tax expenditures are generally based on data for tax year 1996, the latest year for which data are available. The report also provides a variety of data to assist in analyzing the effectiveness of tax expenditure programs.

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# INTRODUCTION

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

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

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

The New York City Tax Expenditure Report for FY 1998 includes detailed distributional information for City real property tax expenditure programs and, where available, for other tax expenditure programs. Such data are intended to help policy makers evaluate the impact of tax benefit programs.

Part I provides the criteria used to define City tax expenditures and the methodology used to identify and estimate the cost of such expenditures. Parts II and III describe tax expenditures for the Real Property Tax and business income and excise taxes, respectively. Part IV provides a detailed examination of tax reform initiatives undertaken by the Giuliani Administration affecting New York City businesses and consumers. 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, updates of the Finance Department's taxes-per-worker calculations and ranking of industry sectors based on the New York City taxes directly attributable to them, and supplemental statistical data for FY 1998 regarding City real property tax expenditures.

# PART I

## DEFINITION OF TAX EXPENDITURES

Defining a normal tax structure and identifying specific tax expenditure items is a subjective and controversial process. Some proponents of tax expenditure reporting recommend that tax expenditure lists be as inclusive as possible, identifying all deductions or credits which reduce the taxable base from 100 percent of income and wealth. Others recommend a more narrow definition, focusing on targeted measures that provide preferential treatment. This latter approach assumes that the definition of the taxable entity and the general rate schedule are part of the "normal" tax system.

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

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

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

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

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

# METHODOLOGY

## Application of City Tax Expenditure Criteria

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

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

Tax expenditures deriving from City taxes administered by New York State, the Personal Income Tax and Sales and Use Tax, are discussed in Part 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 1998 (July 1, 1997 - June 30, 1998). Estimates for business income and excise taxes are for tax year 1996, which for most taxpayers corresponds to calendar year 1996. (For Commercial Rent Tax purposes, tax year 1996 was from June 1, 1995 to May 31, 1996.) 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. The estimate is not intended to represent the potential revenue gain for the City if the expenditure were eliminated. For example, the absence of a tax expenditure may lead taxpayers to take advantage of other tax relief programs. In certain cases, the elimination of a tax expenditure may even result in a revenue loss if the benefit had been stimulating other taxable economic activity. The data provided in this report do not take into account the effect of tax expenditures on the economic behavior of taxpayers or on the City's overall economy.

# PART II

# REAL PROPERTY TAX EXPENDITURES

## Overview

The City estimates that the real estate tax, its single largest revenue source, will provide more than $7.2 billion or 38 percent of total tax revenue in fiscal 1998. Real estate tax programs for the current year provide benefits through 164,211 exemptions and 51,262 abatements.[1] These exemptions and abatements result in a total tax expenditure of almost $1.4 billion in fiscal 1998.

The City's property tax programs can generally be categorized as: (1) incentives for spurring residential construction or economic development; or (2) providing 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 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 State-wide programs and public agencies to provide housing and economic development incentives to the local real estate market.

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

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

## Tax Expenditure Purposes

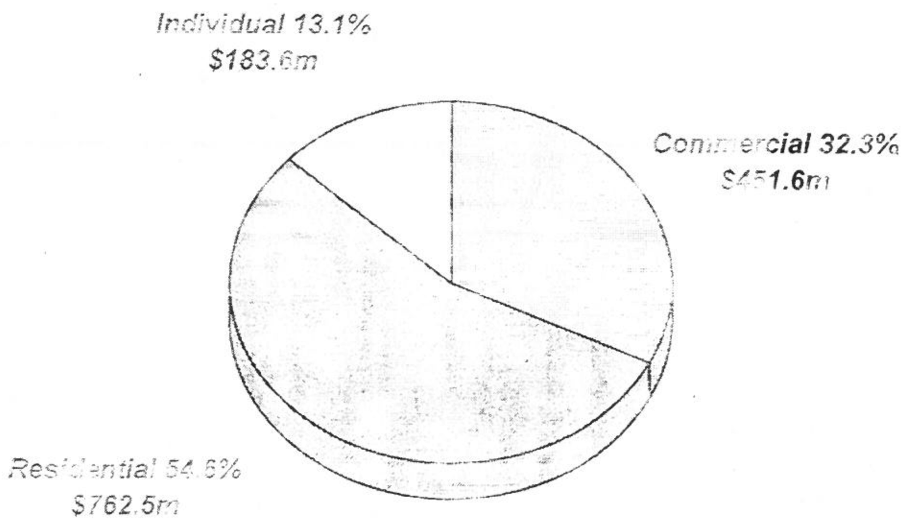
Property tax expenditures support residential, commercial and individual assistance programs. (Chart 1)

Residential - Housing benefits comprise 54.6 percent of property tax expenditures, or the equivalent of $762.5 million in fiscal 1998 revenues. Tax relief is currently provided through more than 55,500 exemptions and over 51,000 abatements. Different programs provide incentives for new construction or rehabilitation of small homes and/or multi-family buildings. Some programs are combined with additional financial assistance to target benefits for moderate and middle income housing. Several housing programs vary benefits on the basis of geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building. The single largest residential incentive program is the Limited Profit Housing Companies, otherwise known as Mitchell-Lama housing.

Commercial - The value of economic development incentives is $451.6 million in fiscal 1998, 32.3 percent of total property tax expenditures. The City provides these benefits through more than 7,000 exemptions and 259 abatements. The kinds of properties assisted by the commercial programs vary from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs will frequently provide more extensive benefits to industrial construction and renovation.

Individual Assistance - The smallest real property tax expenditure category, programs for individual assistance, totals almost $183.6 million in fiscal 1998. Over 101,000 exemptions currently reduce taxes for veteran and senior citizen homeowners, while SCRIE provides relief to senior citizen renters. Senior citizen programs are based on the income of the qualifying individual who owns or occupies the property. The City's latest program provides a tax reduction to owners of Class Two cooperatives and condominiums. The second year of the program has credited fiscal 1998 tax bills by almost $92 million.

**Chart 1**
**Real Property Tax Expenditures**
**By Purpose, FY 1998**
**Total $1,397.7 million**



## Tax Expenditure Sources

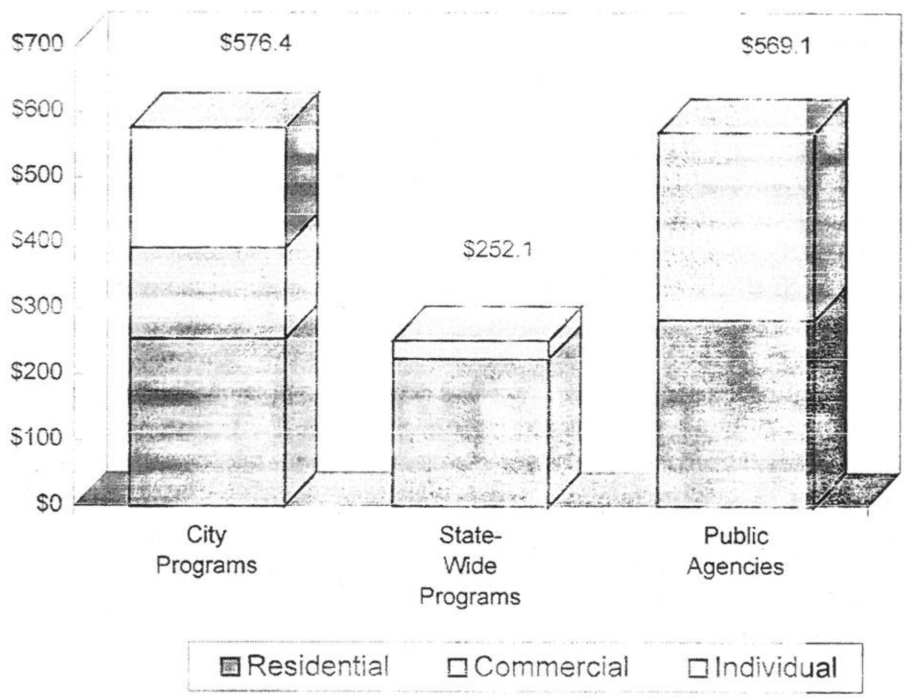
The major sources of expenditures include City and State programs and public agencies. Various State-wide programs have been included in this report since the related exemptions are administered by the City and these programs serve as channels for housing and economic development incentives in the City.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

City Programs - This category includes local incentives granted directly by the City for housing, commercial development and individual assistance. Also included are State-wide programs in which participation is at the discretion of the locality. In fiscal 1998, tax expenditures from this source total $576.4 million or 41.2 percent of total real property tax expenditures, compared to 36.5 percent last fiscal year. Residential incentives comprise 44.2 percent of City program expenditures and are valued at $254.6 million. Another 24 percent of City Program tax expenditures are attributable to economic development programs. The remaining 32 percent is attributable to individual assistance programs.

State-wide Programs - These predominantly residential programs meet many of the same goals as the City programs but are not exclusive to City taxpayers. For these programs, the net tax expenditure is displayed after deducting Payments-in-Lieu-of-Taxes (PILOTs) and Shelter Rent. Of the total $252.1 million of property tax expenditures in this category, almost 89 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. As in fiscal 1997, commercial and industrial projects account for 50 percent of the tax expenditures attributable to public agencies. The New York City Housing Authority accounts for almost 89 percent of the $283.9 million in residential tax expenditures.

**Chart 2**
**Real Property Tax Expenditures**
**By Source, FY 1998**
**Total $1,397.7 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 includes all others, including properties which combine residential and commercial use.

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

> Gross Tax Expenditures - For Tables 3 and 5, gross tax expenditures are determined by applying the appropriate tax rates to the exempt values, using the same methodology that was applied for Tax Expenditures in Table 1, but not accounting for any offsetting revenues.
>
> Payments-in-Lieu-of-Taxes (PILOTs) - Although exempt from taxation, certain properties may be contractually obligated to make payments to the City. Additionally, certain housing programs are required to pay taxes based on a shelter rent formula, defined as gross rent less utility costs. 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 1998
## ($ Millions)

| | Number of Exemptions & Abatements | Exempt Assessed Value [1] | Tax Expenditure |
|---|---|---|---|
| HOUSING DEVELOPMENT PROGRAMS | 99,138 | $1,421.9 | $260.8 |
| J-51 Exemption | 8,064 | $494.2 | $54.6 |
| Residential | 8,056 | $492.5 | $54.4 |
| Commercial | 8 | $1.7 | $0.2 |
| J-51 Abatement | 51,032 | N/A | $104.6 |
| Residential | 51,003 | N/A | $104.5 |
| Commercial | 29 | N/A | $0.2 |
| 421-a, New Multiple Dwellings | 26,561 | $801.5 | $87.9 |
| 10 year exemption | 11,157 | $345.9 | $37.9 |
| 15 year exemption | 12,117 | $247.6 | $27.1 |
| 20 year exemption | 3 | $65.4 | $7.2 |
| 25 year exemption | 3,284 | $142.6 | $15.7 |
| Residential | 24,564 | $743.0 | $81.9 |
| Commercial | 1,997 | $58.5 | $5.9 |
| 421-b, New Private Housing | 12,945 | $87.3 | $9.5 |
| HPD Division of Alternative Management (DAMP) | 536 | $38.8 | $4.3 |
| INDIVIDUAL ASSISTANCE PROGRAMS | 101,395 | $360.6 | $171.9 |
| Senior Citizens Homeowner Exemption (SCHE) | 29,265 | $182.7 | $19.8 |
| Senior Citizen Rent Increase Exemption (SCRIE) [2] | N/A | N/A | $61.0 |
| Veterans' Exemption | 72,130 | $177.9 | $11.0 |
| Co-op/Condo Abatement [3] | N/A | N/A | $91.8 |

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

[2] SCRIE amount as of April 1, 1998; this amount includes $2 million in suspension; based on fiscal 1998 Dept. of Aging data, 55,469 households receive SCRIE benefits.

[3] A total of 271,729 residential units benefitted from this program in FY 98.

*Totals may not add due to rounding.*

**Table 1**
(continued)

| | Number of Exemptions & Abatements | Exempt Assessed Value | Tax Expenditure |
|---|---|---|---|
| **ECONOMIC DEVELOPMENT PROGRAMS** | **3,926** | **$1,277.3** | **$132.0** |
| Industrial & Commercial Incentive Board (ICIB) | 341 | $104.9 | $10.7 |
| New Construction | 61 | $19.6 | $2.0 |
| Alterations | 280 | $85.3 | $8.7 |
| Industrial & Commercial Incentive Program (ICIP) | 3,233 | $996.6 | $101.2 |
| Deferral Areas [1] | 45 | $16.3 | $1.7 |
| Industrial & Special Commercial | 1,674 | $384.2 | $39.0 |
| All Other Commercial Projects | 1,514 | $596.1 | $60.6 |
| Other Commercial & Industrial Exemptions | 352 | $175.8 | $20.1 |
| Water-works Corporations | 121 | $90.8 | $7.8 |
| Major League Sports Facilities | 1 | $85.1 | $8.6 |
| Commercial Revitalization Program | | | |
| Commercial Abatement[2] | 230 | N/A | $3.6 |
| **TOTAL: CITY PROGRAMS** | **$204,459** | **$3,059.8** | **$576.4** |
| Total Residential | 97,104 | 1,361.7 | 254.6 |
| Total Commercial/Industrial | 5,960 | 1,337.5 | 138.2 |
| Total Individual Assistance | 101,395 | 360.6 | 183.6 |

## Table 2
## CITY PROGRAMS
## REAL PROPERTY TAX EXPENDITURES BY BOROUGH
### Fiscal Year 1998
### ($ Millions)

| | MANHATTAN | | THE BRONX | |
|---|---|---|---|---|
| | Number of Exemptions | Tax Expenditure | Number of Exemptions | Tax Expenditure |
| **HOUSING DEVELOPMENT PROGRAMS** | 33,119 | $104.3 | 18,671 | $48.5 |
| J-51 Exemption | 2,630 | $16.7 | 1,119 | $20.5 |
| J-51 Abatement | 18,567 | $31.5 | 14,701 | $22.2 |
| 421-a, New Multiple Dwellings | 11,619 | $53.3 | 1,426 | $4.1 |
| 421-b, New Private Housing | 30 | $0.0 | 1,307 | $0.8 |
| HPD Division of Alternative Management | 273 | $2.8 | 118 | $0.8 |
| **INDIVIDUAL ASSISTANCE PROGRAMS** | 618 | $19.2 | 9,331 | $12.2 |
| Senior Citizen Homeowner Exemption | 252 | $0.4 | 3,314 | $1.9 |
| Senior Citizen Rent Increase Exemption | N/A | $18.8 | N/A | $9.4 |
| Veterans' Exemption | 366 | $0.1 | 6,017 | $0.9 |
| Co-op/Condo Abatement | N/A | $68.3 | N/A | $2.5 |
| **ECONOMIC DEVELOPMENT PROGRAMS** | 712 | $45.2 | 427 | $15.1 |
| Industrial & Commercial Incentive Board | 87 | $5.8 | 31 | $0.3 |
| Industrial & Commercial Incentive Program | 395 | $27.1 | 396 | $14.8 |
| Water-works Corporations | 0 | $0.0 | 0 | $0.0 |
| Major League Sports Facilities | 1 | $8.6 | 0 | $0.0 |
| Commercial Revitalization Program | 229 | $3.6 | 0 | $0.0 |
| **TOTAL: CITY PROGRAMS** | 34,449 | $168.7 | 28,429 | $75.9 |

*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 |
| **18,412** | **$55.3** | **16,065** | **$41.9** | **12,871** | **$10.8** |
| 3,378 | $14.8 | 754 | $2.3 | 183 | $0.4 |
| 8,847 | $29.5 | 8,240 | $21.0 | 677 | $0.5 |
| 4,646 | $9.4 | 6,227 | $17.9 | 2,643 | $3.1 |
| 1,400 | $1.0 | 840 | $0.8 | 9,368 | $6.8 |
| 141 | $0.6 | 4 | $0.0 | 0 | $0.0 |
| **25,267** | **$25.3** | **46,701** | **$30.3** | **19,478** | **$4.7** |
| 8,003 | $5.5 | 14,166 | $9.9 | 3,530 | $2.0 |
| N/A | $17.2 | N/A | $15.4 | N/A | $0.2 |
| 17,264 | $2.6 | 32,535 | $5.0 | 15,948 | $2.4 |
| N/A | $5.9 | N/A | $14.8 | N/A | $0.4 |
| **884** | **$15.9** | **1,401** | **$43.4** | **502** | **$12.4** |
| 78 | $1.1 | 116 | $2.4 | 29 | $1.1 |
| 806 | $14.9 | 1,163 | $33.2 | 473 | $11.3 |
| 0 | $0.0 | 121 | $7.8 | 0 | $0.0 |
| 0 | $0.0 | 0 | $0.0 | 0 | $0.0 |
| 0 | $0.0 | 1 | $0.0 | 0 | $0.0 |
| **44,563** | **$96.5** | **64,167** | **$115.6** | **32,851** | **$27.9** |

## CITY PROGRAMS

## J-51 Program, Residential Alterations and Rehabilitation

### Citation

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

### Policy Objective

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

### Description

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

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

Properties that undergo renovations which qualify as Major Capital Improvements, such as the replacement of heating, plumbing or roofing systems, installation of new windows, or exterior and parapet wall repointing, may receive an exemption for 14 years (10 years at full exemption followed by a four year period of declining exemption). Existing taxes may be abated for up to 90 percent of the reasonable cost of rehabilitation, at a rate of 8-1/3 percent per year, for as long as 20 years. Buildings in designated areas of Manhattan below 96th

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

Street may only abate the taxes on the building assessment, not the land, up to $2,500 per unit. Moderate Rehabilitation projects, where there is a significant improvement to at least one major building-wide system, receive a 34 year tax exemption and an abatement, of no more than 20 years, for up to 100 percent of the reasonable cost. A major requirement is that the property remain substantially occupied during the rehabilitation.

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

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

### Distributional Information

In fiscal 1998, the J-51 program is providing 8,064 exemptions and 51,032 abatements to 659,645 apartments. The exempt value of these properties is $492.5 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- 3 Family | 0.06% | 0.13% |
| Condos | 4.16% | 12.52% |
| Co-ops | 30.66% | 8.37% |
| Condops* | 1.34% | 0.62% |
| Rentals | 63.77% | 78.33% |
| Mixed Use | 0.01% | 0.03% |
| | 100.00% | 100.00% |

* "Condops" is a new building classification. These properties were previously included in the "condominium" category.

### Tax Expenditure

$159.2 million, which includes a $54.6 million exemption and a $104.6 million abatement.

## Section 421-a, New Multiple Dwellings

### Citation

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

### Policy Objective

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

### Description

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

The 421-a program is defined according to location:

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

- Properties located in Manhattan south of 110th Street, but not in the Exclusion Zone, receive a 20 year exemption if construction commences after July 1, 1992 but before December 31, 1999 and if the project meets qualifying conditions (a) or (b). The property will receive a full exemption for twelve years followed by an eight year period during which taxes are phased in at 20 percent every two years.

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

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

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

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

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

### Distributional Information

In fiscal 1998, the City is providing 24,564 residential exemptions under the 421-a program. These exemptions are largely represented by condominium apartments and rental buildings. Overall, there are 39,419 apartment units receiving tax benefits with an exempt value of $743.0 million. This total exempt value is distributed in the table below according to property type.

| | Percent of Total Units | Percent of Exempt Assessed Value |
|---|---|---|
| 1- 3 Family | 7.73% | 2.88% |
| Condos | 50.18% | 51.34% |
| Co-ops | 2.30% | 2.06% |
| Condops* | 0.92% | 1.94% |
| Rentals | 38.86% | 41.78% |
| Mixed Use | 0.01% | 0.00% |
| | 100.00% | 100.00% |

* "Condops" is a new building classification. These properties were previously included in the "condominium" category.

### Tax Expenditure

$87.9 million

## Section 421-b, New Private Housing

### Citation

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

### Policy Objective

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

### Description

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

As in other programs, the building assessment is exempt during the construction period, not to exceed two years. Thereafter, the property is fully exempt for an additional two years. In the third year, the exemption is reduced to 75 percent and declines by 12-1/2 percent in each subsequent year, until the ninth year when the property becomes fully taxable. The exemption is applicable only to the value of the new construction; the property owner must continue to pay taxes on the pre-construction assessment.

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

### Distributional Information

In fiscal 1998, the City is providing 12,945 exemptions valued at $87.3 million in exempt assessed value. One and two family homes in Staten Island account for almost 55 percent of the units which received benefits granted through this program. The table below presents the distribution of 18,734 apartment units in 12,460 properties. Unit information is not available for the remaining 484 properties. The distribution of exempt assessed value below represents all properties in this program.

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

| | Percent of Total Units | Percent of Exempt Assessed Value |
|---|---|---|
| 1- 3 Family | 99.55% | 99.34% |
| Condos | 0.22% | 0.43% |
| Co-ops | 0.00% | 0.00% |
| Rentals | 0.18% | 0.05% |
| Mixed Use | 0.01% | 0.18% |
| | 100.00% | 100.00% |

### Tax Expenditure

$61.0 million

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

### Citation

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

### Policy Objective

To return City-owned residential properties to private ownership.

### Description

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

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

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

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

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

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

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

### Distributional Information

In fiscal 1998, there are 536 DAMP exemptions containing 11,339 housing units. The total exempt assessed value is $38.7 million. Nearly 48 percent of all units are located in Manhattan, accounting for 66 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 | 0.06% | 0.03% |
| Condos | 0.00% | 0.00% |
| Co-ops | 26.62% | 32.99% |
| Rentals | 73.32% | 66.98% |
| Mixed Use | 0.00% | 0.00% |
| | 100.00% | 100.00% |

### Tax Expenditure

$4.3 million

## Senior Citizen Homeowner Exemption (SCHE)

### Citation

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

### Policy Objective

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

### Description

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

In 1996, the City Council amended the SCHE program to provide a 50 percent exemption to homeowners with incomes $18,500 or less. Similarly, homeowners with incomes between $18,501 and $21,499 receive an exemption that is reduced by 5 percentage points for each $1,000 increment in income above $18,500; and for those with incomes between $21,500 and $26,899, the exemption is reduced by 5 percentage points for each $900 increment in income above $21,500. These changes are effective for assessment rolls with a taxable status date on or after January 1, 1997.

The City Council also amended this program in 1997, effective for assessment rolls completed in 1998 and thereafter, to allow a deduction of unreimbursed medical and prescription drug expenses from income to determine eligibility and level of exemption.

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

## Senior Citizen Homeowner Exemption (SCHE) (cont'd)

Pursuant to legislation enacted in 1995, the SCHE program was extended to property held in trust for the benefit of a person or persons who, had they held legal title to the property, would be eligible for tax exemption. SCHE was also extended to eligible tenant-shareholders of cooperative apartments. For the purposes of this legislation, the co-op tenant-shareholder is deemed to own that portion of the property represented by his or her proportion share of outstanding stock of the corporation. 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 they are 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 Senior Citizen Homeowner Exemption does not include a sunset provision.

### Distributional Information

In fiscal 1998, there are 29,265 exemptions, an increase of almost 4 percent over the previous fiscal year, containing 48,573 housing units. The exempt value of $182.7 million increased by almost $14 million or 8 percent from fiscal 1997. The following table gives a distribution of these households by income range:

| Exempt | Income Range | Number of Exemptions | Percent of Total Exemptions | Exempt Assessed Value |
|---|---|---|---|---|
| 50% | $0 - 18,499 | 22,876 | 78.2% | $148.9 m |
| 45% | $18,500 - 19,999 | 1,164 | 4.0% | 7.1 m |
| 40% | $19,500 - 20,499 | 982 | 3.4% | 5.3 m |
| 35% | $20,500 - 21,499 | 884 | 3.0% | 4.3 m |
| 30% | $21,500 - 22,399 | 685 | 2.3% | 2.7 m |
| 25% | $22,400 - 23,299 | 646 | 2.2% | 2.1 m |
| 20% | $23,300 - 24,199 | 536 | 1.8% | 1.4 m |
| 15% | $24,200 - 25,099 | 478 | 1.6% | 1.0 m |
| 10% | $25,100 - 25,999 | 324 | 1.1% | 0.4 m |
| 5% | $26,000 - 26,899 | 117 | 0.4% | 0.1 m |
| 0% | $26,900 + | 573 | 2.0% | 9.3 m |
| | TOTAL | 29,265 | 100.0% | $182.6 m |

## Senior Citizen Homeowner Exemption (SCHE) (cont'd)

The table below shows the distribution of benefits by property type. For the first time, this exemption benefit has been extended to cooperatives. One and two family units still account for the largest percentage of the exempt assessed value.

| | Percent of Total Units | Percent of Exempt Assessed Value |
|---|---|---|
| 1- 3 Family | 93.84% | 92.98% |
| Condos | 0.85% | 1.31% |
| Co-ops | 2.84% | 5.16% |
| Condops* | 1.74% | 0.09% |
| Rentals | 0.55% | 0.24% |
| Mixed Use | 0.18% | 0.22% |
| | 100.00% | 100.00% |

* Condops" is a new building classification. These properties were previously included in the condominium" category.

### Tax Expenditure

$19.8 million

## Senior Citizen Rent Increase Exemption (SCRIE)

### Citation

NYS Real Property Tax Law; Article 4, Section 467-b
NYC Administrative Code; Title 26, Sections 26-405, 26-406, 26-509, 26-601 to 26-616

### Policy Objective

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

### Description

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

Tenants may be eligible for the SCRIE program if they are at least 62 years old and have a total household income that does not exceed $20,000 (last amended in 1996). Additionally, once tenants qualify for the program, increases in their Social Security income are excluded from the determination of total household income. Furthermore, the tenant must reside in a rent controlled, rent stabilized or rent regulated (such as, Mitchell-Lama housing) unit.

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

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

### Distributional Information

As of June 30, 1997, 55,469 households were receiving SCRIE abatements. The following table gives a distribution of these households by borough:

| | Total Units [1] | Percent of Total Units |
|---|---|---|
| Manhattan | 16,472 | 29.70% |
| Bronx | 8,661 | 15.61% |
| Queens | 17,715 | 31.93% |
| Brooklyn | 12,406 | 22.37% |
| Staten Island | 215 | 0.39% |
| | 55,469 | 100.00% |

[1] Source: Department of Aging.

### Tax Expenditure

$49.3 million

## Veterans' Exemptions

### Citation

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

### Policy Objective

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

### Description

Partial tax exemptions are granted under two programs:.

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

New veterans' exemptions are granted under Section 458-a, based 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 become effective with the assessment roll for FY 1999.

Amendments to sections 458 and 458-a during the 1995 legislative session expanded the program to include those civilians who, during World War II, were employed by the American Field Service and served overseas under the U.S. Army or U.S. Army Groups or civilians employed by Pan American Airways (including subsidiaries) who served overseas as a result of Pan American's contract with the Air Transport Command or

## Veterans' Exemption (cont'd)

Naval Air Transportation Service. Additionally, exemptions under sections 458 or 458-a may now be granted to properties held in trust for the benefit of such person or persons who would otherwise be eligible for these exemptions but for the fact that they do not hold legal title to the property.

In 1997, the State Legislature and City Council enacted legislation that extended the veterans' exemptions to veterans residing in cooperative apartments. For purposes of calculating the exemption, the portion of the cooperative building's total assessed value attributable to the veteran's apartment would equal to the ratio of the cooperative corporation stock owned by the qualifying veteran to the corporation's total outstanding stock. Veterans residing in co-op apartments in Mitchell-Lama developments or other projects subject to Articles II, IV, V or XI of the state private housing finance law are not eligible for the veterans' exemptions.

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

### Distributional Information

In fiscal 1998, there are 72,130 exemptions in this program with a total exempt value of $177.9 million. These properties represent over 118,059 housing units and are primarily located outside Manhattan. Queens accounts for almost 46 percent. These benefits are distributed by property type as follows:

| | Percent of Total Units | Percent of Exempt Assessed Value |
|---|---|---|
| 1- 3 Family | 96.03% | 97.27% |
| Condos | 0.76% | 1.22% |
| Co-ops | 0.01% | 0.00% |
| Rentals | 2.65% | 0.85% |
| Mixed Use | 0.55% | 0.66% |
| | 100.00% | 100.00% |

### Tax Expenditure

$11.0 million

## Partial Tax Abatement for Class Two Cooperatives and Condominiums

### Citation

NYS Real Property Tax Law; Article 4, Section 467a

### Policy Objective

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

### Description

The 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 so held in condominium or cooperative form of ownership. Units held by sponsors or 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. 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, respectively.

### Tax Expenditure

$91.8 million

## Industrial and Commercial Incentive Board (ICIB)

### Citation

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

$10.7 million

## Industrial and Commercial Incentive Program (ICIP)

### Citation

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

### Policy Objective

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

### Description

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

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

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

  Additionally, industrial projects that file an application on or after July 1, 1995 may qualify for a new abatement of pre-existing taxes. The abatement is based upon the taxes imposed for the year preceding the effective date of the certificate of eligibility. The abatement schedule is as follows:

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

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

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

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

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

- The exemption period for commercial projects in Regular Exemption Areas was extended by the 1995 amendments to a total of 15 years, 11 years (increased from 8) of 100 percent exemption, followed by 4 years of declining exemption.

Exemptions are granted on the increased assessment of the improvements only. Increases in assessed value subsequent to the third year following the issuance of the certificate of eligibility are fully taxable, except for industrial projects and commercial projects in Special Needs Areas. These projects are also exempt from increases due to market value increases during their first 13 years of exemption. Effective September 12, 1992, the program was extended to the commercial or industrial portion of mixed-use buildings.

### Tax Expenditure

$101.2 million

## Water-works Corporations, Jamaica Water Supply

### Citation

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

### Policy Objective

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

### Description

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

Current law does not provide for a sunset provision.

### Tax Expenditure

$7.8 million

## Major League Sports Facilities, Madison Square Garden

### Citation

NYS Real Property Tax Law; Article 4, Section 429

### Policy Objective

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

### Description

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

### Tax Expenditure

$8.6 million

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

### Citation

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

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

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

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

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

### Policy Objective

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

### Description

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

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

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

**Real Estate Tax Abatement**

This abatement is granted for space that has been leased (a new, renewal or expansion lease) for office or retail purposes. For leases commencing prior to April 1, 1997, the benefit lasts for five years, commencing with an abatement equal to 50 percent of the property tax in the initial year but no greater than $2.50 per square foot. In the fourth and fifth years, the benefit will equal two-thirds and one-third, respectively, of the tax abatement initially granted.

Pursuant to an amendment enacted by the State Legislature in 1997, the abatement for years one, two and three 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 will be determined as above - that is, it will equal two-thirds and one-third, respectively, of the abatement in the initial year.

The 1997 amendment also permitted minimum three year leases, rather than five year terms, where the space is to be occupied by a tenant with not more than 125 employees. This change is applicable only for leases commencing on or after April 1, 1997. The benefit period for leases with a minimum term of three years but less than five years has been shortened to a total of three years. The abatement in the initial year will equal the tax liability per square foot but not more than $2.50 per square foot. In years two and three, the abatement will equal two-thirds and one-third, respectively, of the abatement in the initial year.

The 1997 amendment extended the program for an additional three years. Consequently, to qualify for the benefits, leases must be executed and commence between April 1, 1995 and March 31, 2001. The leased space must be in non-residential or mixed use buildings that were built prior to 1975 and are in eligible abatement zones, located in lower Manhattan and in certain areas elsewhere in the City. For leases commencing on or after April 1, 1997, tenants who employ no more than 125 people at the eligible premises may choose a minimum lease term of three years; tenants employing more than 125 people must sign leases with a minimum term of ten years.

The program also imposed minimum required expenditures for tenant improvements. For leases that commenced prior to April 1, 1997, these minimum required expenditures equaled $10 and $35 per square foot for five and ten year leases, respectively, in Lower Manhattan. The minimum required expenditures in other areas were proportionately lower. For leases commencing on or After April 1, 1997 with terms of at least three years but not more than five years, the minimum required expenditure has been reduced from $10 to $5 in lower Manhattan; and from $5 to $2.50 in other eligible areas of the City.

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

### 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 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 the amendment enacted by the State Legislature in 1997 noted above, the CRT benefit available through this program has been amended to conform eligibility criteria and benefit levels, where appropriate, to the 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 July 1, 1999 and before a building permit for the required construction or renovation is issued.

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

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

**Conversion to Residential Use**

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

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

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

To qualify for the program, a building permit for conversion must be issued between July 1, 1995 to June 30, 2002. After the conversion is completed, the building may not contain more than 25 percent of its floor space dedicated to commercial and/or community facilities. The residential-conversion exemption may subject to reduction or revocation if more than 12 percent of the building's floor area consists of commercial, community facility or "accessory use space." However, as a result of a 1997 amendment by the State Legislature, "accessory use space" will be deemed not to include home occupation space or accessory parking space located not more than 23 feet above the curb level. During the benefit period, the apartments will be subject to rent stabilization.

In 1997, the State Legislature enacted a one year "in progress" exemption for properties converting from non-residential use to residential use pursuant to section 421-g of the Real Property Tax Law. The exemption will be provided for the increase in assessed value exclusively attributable to the physical improvement if two conditions are met: (1) the taxable status date occurs after the commencement of conversion; and (2) the taxable status date is the first taxable status date on which an increase in assessed value attributable to such physical improvement has been assessed. No "in progress" exemption will be provided, however, if conversion is completed before April 15th following the applicable taxable status date. In

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

those cases, the property will begin receiving the exemption pursuant to the schedule in section 421-g.

**Mixed Use**

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

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

### Tax Expenditure

Commercial Property Tax Abatement: $3.6 million (through January 1998)

For FY 1998, the tax expenditure value of the Commercial Rent Tax and Energy Cost Savings Program benefits are projected at $4 million. For the Tax Year 1996 value see page 83.

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## Table 3
## STATE WIDE PROGRAMS
## REAL PROPERTY TAX EXPENDITURES
## Fiscal Year 1998
## ($ Millions)

| | Number of Exemptions | Exempt Assessed Value | Gross Tax Expenditure | PILOTs [1] | Net Tax Expenditures |
|---|---|---|---|---|---|
| Limited Profit Housing Companies | 371 | $2,105.5 | $231.7 | $56.5 | $175.1 |
| Residential | 330 | 2,000.9 | 221.0 | 56.5 | 164.5 |
| Commercial | 41 | 104.6 | 10.6 | | 10.6 |
| Limited Dividend Companies | 14 | 46.8 | 5.2 | 3.7 | 1.5 |
| Redevelopment Companies | 405 | 534.9 | 59.0 | 32.5 | 26.5 |
| Residential | 382 | 529.8 | 58.5 | 32.5 | 26.0 |
| Commercial | 23 | 5.0 | 0.5 | | 0.5 |
| Housing Development Fund Companies | 243 | 338.1 | 36.5 | 9.7 | 26.9 |
| Residential | 185 | 246.8 | 27.3 | 9.7 | 17.6 |
| Commercial | 58 | 91.2 | 9.3 | | 9.3 |
| Urban Development Action Area Program | 4,883 | 80.5 | 8.8 | 2.3 | 6.5 |
| State Assisted Housing | 58 | 149.8 | 15.9 | 0.3 | 15.6 |
| Residential | 31 | 74.2 | 8.2 | 0.3 | 7.9 |
| Commercial | 27 | 75.6 | 7.7 | | 7.7 |
| **TOTAL: STATE-WIDE PROGRAMS** | 5,974 | $3,255.6 | $357.1 | $105.0 | $252.1 |
| Total Residential | 5,825 | 2,979.1 | 329.0 | 105.0 | 224.0 |
| Total Commercial/Industrial | 149 | 276.5 | 28.1 | - | 28.1 |

[1] PILOTs are fiscal year 1998 estimates.

*Note: Totals may not add due to rounding.*

# Table 4
## STATE WIDE PROGRAMS
## REAL PROPERTY TAX EXPENDITURES BY BOROUGH
## Fiscal Year 1998
## ($ Millions)

| | MANHATTAN | | THE BRONX | |
|---|---|---|---|---|
| | Number of Exemptions | Net Tax Expenditure | Number of Exemptions | Net Tax Expenditure |
| Limited Profit Housing Companies | 100 | $76.5 | 101 | $39.4 |
| Limited Dividend Companies | 3 | $2.8 | 1 | $0.0 |
| Redevelopment Companies | 91 | $15.8 | 167 | $3.9 |
| Housing Development Fund Companies | 72 | $9.6 | 70 | $9.4 |
| Urban Development Action Area Program | 152 | $2.1 | 862 | $0.9 |
| State Assisted Housing | 24 | $5.3 | 14 | $3.9 |
| TOTAL STATE-WIDE PROGRAMS | 442 | $112.0 | 1,215 | $57.5 |

*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 | $38.9 | 55 | $19.0 | 5 | $1.3 |
| 10 | $1.2 | 0 | ($2.5) | 0 | $0.0 |
| 132 | $6.6 | 7 | $0.4 | 8 | ($0.2) |
| 84 | $5.9 | 14 | $1.5 | 3 | $0.4 |
| 3,402 | $3.0 | 462 | $0.5 | 5 | $0.0 |
| 12 | $3.4 | 7 | $1.9 | 1 | $1.0 |
| 3,750 | $59.0 | 545 | $20.9 | 22 | $2.6 |

## STATE WIDE PROGRAMS

# Limited Profit Housing Companies

### Citation

NYS Private Housing Finance Law, Article 2

### Policy Objective

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

### Description

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

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

The enabling legislation does not include a sunset provision.

### Distributional Information

In fiscal 1998, there are 330 residential and 41 commercial exemptions under this program. The residential properties contain 115,599 housing units with a total exempt assessed value of $2,000.9 million.

## Limited Profit Housing Companies (cont'd)

Almost 59 percent of residential units receiving benefits are co-ops, which are located in all boroughs except Staten Island. Although 39 percent of the exempt assessed value is attributable to Manhattan co-op projects, 35 percent of the co-op units are located in the Bronx (including 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 | 58.69% | 58.67% |
| Rentals | 41.31% | 41.29% |
| Mixed Use | 0.00% | 0.04% |
| | 100.00% | 100.00% |

## Net Tax Expenditure (after PILOTs)

$175.1 million

## Limited Dividend Housing Companies

### Citation

NYS Private Housing Finance Law, Article 4

### Policy Objective

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

### Description

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

The enabling legislation does not include a sunset provision.

### Distributional Information

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

### Net Tax Expenditure (after PILOTs)

$1.5 million

## Redevelopment Companies

### Citation

NYS Private Housing Finance Law, Article 5

### Policy Objective

To encourage low to moderate income housing through private financing.

### Description

This program was a precursor to the Limited Profit Housing Program (Mitchell-Lama). The participants are largely institutional investors, such as insurance companies and pension funds, who provide financing for rental and co-op developments. They are granted a 25 year tax exemption in exchange for accepting a limited rate of return on their investment and for complying with City regulations regarding tenant eligibility, rent levels and restrictions of co-op sales. The exemptions on many of these projects have expired, or are due to expire soon. However, the owners have the option of remaining in the program with an additional 25 year exemption, or a nine year phase-in of full taxation.

The enabling legislation does not include a sunset provision.

### Distributional Information

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

### Net Tax Expenditure (after PILOTs)

$26.5 million

## Housing Development Fund Companies (HDFC)

### Citation

NYS Private Housing Finance Law, Article 11

### Policy Objective

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

### Description

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

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

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

There is no sunset provision within the enabling legislation.

### Distributional Information

In fiscal 1998, there are 185 residential and 58 commercial exemptions under this program. The residential properties contain over 14,594 housing units with an exempt assessed value of $246.8 million. Rentals make up more than 97 percent of this program. These benefits are distributed by property type as follows:

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

| | Percent of Total Units | Percent of Exempt Assessed Value |
|---|---|---|
| 1- 3 Family | 0.00% | 0.00% |
| Condos | 0.00% | 0.00% |
| Co-ops | 2.71% | 2.32% |
| Rentals | 97.29% | 97.66% |
| Mixed Use | 0.02% | 0.02% |
| | 100.00% | 100.00% |

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

$26.9 million

## Urban Development Action Area Project (UDAAP)

### Citation

NYS General Municipal Law, Article 16

### Policy Objective

To encourage the construction of residential housing in designated areas.

### Description

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

UDAAP sites receive real property tax exemptions only on the assessed value of the improvements, 10 years at 100 percent of assessed value, followed by a 10 year declining exemption. No payments-in-lieu-of-taxes (PILOTs) are imposed by the City.

The enabling legislation does not include a sunset provision.

### Distributional Information

In fiscal 1998, there are 4,883 residential exemptions under this program that contain 6,903 housing units with an exempt assessed value of $80.5 million. One, two, and three family houses in Brooklyn and rentals in Manhattan receive the largest proportion of UDAAP benefits. These benefits are distributed by property type as follows:

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

| | Percent of Total Units | Percent of Exempt Assessed Value |
|---|---|---|
| 1- 3 Family | 81.70% | 47.99% |
| Condos | 3.75% | 5.07% |
| Co-ops | 0.00% | 0.00% |
| Rentals | 14.48% | 46.84% |
| Mixed Use | 0.07% | 0.10% |
| | 100.00% | 100.00% |

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

$6.5 million

## Miscellaneous State Assisted Housing

### Citation

NYS Real Property Tax Law; Article 4, Section 422

### Policy Objective

To encourage the creation of housing for a target population.

### Description

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

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

### Distributional Information

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

### Net Tax Expenditure (after PILOTs)

$15.6 million

## Table 5
## PUBLIC AGENCIES
## REAL PROPERTY TAX EXPENDITURES
## Fiscal Year 1998
## ($ Millions)

| | Number of Exemptions | Exempt Assessed Value | Gross Tax Expenditure | PILOTs | Net Tax Expenditure |
|---|---|---|---|---|---|
| Industrial Development Agency | 633 | $883.9 | $89.8 | $42.0 | $47.8 |
| Economic Development Corporation | 225 | 55.4 | 5.6 | 1.5 | $4.1 |
| NYC Housing Authority | 1,461 | 2,491.7 | 275.0 | 19.7 | 255.3 |
| Residential | 1,369 | 2,465.3 | 272.3 | 19.7 | $252.6 |
| Commercial | 92 | 26.4 | 2.7 | | $2.7 |
| Urban Development Corporation | 122 | 785.4 | 80.2 | 0.2 | $80.0 |
| Residential | 15 | 39.9 | 4.4 | | $4.4 |
| Commercial | 107 | 745.5 | 75.8 | 0.2 | $75.6 |
| NYS Power Authority | 8 | 447.0 | 38.5 | 0.0 | $38.5 |
| Battery Park City Authority | 2,334 | 1,125.9 | 116.6 | 35.0 | $81.6 |
| Residential | 2,296 | 243.1 | 26.9 | | $26.9 |
| Commercial | 38 | 882.8 | 89.7 | 35.0 | $54.7 |
| World Trade Center, Port Authority | 1 | 787.5 | 80.0 | 25.3 | $54.7 |
| Teleport, Port Authority | 5 | 21.5 | 2.2 | 0.8 | $1.3 |
| Trust for Cultural Resources | 251 | 53.4 | 5.7 | $0.0 | $5.7 |
| **TOTAL: PUBLIC AGENCIES** | **5,040** | **$6,651.6** | **$693.6** | **$124.5** | **$569.1** |
| Total Residential | 3,680 | 2,748.3 | 303.6 | 19.7 | 283.9 |
| Total Commercial/Industrial | 1,360 | 3,903.3 | 390.1 | 104.8 | 285.3 |

Notes:

PILOTs are fiscal year 1998 billing estimates.

Teleport exempt AV source: REUC; the PILOT amount is what was paid as of February 1998.

*Totals may not add due to rounding.*

## Table 6
## PUBLIC AGENCIES
## REAL PROPERTY TAX EXPENDITURES BY BOROUGH
## Fiscal Year 1998
## ($ Millions)

| | MANHATTAN | | THE BRONX | |
|---|---|---|---|---|
| | Number of Exemptions | Gross Tax Expenditure | Number of Exemptions | Gross Tax Expenditure |
| Industrial Development Agency | 274 | $52.4 | 52 | $2.9 |
| Economic Development Corporation | 0 | $0.0 | 1 | $0.1 |
| NYC Housing Authority | 307 | $97.6 | 248 | $68.9 |
| Urban Development Corporation | 101 | $67.5 | 9 | $3.7 |
| NYS Power Authority | 3 | $2.8 | 2 | $0.0 |
| Battery Park City Authority | 2,334 | $116.6 | 0 | $0.0 |
| World Trade Center, Port Authority | 1 | $80.0 | 0 | $0.0 |
| Teleport, Port Authority | 0 | $0.0 | 0 | $0.0 |
| Trust for Cultural Resources | 251 | $5.7 | 0 | $0.0 |
| **TOTAL: PUBLIC AGENCIES** | 3,271 | $422.6 | 312 | $75.6 |

[1] Calculation of Net Tax Expenditure not possible due to lack of PILOT information by borough.

*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 |
| 125 | $14.6 | 176 | $16.0 | 6 | $4.0 |
| 61 | $4.1 | 21 | $0.6 | 142 | $0.8 |
| 459 | $82.3 | 432 | $21.7 | 15 | $4.5 |
| 10 | $6.6 | 1 | $0.0 | 1 | $2.4 |
| 0 | $0.0 | 3 | $35.7 | 0 | $0.0 |
| 0 | $0.0 | 0 | $0.0 | 0 | $0.0 |
| 0 | $0.0 | 0 | $0.0 | 0 | $0.0 |
| 0 | $0.0 | 0 | $0.0 | 5 | $2.2 |
| 0 | $0.0 | 0 | $0.0 | 0 | $0.0 |
| 655 | $107.7 | 633 | $73.9 | 169 | $13.8 |

## PUBLIC AGENCIES

## Industrial Development Agency (IDA)

### Citation

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

### Policy Objective

To encourage business expansion and increase employment in New York City.

### Description

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

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

The enabling legislation does not include a sunset provision.

### Net Tax Expenditure (after PILOTs)

$47.8 million

## Economic Development Corporation (EDC)

### Citation

NYS Real Property Tax Law; Article 4, Section 412

### Policy Objective

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

### Description

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

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

### Net Tax Expenditure (after PILOTs)

$4.1 million

## New York City Housing Authority (NYCHA)

### Citation

NYS Public Housing Law; Article 3, Section 52

### Policy Objective

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

### Description

As of January 1, 1998, the New York City Housing Authority operated 344 developments with more than 181,000 apartments. An additional 71,986 apartments are in its leasing program. These 252,986 units house approximately 620,000 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 calendar 1996, PILOTs for the federally aided projects were $18 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 fiscal 1998, there are 1,369 residential and 92 commercial exemptions containing 196,754 housing units with an exempt assessed value of $2.4 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 174,492 households living in public housing as of January 1, 1998. Based on this data, the distribution of households is as follows:

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

| Household Income Range | Number of Households | Percent of Total Households |
|---|---|---|
| $0 - 9,999 | 104,315 | 59.8% |
| $10,000 - 12,499 | 16,904 | 9.7% |
| $12,500 - 14,999 | 10,203 | 5.8% |
| $15,000 - 19,999 | 13,854 | 7.9% |
| $20,000 - 24,999 | 9,770 | 5.6% |
| $25,000 - 29,999 | 6,941 | 4.0% |
| $30,000 - 34,999 | 4,237 | 2.4% |
| $35,000 - 35,999 | 2,630 | 1.5% |
| $40,000 - 44,999 | 1,669 | 1.0% |
| $45,000 - 49,999 | 1,117 | 0.7% |
| $50,000 and over | 2,792 | 1.6% |
| TOTAL REPORTING INCOME | 174,492 | 100.0% |

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

### Net Tax Expenditure (after PILOTs)

$255.3 million

## Urban Development Corporation (UDC)

### Citation

NYS Unconsolidated Laws; Chapter 24
NYS Real Property Tax Law; Article 4, Section 412

### Policy Objective

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

### Description

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

The UDC exemption does not contain a sunset provision.

### Distributional Information

In fiscal 1998, there are 15 residential and 107 commercial exemptions under this program. The residential properties contain 900 housing units with an exempt assessed value of $39.9 million. The exempt assessed value for the commercial properties is $745.5 million. The residential component of the UDC exemption consists of rentals in Manhattan and co-ops in Brooklyn and Manhattan.

## Urban Development Corporation (UDC) - cont'd

| | Percent of Total Units | Percent of Exempt Assessed Value |
|---|---|---|
| 1- 3 Family | 0.00% | 0.00% |
| Condos | 0.00% | 0.00% |
| Co-ops | 30.56% | 21.92% |
| Rentals | 69.44% | 78.08% |
| Mixed Use | 0.00% | 0.00% |
| | 100.00% | 100.00% |

**Net Tax Expenditure** (after PILOTs)

$80.0 million

## New York Power Authority

### Citation

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

### Policy Objective

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

### Description

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

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

### Net Tax Expenditure (after PILOTs)

$38.5 million

## Battery Park City Authority (BPCA)

### Citation

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

### Policy Objective

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

### Description

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

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

The enabling legislation does not include a sunset provision.

### Distributional Information

In fiscal 1998, there are 2,296 residential exemptions with an exempt value $243.1 million providing tax relief for 2,293 condominiums and 2,249 rental apartments. Similarly, there are 38 commercial exemptions with an exempt value of $882.8 million.

### Net Tax Expenditure (after PILOTs)

$81.6 million

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

### Citation

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

### Policy Objective

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

### Description

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

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

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

### Net Tax Expenditure (after PILOTs)

$54.7 million

## Teleport Center, Port Authority of NY and NJ

### Citation

NYS Real Property Tax Law; Article 4, Section 412

### Policy Objective

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

### Description

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

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

### Net Tax Expenditure (after PILOTs)

$1.3 million

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

### Citation

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

### Policy Objective

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

### Description

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

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

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

### Tax Expenditure

$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 1996, New York City tax law for the business income and excise taxes contained 23 provisions granting tax preferences that can be defined as tax expenditures. Data exist to estimate the value of 15 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 1996, the tax expenditure value of the 15 programs totaled approximately $341 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.

Several tax expenditure item included in the FY 1997 tax expenditure report have been removed from this year's list of business income and excise tax expenditures. The Commercial Rent Tax Special Reduction available to business tenants in Manhattan north of 96th street and in the other boroughs was removed because the Commercial Rent Tax has been eliminated in these areas of the City. In addition, the tax expenditure entries for Real Estate Mortgage Investment Conduits (REMICS) and Regulated Investment Companies (RICS) were removed because it was determined that the benefits are more the result of Federal flow-through status than City policy decisions. A description of a new tax expenditure program enacted in 1997 (Realty Transfer Tax Deduction Allowed for Continuing Liens) is described in Part VII of the report.

### 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 1996 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 1996

| Program | ($ Millions) Amount |
|---|---|
| Quantifiable | |
| Insurance Corporation Non-Taxation | 161 |
| International Banking Facility | 77 |
| Energy Costs Savings Program Credit | 27 |
| Foreign Bank Alternative Tax on Capital Stock | 25 |
| Business and Investment Capital Tax Limitation | 17 |
| Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital | 16 |
| Relocation and Employment Assistance Program | 8 |
| Special Allocation Rule: RIC Management Fees | 7 |
| School Bus Operation Deduction . | 2 |
| Commercial Revitalization Program | 1 |
| Dramatic or Musical Arts Performance Exemption | * |
| Employment Opportunity Relocation Costs Credit | * |
| Manufacturing and Research and Development Property Depreciation | * |
| Real Estate Tax Escalation Credit | * |
| Real Estate Investment Trusts | * |
| TOTAL QUANTIFIABLE TAX EXPENDITURES | 341 |

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 and Motion Picture Royalties

* = Less than 1 million.

## Insurance Corporation Non-taxation

### Citation

1974 New York Laws, Chapter 649, Section 11

### Policy Objective

To promote the New York City insurance industry.

### Description

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

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

### Tax Affected

General Corporation Tax

### Tax Expenditure

$161 million

## International Banking Facility Deduction

### Citation

NYC Administrative Code Section 11-641(f)

### Policy Objective

To promote international banking activities in New York City.

### Description

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

Both New York City and State allow banking corporations to deduct the adjusted eligible net income of an IBF in calculating taxable income under their banking corporation taxes. As a result, banking offices in New York can, through their IBFs, conduct transactions with foreign residents in a regulatory environment broadly similar to that of the Eurocurrency market without having to use an offshore facility.

### Tax Affected

Banking Corporation Tax

### Tax Expenditure

$77 million

### Number of Beneficiaries

123 banking corporations

## Energy Costs Savings Program Credit (ECSP)

### Citation

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

### Policy Objective

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

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

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

Legislation enacted in 1995 expands this benefit to include certain eligible businesses in lower Manhattan (see Commercial Revitalization Program write-up on pages 37-41, 83).

Certificates of eligibility must be obtained from the City before July 1, 1999 to participate in this program.

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

### Taxes Affected

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

### Tax Expenditure

$27 million

### Number of Beneficiaries

773 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

$25 million

### Number of Beneficiaries

180 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 which have low taxable income but large net worth.

### Description

A corporation subject to taxation in New York City determines its tax liability by making three alternative calculations (net income, net income plus compensation paid to officers and certain shareholders and business and investment capital), comparing the results to a fixed minimum amount and paying the largest of the four amounts. In 1988, a cap was placed on the business and investment capital tax base, limiting a corporation's tax on New York City allocated business and investment capital to a maximum of $350,000.

### Tax Affected

General Corporation Tax

### Tax Expenditure

$17 million

### Number of Beneficiaries

18 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

5,350 corporations

## Relocation and Employment Assistance Program (REAP)

### Citation

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

### Policy Objective

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

### Description

A credit is available for certain taxpayers which relocate all or part of their business operations to eligible premises located above 96th Street in Manhattan or in the other boroughs. A business income tax credit of $500 per eligible employment share is available for the year of relocation and for a maximum of eleven succeeding tax years. Legislation enacted in 1995 increased the business income tax credit to $1,000 per eligible employment share for recipients who receive their certificate of eligibility on or after July 1, 1995. If the allowable credit exceeds a taxpayer's liability for a tax year, the excess may be carried over and credited to the five immediately succeeding taxable years.

Taxpayers must be certified annually by the City in order to participate in this program. A firm must file a preliminary application and fulfill certain requirements before July 1, 1999 to be eligible to receive REAP benefits.

### Taxes Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax

### Tax Expenditure

$8 million

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

### Number of Beneficiaries

39 companies with 14,960 eligible employees

### Additional Information

The tax expenditure estimate for REAP provided above is based on a detailed survey of REAP-approved employees actually relocated by the end of calendar year 1997. (For REAP approval, applicants must have begun relocation to an eligible site but have three years to complete the move.) It is worth noting that if the remaining REAP-approved jobs and those pending-approval (most of which are expected to receive approval) relocate and receive REAP tax benefits, the cost of the program could escalate to approximately $18.5 million annually. The table presented below provides information on the total population of REAP applicants.

**RELOCATION AND EMPLOYMENT ASSISTANCE PROGRAM**

| Industry | Firms | % | Pending | Employees Approved | Total | % |
|---|---|---|---|---|---|---|
| Manufacturing | 51 | 51% | 686 | 3,837 | 4,523 | 12.2% |
| Construction | 3 | 3% | 0 | 158 | 158 | 0.5% |
| Transportation & PU | 3 | 3% | 164 | 1,882 | 2,046 | 5.5% |
| Trade | 21 | 21% | 270 | 853 | 1,123 | 3.0% |
| Fire | 16 | 16% | 6,187 | 21,112 | 27,299 | 73.8% |
| Service | 6 | 6% | 190 | 1,650 | 1,840 | 5.0% |
| **Total** | **100** | **100%** | **7,497** | **29,492** | **36,989** | **100%** |

* status of applications filed through 12/31/97

## Special Allocation Rule: RIC Management Fees

### Citation

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

### Policy Objective

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

### Description

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

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

(a) the number of shares in the RIC which are owned on the last day of the month by shareholders domiciled in the city by;

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

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

### Tax Affected

General Corporation Tax

### Tax Expenditure

$7 million

## 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

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

### 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

As discussed on pages 37-41, 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.

### Tax Affected

Commercial Rent Tax
Utility Tax

### Tax Expenditure

$1 million

Note:
See page 41 for a fiscal year 1998 tax expenditure projection for this program. The estimate is provided for informational purposes.

## Dramatic or Musical Arts Performance Exemption

### Citation

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

### Policy Objective

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

### Description

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

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

### 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 for each commercial and industrial position relocated, respectively.

### Taxes Affected

General Corporation Tax
Unincorporated Business Tax

### Tax Expenditure

Less than $1 million

## Manufacturing and Research & Development Property Depreciation

### Citation

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

### Policy Objective

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

### Description

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

### Taxes Affected

General Corporation Tax
Unincorporated Business Tax

### Tax Expenditure

Less than $1 million

## Real Estate Tax Escalation Credit (RETE)

### Citation

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

### Policy Objective

To encourage businesses to relocate to New York City.

### Description

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

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

## Real Estate Investment Trusts (REITS)

### Citation

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

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

### Tax Affected

Real Property Transfer Tax

### Tax Expenditure

Less than $1 million

## Air Pollution Control Facilities Deduction

### Citation

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

### Policy Objective

To improve the quality of air in New York City.

### Description

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

### Taxes Affected

General Corporation Tax
Unincorporated Business Tax

### Tax Expenditure

Not available

## Credit Line Mortgages

### Citation

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

### Policy Objective

To reduce credit costs for small homeowners.

### Description

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

Prior to 1996, this benefit was only available in the case of one-to-six family, owner-occupied residences. Legislation enacted in 1996 extends 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, an owner of real property, a lessee or a fiduciary is not considered to be engaged in an unincorporated business solely by reason of holding, leasing, or managing real property for his or her own account.

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

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

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

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

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

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

### Tax Affected

Banking Corporation Tax

### Tax Expenditure

Not available

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

### Citation

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

### Policy Objective

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

### Description

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

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

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

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

### Taxes Affected

General Corporation Tax
Unincorporated Business Tax

### Tax Expenditure

Not available

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

### Citation

NYC Administrative Code Section 11-508(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 the 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 are 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 expands 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 and Motion Picture Royalties

### Citation

NYC Administrative Code Section 11-508(e-1)
NYC General Corporation Tax Regulation Section 4-20(c)(2)

### Policy Objective

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

### Description

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

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

### Tax Affected

General Corporation Tax
Unincorporated Business Tax

### Tax Expenditure

Not available

# PART IV

# DETAILED REVIEW OF SELECTED TAX EXPENDITURE PROGRAMS

This section provides a detailed examination of tax reform initiatives undertaken by the Giuliani Administration affecting New York City businesses and consumers. The report reflects Administration-supported tax measures enacted by the State Legislature or City Council as of August 1997. It does not examine tax reduction measures that have been proposed since that date.

The report was originally published in the December 29, 1997 issue of State Tax Notes.

# A DESCRIPTION OF RECENT NEW YORK CITY BUSINESS AND CONSUMER TAX REFORM INITIATIVES

## Overview

Over the past four years, New York City has implemented a tax reduction program to strengthen the local economy and improve the City's competitive position. The initiatives, taken under the administration of New York City Mayor Rudolph Giuliani, followed a recessionary period in which the City lost more than 350,000 jobs, or 10 percent of its employment base.

The City has dedicated an increasing portion of its annual budget towards providing business and consumer tax relief. As shown in Table 1 (next page), this began with reductions in the hotel tax, the commercial rent tax (CRT) and the unincorporated business tax (UBT), providing savings of $47 million to businesses and consumers in fiscal year 1995. Since then, the tax reduction program has been expanded to include general corporation tax (GCT) and sales tax relief, additional reductions in the UBT and CRT and business tax incentives for the Lower Manhattan area. As a result, the annual value of tax savings has increased to more than half a billion dollars in the current fiscal year -- fiscal year 1998 -- and is projected to reach $975 million when fully implemented in fiscal year 2001. [1]

The reductions have been implemented through a variety of methods, including rate reductions, tax credits and changes in the computational methods used to calculate City taxable income.

A major objective of tax reform has been the elimination of irritants in the City's tax system that have impeded economic growth. The CRT and the UBT have long been viewed as obstacles to growth since the taxes can result in the double taxation of affected economic activity. For this reason, most jurisdictions do not impose such taxes. Major steps have been taken toward the elimination of the double tax burden faced by City taxpayers. In addition, the City has taken actions to address aspects of the GCT that have placed local businesses at a competitive disadvantage and arbitrarily increased the tax liability of certain businesses.

Another goal of tax reform has been to improve the City's competitive position with respect to tourism and retail trade. Recently enacted State and City hotel tax reductions have relieved New York City of the unenviable distinction of having the highest hotel tax rate in the nation. Similarly, expected action to provide more favorable sales tax treatment of clothing purchases will help level the playing field between City merchants and their competitors in near-by jurisdictions.

[1] This report does not examine non-business tax reduction programs that have been adopted or proposed since the beginning of the current administration. The full tax reduction program will provide City residents and businesses projected savings of $1.15 billion by fiscal year 2001.

In addition to addressing structural problems in the City's tax system, targeted tax incentives have been utilized to help revitalize the Lower Manhattan business district. This area, confronted with an aging office stock, has been burdened with double-digit office vacancy rates in recent years. To assist the district, the City has developed a program that includes both a short-term stimulus and long-term renovation strategy. Finally, the City has also acted to eliminate several "nuisance taxes," which have added to the perception of the City as an unfriendly place to do business.

The following sections of this report provide detailed information on specific tax reform programs and describe the impact of the tax reductions on businesses and consumers. An appendix provides a chronology of tax law changes that authorized the reform agenda.

Table 1
**Tax Savings for New York City Businesses and Consumers**
**Due to Tax Reduction Programs, Fiscal Years 1995 - 2001***
(In Millions)

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|
| **Business Tax Relief** | | | | | | | |
| Commercial Rent Tax | ($28) | ($145) | ($288) | ($328) | ($381) | ($411) | ($426) |
| Business Income Tax Reform | - | - | (18) | (66) | (90) | (110) | (130) |
| Unincorporated Business Tax | (12) | (9) | (15) | (105) | (112) | (117) | (122) |
| Lower Manh Revitalization Program | - | (3) | (6) | (18) | (36) | (53) | (60) |
| Sales Tax | | | (3) | (6) | (6) | (6) | (6) |
| **Subtotal** | **($40)** | **($157)** | **($330)** | **($523)** | **($625)** | **($697)** | **($744)** |
| **Consumer Tax Relief** | | | | | | | |
| Sales Tax** | - | (2) | (13) | (10) | (10) | (114) | (201) |
| Hotel Tax | (7) | (17) | (18) | (19) | (20) | (20) | (22) |
| **Subtotal** | **($7)** | **($19)** | **($31)** | **($29)** | **($30)** | **($134)** | **($223)** |
| **Repeal of "Nuisance" Taxes** | | | | | | | |
| Vault Charge | - | - | - | (7) | (7) | (7) | (7) |
| COAD Tax | - | - | - | (1) | (1) | (1) | (1) |
| **Subtotal** | **$0** | **$0** | **$0** | **($8)** | **($8)** | **($8)** | **($8)** |
| **GRAND TOTAL** | **($47)** | **($176)** | **($361)** | **($560)** | **($663)** | **($839)** | **($975)** |

* Historical and projected tax savings as reported by the NYC Office of Management and Budget, NYC Adopted Budget for Fiscal Year 1998, June 1997.

** Includes sales tax holiday in fiscal year 1999 and elimination of sales tax on clothing under $100 in fiscal year 2000.

## Description of Tax Reform Programs

### Commercial Rent Tax (CRT)

New York City imposes an excise tax on the rent paid by tenants for the use of commercial space. First implemented in 1963, the tax rate was as high as 7.5 percent in the early 1970s before being reduced to 6 percent in 1981.

Prior to fiscal year 1995, the tax was imposed Citywide and applied to all commercial tenants with annual rents of $11,000 or more, except for space in Manhattan above 96th street and in the other boroughs, where the tax applied to rents of $15,715 or more.

Over the past four years, the structure of the tax has changed dramatically, removing 69,600 businesses from the tax rolls and providing relief to the remaining 11,800 taxpayers. This has been accomplished through the following actions: the elimination of the tax in Manhattan north of 96th street and in the other boroughs of the City; an increase in the level at which businesses must begin paying the tax from $11,000 to $100,000 annual rent; and a reduction in the effective tax rate for tenants subject to the tax from 6 percent to 4.5 percent. Another reduction to 3.9 percent will take effect in September 1998.

The table below shows the steps by which the CRT reductions have been implemented.

Table 2
**Chronology of Commercial Rent Tax Reductions**

| *Effective Date* | *Taxable Threshold* | *Effective Tax Rate* |
|---|---|---|
| December 1984 | $11,000 | 6.0% |
| June 1994 | $21,000 | 6.0% |
| June 1995 | $31,000 | 6.0% |
| September 1995 | $40,000 | 6.0% |
| March 1996 | $47,059 * | 5.1% |
| June 1996 | $53,333 * | 4.5% |
| June 1997 | $100,000 | 4.5% |
| September 1998 | $100,000 | 3.9% |

* Effective tax threshold due to tax base reduction.

*Note*: CRT eliminated in Manhattan north of 96th Street and other boroughs in September 1995.

## Business Income Tax Reform

Various changes in the general corporation tax law and conforming amendments to the unincorporated business tax were adopted in 1996 as part of a business income tax reform package. The reform measures, described below, addressed features of the tax structure that previously produced arbitrary tax results for certain businesses and placed many locally based firms at a disadvantage compared to their out-of-state competitors.

### "Income-plus-Compensation" Alternative Tax Base

The general corporation tax is imposed on corporations conducting business in the City. The main exceptions are financial institutions and regulated utilities, which are subject to other taxes, and insurance corporations which are exempt from income taxation. A firm's GCT liability is equal to the highest tax computed under four alternative tax bases: 8.85 percent of allocated entire net income, 2.655 percent of allocated entire net income increased by certain compensation payments ("income-plus-compensation"), 0.15 percent of allocated capital (with a maximum tax of $350,000) and a fixed $300 minimum tax. In addition, a tax of .075 percent is imposed on subsidiary capital allocated to the City.

The "income-plus-compensation" tax base was intended to address the issue of "disguised dividends" -- the distribution of company earnings to employee/shareholders in the form of tax deductible compensation rather than as non-deductible dividend payments. Another purpose of the base was to act as a check on the awarding of "excessive" compensation payments to company officers that inordinately reduced a firm's tax liability. The tax is computed by adding back to net income the salaries of company officers and of shareholders owning more than 5 percent of the firm's outstanding corporate stock and then deducting $15,000 from the adjusted net income. An effective tax rate of 2.655 percent is applied to the result.

The formulaic approach used in this tax base has been criticized as arbitrary and imprecise. The add back of officer salaries is particularly burdensome to firms using "vanity" titles -- e.g., a salesperson assigned the title of vice president -- that come under the definition of "officer" in the statute. Generally, these employees have no ownership interest in the firm and cannot exercise managerial prerogatives. The increase in taxable income caused by this method can result in the taxation of firms with little or no net profits.

In order to provide tax relief in this area, the business income tax reform package included two amendments to the income-plus-compensation tax base. First, the add back of officers' salaries is being phased out and will be fully eliminated for tax years beginning on or after July 1, 1999. (The add back elimination does not apply to officers who are also greater-than-5-percent shareholders.) The elimination of the officer add back provision will reduce the GCT for 18,000 businesses engaged in a wide range of economic activities, including advertising, real estate and finance.

The second amendment works to reduce the tax burden of small- and mid-sized businesses by increasing the $15,000 deduction to $40,000 over two years. The higher deduction is expected to benefit about 20,000 firms, particularly those organized as S corporations and professional service corporations.

The table presented below shows the phase-in schedule for these changes.

Table 3
**Income-Plus-Compensation" Reform**
**Phase-In Schedule**

| *Measure* | *Tax Years Beginning On or After* |
|---|---|
| Reduce Officers' Comp Addback by 25% | 7/1/96 |
| Increase Per-Firm Exclusion from $15k to $30k | 7/1/97 |
| Reduce Officers' Comp Addback by Additional 25%; Increase Per-Firm Exclusion to $40k | 7/1/98 |
| Fully Eliminate Officers' Comp Addback | 7/1/99 |

### Repeal of "Regular Place of Business" Requirement

A business that operates both inside and outside of a taxing jurisdiction should only pay taxes on the portion of its income attributable to activities in that jurisdiction. Prior to reform, however, only City taxpayers with a "regular place of business" (e.g., a bona fide office) outside the City could apportion business income and thereby reduce City tax liability. Due to this rule, many locally based firms that delivered goods outside the City could not apportion any of their income outside the City, and thus were required to pay City tax on all of their income.

To address this inequity, the City has eliminated the "regular place of business" rule for tax years beginning on or after July 1, 1996. The repeal of the rule is expected to reduce taxes for 10,000 local businesses -- primarily manufacturers and wholesalers -- subject to the GCT and UBT.

### Allowing Manufacturers to Double Weight the Business Allocation Formula's Receipts Factor

This element of the reform package is intended to assist local manufacturers that sell products inside and outside the City and use the business allocation percentage (BAP) to apportion income to the City. The BAP is an average of three ratios reflecting the share of a firm's property, payroll and receipts in the City. Manufacturers can now elect to compute the BAP by double weighting the

receipts factor in deriving the average. For many firms, this has the effect of lowering the portion of their income that is allocable to the City, thereby reducing their tax liability.
The double weighting of the receipts factor is expected to lower taxes for 2,000 local manufacturers and is effective for tax years beginning on or after July 1, 1996.

## Unincorporated Business Tax Reform (UBT)

Partnerships, individuals, trusts and estates that carry on unincorporated businesses or professions in the City are subject to the New York City Unincorporated Business Tax. (Limited liability companies subject to the UBT receive the same tax treatment as discussed for proprietorships and partnerships in this section.) The UBT is imposed at the rate of 4 percent on taxable income attributable to the City. NYC-allocated income is determined by means of the taxpayer's book and records or, if that method does not produce an accurate result, by use of a three-factor formula similar to the method used to produce a corporation's business allocation percentage for GCT purposes.

The UBT has long been viewed as a form of double taxation with income subject to tax at both the entity level and the individual level. In contrast to the GCT, where owner/employees receive deductions for reasonable compensation (except for certain circumstances involving the alternative income-plus-compensation tax base, discussed above), UBT taxpayers receive only a $5,000 deduction per owner or active partner and an additional $5,000 deduction per firm.

The recently enacted UBT reform measures achieve three major objectives: tax relief for small businesses, relief for NYC residents from double taxation and reform of a number of technical rules pertaining to the City's tax treatment of multi-tier partnerships and firms engaged in investment and real estate activities.

### UBT Small Business Credit

In computing the UBT, a tax credit is provided for small businesses operating in the City. Prior to 1996, the credit provided full tax relief to taxpayers with liabilities up to $600 and partial relief for firms with liabilities between $600 and $800. The partial relief was provided by means of a sliding-scale mechanism that lowered the value of the credit as liability rose. Due to the credit, sole proprietors with taxable income up to $25,000 had no tax liability, and those with income between $25,000 and $30,000 received a partial credit.

In order to benefit a larger number of small businesses, the credit has been increased substantially. Effective for tax years beginning on or after January 1, 1997, a full credit is provided for firms with liabilities up to $1,800 and a partial credit for those with liabilities between $1,800 and $3,200. This means that sole proprietors can now earn up to $55,000 a year in taxable income without triggering the UBT, and those with income between $55,000 and $90,000 are receiving a partial credit.

Partnerships earning higher amounts -- up to $95,000 for a two-partner firm, for example -- are also receiving tax relief.

The increases in the UBT small business credit have dramatically reduced the number of businesses subject to the tax. More than 21,100 businesses no longer owe the UBT due to the increases, a 51 percent reduction in the UBT taxpaying population. Many of these firms are in the services sector.

### UBT Technical Reforms

Technical amendments to UBT law have recently been enacted that are intended to prevent the multiple taxation of income that passes through multi-tier partnerships and to expand and clarify certain exemptions related to investment and real estate activities.

Multi-tier partnerships are frequently used to structure business ventures, for example, to separate one group of investors from another in a joint project. Previously, a distributing partnership could claim an exemption for income that flowed through and was taxed in another tier. However, this mechanism, while avoiding double taxation in a two-tier arrangement, did not fully eliminate multiple taxation involving businesses with additional tiers. In business ventures with three or more tiers of partnerships, the deduction was only available to alternate partnerships in the chain. In addition, information needed to compute the exemption was frequently difficult for a partnership to obtain or was unavailable due to differences in a partnership's and its partners' fiscal years.

The City addressed these issues by replacing the exemption taken by the distributing partnership with a credit available at the partner level on previously taxed distributions. In a multiple-tier partnership structure, each taxable partnership below the highest level partnership is allowed to claim a credit for its share of the tax paid and credit claimed by the partnership of which it is a direct partner. In addition, unused credits can be carried over into future tax years.

Another technical reform involved the UBT "self-trading exemption," which provides that entities and individuals are not subject to the UBT when their sole source of income is from the purchase and sale of property or the purchase, writing or sale of stock options for their own account. (Dealers holding property primarily for sale to customers in the ordinary course of business are not eligible for this benefit.) Under prior law, if a person was also engaged in business activities, those activities could "taint" the trading activity, causing the "self-trading" income to be treated as business income and subject to full taxation.

The investment community expressed concerns that the categories of financial instruments covered by the exemption were too narrowly defined. In order to better reflect the types of investment vehicles utilized in today's markets, the "self-trading exemption" was expanded to cover a wider array of financial instruments, such as notional principal contracts and other types of derivative financial instruments.

Several reform measures were also enacted to prevent the loss of the "self-trading exemption" in situations where the entity or individual generates other business income. First, a "safe harbor" was put into place that allows an entity or individual to earn as much as $25,000 in gross business income without triggering the loss of the exemption. Secondly, a rule was established allowing an entity that meets new criteria indicating that it is "primarily engaged" in activities qualifying for the self-trading exemption to retain the exemption even if it also earns business income greater than $25,000. Finally, in order to minimize the impact of losing the exemption, the tax treatment of investment income under the UBT was changed to conform to the GCT treatment. The use of the GCT "investment allocation" apportionment method generally reduces the tax liability on such income.

The reform legislation also addressed issues concerning the UBT exemption of income derived from an owner, lessee or fiduciary engaged exclusively in holding, leasing or managing real property. Like the "self-trading exemption," this type of income could previously have become "tainted" and subjected to tax if the owner, lessee or fiduciary also engaged in other non-exempt business activity. In addition, this exemption did not apply to income from ancillary building services and garage services provided to tenants. The reforms prevent the loss of the exemption through "tainting" by allowing the exemption to continue even if other business activity is carried on and also by expanding the exemption, with certain restrictions, to related building activities.

**Reducing the Impact of Double Taxation:**
**Personal Income Tax (PIT) Credit for UBT Paid**

New York City residents who are self-employed or partners in a partnership are subject to the UBT and the City's personal income tax on the same income. The UBT, with a 4 percent rate, is imposed in addition to the personal income tax, which has a top marginal rate of 4.46 percent.

At the request of the Mayor and the City Council, state legislation was recently enacted to address the double tax issue by creating a partial tax credit for UBT paid to be taken by City residents against their personal income taxes. The new credit, effective beginning in calendar year 1997, is calculated as a percentage of the UBT paid by a proprietor or partner. (The credit is for a partner's assigned share of UBT paid at the entity level.) The percentage used to calculate the credit varies based on taxable income reported on the resident's personal income tax return. Taxpayers with up to $42,000 of income can take a 65 percent credit for UBT paid, while residents earning more than $142,000 in taxable income are eligible for a 15 percent credit. The credit declines proportionately relative to income for eligible recipients with taxable incomes between $42,000 and $142,000. The legislation also authorizes the City to increase the credit levels in future years through local legislation. The PIT credit will benefit an estimated 20,400 City residents.

The above amendments to the UBT were adopted through several legislative actions. They are fully effective for tax years beginning on or after January 1, 1996.

### Lower Manhattan Commercial Revitalization Program

Enacted in 1995 with subsequent amendments in 1997, this program provides a package of tax incentives aimed at increasing tenant occupancy in office buildings and retail stores in downtown Manhattan and in certain commercial areas outside Manhattan. New tenants and tenants that renew leases in pre-1975 commercial or mixed-use buildings are eligible for abatements of the City's real estate tax and commercial rent tax. Eligible tenants also receive energy cost reduction benefits. The program has recently been amended to provide new incentives for small businesses.

The real estate tax and commercial rent tax abatements apply to new, renewal and expansion leases for office or retail space. Eligible tenants receive a real estate tax abatement in the "base" year equal to the leased space's real estate taxes per square foot up to a maximum of $2.50 per square foot and a 100 percent abatement of commercial rent taxes. Benefits are provided for five years -- full benefits, with certain restrictions, in the first three years of the program and a declining level of benefits in the remaining two years. Under recent amendments to the program, tenants with 125 or fewer employees can be eligible for a three-year abatement benefit.

Tenants that qualify for this program can also receive benefits to reduce their energy costs. Generally, the benefit is for a 12-year period and can offset up to 30 percent of an eligible tenant's energy costs. To qualify for benefits, tenants with more than 125 employees must enter into leases with a minimum term of ten years. The minimum lease term for smaller tenants was recently reduced from five years to three years with a corresponding reduction in the benefit period. The program was recently extended from March 31, 1997 to March 31, 2001.

To date, the City has received 286 applications for real estate and commercial rent tax benefits, of which 185 leases for 1.9 million square feet of office space have been approved and are receiving abatements. A large proportion of these recipients are small businesses as evidenced by the fact that 152 of the leases are for spaces of 10,000 square feet or less. Although the cost of the program has been small through fiscal year 1997, the number of qualifying applicants is projected to grow significantly in upcoming years.

### Repeal of Sales Tax on Interior Decorating and Design Services

In 1989, New York City's 4 percent sales tax was extended to include interior decorating and design services. Industry data indicated that the tax may have been a contributing factor to the competitive problems of New York City designers, since tax compliance on services provided to City customers by out-of-state designers was difficult to enforce. To help foster the City-based designing industry, the City's sales tax on interior decorating and design services was repealed in 1995. New York State's sales tax on such services, imposed in 1990, is still in effect.

## Sales Tax Exemption for Parts, Tools, Supplies and Services Used in the Production Process

Prior to 1996, the City provided a sales tax exemption for machinery and equipment (including parts with a useful life of more than one year) for use in the production of tangible personal property and in certain other processes. In order to bring City sales tax law into conformity with State law and provide relief to affected businesses, the exemption was broadened in 1996 to cover parts with a useful life of one year or less, tools, supplies and services related to production machinery and equipment.

A City sales tax exemption was also recently granted for certain tangible personal property and services used directly and predominantly in producing certain live dramatic and musical arts performances in New York City.

## Sales Tax on Clothing Exemption

A consumer purchasing taxable items in New York City is generally subject to an 8.25 percent sales and use tax that consists of the 4 percent City tax, 4 percent State tax and 0.25 percent tax dedicated to the Metropolitan Transportation Authority.

Most retail purchases of tangible personal property occurring in the City are subject to the sales tax, including sales of apparel. In contrast, as shown in the table below, consumers in surrounding states enjoy full or partial exemptions on the purchase of clothing. The more attractive tax treatment outside New York has placed local retailers at a competitive disadvantage compared to these areas.

Table 4
**Sales Taxation of Clothing in New York City and Surrounding States**

| *Jurisdiction* | *Tax Rate* | *Treatment per Article of Clothing* | |
|---|---|---|---|
| New York City | 8.25%* | Fully Taxable | *Current Law* |
| | | < $100 Exempt | *New Law*** |
| New Jersey | 6.0% | Fully Exempt | |
| Connecticut | 6.0% | < $50 Exempt | |
| Pennsylvania | 6.0% | Fully Exempt | |
| Massachusetts | 5.0% | $175 Exclusion | |

* Combined New York State, New York City and Metropolitan Transportation Authority (MTA) rates.

** Effective December 1999. Local action still needed to provide exemption from New York City's 4 percent tax and 0.25 percent MTA tax.

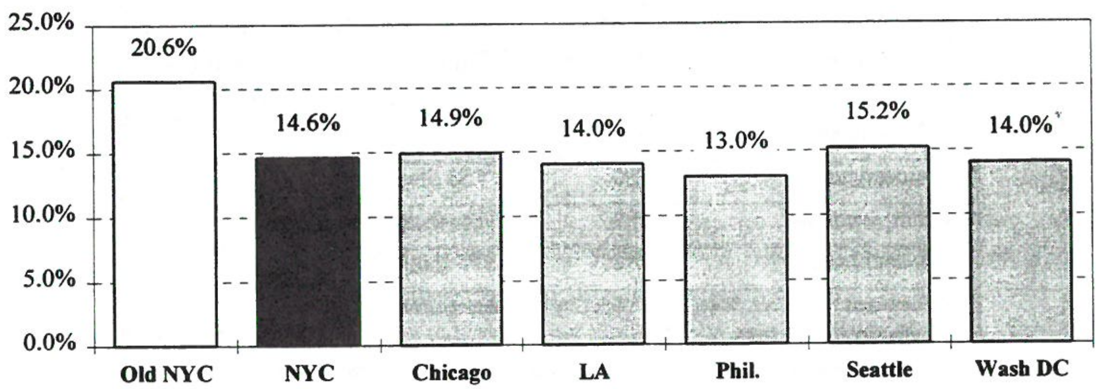
In order to alleviate this disparity, the City and State have recently participated in several one-week sales tax "holidays," exempting apparel purchases from the combined 8.25 percent tax rate. The first such holiday -- January 18 through 24, 1997 -- applied to all apparel items priced under $500, while the second exemption period -- September 1 through September 7, 1997 -- applied to clothing items, excluding footwear, priced under $100.

The State and City will provide another one-week sales tax holiday similar to the September 1997 holiday in September 1998. In addition, localities have the option of joining the State in granting a permanent sales tax exemption on purchases of clothing, excluding footwear, priced under $100, beginning December 1, 1999. The City is expected to participate in the permanent exemption.

## Reduction of Hotel Taxes

Several State and City taxes are imposed on the price of a hotel room in New York City. As recently as 1994, these taxes subjected a $150 hotel room in the City to an effective tax rate of 20.6 percent -- the highest rate in the nation. In addition to the 8.25 percent State and City sales taxes, the rate included a flat fee of $2 per day on rooms renting at a daily rate of $40 or more, an additional City hotel tax of 6 percent and a special State sales tax of 5 percent on rooms costing $100 or more per day. The latter two rates were the product of tax increases imposed in 1990. In that year, the City hotel tax was increased from 5 percent to 6 percent and New York State first imposed its special 5 percent tax. This level of taxation was criticized as excessive and an impediment to attracting tourists and business travelers to the City. In response, the State and City joined in 1994 to reduce the hotel tax. This was accomplished through the City's recall of its one percentage point increase and the repeal of the State's 5 percent tax. As shown in the figure below, the combined effective tax rate on a hotel room costing $150 per night is presently 14.6 percent, a level in line with hotel tax rates in other major U.S. cities.

Figure 1
**Hotel Tax Rates in Selected Major Cities on a $150 per Night Room**




Old NYC is prior to New York State and New York City tax changes.
Source: Travel Industry Association of America, January 1996, updated by NYC Dept of Finance.

## Repeal of "Nuisance" Taxes

### Vault Charge

The annual vault charge is imposed for the privilege of occupying or maintaining a vault in the streets of New York City. A vault is defined as a subsurface opening that extends from the building line into any street of the City. The charge is based on the vault's plane or surface area and depth. First imposed in 1962, the charge has been amended several times. Most importantly, an amendment implemented in 1989 exempted most residential property owners from the charge.
More than 5,000 vault owners currently pay the charge, which is generally viewed by businesses as an annoyance and impediment to conducting business in the City. Accordingly, the charge has been repealed, effective for tax years beginning on or after June 1, 1998.

### Coin-Operated Amusement Devices (COAD) Tax

Effective August 1, 1997, the tax on coin-operated amusement devices has been repealed. Prior to repeal, the tax was imposed on every owner for the privilege of maintaining juke boxes, similar musical devices or any other coin-operated amusement devices. The annual tax for each device maintained in the City was $175. First imposed in 1959, the tax was broadened significantly in the 1986 and increased from $25 to $175 in 1989.

Similar to the vault charge, the COAD tax was viewed as an annoyance by the business community. In addition, the tax was criticized for imposing an annual charge on certain coin-operated devices that were in use only seasonally.

## Impact of Tax Reductions

The following section summarizes the impact of the major tax reform initiatives on businesses and consumers.

### Business Taxes

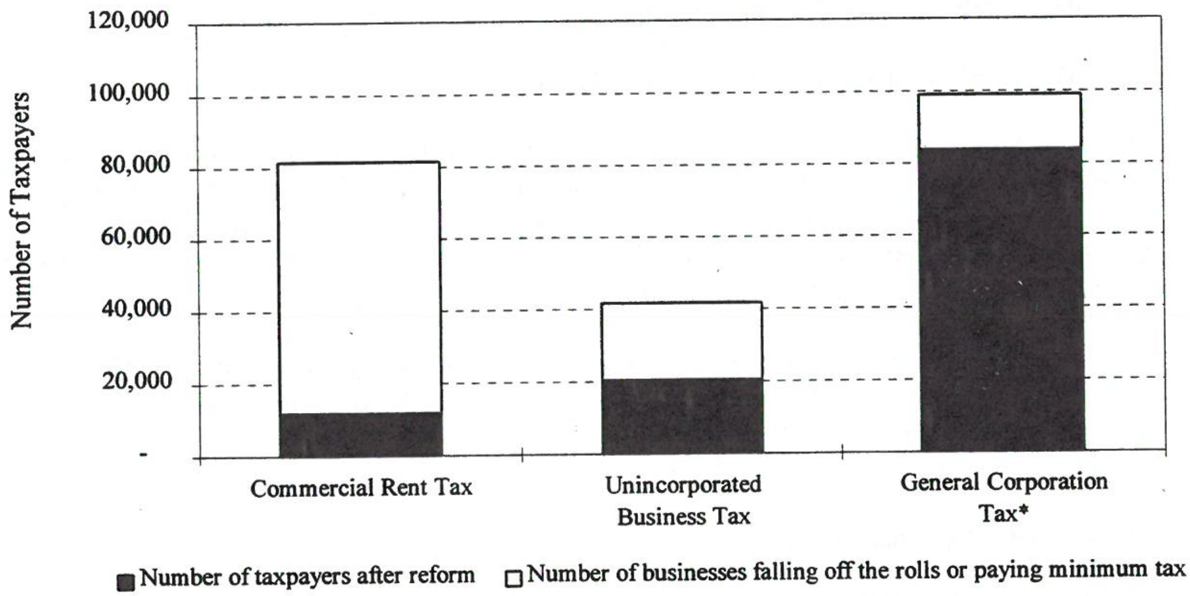
The City 's business tax reductions are projected to total $744 million on an annual basis by fiscal year 2001. This estimate is based on the business tax proposals that have been enacted, several of which include statutory phase-in periods that will be completed by that year.

As shown in Figure 2 (next page), tax reform has resulted in a significant drop in the number of businesses paying the commercial rent tax, general corporation tax and unincorporated business tax. Several actions have contributed to the shrinking tax rolls, including the elimination of the CRT in all areas of the City outside Manhattan and in northern Manhattan, a series of increases in the CRT small business exemption and increases in the UBT small business tax credit. Moreover, the GCT liability of many small firms has been reduced to the $300 minimum tax as a result of reforms in the alternative "income-plus-compensation" tax, which, under prior law, increased the taxes of some businesses earning little or no profits. Overall, the number of businesses subject to the CRT and UBT has fallen by 85 percent and 51 percent, respectively, since fiscal year 1995, while the number of corporations paying more than the GCT minimum tax has declined by 16 percent.

Fiqure 2

**Impact of Business Tax Reductions on Population of Taxpayers**

**Fiscal Year 2001**



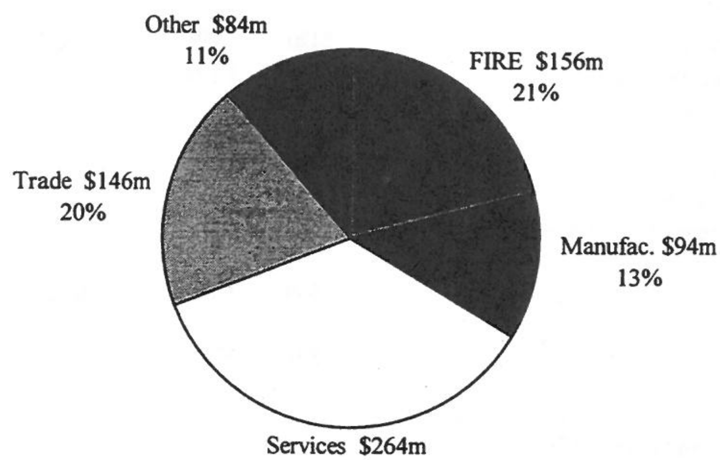

* Includes taxpayers who previously paid on a tax base other than the minimum tax base ($300), and now pay on the minimum tax base.

While tax reform has reduced the tax rolls, it has also lowered taxes for a broad spectrum of businesses still paying taxes. In the case of the CRT, commercial tenants in central and lower Manhattan have seen a 25 percent reduction in the CRT's effective tax rate, and an additional 10 percent reduction will be implemented in fiscal year 1999. Eligible tenants have also received additional CRT benefits under the Lower Manhattan tax incentive program. With respect to the UBT, sole proprietors and partners who are City residents can now receive a tax credit on their personal income tax returns for a portion of the UBT paid by the unincorporated businesses that they operate.

The distribution of business tax savings by industry sector, as shown in Figure 3 (next page), indicates that the services and FIRE (finance, insurance and real estate) sectors are receiving the largest share of the business tax reductions, followed by the trade and manufacturing sectors. This mirrors the distribution of City tax liability. Firms in the services and FIRE sectors also represent the largest portion of liability in the CRT, GCT and UBT. The general correlation between the sector distribution of tax reform savings and overall tax liability is largely the result of the across-the-board tax cuts that have been implemented -- in particular, the CRT effective rate reduction.

Figure 3
**Business Tax Reduction Distributed by Industry Sector**
**Fiscal Year 2001**

Total: $744 million




"Other" includes communication, construction and utilities, as well as UBT manufacturers.

A correlation is also evident between the tax reform savings and the sector distribution of City employment. This can be seen in the services and FIRE sectors, which represent 53 percent of the City's job base and receive 57 percent of tax program benefits. Similarly, trade and manufacturing, with 20 percent and 12 percent of the tax savings, respectively, comprise 17 percent and 8 percent of the City's employment base, respectively.

Yet, the sector distribution partially masks the varied nature of recent City tax initiatives, a number of which are targeted to particular industry sectors. The repeal of the "place of business" rule was enacted to address an inequity in the tax law affecting manufacturers and wholesale trade firms, and the new provision allowing the "double weighting of receipts" for production facilities under the GCT and UBT is intended to promote local manufacturing. Similarly, aspects of the tax reform program affecting the treatment of investment income in the FIRE sector were designed, among other things, to update City tax law to treat modern investment activities equitably.

Table 5 provides a summary of the impact of the major business tax reform programs on City taxpayers.

Table 5
**Impact of Major Business Tax Reduction Programs**

| | *Cost * ($ Millions)* | *First Year Fully Phased In* | *No. of Taxpayers Affected*** | *No of Taxpayers Removed From Rolls *** | *Average Benefit* |
|---|---|---|---|---|---|
| **Commercial Rent Tax** | | | | | |
| Threshold Increase to $100,000 | $120 | FY98 | 46,443 | 43,117 | $2,584 |
| Elimination in north Manhattan & Other Boroughs | $57 | FY97 | 26,434 | 26,434 | $2,156 |
| Rate Reduction to 3.9% | $218 | FY00 | 11,844 | 0 | $18,406 |
| **Business Income Tax Reform** | | | | | |
| "Income-Plus-Compensation" Alternative Tax Base | $75 | FY01 | 37,713 | 15,246 | $1,989 |
| Repeal "Regular Place of Business" Requirement | $30 | FY99 | 10,182 | 229 | $2,946 |
| Double Weight Receipts Factor for Manufacturers | $21 | FY99 | 1,778 | 0 | $11,811 |
| **Unincorporated Business Tax Reform** | | | | | |
| Increase Small Business Credit to $1,800 | $37 | FY98 | 29,164 | 21,110 | $1,269 |
| UBT Credit Against Personal Income Tax | $55 | FY98 | 20,415 | 1,336 | $2,694 |
| Other UBT Reform | $13 | FY98 | NA | NA | |

NA = Not Available
* Cost when fully phased in
** Numbers not additive

## Consumer Taxes

The reductions in the sales tax and hotel tax are projected to reach $223 million by fiscal year 2001. This figure is based on the assumption that the City will join New York State in enacting a permanent sales tax exemption on clothing for items costing under $100, saving taxpayers nearly $200 million in City taxes. The savings would increase under Mayor Giuliani's recent proposal to raise the exemption ceiling from $100 to $500.

Overall, the elimination of the 8.25 percent sales tax clothing under $100 will provide tax savings to City consumers of more than $400 million per year by fiscal year 2001. This includes both the State's and City's 4 percent sales taxes and the 0.25 percent sales tax dedicated to mass transit. The average family can expect to save $105 per year in State and City sales taxes when this initiative is fully in place.

The reduction in the City hotel tax will reduce taxes by $22 million by fiscal year 2001. This estimate represents the tax savings from lowering the City tax from 6 percent to 5 percent. When adding the impact of the State's elimination of its 5 percent hotel tax, the overall tax savings rise to $132 million by fiscal year 2001.

**Appendix**
**Chronology of Selected Recent New York City Tax Actions**

| Tax Action | Legal Citation | Effective Date |
|---|---|---|
| **Commercial Rent Tax** | | |
| Increase in taxable threshold from $21,000 to $31,000 annual rent | Local Law 22 of 1994 | 6/1/95 |
| Increase in taxable threshold from $31,000 to $40,000 | Local Law 57 of 1995 | 9/1/95 |
| Tax eliminated above 96th in Manhattan and in other boroughs | LL 57 | 9/1/95 |
| Effective rate reduction from 6% to 5.1% | LL 57 | 3/1/96 |
| Effective rate reduction from 5.1% to 4.5% | LL 57 | 6/1/96 |
| Increase in taxable threshold from $40,000 to $100,000 | Local Law 63 of 1997 | 6/1/97 |
| Effective rate reduction from 4.5% to 3.9% | LL 63 | 9/1/98 |
| **Business Income Tax Reform** | | |
| Reform of "income-plus-compensation" GCT base | Chapter 625, Laws of 1996 | TYs BOOA* 7/1/99; fully effective |
| Repeal of "regular-place-of-business" requirement | C. 625 | TYs BOOA 7/1/96 |
| Manufacturers allowed to double-weight receipts factor | C. 625 | TYs BOOA 7/1/96 |
| **Unincorporated Business Tax Reform** | | |
| Technical Reform: | | |
| • Allow entity earning up to $25,000 in gross income to retain "self-trading" exemption | Chapter 485, Laws of 1994 | TYs BOOA 7/1/94 |
| • Conform UBT treatment of investment income to GCT rules | C. 485 | TYs BOOA 7/1/94 |
| • Replace partnership-level exemption with partner-level credit | C. 485 | TYs BOOA 7/1/94 |
| • Allow real estate exemption even though other income earned | C. 485 | TYs BOOA 7/1/94 |
| • Self-trading exemption expanded to cover modern activities | Chapter 128, Laws of 1996 | TYs BOOA 1/1/96 |
| • "Principally engaged" test established for self-trading exemption | C. 128 | TYs BOOA 1/1/96 |
| • Allow carry forward of partner-level credit | C. 128 | TYs BOOA 1/1/96 |
| Small business credit increased from $600 to $800 | Chapter 128, Laws of 1996 | TYs BOOA 1/1/96 |
| Small business credit increased from $800 to $1,800 | Chapter 481, Laws of 1997 | TYs BOOA 1/1/97 |
| NYC residents allowed a partial PIT credit for UBT paid | C. 481 | TYs BOOA 1/1/97 |
| **Sales Tax** | | |
| Repeal City sales tax on interior decorating and design | Chapters 297, 298, Laws of 1995 | 12/1/95 |
| Sales tax holiday for clothing purchases under $500 | Chapter 309, Laws of 1996 | 1/18 - 1/24/97 |
| City sales tax exemption for production items | Chapter 366, Laws of 1996 | 9/1/96 |
| Sales tax holiday for clothing purchases under $100 | Chapter 389, Laws of 1997 | 9/1 - 9/7/97 |
| Sales tax holiday for clothing purchases under $100 | C. 389 | 9/1 - 9/7/98 |
| Permanent NYS sales tax exemption for clothing under $100; local option to provide exemption | C. 389 | 12/1/99 |
| City sales tax exemption for theatrical productions | Chapter 670, Laws of 1997 | 3/1/98 |
| **Hotel Tax** | | |
| Rate reduction from 6% to 5% | Local Law 21 of 1994 | 12/1/94 |
| **Lower Manhattan Commercial Revitalization Program** | | |
| Basic program established | Chapter 472, Laws of 1996 | 7/1/96 |
| Program amended and expanded | Chapter 629, Laws of 1997 | |
| **Taxes Eliminated** | | |
| Annual Vault Charge repealed | Local Law 47 of 1997 | TYs BOOA 6/1/98 |
| Coin-Operated Amusement Devices Tax repealed | Local Law 48 of 1997 | TYs BOOA 8/1/97 |

*Notes*: Local laws adopted by New York City Council, Chapter laws adopted by New York State legislature.
TYs BOOA = Tax Years beginning on or after

# 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 1997). Second, revenue estimates are provided for sales tax expenditures for which the Department of Finance has data. Finally, a table is provided comparing New York City sales tax policy regarding the exemption of services with the policies of major states. Data for this table were excerpted from a Federation of Tax Administrators (FTA) analysis of the issue.

## Personal Income Tax Expenditures

The Personal Income Tax section provides a list of tax expenditures based on 1995 law, and two tables showing components of income and modifications to income of New York City resident filers in 1995. These tables are derived from a statistical sample of 1995 Personal Income Tax returns created by the New York State Department of Taxation and Finance.

## NEW YORK CITY SALES TAX EXPENDITURES

New York City generally imposes the sales and use tax on the same products and services to which the statewide sales and use tax applies. The following list identifies the sales tax expenditures common to both the State and the City unless otherwise noted. This list was derived from the New York State Department of Taxation and Finance, Annual Report on New York State Tax Expenditures, (February 1997).

### 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 and certain other parking and garaging services
Certain protective and detective services
Medical emergency alarm call services
Certain information services provided over delivered the telephone
Cable television

### Food

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

### Medical

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

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

## Energy

Sales of energy sources for residential purposes [1]
Sales of fuel, gas, electricity, refrigeration and steam for particular uses [2]

## Transportation

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

## Communication

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

## Industry

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

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

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

## Sales Tax

### Miscellaneous

Certain property sold through vending machines
Trade-in allowances
Hotel room rents paid by a permanent resident [1]
Dues for fraternal societies
Dues for homeowners associations
Certain store coupons
Excise taxes imposed on the consumer
Property sold by morticians
United States and New York State flags
Garage sales at private residences
Portion of receipts from sales of new mobile homes
Sales of used mobile homes
Registered race horses
Racehorses purchased through claiming races
Racehorses purchased outside the state
Training and maintaining racehorses
Property sold to contractor for capital improvements or repairs for exempt organizations
Property donated by manufacturer to tax exempt organization
Sales and use taxes paid to other states
Precious metal bullion and coins
Computer software transferred to affiliated corporations
Services to computer software
Self-use of computer software by its author
Promotional materials mailed out of state
U.S. postage used in the distribution of promotional materials
Clothing and footwear [2]

### Exempt Organizations

New York State agencies and political subdivisions
Industrial development agencies

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[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.

[2] For the week of September 1 to 7, 1997 clothing under $100 was exempt from sales taxation. For the week of January 17 to 23, 1998 clothing and footwear under $500 were exempt from taxation. The New York State legislature recently adopted two additional one-week sales tax clothing exemption "holidays" -- for September 1998 and January 1999 -- which the City is expected to grant for local sales tax purposes. Beginning December 1, 1999 the State is granting a permanent sales tax exemption on clothing and footwear priced under $110. The City is also expected to participate in the permanent exemption.

## Exempt Organizations, continued

Federal agencies
United Nations
Diplomats and foreign missions
Charitable organizations
Veterans' posts or organizations
Indian nations and members of nations residing in New York
Purchases on U.S. military bases
Non-profit health maintenance organizations
Non-profit medical expense indemnity or
  hospital service corporations
Rural electric cooperatives
Municipal trash removal services

## Exempt Admission Charges

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

## Credits

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

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

## Table 8
## TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS FROM THE SALES TAX BASE [1]
## Tax Year 1996

| Program | ($ Million) Amount |
|---|---|
| Interstate and International Telephone and Telegraph | 166 |
| Aviation Fuel Sold to Airlines | 39 |
| Newspapers and Periodicals | 37 |
| Water Delivered Through Mains or Pipes | 29 |
| Production-Related Machinery, Equipment, Parts, Tools, Supplies and Services | 23 |
| Cable Television | 23 |
| Airline Food and Drink for In-Flight Consumption | 6 |
| Electricity Used in Manufacturing | 3 |

[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
$166 million

### Data Source
Federal Communications Commission

## Aviation Fuel Sold to Airlines

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

### Description
Aviation fuel sold to airlines is tax exempt.

### Estimate
$39 million

### Data Source
Port Authority of New York and New Jersey

## Newspapers and Periodicals

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

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

### Estimate
$37 million

### Data Sources
Audit Bureau of Circulation

## 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
$29 million

### Data Source
NYC Department of Environmental Protection

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

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

### Description
Effective December 1, 1989, New York City exempts from sales taxation purchases of machinery and equipment (including parts with a useful life of more than one year) for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration or steam for sale. Effective September 1, 1996, this exemption was extended to parts, tools, supplies and services used in the production process.

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

### Tax Expenditure
$23 million

### Data Source
NYC Department of Finance

Note: See Part VII for a new sales tax expenditure program for theatre production activities.

## Cable Television Service

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

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

### Estimate
$23 million

### Source
New York State Department of Public Service

## 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
$6 million

### Data Sources
Port Authority of NY and NJ
Air Transport World

## Electricity Used in Manufacturing

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

### Description
Sales taxes paid for the purchase or use of electricity exclusively in the production of tangible personal property for sale by manufacturing, processing and assembling can be claimed as a credit applied to the General Corporation Tax or Unincorporated Business Tax.

### Estimate
$3 million

### Data Sources
NYC Department of Finance

## SALES TAXATION OF SERVICES

Historically, the sales tax has been imposed primarily on the retail sale of tangible personal products; sales of services have generally been exempt from sales taxation. Efforts to extend the sales tax to services have provoked heated controversy, with critics and proponents debating the economic, constitutional and administrative implications of such taxation. For informational purposes, the following table provides a list of services exempt from New York City sales taxation and compares City policy with the policies of selected states. The data in this table were derived, with certain modifications, from a recent report on sales taxation of services produced by the Federation of Tax Administrators.

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

| SERVICES EXEMPT FROM NYC SALES TAX | Sales Tax in Selected States NJ 6% | CT 6% | MA 5% | PA 6% | FL 6% | CA 6% | TX 6.25% | IL 6.25% | *Total No. of Taxing States* |
|---|---|---|---|---|---|---|---|---|---|
| Admissions and Amusements | | | | | | | | | |
| Admission to cultural events | Tax | Tax | -- | -- | Tax | -- | Tax | -- | 31 |
| Billiard parlors | -- | Tax | -- | -- | Tax | -- | Tax | -- | 28 |
| Bowling alleys | -- | Tax | -- | -- | Tax | -- | Tax | -- | 28 |
| Cable TV services | -- | Tax | -- | -- | Tax | -- | Tax | -- | 24 |
| Pari-mutuel racing events | -- | Tax | -- | -- | Tax | -- | Tax | -- | 28 |
| Pinball and other mechanical amusements | -- | Tax | -- | -- | Tax | -- | Tax | -- | 21 |
| Automotive road and towing services | Tax | -- | -- | Tax | -- | -- | -- | -- | 15 |
| Business Services | | | | | | | | | |
| Advertising agency fees | Tax | Tax | -- | -- | -- | -- | -- | -- | 11 |
| Advertising time or space sales: | | | | | | | | | |
| Billboards | -- | -- | -- | -- | -- | -- | -- | -- | 4 |
| Radio and television, local advertising | -- | -- | -- | -- | -- | -- | -- | -- | 3 |
| Bail bond fees | -- | -- | -- | -- | -- | -- | -- | -- | 4 |
| Check and debt collection | -- | -- | -- | Tax | -- | -- | Tax | -- | 9 |
| Commercial art and graphic design | Tax | Tax | -- | Tax | -- | -- | Tax | -- | 20 |
| Commercial linen supply | -- | -- | -- | Tax | -- | -- | Tax | -- | 32 |
| Employment agencies | -- | Tax | -- | Tax | -- | -- | -- | -- | 10 |
| Lobbying and consulting | -- | Tax | -- | Tax | -- | -- | -- | -- | 7 |
| Marketing | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Packing and crating | -- | -- | -- | -- | -- | -- | -- | -- | 8 |
| Process server fees | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Public relations, management consulting | -- | Tax | -- | -- | -- | -- | -- | -- | 7 |
| Secretarial and/or court reporting services | -- | Tax | -- | Tax | -- | -- | -- | -- | 9 |
| Sign construction and installation | -- | Tax | Tax | Tax | -- | -- | -- | -- | 23 |
| Telemarketing services on contract | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Temporary help agencies | -- | Tax | -- | Tax | -- | -- | -- | -- | 11 |
| Test laboratories (excluding medical) | -- | -- | -- | -- | -- | -- | -- | -- | 8 |

Data for this table were excerpted from FTA Research Report No. 147, Sales Taxation of Services: 1996 Update (April 1997).

Tax = taxed; -- = exempt

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

| | Sales Tax in Selected States | | | | | | | | *Total No. of* |
|---|---|---|---|---|---|---|---|---|---|
| SERVICES EXEMPT FROM NYC SALES TAX | NJ 6% | CT 6% | MA 5% | PA 6% | FL 6% | CA 6% | TX 6.25% | IL 6.25% | *Taxing States* |
| Computer Services | | | | | | | | | |
| Mainframe access and processing | -- | Tax | -- | Tax | Tax | -- | Tax | -- | 11 |
| Software - custom programs - material | -- | Tax | -- | Tax | Tax | -- | Tax | -- | 27 |
| Software - custom programs - services | -- | Tax | -- | Tax | -- | -- | Tax | -- | 16 |
| Construction | | | | | | | | | |
| Construction services | -- | Tax | -- | -- | -- | -- | Tax | -- | 11 |
| Gross income of contractors | -- | Tax | -- | -- | -- | -- | Tax | -- | 11 |
| Water well drilling | -- | -- | -- | -- | -- | -- | -- | -- | 10 |
| Finance, Insurance and Real Estate | | | | | | | | | |
| Bank service charges | -- | -- | -- | -- | -- | -- | -- | -- | 3 |
| Insurance services | -- | -- | -- | -- | -- | -- | Tax | -- | 6 |
| Investment counseling | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Loan broker fees | -- | -- | -- | -- | -- | -- | -- | -- | 4 |
| Property sales agents | -- | -- | -- | -- | -- | -- | -- | -- | 5 |
| Real estate management fees | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Real estate title abstract services | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Industrial and Mining Services | | | | | | | | | |
| Metal, non-metal and coal mining | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Oil field services | -- | -- | -- | -- | -- | -- | Tax | -- | 11 |
| Seismograph and geophysical services | -- | -- | -- | -- | -- | -- | -- | -- | 7 |
| Typesetting services | -- | Tax | -- | -- | -- | Tax | Tax | -- | 19 |
| Leases and Rentals | | | | | | | | | |
| Chartered flights (with pilots) | -- | -- | Tax | -- | -- | Tax | -- | -- | 10 |
| Trailer parks - overnight | -- | -- | -- | -- | Tax | Tax | -- | -- | 28 |
| Packing and crating | -- | -- | -- | -- | -- | -- | -- | -- | 9 |
| Personal services | | | | | | | | | |
| Dating services | -- | Tax | -- | -- | -- | -- | Tax | -- | 10 |
| Debt counseling | -- | Tax | -- | -- | -- | -- | -- | -- | 7 |
| Diaper service | -- | -- | -- | -- | -- | -- | Tax | -- | 23 |
| Fishing and hunting guide services | -- | -- | -- | -- | -- | -- | -- | -- | 10 |

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

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

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

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

| | Sales Tax in Selected States | | | | | | | | Total No. of Taxing States |
|---|---|---|---|---|---|---|---|---|---|
| SERVICES EXEMPT FROM NYC SALES TAX | NJ 6% | CT 6% | MA 5% | PA 6% | FL 6% | CA 6% | TX 6.25% | IL 6.25% | |
| Utility and Transportation | | | | | | | | | |
| Income from intrastate transportation | -- | -- | -- | -- | -- | -- | -- | -- | 11 |
| Income from taxi operations | -- | -- | -- | -- | -- | -- | -- | -- | 8 |
| Interstate air courier (billed in-state) | -- | -- | -- | -- | -- | -- | -- | -- | 1 |
| Intrastate courier service | -- | -- | -- | -- | -- | -- | -- | -- | 6 |
| Local intra-city buses | -- | -- | -- | -- | -- | -- | -- | -- | 5 |
| Marina towing | -- | -- | -- | -- | -- | -- | -- | -- | 7 |
| Veterinary Services | -- | -- | -- | -- | -- | -- | -- | -- | 5 |

## NEW YORK CITY PERSONAL INCOME TAX

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

## Federal Exclusions to Income

### Tax Year 1995

IRA and Keogh Contributions
Income Earned Abroad by U.S. Citizens
Limited Exception to Passive Loss Rules on Rental Real Estate
Capital Gains on Home Sales for Persons Over Age 55 and Deferral for Reinvesting
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
Expensing of Exploration and Development Costs of Oil and Gas
MACRS/ACRS Depreciation
Amortization of Business Start-Up Costs
Capital Gains at Death
Farm Income Stabilization: Expensing of Capital Outlays
Capital Asset Treatment of Timber Income, Iron Ore and Coal Royalties
Expensing of R&D Costs
Social Security and Tier I Railroad Retirement Benefits (Partial Exclusion)
Capital Gains from Small Business Stock
Expensing up to $18,000 on Certain Depreciable Business Property
Deferred Tax on Installment Sales

## New York State Modifications - Tax Year 1995

### New York Additions

Interest or Dividends on Obligations or Securities of Federal Authorities
Interest on Obligations of Other States
Income Taxes Imposed by New York and Deducted in Determining Federal AGI
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
Other Additions

### New York Subtractions

Interest and Dividends on Obligations or Securities of 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
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
  (To the Extent Includible 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
Other Subtractions

### New York Subtractions Added Since 1995

Long-Term Care Insurance Premiums

## New York State Deductions and Exemptions

Standard Deduction (1995)

| | |
|---|---|
| - Single: | $6,600 |
| - Married/Joint: | 10,800 |
| - Head of Household: | 8,150 |
| - Married/Separate: | 5,400 |

Itemized Deductions

- 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

Household Credit

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

The data presented in this section regarding the 1995 New York City Personal Income Tax (PIT) is 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 New York City resident returns filed was nearly 2.8 million.

The City PIT is administered by New York State and, accordingly, modifications to income such as exclusions, deductions and other adjustments allowed by the State in determining taxable income are automatically passed through to the City tax.

City PIT tax rates are set independently and may be used to modify the tax liability of particular income groups. The New York City Household Credit is a City-specific tax expenditure that reduced tax liability by $16.5 million in 1995.

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

New York State adjustments to federal income, such as the pension exclusion, U.S. government bond interest, and state and local tax refunds, decreased Federal AGI by 3.7 percent, from $113 billion to $108.8 billion. Of the $24.2 billion in deductions applied against New York AGI, approximately 67 percent was attributable to the standard deduction. Dependent exemptions totaling $1.6 billion brought taxable income to $83.1 billion. The $3.2 billion tax liability attributable to this taxable income reflects an overall average tax rate of 3.8 percent.

## Table 9
## NEW YORK CITY PERSONAL INCOME TAX
## COMPONENTS OF ADJUSTED GROSS INCOME (AGI)
## Tax Year 1995

**($ Millions)**

| | | |
|---|---|---|
| INCOME | | |
| Wages and Salaries | 82,860 | |
| Dividend and Interest | 9,470 | |
| Business Income | 7,980 | |
| Capital Gains | 6,420 | |
| Social Security, Pension, IRA | 6,650 | |
| Other Income 1 | 751 | |
| Federal Adjustments 2 | (1,156) | |
| FEDERAL AGI | | 112,975 |
| NY ADDITIONS | | |
| State and Local Bond Interest 3 | 194 | |
| Other Additions 4 | 1,049 | |
| TOTAL ADDITIONS ADJUSTMENTS | | 1,243 |
| NY SUBTRACTIONS | | |
| Pension Exclusion 5 | (3,821) | |
| US Government Bond Interest | (1,599) | |
| State and Local Tax Refunds | (720) | |
| Taxable Social Security Benefits | (1,371) | |
| Other Subtractions | (833) | |
| UNUSED SUBTRACTION ADJUSTMENTS | 2,968 | |
| TOTAL SUBTRACTION ADJUSTMENTS 6 | | (5,375) |
| NY STATE AGI | | 108,843 |

## Table 9
(continued)

[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, alimony paid, moving expenses (incurred after 1993) and one-half of self-employment tax.

[3] Interest income on state and local bonds does not include those of NY State or local governments within the state.

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

[5] Includes pensions of New York State, local governments and the federal government.

[6] NY AGI cannot be less than zero, therefore any subtraction adjustment that brings NY AGI below zero becomes valueless. Only the amount of the adjustment that brings NY AGI to zero can be applied against income.

# Table 10
## NEW YORK CITY PERSONAL INCOME TAX
## SUMMARY OF DEDUCTIONS AND CREDITS
## Tax Year 1995

**($ Millions)**

| | | |
|---|---|---|
| DEDUCTIONS | | |
| ITEMIZED DEDUCTIONS | | |
| Taxes Paid | | (5,528) |
| Interest Paid | | (3,940) |
| Contributions | | (2,489) |
| Medical expenses | | (814) |
| Job and Employee Expenses [1] | | (1,580) |
| Other Miscellaneous Expenses [2] | | (198) |
| Federal High-Income Limitation [3] | | 586 |
| TOTAL FEDERAL ITEMIZED DEDUCTIONS | | (13,963) |
| NY ADJUSTMENTS | | |
| State and Local Income Taxes | | 4,414 |
| NYS Addition Adjustments [4] | | (4) |
| State High-Income Limitation [5] | | 1,187 |
| TOTAL ITEMIZED DEDUCTIONS | | (8,366) |
| TOTAL STANDARD DEDUCTION | | (18,000) |
| UNUSED DEDUCTIONS [6] | | 2,155 |
| TOTAL DEDUCTIONS APPLIED | | (24,211) |
| EXEMPTIONS | | |
| TOTAL EXEMPTIONS | | (1,814) |
| TOTAL EXEMPTIONS APPLIED | | (1,571) |
| TAXABLE INCOME | | 83,061 |
| NYC RESIDENT TAX | | 3,141 |
| NYC Household Credit | (16) | |
| Other Taxes [7] | 72 | |
| TOTAL NYC TAX LIABILITY | | 3,196 |

## Table 10
(continued)

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

[2] Other miscellaneous deductions include casualty & theft losses, moving expenses (incurred before 1994) and other items not subject to the 2% threshold.

[3] The Federal high-income limitation reduces itemized deductions for filers with Federal AGI exceeding $114,700 ($57,350 if married separate) in tax year 1995.

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

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

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

[7] Includes the New York City minimum tax.

## Personal Income Tax Household Credit

### Citation

NYC Administrative Code Article 30, Section 1310

### 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 1995, the credit was available to single taxpayers with federal adjusted gross income not greater than $10,000 and other filing types with adjusted gross income not greater than $20,000. The credit amount decreases as income increases and in 1995 ranged from $15 to $10 for single filers and from $50 to $15 per household member for all other filers. The household credit is not refundable.

### Distributional Information

In 1995, 378,310 New York City households claimed the household credit - 52 percent of these households were headed by single parents, 24 percent were married couples and 24 percent were single individuals. The household credit reduced the 1995 tax liability of New York City taxpayers by $16.5 million. Of the 2.8 million New York City returns filed in 1995, nearly 14 percent claimed the household credit. The household credit reduced the City tax liability of roughly 150,900 low-income taxpayers to zero. The average benefit was $43 per household, with the majority of the beneficiaries (65 percent) having income below $15,000.

## Personal Income Tax Household Credit - cont'd

**HOUSEHOLD CREDIT**

| Household Income Range | Number of Households | Total Value of Credit (000s) | Average Value |
|---|---|---|---|
| Under $10,000 | 107,289 | $1,290.80 | $12 |
| $10,000 - $15,000 | 136,955 | $8,317.60 | $61 |
| $15,000 - $20,000 | 134,064 | $6,838.00 | $51 |
| **Total** | **378,310** | **$16,446.40** | **$43** |

### Tax Expenditure

$ 16.5 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 and the Industrial and Commercial Incentive Program (ICIP) Report.

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

### Summary

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

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

The general purpose of LL69 is to provide the City Council with a rough criterion to measure how successful EDC's economic development initiatives have been. Tax incentives are the major element in the calculation of City Costs and are comprised of a combination of as-of-right and discretionary programs. As-of-right assistance is available as a matter of law to any eligible tenant, borrower, or purchaser. Included here are the Industrial and Commercial Incentive Program (ICIP), the Commercial Rent Tax (CRT) special reduction program, and the Relocation Employment Assistance Program (REAP). Discretionary assistance must be specifically applied for and is subject to approval by the agency or jurisdiction. This category includes Payments in Lieu of Taxes (PILOTs), the Mortgage Recording Tax (MRT) waiver, and Sales Tax exemptions. Reductions, abatements in or exemptions from each of these taxes provide eligible businesses with incentives to relocate to New York, remain here or continue to grow.

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

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

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

## New York City Department of Finance, Annual Report, Industrial and Commercial Incentive Program, Fiscal Year 1996

### Summary

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

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

In fiscal 1996, there were 2,250 projects either receiving or eligible for exemption from real estate taxes. There were 1,176 projects Citywide receiving ICIP exemptions valued at $84.5 million, and an additional 485 projects which carry no exempt value but which are eligible for the benefit. The vast majority of the projects, 93 percent, are located outside Manhattan, although the benefits provided for these areas total only $61.5 million. As of March 31, 1996 there were also 2,265 preliminary applications for ICIP benefits on file with the Department.

In 1996, 44 percent of the projects receiving ICIP exemptions were for rehabilitation and alteration of existing structures. Queens and Brooklyn lead the boroughs in this category with 259 and 237 projects respectively. Rehabilitation accounted for $31.1 million in exempt dollars in fiscal 1996, an increase of 47 percent from the previous fiscal year.

Eleven percent, or $9.2 million, of the taxes exempted in 1996 were for projects located in deferral areas such as Manhattan and under the provisions of the ICIP program will be repaid to the City. Additionally, over 80 percent of all ICIP projects have construction costs of less than $1 million, providing tax relief to modest projects in their crucial early years. Eighty-six percent of the projects are to be used for commercial purposes and 14 percent for industrial purposes. Businesses participating in the ICIP program are expected to generate or retain 144,438 jobs Citywide when the projects are completed.

# 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 the entire net income allocated to the City;

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

(3) one-tenth of a mill on each dollar of taxable assets allocated to New York City (except that alien banking corporations calculate a tax at the rate of 2.6 mills per dollar of issued capital stock allocated to the City);

(4) $125 minimum tax.

### Commercial Rent Tax

This tax is imposed at the rate of 6 percent of the base rent paid by tenants of premises used to conduct any business, professional or commercial activity.

Effective September 1, 1995, the commercial rent tax was eliminated in Manhattan north of 96th street and in the other boroughs. Effective for tax years beginning on or after June 1, 1997, the taxable threshold was increased to annual rent or annualized rent for part-year filers of $100,000. Tenants with rents below this level are exempt from the tax. In addition, tenants with annual taxable rents between $100,000 and $139,000 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 will be reduced to 3.9 percent on September 1, 1998.

## General Corporation Tax

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

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

(1) 8.85 percent of the corporation's entire net income allocated to the City;

(2) 0.15 percent of the firm's business and investment capital allocated to the City (or 0.04 percent for cooperative housing corporations);

(3) 8.85 percent of 30 percent of the sum of entire net income plus the compensation paid to corporate officers and certain shareholders, allocated to the City; [1]

(4) $300 minimum tax.

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

## Mortgage Recording Tax

This tax is imposed on the recording of real estate mortgages in New York City.

For those mortgages that are less than $500,000:

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

For those mortgages that are $500,000 or more the rate varies:

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

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

## Personal Income Tax and Non-Resident Earnings Tax

These taxes are imposed on the taxable income of every resident of New York City and on the New York city wages and net earnings from self-employment of every non-resident of the City. The City's definitions of taxable income and itemized deductions follow, with certain modifications, Federal and State law.

The personal income tax rates imposed on every resident of New York City for 1998 range from 3.08 percent to 4.46 percent.

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

## Real Property Tax

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

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

(2) Class 2 consists of all other residential property, including cooperatives and condominiums;

(3) Class 3 consists of utility company equipment and special franchises; and

(4) Class 4 consists of all other real property, such as office buildings, factories, stores, hotels and lofts.

New York City assesses properties at a uniform percentage of market value within each class of real property, applying class specific tax rates to determine tax liability. For FY 1998 the real property tax rates are as follows:

(1) For Class 1, the tax rate is $10.849 per $100 of assessed value.

(2) For Class 2, the tax rate is $11.046 per $100 of assessed value.

(3) For Class 3, the tax rate is $8.282 per $100 of assessed value.

(4) For Class 4, the tax rate is $10.164 per $100 of assessed value.

## Real Property Transfer Tax

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

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

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

For properties other than the residential properties referred to above:

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

## Sales Tax

This tax is imposed on the sale or use of tangible personal property and certain services; sales of gas, electricity, steam, refrigeration, and intrastate telephone and telegraph services; food and beverages sold by restaurants and caterers; hotel and motel occupancies; admission charges to certain places of amusement; and club dues. The tax rate is 4 percent.

In addition, a New York City sales and use tax is imposed on charges for the parking or garaging of motor vehicles. The basic tax rate imposed on the parking charge is 6 percent; an additional 8 percent tax is imposed on parking in Manhattan. (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 which does business in New York City. Utilities are those companies that are subject to the supervision of the New York State Department of Public Service. They include gas and electric companies and telephone companies. Vendors of utility services include those who sell gas, electricity, steam, water, refrigeration, or telephone or telegraph services, or who operate omnibuses, whether or not those activities represent the vendor's main business.

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

## RECENT NYC TAX PROGRAM LEGISLATION

This section provides a brief summary of significant New York City tax law changes that have been enacted 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.

### 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 37-41 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 33-34 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.

## Business Tax Reform

Citation: Chapter 625 of 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 of NYS Laws of 1996

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

## Credit Line Mortgages

Citation: Chapters 489 and 490 of NYS Laws 1996

The favorable mortgage recording tax treatment already accorded to credit line mortgages on 1- to 6-family owner-occupied residences has been 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 of NYS Laws of 1996

This measure allows a City sales tax exemption for parts, tools, supplies and services used in the production process and conforms City law in this area to State law. This measure 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 has been increased from $16,500 to $20,000; the ownership period requirement for SCHE eligibility has been reduced from two years to one year; SCHE exemption benefits have been extended to qualifying owners of cooperative apartments; the income ceiling for the basic 50 percent SCHE exemption has been increased from $17,500 to $18,500; and an additional bracket has been added to the SCHE exemption schedule so as to allow a 5 percent exemption where a senior citizen's income is between $26,000 and $26,899. SCHE and SCRIE are described on pages 24-28 of this report.

## Unincorporated Business Tax (UBT) Relief/Reform

Citation: Chapter 128 of NYS Laws of 1996

In an effort to reduce the burden of the UBT on small firms, the UBT credit 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.

## 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 are eligible to receive the sliding scale-credit, which partially offsets CRT liability. Effective September 1, 1998, the CRT's effective rate will be reduced to 3.9 percent.

## Coin-Operated Amusement Devices Tax Repealed

Citation: Local Law 48 of 1997

The tax on coin-operated amusement devices has been 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 has been 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 can now 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 fiscal year 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 have been 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 tax payments made by businesses they carry on as sole proprietors or made 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, 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 lien or; 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 has been 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 has been extended from March 31, 1998 to March 31, 2001; the period during which benefits can be received has been 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 of 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.

# APPENDICES

## INTRODUCTION

This section includes:

| | |
|---|---|
| Appendix I | New York City Charter Section 240 |
| Appendix II | Calculation of Average NYC Taxes Per Worker |
| Appendix III | NYC Taxes Directly Related to City Employment |
| Appendix IV | Real Property Tax Expenditure Statistical Supplement FY 1998 |

# 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

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

The estimate of average City taxes per worker is the sum, by sector, of average business taxes per worker and average individual taxes per worker. Employment data are for calendar year 1996 and tax data are for tax year 1996, which roughly corresponds to calendar year 1996.

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

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

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

## Calculation of Average Taxes per Worker

| Industry Sector | Non-Property Taxes Average per worker | All Taxes Average per worker |
|---|---|---|
| FIRE | $6,432 | $7,745 |
| Services | 2,120 | 2,651 |
| Manufacturing | 2,638 | 3,263 |
| Wholesale Trade | 2,562 | 2,815 |
| Transport & Public Utilities | 2,145 | 2,170 |
| Construction | 1,965 | 1,969 |
| Retail Trade | 1,324 | 1,914 |
| Government | 1,350 | 1,554 |
| Private | 2,803 | 3,408 |
| **ALL INDUSTRIES** | **$2,576** | **$3,118** |

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

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

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

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

2. Personal Income Tax (PIT)

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

Sources: DOF Tax Policy PIT data; NYS DOL data

3. Sales Tax (STX)

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

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

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

4. Commercial Rent Tax

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

Sources: DOF Tax Policy Stat 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 employment by sector. Billable assessed value for each industry sector is totaled and multiplied by the tax rate to determine tax liability, which is then divided by sector employment to determine the average property tax paid per sector per worker.

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

6. Utility Tax (UTX)

Utility Tax liability is distributed 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 sector distribution of business taxable income, as described in #4 above. Sector liability is then divided by sector employment to determine UTX paid per worker.

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

# APPENDIX III

## NYC TAXES DIRECTLY RELATED TO CITY EMPLOYMENT BY INDUSTRY SECTOR TAX YEAR 1996

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

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

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

## NYC Taxes Directly Related to City Employment [1]
## By One-Digit Industry Sector
## Tax Year 1996 [2]

| Rank | Sector | Total Taxes | Taxes per Worker | TPW Rank | Employ-ment Rank |
|---|---|---|---|---|---|
| | All Industries | 10,234.4 | $3,117.93 | | |
| | Private | 9,436.1 | $3,407.96 | | |
| 1 | FIRE | 3,612.0 | $7,745.416 | 2 | 3 |
| 2 | Services | 3,140.5 | $2,651.30 | 6 | 1 |
| 3 | Government | 798.3 | $1,554.31 | 10 | 2 |
| 4 | Retail Trade | 706.4 | $1,913.73 | 9 | 4 |
| 5 | Nondurable Manufacturing | 649.2 | $3,286.38 | 3 | 5 |
| 6 | Wholesale Trade | 503.5 | $2,814.51 | 5 | 7 |
| 7 | Transport & Public Utilities | 433.7 | $2,169.82 | 7 | 6 |
| 8 | Durable Manufacturing | 208.4 | $3,191.16 | 4 | 9 |
| 9 | Construction | 174.1 | $1,969.26 | 8 | 8 |
| 10 | Agriculture, Forestry, Fisheries | 4.0 | $1,185.75 | 11 | 10 |
| 11 | Mining | 2.3 | $8,064.30 | 1 | 11 |

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

[2] See Appendix II for discussion of methodology.

## NYC Taxes Directly Related to City Employment
## By Two-Digit Industry Sector
## Tax Year 1996

| Rank | Sector | Total Taxes | Taxes per Worker | TPW Rank | Employment Rank |
|---|---|---|---|---|---|
| 1 | Security & Commodities | 1,585,922,458 | $10,925.11 | 4 | 5 |
| 2 | Depository Institutions | 1,002,760,735 | $8,285.57 | 5 | 7 |
| 3 | Local Government | 719,899,506 | $1,777.45 | 54 | 1 |
| 4 | Business Services | 668,844,702 | $2,812.23 | 26 | 3 |
| 5 | Medical & Other Health Services | 616,821,778 | $2,014.25 | 50 | 2 |
| 6 | Legal Services | 448,875,931 | $6,555.33 | 8 | 15 |
| 7 | Holding & Other Investments | 381,485,847 | $22,795.69 | 2 | 40 |
| 8 | Engineering, Accounting & Related | 343,950,516 | $3,622.86 | 16 | 11 |
| 9 | Real Estate | 301,596,796 | $3,023.53 | 22 | 10 |
| 10 | Nondurables Wholesale Trade | 290,022,793 | $2,819.92 | 25 | 9 |
| 11 | Printing & Publishing | 289,614,021 | $3,977.29 | 14 | 13 |
| 12 | Durable Wholesale Trade | 213,490,014 | $2,807.20 | 27 | 12 |
| 13 | Communications | 199,332,796 | $3,294.92 | 19 | 19 |
| 14 | Eating & Drinking Places | 183,270,172 | $1,404.66 | 61 | 6 |
| 15 | Social Services | 177,346,076 | $1,185.32 | 64 | 4 |
| 16 | Miscellaneous Retail | 169,365,783 | $2,777.54 | 29 | 18 |
| 17 | Insurance Carriers | 164,150,260 | $3,139.77 | 21 | 22 |
| 18 | Apparel | 163,477,765 | $2,267.06 | 39 | 14 |
| 19 | Educational Services | 161,623,637 | $1,565.13 | 58 | 8 |
| 20 | Hotels | 158,705,003 | $4,751.08 | 11 | 28 |
| 21 | Federal Government | 141,678,098 | $2,175.55 | 45 | 16 |
| 22 | Amusement & Recreation | 128,225,444 | $3,208.28 | 20 | 25 |
| 23 | Insurance Agents, Brokers, Services | 121,125,545 | $5,039.76 | 10 | 31 |
| 24 | Motion Pictures | 117,480,860 | $3,641.24 | 15 | 29 |
| 25 | Special Trade Contractors | 113,865,206 | $1,828.90 | 52 | 17 |
| 26 | Apparel & Accessories | 104,525,871 | $2,463.43 | 35 | 24 |
| 27 | Air Transportation | 91,041,529 | $1,692.88 | 57 | 21 |
| 28 | State Government | 89,818,169 | $2,067.02 | 48 | 23 |
| 29 | Food Stores | 82,061,526 | $1,429.69 | 59 | 20 |
| 30 | Chemicals & Allied Products | 76,811,664 | $5,348.63 | 9 | 43 |
| 31 | General Merchandise | 71,694,263 | $1,906.20 | 51 | 27 |
| 32 | Membership Organizations | 68,477,923 | $1,817.07 | 53 | 26 |
| 33 | Electrical Equipment | 61,409,611 | $4,480.16 | 12 | 44 |
| 34 | Nondepository Institutions | 54,589,489 | $7,424.11 | 7 | 51 |
| 35 | Miscellaneous Manufacturing Industries | 51,201,269 | $2,323.74 | 38 | 33 |

## NYC Taxes Directly Related to City Employment
## By Two-Digit Industry Sector
## Tax Year 1996

| Rank | Sector | Total Taxes | Taxes per Worker | TPW Rank | Employ-ment Rank |
|---|---|---|---|---|---|
| 36 | Personal Services | 47,670,773 | $1,731.47 | 56 | 30 |
| 37 | Automotive Repair & Garages | 46,343,746 | $2,201.71 | 44 | 34 |
| 38 | Electric, Gas & Sanitary | 42,547,578 | $2,240.29 | 41 | 36 |
| 39 | General Building Contractors | 41,582,814 | $2,265.23 | 40 | 39 |
| 40 | Food & Kindered Products | 40,120,421 | $2,778.42 | 28 | 42 |
| 41 | Furniture Homefurnishings | 39,188,032 | $2,079.49 | 47 | 38 |
| 42 | Auto Dealers & Gas Stations | 34,715,075 | $2,629.53 | 33 | 45 |
| 43 | Transportation Services | 33,536,266 | $1,771.69 | 55 | 37 |
| 44 | Motor Freight & Warehousing | 31,666,948 | $1,413.45 | 60 | 32 |
| 45 | Instruments, Photo & Optical Goods | 27,283,745 | $7,524.47 | 6 | 57 |
| 46 | Local & Suburban Transit | 25,764,167 | $1,251.36 | 63 | 35 |
| 47 | Textile Mill Products | 25,460,639 | $2,536.93 | 34 | 46 |
| 48 | Miscellaneous Repair Services | 22,778,830 | $3,452.38 | 17 | 52 |
| 49 | Building Materials | 21,602,241 | $2,635.06 | 32 | 49 |
| 50 | Fabricated Metal Products | 20,934,631 | $2,204.11 | 43 | 47 |
| 51 | General Contractors other than Bldgs | 18,676,003 | $2,392.83 | 37 | 50 |
| 52 | Tobacco Products | 18,415,801 | $20,038.96 | 3 | 64 |
| 53 | Paper & Allied Products | 16,880,899 | $2,636.82 | 31 | 53 |
| 54 | Industrial & Commercial Machinery | 14,604,354 | $2,897.11 | 24 | 54 |
| 55 | Private Households | 12,725,070 | $864.65 | 65 | 41 |
| 56 | Museums, Art Galleries & Gardens | 11,163,755 | $1,281.28 | 62 | 48 |
| 57 | Water Transport | 9,762,457 | $2,092.25 | 46 | 55 |
| 58 | Furniture & Fixtures | 9,476,876 | $2,435.59 | 36 | 56 |
| 59 | Transportation Equipment | 8,634,361 | $4,141.18 | 13 | 61 |
| 60 | Leather & Leather Products | 7,496,564 | $2,683.09 | 30 | 59 |
| 61 | Rubber & Miscellaneous Plastics | 7,225,080 | $2,022.70 | 49 | 58 |
| 62 | Stone, Clay & Glass | 5,929,189 | $2,929.44 | 23 | 62 |
| 63 | Lumber & Wood | 4,935,635 | $2,228.28 | 42 | 60 |
| 64 | Primary Metal Industries | 3,966,757 | $3,370.23 | 18 | 63 |
| 65 | Petroleum Refining | 3,718,435 | $37,943.22 | 1 | 65 |

# APPENDIX V

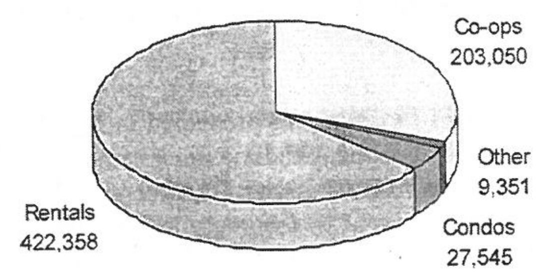
## REAL PROPERTY TAX EXPENDITURE STATISTICAL SUPPLEMENT FY 1998

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

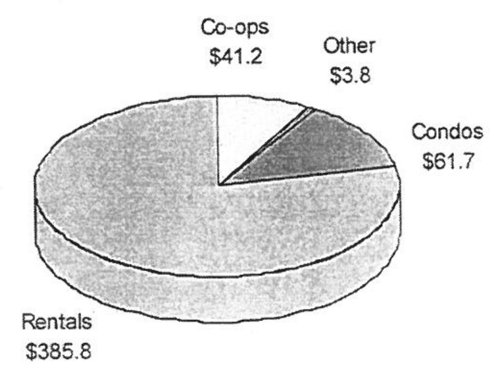
It should be noted that the number of exemptions presented in Part II of this report may not equal the number of properties presented in this appendix. For example, a single property may receive more than one J-51 exemption if the rehabilitation of the property consisted of separate improvements initiated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

# Distribution by Housing Type
# J-51 Program

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

Program: J-51

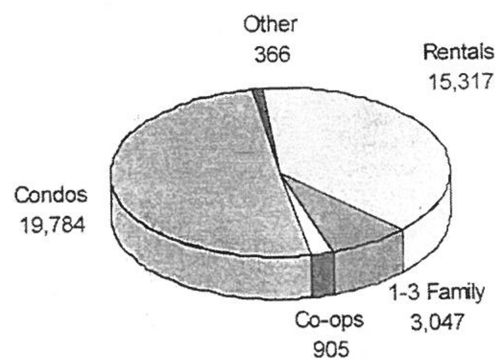
| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Total Units | 406 | 58 | 41 | 283 | 21 | 3 |
| | Exemption Units | 238 | 39 | 27 | 169 | 3 | 0 |
| | Abatement Only Units | 168 | 19 | 14 | 114 | 18 | 3 |
| | Exempt Assessed Value | $0.7 | $0.2 | $0.0 | $0.4 | $0.0 | $0.0 |
| | Taxable Assessed Value | $1.6 | $0.2 | $0.1 | $1.1 | $0.2 | $0.0 |
| | Total Abatement | $0.1 | $0.0 | $0.0 | $0.1 | $0.0 | $0.0 |
| Condos | Number of Units | 27,545 | 8,617 | 11,051 | 3,491 | 4,038 | 348 |
| | Exemption Units | 4,658 | 1,717 | 6 | 2,214 | 673 | 48 |
| | Abatement Only Units | 22,887 | 6,900 | 11,045 | 1,277 | 3,365 | 300 |
| | Exempt Assessed Value | $61.7 | $23.8 | $1.5 | $30.8 | $3.6 | $1.9 |
| | Taxable Assessed Value | $359.9 | $212.0 | $64.8 | $29.9 | $47.5 | $5.7 |
| | Total Abatement | $5.5 | $2.3 | $0.4 | $1.6 | $0.9 | $0.2 |
| Cooperatives | Number of Units | 203,050 | 58,964 | 20,200 | 43,121 | 80,026 | 739 |
| | Exemption Units | 10,001 | 1,447 | 2,498 | 2,718 | 3,338 | 0 |
| | Abatement Only Units | 193,049 | 57,517 | 17,702 | 40,403 | 76,688 | 739 |
| | Exempt Assessed Value | $41.2 | $12.5 | $3.6 | $18.6 | $6.6 | $0.0 |
| | Taxable Assessed Value | $2,989.2 | $1,203.1 | $254.9 | $493.3 | $1,029.3 | $8.6 |
| | Total Abatement | $26.3 | $7.6 | $2.2 | $7.1 | $9.3 | $0.1 |
| Condops[1] | Number of Units | 8,876 | 6,586 | 3 | 623 | 1,664 | 0 |
| | Exemption Units | 214 | 82 | 0 | 132 | 0 | 0 |
| | Abatement Only Units | 8,662 | 6,504 | 3 | 491 | 1,664 | 0 |
| | Exempt Assessed Value | $3.1 | $1.9 | $0.0 | $1.2 | $0.0 | $0.0 |
| | Taxable Assessed Value | $408.4 | $362.1 | $3.4 | $7.5 | $35.5 | $0.0 |
| | Total Abatement | $2.1 | $1.6 | $0.0 | $0.2 | $0.3 | $0.0 |
| Rentals | Number of Units | 422,358 | 118,787 | 110,310 | 112,927 | 77,565 | 2,769 |
| | Exemption Units | 76,720 | 14,346 | 42,968 | 14,224 | 4,822 | 360 |
| | Abatement Only Units | 345,638 | 104,441 | 67,342 | 98,703 | 72,743 | 2,409 |
| | Exempt Assessed Value | $385.8 | $112.4 | $180.7 | $81.0 | $10.4 | $1.3 |
| | Taxable Assessed Value | $4,058.1 | $1,621.7 | $632.9 | $920.6 | $861.5 | $21.4 |
| | Total Abatement | $70.5 | $20.0 | $19.5 | $20.3 | $10.4 | $0.2 |
| Mixed Use[2] | Number of Units | 69 | 3 | 12 | 52 | 2 | 0 |
| | Exemption Units | 22 | 0 | 0 | 22 | 0 | 0 |
| | Abatement Only Units | 47 | 3 | 12 | 30 | 2 | 0 |
| | Exempt Assessed Value | $0.1 | $0.0 | $0.0 | $0.1 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.8 | $0.1 | $0.4 | $0.3 | $0.0 | $0.0 |
| | Total Abatement | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 662,304 | 193,015 | 141,617 | 160,497 | 163,316 | 3,859 |
| | Exemption Units | 91,853 | 17,631 | 45,499 | 19,479 | 8,836 | 408 |
| | Abatement Only Units | 570,451 | 175,384 | 96,118 | 141,018 | 154,480 | 3,451 |
| | Exempt Assessed Value | $492.5 | $150.7 | $185.9 | $132.1 | $20.6 | $3.2 |
| | Taxable Assessed Value | $7,818.0 | $3,399.2 | $956.4 | $1,452.6 | $1,974.0 | $35.8 |
| | Total Abatement | $104.5 | $31.4 | $22.2 | $29.4 | $21.0 | $0.5 |
| | Number of Properties With Unit Data | 40,057 | 12,477 | 13,682 | 7,433 | 6,078 | 387 |
| | Number of Properties Without Unit Data | 610 | 285 | 91 | 100 | 3 | 131 |

[1] "Condops" is a new building classification. Previously these properties were included in the "condominium" category.

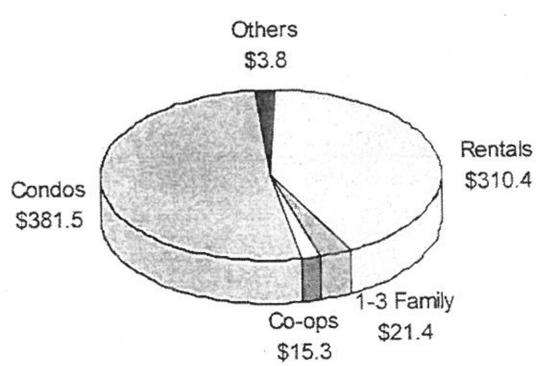
[2] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# 421-A Program

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Housing Type**
**Fiscal Year 1998**
**($ Millions)**

Program: 421-A

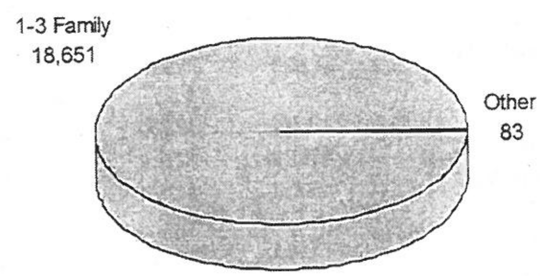
| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 3,047 | 0 | 1,080 | 1,117 | 846 | 4 |
| | Exempt Assessed Value | $21.4 | $0.0 | $6.7 | $8.7 | $6.0 | $0.0 |
| | Taxable Assessed Value | $6.0 | $0.0 | $1.5 | $2.9 | $1.7 | $0.0 |
| Condos | Number of Units | 19,784 | 10,200 | 647 | 2,729 | 3,942 | 2,266 |
| | Exempt Assessed Value | $381.5 | $211.8 | $13.0 | $52.3 | $82.6 | $21.8 |
| | Taxable Assessed Value | $502.4 | $475.4 | $1.8 | $6.5 | $14.6 | $4.1 |
| Cooperatives | Number of Units | 905 | 678 | 74 | 153 | 0 | 0 |
| | Exempt Assessed Value | $15.3 | $12.4 | $1.0 | $1.9 | $0.0 | $0.0 |
| | Taxable Assessed Value | $23.3 | $23.0 | $0.1 | $0.2 | $0.0 | $0.0 |
| Condops[1] | Number of Units | 362 | 362 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $14.4 | $14.4 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $23.0 | $23.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 15,317 | 10,034 | 775 | 1,197 | 3,010 | 301 |
| | Exempt Assessed Value | $310.4 | $209.5 | $13.6 | $19.6 | $61.6 | $6.1 |
| | Taxable Assessed Value | $306.4 | $295.7 | $2.5 | $1.5 | $6.2 | $0.4 |
| Mixed Use[2] | Number of Units | 4 | 0 | 0 | 0 | 4 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 39,419 | 21,274 | 2,576 | 5,196 | 7,802 | 2,571 |
| | Exempt Assessed Value | $743.0 | $448.1 | $34.3 | $82.5 | $150.2 | $27.9 |
| | Taxable Assessed Value | $861.2 | $817.2 | $5.9 | $11.1 | $22.5 | $4.5 |
| | Number of Properties With Unit Data | 21,204 | 10,123 | 1,041 | 3,155 | 4,608 | 2,277 |
| | Number of Properties Without Unit Data | 3,359 | 1,149 | 378 | 910 | 563 | 359 |

[1] "Condops" is a new building classification. Previously these properties were included in the "Condominium" category.

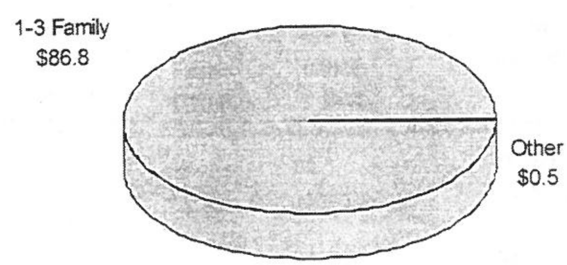
[2] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# 421-B Program

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

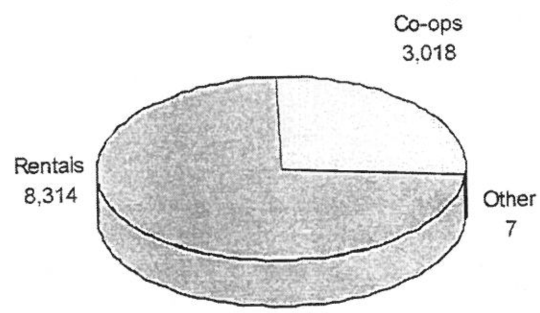
Program: 421-B

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 18,651 | 24 | 2,416 | 2,209 | 3,755 | 10,247 |
| | Exempt Assessed Value | $86.8 | $0.1 | $7.6 | $9.3 | $6.8 | $63.0 |
| | Taxable Assessed Value | $137.8 | $0.9 | $10.9 | $19.2 | $29.9 | $76.8 |
| Condos | Number of Units | 41 | 12 | 0 | 12 | 17 | 0 |
| | Exempt Assessed Value | $0.4 | $0.1 | $0.0 | $0.2 | $0.1 | $0.0 |
| | Taxable Assessed Value | $0.5 | $0.1 | $0.0 | $0.3 | $0.1 | $0.0 |
| Cooperatives | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 33 | 0 | 0 | 7 | 26 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.2 | $0.0 | $0.0 | $0.1 | $0.2 | $0.0 |
| Mixed Use [1] | Number of Units | 9 | 0 | 0 | 8 | 0 | 1 |
| | Exempt Assessed Value | $0.2 | $0.0 | $0.0 | $0.1 | $0.0 | $0.1 |
| | Taxable Assessed Value | $0.2 | $0.0 | $0.0 | $0.1 | $0.0 | $0.1 |
| All | Number of Units | 18,734 | 36 | 2,416 | 2,236 | 3,798 | 10,248 |
| | Exempt Assessed Value | $87.3 | $0.1 | $7.6 | $9.6 | $6.9 | $63.1 |
| | Taxable Assessed Value | $138.7 | $1.0 | $10.9 | $19.6 | $30.3 | $76.9 |
| | Number of Properties With Unit Data | 12,460 | 28 | 1,306 | 1,382 | 840 | 8,904 |
| | Number of Properties Without Unit Data | 484 | 2 | 1 | 17 | 0 | 464 |

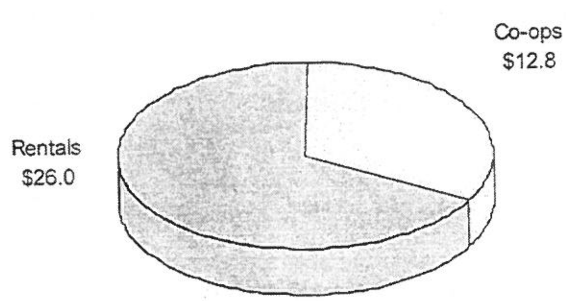
[1] Mixed Use properties include structures that combine residential with retail or office uses.

## HPD Division of Alternative Management Programs (DAMP)

### Distribution of Housing Units




### Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

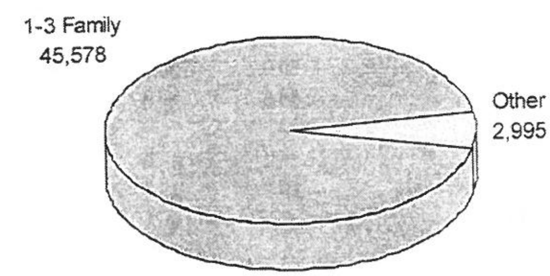
Program: HPD Division of Alternative Management Programs (DAMP)

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 7 | 7 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Condos | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Cooperatives | Number of Units | 3,018 | 1,856 | 541 | 621 | 0 | 0 |
| | Exempt Assessed Value | $12.8 | $9.9 | $1.3 | $1.7 | $0.0 | $0.0 |
| | Taxable Assessed Value | $16.0 | $10.1 | $2.7 | $3.2 | $0.0 | $0.0 |
| Rentals | Number of Units | 8,314 | 3,554 | 2,706 | 1,992 | 62 | 0 |
| | Exempt Assessed Value | $26.0 | $15.8 | $6.3 | $3.6 | $0.2 | $0.0 |
| | Taxable Assessed Value | $42.4 | $19.4 | $13.0 | $9.8 | $0.3 | $0.0 |
| Mixed Use [1] | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 11,339 | 5,417 | 3,247 | 2,613 | 62 | 0 |
| | Exempt Assessed Value | $38.7 | $25.7 | $7.6 | $5.3 | $0.2 | $0.0 |
| | Taxable Assessed Value | $58.4 | $29.5 | $15.7 | $12.9 | $0.3 | $0.0 |
| | Number of Properties With Unit Data | 519 | 264 | 114 | 137 | 4 | 0 |
| | Number of Properties Without Unit Data | 0 | 0 | 0 | 0 | 0 | 0 |

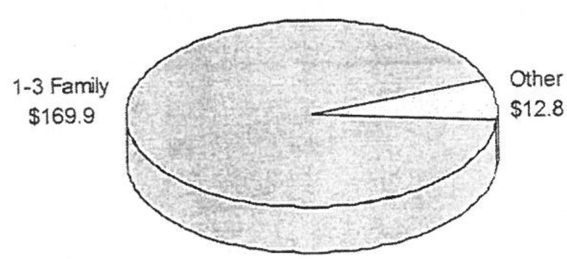
[1] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# Senior Citizen Homeowner Exemption (SCHE)

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

Program: Senior Citizen Homeowner Exemption

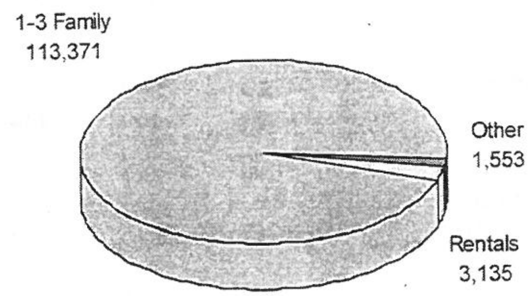
| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 45,578 | 90 | 5,779 | 14,269 | 21,258 | 4,182 |
| | Exempt Assessed Value | $169.9 | $0.5 | $17.2 | $49.1 | $84.7 | $18.3 |
| | Taxable Assessed Value | $225.8 | $0.5 | $26.2 | $57.5 | $119.5 | $22.0 |
| Condos | Number of Units | 414 | 41 | 128 | 17 | 146 | 82 |
| | Exempt Assessed Value | $2.4 | $0.5 | $0.3 | $0.1 | $1.0 | $0.4 |
| | Taxable Assessed Value | $2.8 | $0.6 | $0.4 | $0.1 | $1.2 | $0.5 |
| Cooperatives | Number of Units | 1,381 | 286 | 51 | 232 | 801 | 11 |
| | Exempt Assessed Value | $9.4 | $2.4 | $0.2 | $1.4 | $5.3 | $0.1 |
| | Taxable Assessed Value | $1,441.6 | $550.0 | $64.2 | $172.0 | $645.5 | $9.8 |
| Condops[1] | Number of Units | 843 | 841 | 0 | 0 | 2 | 0 |
| | Exempt Assessed Value | $0.2 | $0.1 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $120.4 | $109.3 | $0.0 | $0.0 | $11.1 | $0.0 |
| Rentals | Number of Units | 268 | 24 | 16 | 83 | 35 | 110 |
| | Exempt Assessed Value | $0.4 | $0.0 | $0.0 | $0.3 | $0.1 | $0.0 |
| | Taxable Assessed Value | $1.5 | $0.0 | $0.0 | $0.3 | $0.1 | $1.0 |
| Mixed Use[2] | Number of Units | 89 | 0 | 6 | 5 | 65 | 13 |
| | Exempt Assessed Value | $0.4 | $0.0 | $0.0 | $0.0 | $0.3 | $0.1 |
| | Taxable Assessed Value | $0.4 | $0.0 | $0.0 | $0.0 | $0.3 | $0.1 |
| All | Number of Units | 48,573 | 1,282 | 5,980 | 14,606 | 22,307 | 4,398 |
| | Exempt Assessed Value | $182.7 | $3.5 | $17.8 | $51.0 | $91.5 | $18.8 |
| | Taxable Assessed Value | $1,792.7 | $660.5 | $90.9 | $229.9 | $777.9 | $33.5 |
| | Number of Properties With Unit Data | 29,166 | 245 | 3,312 | 7,981 | 14,119 | 3,509 |
| | Number of Properties Without Unit Data | 97 | 7 | 2 | 20 | 47 | 21 |

[1] "Condops" is a new building classification. Previously these properties were included in the "Condominium" category.

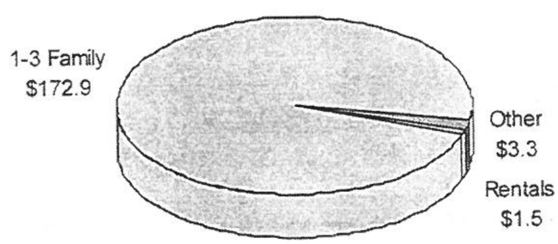
[2] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# Veterans'

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

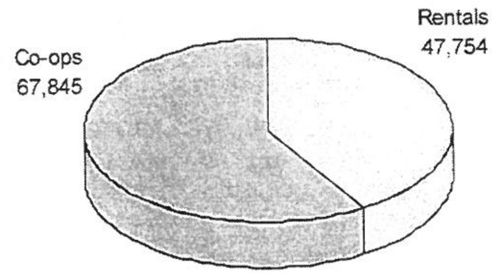
Program: Veterans' Exemption

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 113,371 | 294 | 13,088 | 28,153 | 52,735 | 19,101 |
| | Exempt Assessed Value | $172.9 | $0.4 | $14.1 | $40.9 | $78.9 | $38.5 |
| | Taxable Assessed Value | $949.4 | 8.2 | 96.2 | 203.0 | 467.9 | 174.0 |
| Condos | Number of Units | 899 | 131 | 63 | 13 | 477 | 215 |
| | Exempt Assessed Value | $2.2 | $0.4 | $0.1 | $0.0 | $1.0 | $0.6 |
| | Taxable Assessed Value | $14.0 | 5.9 | 0.5 | 0.2 | 5.0 | 2.4 |
| Cooperatives | Number of Units | 10 | 7 | 0 | 3 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.3 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Rentals | Number of Units | 3,135 | 427 | 314 | 1,501 | 685 | 208 |
| | Exempt Assessed Value | $1.5 | $0.2 | $0.1 | $0.8 | $0.3 | $0.1 |
| | Taxable Assessed Value | $24.8 | 7.4 | 2.0 | 9.2 | 4.5 | 1.6 |
| Mixed Use [1] | Number of Units | 644 | 17 | 45 | 318 | 208 | 56 |
| | Exempt Assessed Value | $1.2 | $0.0 | $0.1 | $0.5 | $0.4 | $0.1 |
| | Taxable Assessed Value | $8.0 | 1.1 | 0.4 | 3.1 | 2.6 | 0.8 |
| All | Number of Units | 118,059 | 876 | 13,510 | 29,988 | 54,105 | 19,580 |
| | Exempt Assessed Value | $177.7 | $1.0 | $14.5 | $42.2 | $80.7 | $39.4 |
| | Taxable Assessed Value | $996.5 | 22.9 | 99.1 | 215.6 | 480.1 | 178.8 |
| | Number of Properties With Unit Data | 71,865 | 360 | 6,003 | 17,228 | 32,467 | 15,807 |
| | Number of Properties Without Unit Data | 196 | 5 | 9 | 4 | 52 | 126 |

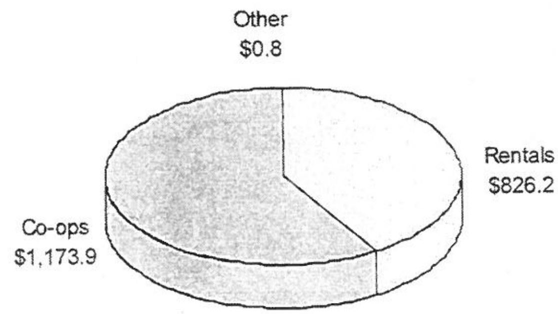
[1] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
## Limited Profit Housing (Mitchell-Lama)

### Distribution of Housing Units




### Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
($ Millions)

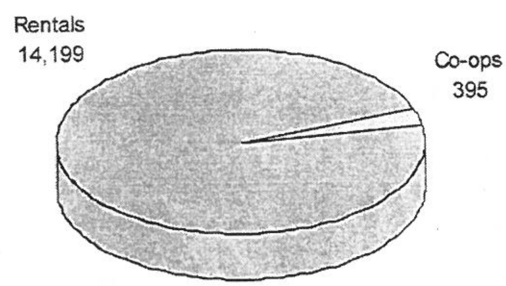
Program: Limited Profit Housing (Mitchell-Lama)

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Condos | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Cooperatives | Number of Units | 67,845 | 19,290 | 23,941 | 13,394 | 11,220 | 0 |
| | Exempt Assessed Value | $1,173.9 | $460.8 | $333.1 | $222.0 | $158.0 | $0.0 |
| | Taxable Assessed Value | $10.9 | $1.7 | $2.2 | $7.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 47,754 | 13,847 | 12,810 | 15,102 | 5,005 | 990 |
| | Exempt Assessed Value | $826.2 | $386.6 | $147.1 | $226.8 | $51.8 | $13.9 |
| | Taxable Assessed Value | $0.4 | $0.0 | $0.0 | $0.1 | $0.3 | $0.0 |
| Mixed Use [1] | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.8 | $0.0 | $0.2 | $0.4 | $0.2 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 115,599 | 33,137 | 36,751 | 28,496 | 16,225 | 990 |
| | Exempt Assessed Value | $2,000.9 | $847.3 | $480.4 | $449.3 | $210.0 | $13.9 |
| | Taxable Assessed Value | $11.3 | $1.7 | $2.2 | $7.1 | $0.3 | $0.0 |
| | Number of Properties With Unit Data | 294 | 93 | 79 | 87 | 33 | 2 |
| | Number of Properties Without Unit Data | 36 | 0 | 5 | 11 | 17 | 3 |

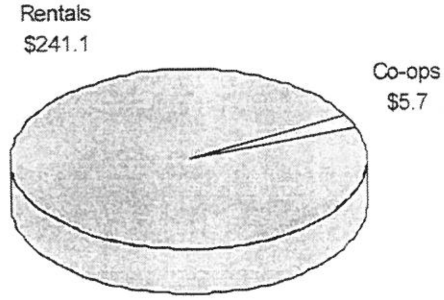
[1] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# Housing Development Fund Companies (HDFC)

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
($ Millions)

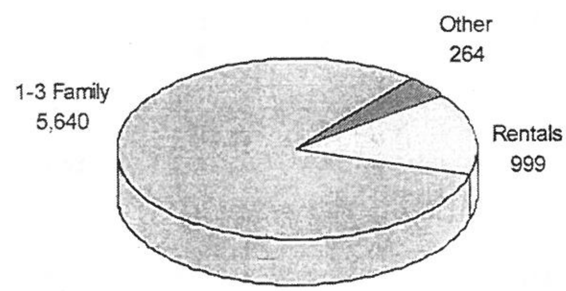
Program: Housing Development Fund Corporation (HDFC)

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Condos | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Cooperatives | Number of Units | 395 | 329 | 0 | 66 | 0 | 0 |
| | Exempt Assessed Value | $5.7 | $4.7 | $0.0 | $1.1 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 14,199 | 4,043 | 3,958 | 4,687 | 1,339 | 172 |
| | Exempt Assessed Value | $241.1 | $89.8 | $57.7 | $68.1 | $22.0 | $3.4 |
| | Taxable Assessed Value | $17.5 | $13.3 | $2.5 | $1.7 | $0.1 | $0.0 |
| Mixed Use [1] | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 14,594 | 4,372 | 3,958 | 4,753 | 1,339 | 172 |
| | Exempt Assessed Value | $246.8 | $94.5 | $57.8 | $69.2 | $22.0 | $3.4 |
| | Taxable Assessed Value | $17.5 | $13.3 | $2.5 | $1.7 | $0.1 | $0.0 |
| | Number of Properties With Unit Data | 168 | 55 | 49 | 52 | 10 | 2 |
| | Number of Properties Without Unit Data | 17 | 1 | 3 | 12 | 1 | 0 |

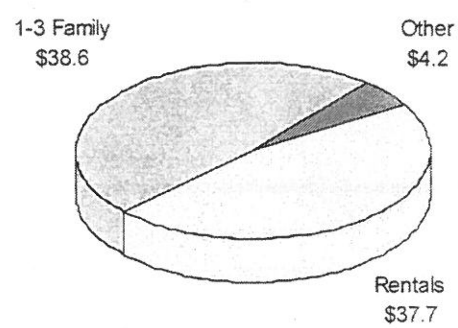
[1] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# Urban Development Action Area Projects (UDAAP)

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

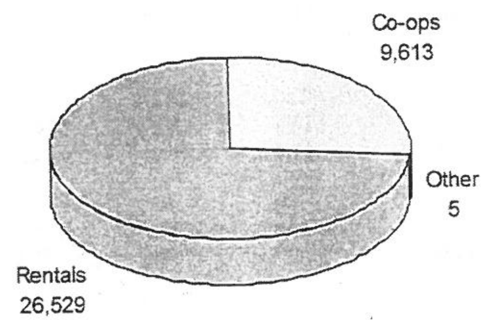
Program: Urban Development Action Area Projects (UDAAP)

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 5,640 | 20 | 915 | 3,993 | 707 | 5 |
| | Exempt Assessed Value | $38.6 | $0.4 | $7.1 | $26.7 | $4.4 | $0.0 |
| | Taxable Assessed Value | $11.6 | $0.1 | $1.1 | $8.8 | $1.6 | $0.0 |
| Condos | Number of Units | 259 | 138 | 120 | 0 | 1 | 0 |
| | Exempt Assessed Value | $4.1 | $2.2 | $1.6 | $0.0 | $0.3 | $0.0 |
| | Taxable Assessed Value | $1.6 | $1.3 | $0.2 | $0.0 | $0.0 | $0.0 |
| Cooperatives | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 999 | 776 | 0 | 223 | 0 | 0 |
| | Exempt Assessed Value | $37.7 | $36.9 | $0.0 | $0.8 | $0.0 | $0.0 |
| | Taxable Assessed Value | $10.2 | $10.0 | $0.0 | $0.3 | $0.0 | $0.0 |
| Mixed Use [1] | Number of Units | 5 | 0 | 0 | 5 | 0 | 0 |
| | Exempt Assessed Value | $0.1 | $0.0 | $0.0 | $0.0 | $0.1 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 6,903 | 934 | 1,035 | 4,221 | 708 | 5 |
| | Exempt Assessed Value | $80.5 | $39.5 | $8.7 | $27.5 | $4.8 | $0.0 |
| | Taxable Assessed Value | $23.5 | $11.3 | $1.3 | $9.1 | $1.6 | $0.0 |
| | Number of Properties With Unit Data | 4,615 | 152 | 662 | 3,395 | 401 | 5 |
| | Number of Properties Without Unit Data | 267 | 0 | 200 | 6 | 61 | 0 |

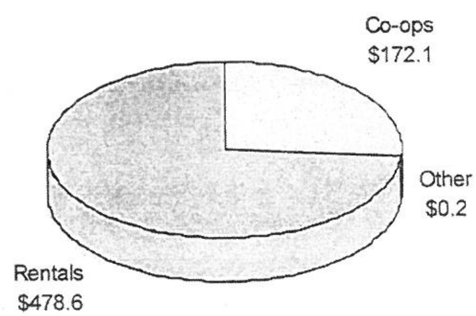
[1] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# "Other Residential" Exemptions

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

Program: "Other Residential"[1]

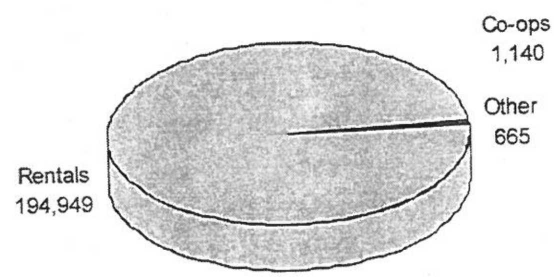
| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 5 | 0 | 1 | 4 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Condos | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Cooperatives | Number of Units | 9,613 | 5,961 | 407 | 3,245 | 0 | 0 |
| | Exempt Assessed Value | $172.1 | $114.2 | $5.8 | $52.2 | $0.0 | $0.0 |
| | Taxable Assessed Value | $24.1 | $23.3 | $0.8 | $0.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 26,529 | 8,301 | 8,857 | 6,851 | 2,275 | 245 |
| | Exempt Assessed Value | $478.6 | $185.6 | $154.5 | $104.9 | $28.8 | $4.9 |
| | Taxable Assessed Value | $1.0 | $0.0 | $0.8 | $0.2 | $0.0 | $0.0 |
| Mixed Use[2] | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 36,147 | 14,262 | 9,265 | 10,100 | 2,275 | 245 |
| | Exempt Assessed Value | $650.9 | $299.7 | $160.3 | $157.1 | $28.8 | $4.9 |
| | Taxable Assessed Value | $25.1 | $23.3 | $1.6 | $0.2 | $0.0 | $0.0 |
| | Number of Properties With Unit Data | 415 | 103 | 153 | 139 | 12 | 8 |
| | Number of Properties Without Unit Data | 12 | 0 | 9 | 3 | 0 | 0 |

[1] "Other residential" includes the following programs: Limited Dividend Housing Companies, Redevelopment Companies, and Miscellaneous State Assisted Housing.

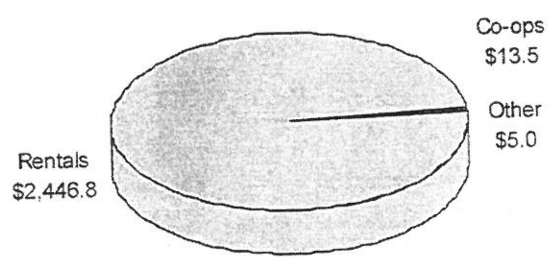
[2] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# New York Housing Authority

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

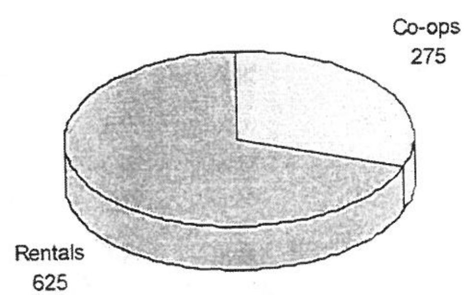
Program: New York City Housing Authority

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 665 | 0 | 8 | 234 | 423 | 0 |
| | Exempt Assessed Value | $4.7 | $0.0 | $0.1 | $1.3 | $3.3 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Condos | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Cooperatives | Number of Units | 1,140 | 317 | 307 | 300 | 216 | 0 |
| | Exempt Assessed Value | $13.5 | $0.1 | $5.3 | $6.2 | $1.9 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 194,949 | 61,602 | 47,495 | 64,078 | 17,442 | 4,332 |
| | Exempt Assessed Value | $2,446.8 | $881.5 | $615.3 | $723.9 | $185.6 | $40.6 |
| | Taxable Assessed Value | $21.5 | $10.3 | $5.8 | $5.0 | $0.0 | $0.3 |
| Mixed Use [1] | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.3 | $0.1 | $0.1 | $0.1 | $0.1 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 196,754 | 61,919 | 47,810 | 64,612 | 18,081 | 4,332 |
| | Exempt Assessed Value | $2,465.3 | $881.6 | $620.7 | $731.4 | $191.0 | $40.6 |
| | Taxable Assessed Value | $21.5 | $10.3 | $5.8 | $5.0 | $0.0 | $0.3 |
| | Number of Properties With Unit Data | 1,296 | 274 | 209 | 382 | 418 | 13 |
| | Number of Properties Without Unit Data | 74 | 9 | 21 | 34 | 10 | 0 |

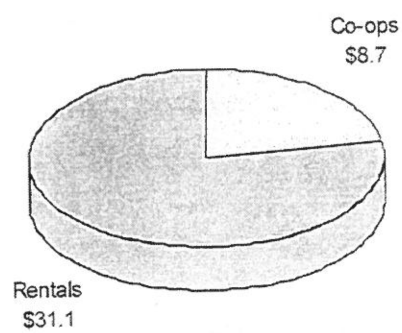
[1] Mixed Use properties include structures that combine residential with retail or office uses.

# Distribution by Housing Type
# Urban Development Corporation (UDC)

## Distribution of Housing Units




## Distribution of Exempt Value



**Distribution of Exemptions**
**By Borough and Property Type**
**Fiscal Year 1998**
**($ Millions)**

Program: Urban Development Corporation

| | | Citywide | Manhattan | Bronx | Brooklyn | Queens | Staten Island |
|---|---|---|---|---|---|---|---|
| 1-3 Family | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Condos | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Cooperatives | Number of Units | 275 | 0 | 0 | 275 | 0 | 0 |
| | Exempt Assessed Value | $8.7 | $0.0 | $0.0 | $8.7 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Rentals | Number of Units | 625 | 625 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $31.1 | $31.1 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| Mixed Use[1] | Number of Units | 0 | 0 | 0 | 0 | 0 | 0 |
| | Exempt Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| All | Number of Units | 900 | 625 | 0 | 275 | 0 | 0 |
| | Exempt Assessed Value | $39.9 | $31.1 | $0.0 | $8.7 | $0.0 | $0.0 |
| | Taxable Assessed Value | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| | Number of Properties With Unit Data | 15 | 14 | 0 | 1 | 0 | 0 |
| | Number of Properties Without Unit Data | 0 | 0 | 0 | 0 | 0 | 0 |

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

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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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## Tax Expenditure Item — Page

**Tax Expenditure Item** **Page**