

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

ANNUAL REPORT  
ON TAX  
EXPENDITURES

Fiscal Year 1992

**Tax** (tacks), *sb.*<sup>1</sup> Also <sup>4-7</sup> *taxe*, *Se.* <sup>5-7</sup> *taxt* (6 *taxte*). [app. f. TAX v. Appears earlier than F. *taxe* (1405 in Godef. Compl.; rare bef. 16th c.), f. *taxer* vb.; also earlier than med.L. *taxa* in Du Cange. In ME., *taxe* and *taske*, TASK *sb.*, were at first almost synonymous; but in their sense-development they were differentiated, *tax* following that of the corresponding verb, as an assessed money payment.]

1. A compulsory contribution to the support of government, levied on persons, property, income, commodities, transactions, etc., now at fixed rates, mostly proportional to the amount on which the contribution is levied.

'Tax' is the most inclusive term for these contributions, esp. when spoken of as the matter of *taxation*, and in such phrases as *direct* and *indirect tax* (-ee DIRECT a. 6 e, INDIRECT 2c), including also similar levies for the support of the work of such local or specific bodies as county or municipal, councils, poor law or school boards

**Expenditure** (ekspe-nditiūr). [f. med.l., *expendit-us*, pa. pplc. (irregularly formed after *venditus*) of *expendere* (see *Expend*) + -URE.]

1. The action or practice of laying out, paying away, or spending (money). Const. of. At his own expenditure (nonce-use): at his own expense.

1759 BURKE *On Late State Nation* Our expenditure purchased commerce and conquest. 1776 ADAM SMITH W.N. IV. ix, The collection and expenditure of the public revenue. 1873 BROWNING *Red Cott. Nt. -cap* 317 [His shop.. turned out the masterpiece.. at his own expenditure. 1874 GREEN *Short Hist.* vii. 364 Her [Elizabeth's] expenditure was.. ever miserly.

b. *transf.* The expending or laying out (of energy, labour, time); often with notion of waste.

1823 LAMB *Elia Ser. I. V.* (1865) 45 To grudge at the expenditure of moments. 1866 GEO. ELIOT F. Holt (1868) 30 He disliked all quarrelling as an unpleasant expenditure of energy. 1878 BROWNING *Poets Croisic* 54 After a vast expenditure of pains.

... OXFORD ENGLISH DICTIONARY

**Tax Expenditure** (tacks ekspe-nditiūr) [N. Amer. Eng. *tax* + *expenditure* see TAX INCENTIVE] 1. A revenue loss attributable to a provision 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. 1990 NYC DEP. OF FINANCE *Annual Report on Tax Expenditures* Certain of these tax expenditures are designed to foster economic development..

... NYC DEPARTMENT OF FINANCE



# FINANCE NEW YORK

CAROL O'CLÉIREACÁIN  
COMMISSIONER

December 1992

Dear Readers:

This report is the third of an annual series of reports on New York City tax expenditure programs prepared by the Department of Finance, in compliance with New York City Charter Section 240.

The report is intended to educate City residents and elected officials about the special tax incentives and credits which are enacted for economic development or tax equity purposes. In addition to revenue estimates for all City tax expenditures, this report for fiscal year 1992 contains pathbreaking work in Part IV on the J-51 program, the International Banking Facility (IBF) exemption, and the Energy Cost Savings Program. The IBF analysis should be especially useful to the many other taxing jurisdictions, including New York State, that provide an IBF benefit.

The report was produced by the Office of Tax Policy under the direction of Deputy Commissioner Bill Thomas, Associate Commissioner Israel Schupper, Property Director Fran Joseph and Research Director Kathy Barnett. Michael Hyman was the project director; report staff were Antonio Ampil, Angela Barry, Margaret Graf, Gillian Metzger, and Louis Yeostros; revenue estimates were provided by the Tax Policy Data Analysis Unit and other research staff.

I think you will find the contents of this report both informative and interesting. It is one of the many ways the Department of Finance seeks to contribute to open government and public accountability. I welcome any suggestions for improvements to the report.

Sincerely,

Carol O'Cléireacáin





**ANNUAL REPORT ON TAX EXPENDITURES OF  
THE CITY OF NEW YORK  
Fiscal Year 1992**

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

**Carol O'Cleireacain  
Commissioner of Finance**





## EXECUTIVE SUMMARY

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

There are more than fifty tax expenditure programs related to City-administered taxes. The Real Property Tax is the City's single largest source of tax revenue, \$ 7.9 billion in fiscal 1992, and of tax expenditures, more than \$ 1.6 billion.

- Housing benefits comprise 58 percent of the value of real property tax expenditures. Tax incentives are provided for new construction or rehabilitation of various types of residential properties, ranging from small homes to apartment buildings.
- Economic development incentives which benefit commercial and industrial taxpayers comprise 36 percent of City real property tax expenditure costs.
- Five percent of City real property tax expenditure benefits are provided directly to individual property owners and tenants through such mechanisms as veteran and senior citizen exemptions.

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

This year's report examines in detail three different programs: the J-51 program, the International Banking Facility (IBF) deduction and the Energy Cost Savings Program (ECSP). Part IV presents the history and rationale of these programs, provides detailed data on benefit recipients, and discusses the methodology for determining cost-effectiveness in meeting program objectives.

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





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## INTRODUCTION

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

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

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

This New York City Tax Expenditure Report for fiscal year 1992 satisfies, to the extent that data are currently available, the mandates of the City Charter. In addition, this report includes a detailed discussion of the economic and social impact of selected tax expenditure programs and detailed distributional information for City real property tax expenditure programs. Such data are intended to help policy makers evaluate the effectiveness of tax benefit programs.

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

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

## PART I

### DEFINITION OF TAX EXPENDITURES

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

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

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

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

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

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



### METHODOLOGY

#### Application of City Tax Expenditure Criteria

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

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

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

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

#### Data

Revenue estimates for property tax exemptions and abatements are for the City's fiscal year 1992 (July 1, 1991 - June 30, 1992). Estimates for business income and excise taxes are for tax year 1991, which for most taxpayers corresponds to calendar year 1991. (For Commercial Rent Tax purposes, tax year 1991 was from June 1, 1990 to May 31, 1991.) All estimates are derived from Department of Finance data, unless otherwise noted. Data for certain Payments in Lieu of Taxes (PILOTs) were provided by the City's Office of Management and Budget. Data on tax year 1991 tax benefits carried forward from prior years will not be available until 1991 tax returns are filed.

### Measurement

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

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

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



## **PART II**

### **REAL PROPERTY TAX EXPENDITURES**

#### **Overview**

The real property tax represents 48 percent of New York City's total tax revenue of \$16.5 billion and is the single largest source of revenue. In fiscal 1992, tax expenditures for real estate tax programs total more than \$1.6 billion, through exemptions to 167,425 properties and through rent relief to an additional 46,868 households.

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

The City derives its authority for providing real estate tax expenditures from a variety of New York State laws, provisions in the City Charter, the City Administrative Code and underlying agency regulations. Sunset dates are included for many programs to allow for periodic review of continuing need and, if necessary, to institute revisions in the law. Annual reports are mandated for some programs. Tax expenditures are largely granted and administered by various City agencies. The City also uses State-wide programs and public agencies to provide housing and economic development incentives to the local real estate market.

The J-51 Program provides real estate tax expenditure benefits by reductions to assessed value and by abatements of property taxes due. An extended program description is included in Part IV.

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

## Real Property Tax

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### Tax Expenditure Purposes

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

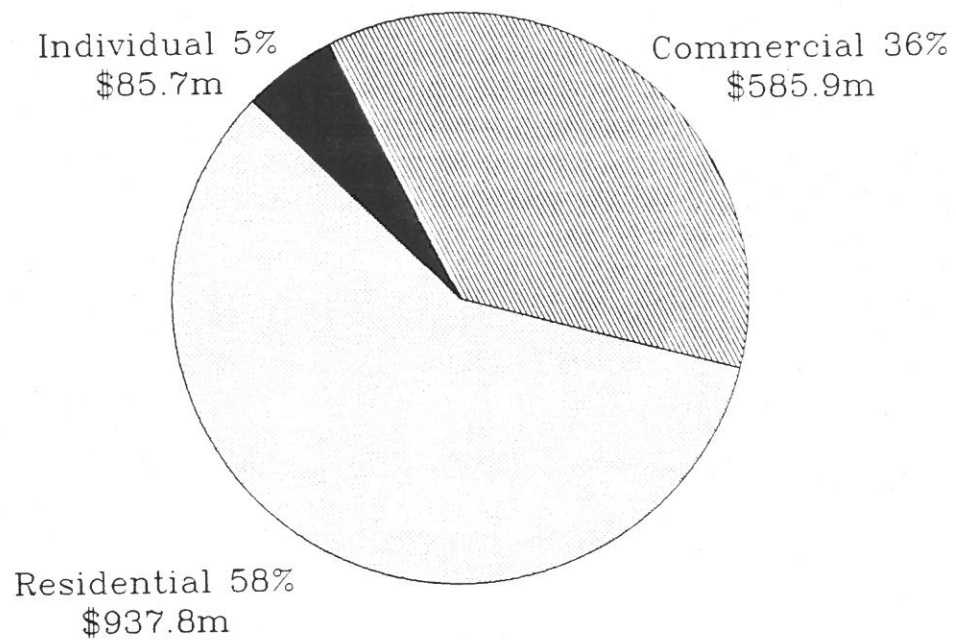
Residential - Housing benefits comprise 58 percent of property tax expenditures, or the equivalent of \$937.8 million in fiscal 1992 revenues. In total, more than 62,500 properties receive some form of assessment relief. Incentives are provided for new construction or rehabilitation, and extend from small homes to multi-family buildings. Some programs are combined with additional financial assistance to target benefits for moderate and middle income housing. Several housing programs vary benefits on the basis of geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building. The single largest residential incentive program is the Limited Profit Housing Companies, otherwise known as Mitchell-Lama housing.

Commercial - Economic development incentives are valued at \$585.9 million in fiscal 1992, or 36 percent of total property tax expenditures. Almost 5,600 properties are currently receiving benefits. Although the number of properties participating in each program may vary, the value of most tax expenditure programs is of similar magnitude. The kinds of properties assisted by the commercial programs vary from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs will frequently provide more extensive benefits to industrial construction and renovation.

Individual Assistance - The smallest real property tax expenditure category, programs for individual assistance, totals \$85.7 million in fiscal 1992. Almost 100,000 veterans and senior citizens have been granted tax relief through lower property assessments. Additionally, 46,868 senior citizen households are provided rent increase relief, funded through tax credits to property owners. Senior citizen programs are based on the income of the qualifying individual who owns or occupies the property.



REAL PROPERTY TAX EXPENDITURES  
By Purpose, FY 1992  
Total \$1,609.4 Million



## Real Property Tax

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### Tax Expenditure Sources

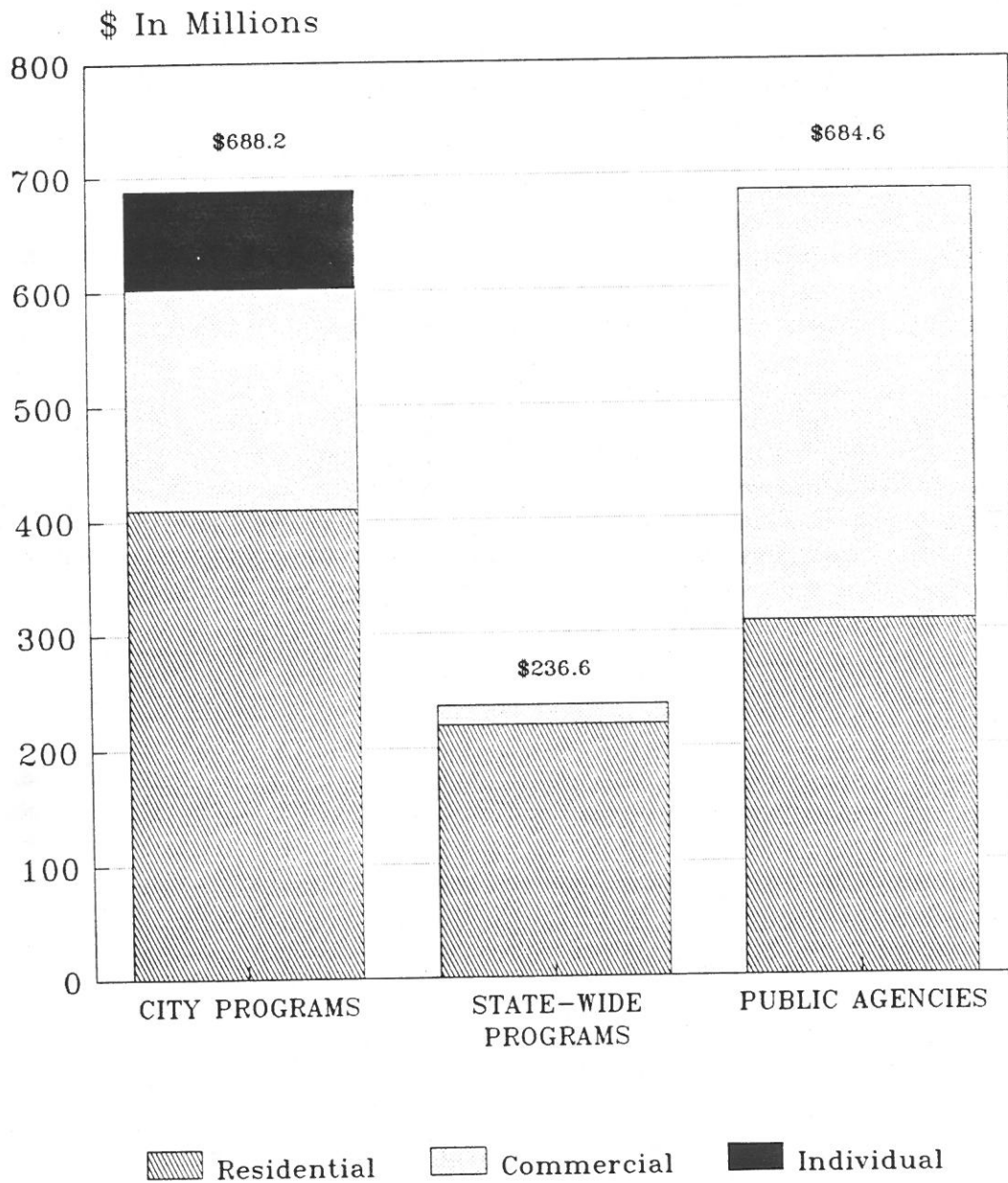
Real estate tax expenditures are provided through a large number of City programs. Various State-wide programs have been included in this report since the related exemptions are administered by the City and these programs serve as channels for housing and economic development incentives in the City.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

City Programs - This category includes local incentives granted directly by the City for housing, commercial development and individual assistance. Also included are State-wide programs in which participation is at the discretion of the locality. In fiscal 1992, tax expenditures from this source total \$688.2 million or 43 percent of City-wide property tax expenditures. Residential incentives comprise 60 percent of City program expenditures and are valued at \$409.7 million. Another 28 percent of City Program tax expenditures are attributable to economic development programs.

State-wide Programs - These predominantly residential programs meet many of the same goals as the City programs but are not exclusive to City taxpayers. For these programs, only the gross tax expenditure is displayed. Data on the offsetting revenue, such as PILOTs and Shelter Rent, is available only for the entire category. Of the total \$236.6 million of property tax expenditures in this category, 93 percent are granted to moderate and middle income housing, with the largest proportion going to Limited Profit Housing Companies.

Public Agencies - Although tax exemptions are granted to all public authorities, the exempt properties included in this report benefit certain taxpayers rather than the public at large. The agencies include the City's Industrial Development Agency, the New York City Housing Authority, the State Urban Development Corporation and the regional New York-New Jersey Port Authority. In fiscal 1992, commercial and industrial projects account for 55 percent of the tax expenditures attributable to public agencies. The New York City Housing Authority accounts for 91 percent of the \$308.4 million in residential tax expenditures in this category.

# REAL PROPERTY TAX EXPENDITURES By Source, FY 1992



## Real Property Tax

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

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

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

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

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

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



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

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

Payments-in-Lieu-of-Taxes (PILOTs) - Although exempt from taxation, certain properties may be contractually obligated to make payments to the City. Additionally, certain housing programs are required to pay taxes based on a shelter rent formula, defined as gross rent less utility costs. As the information is not available by exemption, shelter rent payments have been presented as a single sum.

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

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

## Real Property Tax

**Table 1**  
**CITY PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES**  
**Fiscal Year 1992**  
**(\$ Millions)**

	<u>Number of Exemptions</u>	<u>Exempt Assessed Value</u>	<u>Tax Expenditure</u>
<b>HOUSING DEVELOPMENT PROGRAMS</b>	<b>92,262</b>	<b>\$3,171.4</b>	<b>\$422.3</b>
J-51 Exemptions	7,519 <sup>1</sup>	1,113.1	110.1
<i>Residential</i>	7,486	1,107.3	109.5
<i>Commercial</i>	33	5.8	0.6
J-51 Abatements	32,777	N/A	\$105.4
421-a, New Multiple Dwellings	37,272	1,899.8	189.7
10 year exemption	25,268	1,474.7	146.9
15 year exemption	10,215	293.5	29.7
25 year exemption	1,789	131.6	13.1
<i>Residential</i>	34,628	1,787.4	177.7
<i>Commercial</i>	2,644	112.4	12.0
421-b, New Private Housing	14,435	143.6	15.6
HPD Div. of Alternative Management (DAMP)	259	14.9	1.5
<b>INDIVIDUAL ASSISTANCE PROGRAMS</b>	<b>99,328</b>	<b>\$284.8</b>	<b>\$85.7</b>
Senior Citizens Homeowner Exemption	16,110	87.2	9.5
Senior Citizen Rent Increase Exemption (est.) <sup>2</sup>			63.2
Veterans' Exemptions	83,218	197.6	13.0

Totals may not add due to rounding.

<sup>1</sup> Number of properties receiving an exemption benefit.

<sup>2</sup> Based on the latest HPD data, 46,868 households will receive SCRIE benefits in FY 1992.



**Table 1**  
(continued)

	<u>Number of Exemptions</u>	<u>Exempt Assessed Value</u>	<u>Tax Expenditure</u>
<b>ECONOMIC DEVELOPMENT PROGRAMS</b>	<b>1,902</b>	<b>\$1,685.9</b>	<b>\$180.2</b>
Industrial & Commercial Incentive Board	444	398.7	42.4
New Construction	132	134.8	14.3
Alterations	312	263.9	28.1
Industrial & Commercial Incentive Program	1,393	1,153.4	122.6
Deferral Areas <sup>3</sup>	62	677.0	72.0
Industrial & Special Commercial	668	220.2	23.4
All Other Commercial Projects	663	256.2	27.2
Other Commercial & Industrial Exemptions	65	133.8	15.2
Water-works Corporations	64	52.8	6.6
Major League Sports Facilities	1	81.0	8.6
<b>TOTAL CITY PROGRAMS</b>	<b><u>193,492</u></b>	<b><u>\$5,142.1</u></b>	<b><u>\$688.2</u></b>
Total Residential	89,585	3,053.2	409.7
Total Commercial/Industrial	4,579	1,804.1	192.8
Total Assistance Programs	99,328	284.8	85.7

Totals may not add due to rounding.

<sup>3</sup> Taxes in these areas are deferred, not wholly forgiven, and must be paid back over a ten year period. The amount shown reflects the unadjusted values of the current tax exemption.

## Real Property Tax

**Table 2**  
**CITY PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES**  
**Borough Distribution**  
**Fiscal Year 1992**  
**(\$ Millions)**

	<u>MANHATTAN</u>		<u>THE BRONX</u>	
	<u>Number of</u> <u>Exemptions</u>	<u>Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Tax</u> <u>Expenditure</u>
<b>HOUSING DEVELOPMENT PROGRAMS</b>	<b>33,349</b>	<b>\$249.7</b>	<b>5,817</b>	<b>\$39.7</b>
J-51 Exemption	3,441	63.5	660	16.1
J-51 Abatement	13,371	40.6	3,154	19.4
421-a, New Multiple Dwellings	16,394	144.5	1,075	3.2
421-b, New Private Housing	16	0.1	857	0.7
HPD Div. of Alternative Manage	127	1.0	71	0.3
<b>INDIVIDUAL ASSISTANCE PROGRAMS</b>	<b>349</b>	<b>\$18.1</b>	<b>8,372</b>	<b>\$12.2</b>
Senior Citizen Homeowner Exemption	48	0.0	1,875	1.1
Senior Citizen Rent Increase Exemption (estimated) <sup>1</sup>	---	18.1	---	10.1
Veterans' Exemptions	301	0.0	6,497	1.0
<b>ECONOMIC DEVELOPMENT PROGRAMS</b>	<b>193</b>	<b>\$113.4</b>	<b>171</b>	<b>\$9.0</b>
Industrial & Commercial Incentive Board	113	31.9	40	0.5
Industrial & Commercial Incentive Program	79	72.9	131	8.5
<b>Other Commercial and Industrial Exemptions</b>				
Water-works Corporation	0	0.0	0	0.0
Major League Sports Facilities	1	8.6	0	0.0
<b>TOTAL CITY PROGRAMS</b>	<b><u>33,891</u></b>	<b><u>\$381.2</u></b>	<b><u>14,360</u></b>	<b><u>\$60.9</u></b>

Totals may not add due to rounding.

<sup>1</sup> The SCRIE abatement was determined by applying the actual borough distribution from FY 1991 to the FY 1992 estimate.

**Table 2**  
(continued)

<u>BROOKLYN</u>		<u>QUEENS</u>		<u>STATEN ISLAND</u>	
<u>Number of</u> <u>Exemptions</u>	<u>Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Tax</u> <u>Expenditure</u>
<b>15,353</b>	<b>\$61.1</b>	<b>18,744</b>	<b>\$51.0</b>	<b>18,999</b>	<b>\$20.7</b>
2,694	24.4	533	5.0	191	1.1
7,549	25.6	8,055	19.0	648	0.7
4,254	10.1	9,137	25.6	6,412	6.3
796	0.8	1,018	1.4	11,748	12.6
60	0.2	1	0.0	0	0.0
<b>25,947</b>	<b>\$24.9</b>	<b>45,600</b>	<b>\$26.5</b>	<b>19,060</b>	<b>\$3.9</b>
4,881	2.9	7,612	4.5	1,694	1.0
---	18.7	---	16.2	---	0.1
21,066	3.3	37,988	5.8	17,366	2.8
<b>367</b>	<b>\$9.6</b>	<b>866</b>	<b>\$41.7</b>	<b>305</b>	<b>\$6.5</b>
85	2.5	175	6.8	31	0.8
282	7.1	627	28.3	274	5.7
0	0.0	64	6.6	0	0.0
0	0.0	0	0.0	0	0.0
<b><u>41,667</u></b>	<b><u>\$95.6</u></b>	<b><u>65,210</u></b>	<b><u>\$119.2</u></b>	<b><u>38,364</u></b>	<b><u>\$31.1</u></b>

### CITY PROGRAMS

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

##### Citation

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

##### Policy Objective

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

##### Description

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

Government assisted projects and those in Neighborhood Preservation Areas receive enriched benefits, including a tax exemption for 32 years on the increase in assessed value due to renovation or rehabilitation, and an abatement that may equal the actual claimed cost, applied at a rate of 12.5 percent annually, for up to 20 years. Formerly City-owned vacant buildings receiving substantial government assistance through a program for affordable housing may also receive a 32 year exemption and an abatement up to 150 percent of the reasonable cost of rehabilitation.

Properties that undergo renovations which qualify as Major Capital Improvements, such as the replacement of heating, plumbing or roofing systems, installation of new windows, or exterior and parapet wall repointing, may receive an exemption for 12 years. Existing taxes may be abated for up to 90 percent of the reasonable cost of rehabilitation, at a rate of 8-1/3 percent per year, for as long as 20 years. Buildings in designated areas of Manhattan below 96th Street may only abate the taxes on the building assessment, not the land, up to \$2,500 per unit.

Moderate Rehabilitation projects, where there is a significant improvement to at least one major building-wide system, receive a 32 year tax exemption and an abatement, of no more than 20 years, for up to 100 percent of the reasonable cost. A major requirement is that the property remain substantially occupied during the rehabilitation.

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

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

In July 1992, the State Legislature amended the J-51 program and extended the authority for the program until June 1, 1996. Work performed under the program must be completed by December 31, 1999. These changes are pending City Council approval.

### Distributional Information

In fiscal 1992, the J-51 program provides 7,519 exemptions representing 91,192 apartments. The exempt value of these properties is \$1,107 million. An additional \$0.4 million in exempt assessed value is also attributed to mixed used buildings in which either retail or office space is combined with residential units. This total exempt value of \$1,108 million is distributed in the table below according to property type. Rentals in Manhattan, the Bronx, and Brooklyn, and coops in Manhattan receive the largest proportion of J-51 benefits. Similar data on the J-51 abatement program is not available.

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.15%	0.05%
Condos	5.43%	13.43%
Co-ops	19.98%	33.04%
Rentals	74.41%	53.44%
Mixed Use	<u>0.03%</u>	<u>0.04%</u>
	100.00%	100.00%

### Tax Expenditure

\$211.9 million, which includes a \$110.1 million exemption and a \$101.8 million abatement.

### Tax Revenue Generated from Improvements

Not Available



## **Real Property Tax**

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

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

The 421-a program is defined according to location:

- In the Manhattan Exclusion Zone (roughly defined as south of 96th Street, north of Houston Street on the west side, and north of 14th Street on the east side), properties receive a ten year declining exemption only if they meet conditions (a), (b), or (c) above. The property enjoys a full exemption for two years followed by an eight year period during which taxes are phased in at 20 percent every two years.
- Properties located in Manhattan south of 110th Street, but not in the Exclusion Zone, receive the ten year exemption. If they meet conditions (a), (b), or (c) above, they are granted a 15 year exemption, 11 years of full exemption followed by a four year phase in of full taxation.
- Properties in Manhattan north of 110th Street and in the other four boroughs are granted the same 15 year exemption. However, if they meet one of the qualifying conditions or are located in a neighborhood preservation area, they receive full exemption for 21 years followed by a four year declining exemption.

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

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

In July 1992, the State legislature amended the 421-a housing program to provide a 20 year tax exemption in Manhattan below 110th Street for projects that commence construction after July 1, 1992 and meet conditions (a) or (b).

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

### Distributional Information

In fiscal 1992, the City is providing 34,628 residential exemptions under the 421-a program. These exemptions are largely represented by condominium apartments and rental buildings. Overall, there are 49,908 apartment units receiving tax benefits with an exempt value of \$1,787.4 million. This total exempt value is distributed in the table below according to property type. Condos and rentals in Manhattan account for the largest proportion of 421-a benefits.

	<u>Percent of Total Units</u>	<u>Percent of Total Exempt Assessed Value</u>
1-3 Family	4.23%	1.10%
Condos	66.25%	59.05%
Co-ops	2.75%	1.99%
Rentals	26.77%	37.78%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

### Tax Expenditure

\$189.7 million

### Tax Revenue Generated from Improvements

\$43.6 million

## **Real Property Tax**

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

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

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

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

#### **Distributional Information**

In fiscal 1992, the City is providing 14,435 exemptions valued at \$144 million in exempt assessed value. One and two family houses in Staten Island account for 73 percent of the benefits granted through this program. The table below presents the distribution of 10,534 apartment units in 7,551 properties. Unit information is not available for the remaining 6,883 properties. The distribution of exempt assessed value below represents all properties in this program.



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

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	99.72%	99.16%
Condos	0.19%	0.07%
Co-ops	0.02%	0.00%
Rentals	0.07%	0.77%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

**Tax Expenditure**

\$15.6 million

**Tax Revenue Generated from Improvements**

\$5.5 million

## **Real Property Tax**

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

#### **Citation**

NYS Private Housing Finance Law, 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 1992, there are 259 DAMP exemptions containing 6,985 housing units. The total exempt assessed value is \$14.6 million. Nearly 42 percent of all units are located in Manhattan, accounting for 63 percent of the exempt assessed value. These benefits are distributed by property type as follows:

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.04%	0.00%
Condos	0.00%	0.00%
Co-ops	33.27%	54.11%
Rentals	66.69%	45.89%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

**Tax Expenditure**

\$1.5 million

**Tax Revenue Generated from Improvements**

Not Available

## **Real Property Tax**

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### **Senior Citizen Homeowner Exemption**

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

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

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

The City Council recently adopted legislation that will increase to \$15,000 the amount of income eligible to receive the maximum exemption of 50 percent. Also, two additional assessment reduction increment steps were added (15% and 10%) which will allow some benefit realization for homeowners with incomes to \$19,799. These expanded benefits will become effect with the fiscal 1993 tax roll.

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

#### **Distributional Information**

In fiscal 1992, there are 16,110 exemptions, containing 28,408 housing units, with an exempt value of \$87.2 million. Based on the applications filed with the Department of Finance, four out of every five of the exemptions are granted to someone with income of no more than \$15,000.

Senior Citizen Homeowner Exemption (cont'd)

<u>Income Range</u>	<u>Number of Exemptions</u>	<u>Percent of Total Exemptions</u>	<u>Exempt Assessed Value</u>
\$0 - 12,025	12,874	79.9%	\$73.5m
\$12,026 - 12,624	717	4.5%	3.9m
\$12,625 - 13,224	655	4.1%	3.2m
\$13,225 - 13,824	553	3.4%	2.4m
\$13,825 - 14,424	517	3.2%	1.9m
\$14,425 - 15,024	515	3.2%	1.6m
\$15,025 - 15,624	273	1.7%	0.7m
Data Not Available	6	0.0%	0.0m
TOTAL	16,110	100.0%	\$87.2m

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

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	98.27%	98.51%
Condos	0.36%	0.57%
Co-ops	0.00%	0.00%
Rentals	1.37%	0.92%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

\$9.5 million



## **Real Property Tax**

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### **Senior Citizen Rent Increase Exemption (SCRIE)**

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

Tenants may be eligible for the SCRIE program if they are at least 62 years old and have a total household income that does not exceed \$15,000. Additionally, once tenants qualify for the program, increases in their Social Security income are excluded from the determination of total household income. Furthermore, the tenant must reside in a rent controlled, rent stabilized or rent regulated (such as, Mitchell-Lama housing) unit.

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

#### **Distributional Information**

In fiscal 1992, there are 46,868 tenant households receiving SCRIE benefits, almost 50 percent of which have incomes under \$7,000. The following table gives a distribution of these households by income range as of February, 1992:

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

<u>Household Income Range</u>	<u>Number of Exemptions</u>	<u>Percent of Total Exemptions</u>
\$0 - 1,000	16	0.0%
\$ 1,000 - 1,999	85	0.2%
\$ 2,000 - 2,999	324	0.7%
\$ 3,000 - 3,999	1,094	2.4%
\$ 4,000 - 4,999	3,592	7.8%
\$ 5,000 - 5,999	10,520	22.8%
\$ 6,000 - 6,999	7,273	15.7%
\$ 7,000 - 7,999	5,529	12.0%
\$ 8,000 - 8,999	4,868	10.5%
\$ 9,000 - 9,999	3,855	8.3%
\$10,000 - 10,999	2,922	6.3%
\$11,000 - 11,999	2,283	4.9%
\$12,000 - 12,999	1,650	3.6%
\$13,000 - 13,999	1,150	2.5%
\$14,000 - 14,999	947	2.0%
\$15,000 Or More	119	0.3%
Data Not Available	641	1.4%
Total	46,868	100.0%

Source: N.Y.C. Department of Housing Preservation and Development.

**Tax Expenditure**

\$63.2 million (estimated)

## **Real Property Tax**

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### **Veterans' Exemptions**

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

Partial tax exemptions are granted under two programs:.

- The original program, under Section 458, granted tax exemptions to veterans who had purchased real property using a bonus, pension, or insurance or compensation received as a prisoner of war. The exemption granted is equal to the amount of eligible funds, not to exceed \$5,000; the property is, however, fully subject to tax for educational purposes. An additional exemption of up to \$10,000 is provided, for all purposes, for suitable handicapped designed housing made necessary as the result of the disability.
- New veterans' exemptions are granted under Section 458-a, based on service rendered. An exemption of 15 percent of assessed value is granted to all veterans who served during a period of war, with an additional 10 percent granted to those who served in a combat zone. A disabled veteran is entitled to an additional exemption of up to 50 percent of the assessed value, based upon the veteran's disability rating.

During the 1991 legislative session, the definition of "period of war" was extended to include the Persian Gulf conflict (commencing 8/2/90) and the definition of "veteran" was extended to include those who received the armed forces, navy, or marines corps expeditionary medals for participation in operations in Lebanon (6/1/83 to 12/1/87), Grenada (10/23/83 to 11/21/83) or Panama (12/20/89 to 1/31/90). These changes are effective with the FY 1993 tax roll.

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



**Veterans' Exemption (cont'd)**

**Distributional Information**

In fiscal 1992, there are 83,218 exemptions in this program with a total exempt value of \$197.6 million. These properties represent over 133,500 housing units which are primarily located outside Manhattan. These benefits are distributed by property type as follows:

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	96.90%	98.38%
Condos	0.45%	0.76%
Co-ops	0.01%	0.00%
Rentals	2.63%	0.86%
Mixed Use	<u>0.01%</u>	<u>0.00%</u>
	100.00%	100.00%

**Tax Expenditure**

\$13.0 million

## **Real Property Tax**

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

Geographic designations are generally reviewed every three years by the Boundary Commission.

In August 1992, the City Council amended and extended the ICIP until June 30, 1999. These changes became effective July 1, 1992.

#### **Tax Expenditure**

\$122.6 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**

\$6.6 million

## **Real Property Tax**

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

#### **Citation**

NYS Real Property Tax Law; Article 4, Section 429

#### **Policy Objective**

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

#### **Description**

The City has provided a full real estate tax exemption for Madison Square Garden. The exemption is contingent upon the continued use of the Garden by professional major league hockey and basketball teams for their home games. The current leases are scheduled to expire in fiscal 1992.

#### **Tax Expenditure**

\$8.6 million

**Table 3**  
**STATE-WIDE PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES**  
**Fiscal Year 1992**  
**(\$ Millions)**

	<u>Number of Exemptions</u>	<u>Exempt Assessed Value</u>	<u>Gross Tax Expenditure</u>	<u>PILOTs</u>	<u>Net Tax <sup>1</sup> Expenditures</u>
Limited Profit					
Housing Companies	376	\$2,515.7	\$249.5		
<i>Residential</i>	335	2,416.4	238.9		
<i>Commercial</i>	41	99.3	10.6		
Limited Dividend Companies	14	58.2	5.8		
Redevelopment Companies	135	349.5	34.6		
<i>Residential</i>	126	346.1	34.2		
<i>Commercial</i>	9	3.4	0.4		
Housing Development					
Fund Companies	81	137.8	13.7		
<i>Residential</i>	69	121.9	12.1		
<i>Commercial</i>	12	15.9	1.6		
Urban Development					
Action Area Program	2,073	69.0	7.0		
State Assisted Housing	35	114.0	11.6		
<i>Residential</i>	19	73.8	7.3		
<i>Commercial</i>	16	40.2	4.3		
<b>TOTAL STATE-WIDE PROGRAMS</b>	<b><u>2,714</u></b>	<b><u>\$3,244.2</u></b>	<b><u>\$322.2</u></b>	<b><u>\$85.6</u></b>	<b><u>\$236.6</u></b>
Total Residential	2,636	3,085.4	305.3		
Total Commercial/Industrial	78	158.8	16.9		

Totals may not add due to rounding.

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

## Real Property Tax

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**Table 4**  
**STATE-WIDE PROGRAMS**  
**REAL PROPERTY TAX EXPENDITURES <sup>1</sup>**  
**Borough Distribution**  
**Fiscal Year 1992**  
**(\$ Millions)**

	<u>MANHATTAN</u>		<u>THE BRONX</u>	
	<u>Number of Exemptions</u>	<u>Gross Tax Expenditure</u>	<u>Number of Exemptions</u>	<u>Gross Tax Expenditure</u>
Limited Profit Housing Companies	99	\$91.1	106	\$71.2
Limited Dividend Companies	3	3.5	1	0.5
Redevelopment Companies	35	19.3	39	4.7
Housing Development Fund Companies	27	6.2	35	4.5
Urban Development Action Area Program	137	5.0	41	0.0
State Assisted Housing	11	3.4	9	2.8
<b>TOTAL STATE-WIDE PROGRAMS</b>	<b><u>312</u></b>	<b><u>\$128.5</u></b>	<b><u>231</u></b>	<b><u>\$83.7</u></b>

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Totals may not add due to rounding.

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

**Table 4**  
(continued)

<u>BROOKLYN</u>		<u>QUEENS</u>		<u>STATEN ISLAND</u>	
<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>
111	\$58.6	55	\$26.3	5	\$2.2
10	1.8	0	0.0	0	0.0
47	7.9	6	2.0	8	0.7
17	1.8	2	1.2	0	0.0
1,818	2.0	77	0.1	0	0.0
8	2.9	7	2.4	0	0.0
<u>2,011</u>	<u>\$75.0</u>	<u>147</u>	<u>\$32.0</u>	<u>13</u>	<u>\$2.9</u>



### **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 1992, there are 335 residential and 41 commercial exemptions under this program. The residential properties contain 116,841 housing units with a total exempt assessed value of \$2,415 million. Based on the 1987 N.Y.C. Housing and Vacancy Survey, approximately one in three households in rental projects and nearly one in five households in cooperatives have incomes of less than \$10,000.

### Limited Profit Housing Companies (cont'd)

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

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

Approximately 58 percent of residential units receiving benefits are co-ops which are located in all boroughs except Staten Island. 35 percent of the co-op units are located in the Bronx (including Co-Op City) although 35 percent of the exempt assessed value is attributable to Manhattan projects. Rental units receiving benefits are primarily located in Manhattan, the Bronx, and Brooklyn.

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	57.89%	56.10%
Rentals	42.11%	43.90%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

### Gross Tax Expenditure

\$249.4 million

## **Real Property Tax**

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### **Limited Dividend Housing Companies**

#### **Citation**

NYS Private Housing Finance Law, Article 4

#### **Policy Objective**

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

#### **Description**

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

The enabling legislation does not include a sunset provision.

#### **Distributional Information**

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

#### **Gross Tax Expenditure**

\$5.8 million

## **Redevelopment Companies**

### **Citation**

NYS Private Housing Finance Law, Article 5

### **Policy Objective**

To encourage low to moderate income housing through private financing.

### **Description**

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

The enabling legislation does not include a sunset provision.

### **Distributional Information**

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

### **Gross Tax Expenditure**

\$34.6 million

## **Real Property Tax**

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### **Housing Development Fund Companies (HDFC)**

#### **Citation**

NYS Private Housing Finance Law, Article 11

#### **Policy Objective**

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

#### **Description**

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

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

There is no sunset provision within the enabling legislation.

#### **Distributional Information**

In fiscal 1992, there are 81 residential and 6 commercial exemptions under this program. The residential properties contain over 6,800 housing units with an exempt assessed value of \$122 million. Rentals in the Bronx represent 38 percent of all units in this program, while rentals in Manhattan represent 42 percent of the exempt value. These benefits are distributed by property type as follows:



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

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	5.75%	4.68%
Rentals	94.25%	95.32%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

**Gross Tax Expenditure**

\$13.7 million



## **Real Property Tax**

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### **Urban Development Action Area Project (UDAAP)**

#### **Citation**

NYS General Municipal Law, Article 16

#### **Policy Objective**

To encourage the construction of residential housing in designated areas.

#### **Description**

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

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

The enabling legislation does not include a sunset provision.

#### **Distributional Information**

In fiscal 1992, there are 2,073 residential exemptions under this program that contain over 2,900 housing units with an exempt assessed value of \$69 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)

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	67.67%	27.06%
Condos	4.54%	6.08%
Co-ops	0.00%	0.00%
Rentals	27.79%	66.86%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

**Tax Expenditure**

\$7.0 million

## **Real Property Tax**

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### **Miscellaneous State Assisted Housing**

#### **Citation**

NYS Real Property Tax Law; Article 4, Section 422

#### **Policy Objective**

To encourage the creation of housing for a target population.

#### **Description**

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

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

#### **Distributional Information**

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

#### **Gross Tax Expenditure**

\$11.6 million

**Table 5**  
**PUBLIC AGENCIES**  
**REAL PROPERTY TAX EXPENDITURES**  
**Fiscal Year 1992**  
**(\$ Millions)**

	<u>Number of Exemptions</u>	<u>Exempt Assessed Value</u>	<u>Gross Tax Expenditure</u>	<u>PILOTs<sup>1</sup></u>	<u>Net Tax Expenditures</u>
Industrial Dev. Agency	620	\$579.0	\$61.5	\$30.0	\$31.5
Public Dev. Corporation	91	59.2	6.3	1.1	5.2
NYC Housing Authority	1,314	3,002.1	296.9	14.8	282.1
<i>Residential</i>	1,221	2,981.1	294.7	14.8	279.9
<i>Commercial</i>	93	21.0	2.2	0.0	2.2
Urban Dev. Corporation	93	726.9	76.9	0.0	76.9
<i>Residential</i>	20	47.5	4.7	0.0	4.7
<i>Commercial</i>	73	679.4	72.2	0.0	72.2
New York Power Authority	8	406.3	51.9	0.0	51.9
Battery Park City Authority <sup>2</sup>	1,867	1,372.5	143.9	17.6	126.3
<i>Residential</i>	1,841	275.5	27.3	3.5	23.8
<i>Commercial</i>	26	1,097.0	116.6	14.1	102.5
World Trade Center, Port Authority	1	1,362.2	144.8	43.7	101.1
Teleport, Port Authority	2	89.1	9.6	0.0	9.6
<b>TOTAL PUBLIC AGENCIES</b>	<b><u>3,996</u></b>	<b><u>\$7,597.3</u></b>	<b><u>\$791.8</u></b>	<b><u>\$107.2</u></b>	<b><u>\$684.6</u></b>
Total Residential	3,082	3,304.1	326.7	18.3	308.4
Total Commercial/Industrial	914	4,293.2	465.1	88.9	376.2

Totals may not add due to rounding.

<sup>1</sup> PILOT figures reflect data reported to OMB by other agencies as PILOT revenue.

<sup>2</sup> In fiscal 1992, total revenue from the BPCA is estimated at \$26.2 million, of which \$17.6 million is PILOT and \$8.6 million is non-PILOT revenue. In addition, BPCA revenues also support the City's affordable housing programs through the Battery Park City Housing Trust Fund and the Housing New York Corporation.

## Real Property Tax

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**Table 6**  
**PUBLIC AGENCIES**  
**REAL PROPERTY TAX EXPENDITURES <sup>1</sup>**  
**Borough Distribution**  
**Fiscal Year 1992**  
**(\$ Millions)**

	<u>MANHATTAN</u>		<u>THE BRONX</u>	
	<u>Number of Exemptions</u>	<u>Gross Tax Expenditure</u>	<u>Number of Exemptions</u>	<u>Gross Tax Expenditure</u>
Industrial Development Agency	130	\$19.3	77	\$4.3
Public Development Corporation	0	0.0	1	0.1
New York City Housing Authority	239	93.9	207	75.9
Urban Development Corporation	75	67.4	8	3.8
New York Power Authority	3	1.4	2	0.0
Battery Park City Authority	1,867	143.9	0	0.0
World Trade Center, Port Authority	1	144.8	0	0.0
Teleport, Port Authority	0	0.0	0	0.0
<b>TOTAL PUBLIC AGENCIES</b>	<b><u>2,315</u></b>	<b><u>\$470.7</u></b>	<b><u>295</u></b>	<b><u>\$84.1</u></b>

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Totals may not add due to rounding.

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

**Table 6**  
(continued)

<u>BROOKLYN</u>		<u>QUEENS</u>		<u>STATEN ISLAND</u>	
<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>
182	\$9.7	222	\$27.5	9	\$0.7
62	5.5	25	0.6	3	0.0
419	93.6	434	24.4	15	9.1
8	3.7	1	0.0	1	2.0
0	0.0	3	50.5	0	0.0
0	0.0	0	0.0	0	0.0
0	0.0	0	0.0	0	0.0
0	0.0	0	0.0	2	9.6
<u>671</u>	<u>\$112.5</u>	<u>685</u>	<u>\$103.0</u>	<u>30</u>	<u>\$21.4</u>



**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)**

\$31.5 million



**Public Development Corporation (PDC)**

**Citation**

NYS Real Property Tax Law; Article 4, Section 412

**Policy Objective**

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

**Description**

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

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

**Net Tax Expenditure (after PILOTs)**

\$5.2 million

## **Real Property Tax**

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### **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, 1992, the New York City Housing Authority operates 325 developments with more than 179,701 apartments. An additional 56,906 apartments are in its leasing program. These 236,607 units house approximately 586,000 persons.

Except for New York State assisted projects, NYCHA property is exempt from direct taxation. City aided projects are exempt for a period of 50 years. Federally aided projects may be exempt for up to 60 years. However, by law, the City may require payments-in-lieu-of-taxes (PILOTs) from NYCHA projects. The fixed annual PILOT for NYCHA's City funded projects is \$135,000. For the Federally aided projects, NYCHA pays a PILOT based on net routine operating expenses which may vary annually. For fiscal 1991, PILOTs for the Federally aided projects are estimated to be \$13.2 million. The State assisted projects pay an estimated \$2.2 million annually in real property taxes. As assessed value for the State projects has been held constant for many years, there is a substantial implicit tax expenditure.

#### **Distributional Information**

In fiscal 1992, there are 1,221 residential and 93 commercial exemptions containing 173,784 housing units with an exempt assessed value of \$3.0 billion. Although NYCHA benefits are distributed throughout the five boroughs, Brooklyn has the greatest proportion of NYCHA units and exempt value. Rental properties comprise 99 percent of NYCHA exemptions; therefore, a distribution by housing type is not provided.

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

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

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

## Net Tax Expenditure (after PILOTs)

\$282.1 million

## Real Property Tax

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### 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 1992, there are 20 residential and 73 commercial exemptions under this program. The residential properties contain 1,085 housing units with an exempt assessed value of \$47.8 million. The exempt assessed value for the commercial properties is \$679.4 million. The residential component of the UDC exemption contains primarily co-ops and rentals in Manhattan and co-ops in Brooklyn.

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.28%	0.00%
Condos	0.18%	0.00%
Co-ops	46.08%	41.30%
Rentals	53.46%	58.70%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

#### Tax Expenditure

\$76.9 million

**New York Power Authority (NYPA)**

**Citation**

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

**Policy Objective**

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

**Description**

The New York Power Authority (NYPA) finances, constructs, and operates electric generating and transmission facilities. Construction is financed through the sale of tax exempt bonds. Revenues from the sale of power to public agencies, industries, investor-owned utilities and municipalities throughout the State cover the costs of debt service and project operations. In the New York metropolitan area, the Authority directly provides low cost power to government agencies promoting economic development. It currently provides 25 percent of all the electricity generated in the State.

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

**Tax Expenditure**

\$51.9 million



## **Real Property Tax**

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### **Battery Park City Authority (BPCA)**

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

The Battery Park City Authority (BPCA) was created in 1968 by the Battery Park City Act. In cooperation with the City and the private sector, the Authority was to develop a mixed use community, combining residential and commercial properties with adequate public facilities (schools, parks, etc.) and utilities. Under a 1981 agreement with a developer, four office towers containing six million square feet of space were completed in 1987. Additionally, approximately 4,550 residential units have been completed to date.

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

The enabling legislation does not include a sunset provision.

#### **Distributional Information**

Currently, 4,550 units of residential housing have been completed in BPC. Of this number, 49 percent are rentals, and 51 percent are condominiums.

**Net Tax Expenditure** (after PILOTs): \$126.3 million

**Net Tax Expenditure** (after PILOTs and other payments): \$117.7 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)**

\$101.1 million

## **Real Property Tax**

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

#### **Citation**

NYS Real Property Tax Law; Article 4, Section 412

#### **Policy Objective**

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

#### **Description**

The Teleport Center, located on land owned by the Port Authority of New York and New Jersey, is a joint venture between the Authority, Merrill Lynch, and Western Union, developing and utilizing the latest technology in world wide telecommunications. The Center provides fiber optic links with the participating companies' Manhattan offices. By reducing the cost of new telecommunications technology and making it available to area businesses, the Teleport is expected to generate more than 3,000 jobs when completed.

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

#### **Tax Expenditure**

\$9.6 million

## **PART III**

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

#### **Overview**

The tax expenditures in this section derive from provisions of New York City tax laws concerning the following business income and excise taxes: General Corporation Tax; Unincorporated Business Tax; Banking Corporation Tax; Utility Tax; Mortgage Recording Tax; Real Property Transfer Tax; and Commercial Rent Tax. A description of each tax, including the tax rate and base, is contained in Part VII. Tax expenditures for the City Personal Income Tax and Sales Tax, which are administered by New York State, are discussed in Part V.

New York City tax laws for the business income and excise taxes contain 25 provisions granting tax preferences which can be defined as tax expenditures. Data exist to estimate the value of 14 of these tax expenditures. In Tax Year 1991, they totaled \$215 million. Certain tax benefits, such as the major tax credit programs, are explicitly designed to foster economic development, particularly in Manhattan north of 96th Street and in the other boroughs. Other tax expenditures, while created for economic development purposes, are also intended to reflect the unique economic activity in which certain industries are engaged. For example, there are special rules for allocating net income for the broadcasting, publishing and mutual fund industries. Still other tax expenditures are created for social objectives such as to assist the dramatic arts or to promote certain types of scientific research.

## **Business Income and Excise Tax**

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### **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 1991 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 1991**

<b>Program</b>	<b>(\$ Millions)</b>
<u>Quantifiable</u>	<u>Amount</u>
Insurance Corporation Non-Taxation .....	81
International Banking Facility .....	49
Commercial Rent Tax Special Reduction .....	37
Four-Tenths Mill Cooperative Housing Corporation	
Tax Rate on Capital .....	14
Business and Investment Capital Tax Limitation .....	12
Energy Costs Savings Program Credit <sup>1</sup> .....	11
Special Allocation Rule: RIC Management Fees .....	3
Foreign Bank Alternative Tax on Capital Stock .....	3
Relocation and Employment Assistance Program .....	3
School Bus Operation Deduction .....	2
Dramatic or Musical Arts Performance Exemption .....	*
Employment Opportunity Relocation Costs Credit .....	*
Manufacturing and Research and Development	
Property Depreciation .....	*
Real Estate Tax Escalation Credit .....	*
<b>TOTAL QUANTIFIABLE TAX EXPENDITURES .....</b>	<b>215</b>
<u>Not Quantifiable</u>	
Air Pollution Control Facilities Deduction	
Credit Line Mortgages	
Owner, Lessee or Fiduciary that Holds, Leases	
or Manages Real Property	
Purchase and Sale of Property or Stock Option Contracts	
for Taxpayer's Own Account	
Real Estate Investment Trusts	
Real Estate Mortgage Investment Conduits	
Regulated Investment Companies	
Special Allocation Rules:	
- Credit Card Interest	
- 80/20 Allocation Rule for Security/Commodity Brokers	
- Newspaper and Periodical Publishers' Advertising Sales Receipts	
- Radio/TV Commercial Receipts and Motion Picture Royalties	

\* = Less than \$1 million

<sup>1</sup> Based on data from the New York City Department of Business Services.

## **Business Income and Excise Tax**

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### **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**

\$81 million



**International Banking Facility Deduction**

**Citation**

NYC Administrative Code Section 11-641(f)

**Policy Objective**

To promote international banking activities in New York City.

**Description**

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

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

**Tax Affected**

Banking Corporation Tax

**Tax Expenditure**

\$49 million

## **Business Income and Excise Tax**

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### **Commercial Rent Tax Special Reduction**

#### **Citation**

NYC Administrative Code Section 11-704.h

#### **Policy Objective**

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

#### **Description**

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

Beginning January 1, 1986,  
ending May 31, 1987 . . . . . by 10%

Beginning June 1, 1987,  
ending May 31, 1989 . . . . . by 20%

Beginning on or after  
June 1, 1989 . . . . . by 30%

#### **Tax Affected**

Commercial Rent Tax

#### **Tax Expenditure**

\$37 million

**Four-tenths Mill Cooperative Housing Corporation  
Tax Rate on Capital**

**Citation**

NYC Administrative Code Section 11-604.1.E

**Policy Objective**

To promote cooperative housing corporations in New York City.

**Description**

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

**Tax Affected**

General Corporation Tax

**Tax Expenditure**

\$14 million

## **Business Income and Excise Tax**

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### **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**

\$12 million

**Energy Costs Savings Program Credit (ECSP)**

**Citation**

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

**Policy Objective**

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

**Description**

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

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

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

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

## **Business Income and Excise Tax**

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### **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**

\$11 million



**Special Allocation Rule: RIC Management Fees**

**Citation**

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

**Policy Objective**

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

**Description**

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

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

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

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

**Tax Affected**

General Corporation Tax

**Tax Expenditure**

\$3 million

## **Business Income and Excise Tax**

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### **Foreign Bank Alternative Tax on Capital Stock**

#### **Citation**

NYC Administrative Code Section 11-643.5(b)

#### **Policy Objective**

To promote foreign banking in New York City.

#### **Description**

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

#### **Tax Affected**

Banking Corporation Tax

#### **Tax Expenditure**

\$3 million

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

**Citation**

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

**Policy Objective**

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

**Description**

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

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

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

**Taxes Affected**

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

**Tax Expenditure**

\$3 million

## Business Income and Excise Tax

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

#### Note

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 1991. Prior REAP estimates represented the City's revenue exposure assuming all REAP-approved jobs had been relocated by a given date. (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 \$20 million annually.

#### RELOCATION AND EMPLOYMENT ASSISTANCE PROGRAM

INDUSTRY	Firms	%	Pending	Employees		%
				Approved	Total	
MANUFAC.	31	46.3%	802	2,065	2,867	9.1%
CONSTRUC.	3	4.5%	8	150	158	0.5%
TRANS.&P.U.	3	4.5%	85	1,882	1,967	6.2%
TRADE	17	25.4%	391	490	881	2.8%
FIRE	9	13.4%	5,690	19,909	25,599	81.2%
SERVICE	4	6.0%	61	0	61	0.2%
TOTAL	67		7,037	24,496	31,533	

Status of applications filed through 2/28/92.

**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

## **Business Income and Excise Tax**

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### **Dramatic or Musical Arts Performance Exemption**

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

#### **Tax Affected**

Commercial Rent Tax

#### **Tax Expenditure**

Less than \$1 million



**Employment Opportunity Relocation Costs Credit (EORC)**

**Citation**

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

**Policy Objective**

To promote employment in New York City.

**Description**

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

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

**Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

Less than \$1 million

## **Business Income and Excise Tax**

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### **Manufacturing and Research & Development Property Depreciation**

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

#### **Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

#### **Tax Expenditure**

Less than \$1 million

**Real Estate Tax Escalation Credit (RETE)**

**Citation**

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

**Policy Objective**

To encourage businesses to relocate to New York City.

**Description**

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

Before a taxpayer can claim the credit, the taxpayer's eligibility must be approved and certified by the City. The credit can be claimed annually for the length of the lease term, or for a period not to exceed 10 years from the date of relocation, whichever period is shorter.

**Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

Less than \$1 million

## **Business Income and Excise Tax**

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

#### **Citation**

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

#### **Policy Objective**

To improve the quality of air in New York City.

#### **Description**

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

#### **Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

#### **Tax Expenditure**

Not available

**Credit Line Mortgages**

**Citation**

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

**Policy Objective**

To reduce credit costs for small homeowners.

**Description**

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

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

**Tax Affected**

Mortgage Recording Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Tax**

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

#### **Citation**

NYC Administrative Code Section 11-502(d)

#### **Policy Objective**

To exempt certain revenue-generating activities from business taxation.

#### **Description**

The City's Unincorporated Business Tax is generally imposed on unincorporated businesses operating in the City. However, an owner of real property, a lessee or a fiduciary is not considered to be engaged in an unincorporated business solely by reason of holding, leasing, or managing real property for his or its own account.

#### **Tax Affected**

Unincorporated Business Tax

#### **Tax Expenditure**

Not available



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

**Citation**

NYC Administrative Code Section 11-502(c)

**Policy Objective**

To exempt certain revenue-generating activities from business taxation.

**Description**

The City's Unincorporated Business Tax is generally imposed on unincorporated businesses operating in the City. However, an individual or entity is not considered to be engaged in an unincorporated business solely by reason of the purchase and sale of property or the purchase, sale or writing of stock option contracts, or both, for his or her own account.

**Tax Affected**

Unincorporated Business Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Tax**

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### **Real Estate Investment Trusts (REITS)**

#### **Citation**

NYC Administrative Code Section 11-603.7

#### **Policy Objective**

To promote REITs as investment vehicles.

#### **Description**

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

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

#### **Tax Affected**

General Corporation Tax

#### **Tax Expenditure**

Not available

**Real Estate Mortgage Investment Conduits (REMICS)**

**Citation**

NYC Administrative Code Section 11-122

**Policy Objective**

To promote REMICs as investment vehicles.

**Description**

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

**Taxes Affected**

Banking Corporation Tax  
General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Tax**

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### **Regulated Investment Companies (RICS)**

#### **Citation**

NYC Administrative Code Section 11-603.8

#### **Policy Objective**

To promote RICs as investment vehicles.

#### **Description**

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

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

#### **Tax Affected**

General Corporation Tax

#### **Tax Expenditure**

Not available

**Special Allocation Rule: Credit Card Interest**

**Citation**

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

**Policy Objective**

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

**Description**

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

**Tax Affected**

Banking Corporation Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Tax**

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

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

- (a) If the order originates at a New York City place of business and is transmitted to an office of the taxpayer located in New York City for execution on an exchange located in the City, 100 percent of the commission is allocated to New York City.
- (b) If the order originates out-of-city and is transferred to an office of the taxpayer located in New York City for execution on an exchange located in the City, 20 percent of the commission is allocated to New York City.
- (c) If the order originates at a New York City place of business and is transmitted to an office of the taxpayer outside the City for execution on an exchange located outside of the City, 80 percent of the commission is allocated to New York City.



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

**Taxes Affected**

General Corporation Tax  
Unincorporated Business Tax

**Tax Expenditure**

Not available

## **Business Income and Excise Tax**

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

#### **Citation**

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

#### **Policy Objective**

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

#### **Description**

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

#### **Tax Affected**

General Corporation Tax

#### **Tax Expenditure**

Not available

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

**Citation**

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

**Policy Objective**

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

**Description**

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

**Tax Affected**

General Corporation Tax

**Tax Expenditure**

Not available



## **PART IV**

### **DETAILED REVIEW OF SELECTED TAX EXPENDITURE PROGRAMS**

This section of the City's Tax Expenditure Report examines the economic and social impact of tax expenditure programs as required by the City Charter. The approach here is to highlight three selected programs which are typical of the varied forms of City tax incentives, ranging from a major program for the rehabilitation of residential structures to a specific and targeted tax incentive:

- The J-51 program encourages the rehabilitation of existing residential structures of three dwelling units or more by providing tax exemptions and abatements.
- The International Banking Facility deduction provides a tax benefit to banks engaged in certain foreign banking activities and is intended to enhance the position of New York City as an international banking center.
- The Energy Costs Savings Program helps reduce energy costs for certain businesses and is intended to promote business development in New York City.

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

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

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

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

## J-51 PROGRAM

### Introduction

The J-51 program provides tax incentives to renovate and rehabilitate the City's existing multi-family housing stock. Starting as a simple program to upgrade substandard housing units, J-51 has evolved with a changing housing market. For FY 1992, the program provided tax benefits of more than \$215 million to more than a half million apartments Citywide. In comparison, the 421-a program, which promotes the construction of multi-family residential housing, has a current tax expenditure of \$190 million for approximately 50,000 units.

J-51 plays a broad role with respect to multi-family housing, providing tax incentives for the following purposes:

- Modernization and improvement of rent-regulated apartments, cooperatives, and condominiums. This includes the replacement of aging building systems such as plumbing and electricity.
- Renovation of buildings foreclosed by the City for non-payment of real estate tax or other charges. The program provides enhanced benefits to private developers, including non-profit organizations, who acquire, renovate and operate such housing stock for low and moderate income families and for the homeless.
- Conversion of non-residential properties to residential use. To ensure compliance with the Multiple Dwelling Law, the program applies to housing converted from economically and functionally obsolete commercial and industrial buildings.
- Maintenance and upgrade of single room occupancy (SRO) properties. The program was extended to SRO properties and to properties being converted to SRO use (Section 488, N.Y.S. Real Property Tax Law).

The following two sections provide an overview of the program including its origins and goals and the benefits and eligibility requirements. These are followed by a discussion of the financial trends, including new data concerning the expiration of exemptions, and an evaluation of the program.

### Background

Real estate tax exemptions have been provided in New York City since the first property tax levy was imposed in 1654. Exemptions have traditionally been granted to non-profit, educational, charitable or religious institutions, as well as properties owned by government and public authorities.

The use of tax exemptions to influence the development of the City's private housing market



began shortly after the end of the Second World War. The early effort was intended to encourage the construction of affordable multi-family housing. In time, it also became necessary to provide tax incentives for preservation of the existing stock of private housing. In 1955, the City addressed these needs by creating the J-51 program, so named for its original section of the City's Administrative Code.

J-51 originally applied to obsolete housing such as the "Old Law" tenements constructed prior to 1901. The aim of the program was to encourage owners to upgrade sanitary and other building conditions, such as running hot water, installation of bathrooms in each apartment, and fire safety. It granted an exemption from taxation on the additional assessed value due to the renovations and an abatement of existing taxes based on the construction cost. In subsequent years, the program was expanded to include properties that met minimum housing standards but were in need of modernization and upgrading.

During the 1980s, the program was altered to restrict benefits for maintaining and developing affordable housing in low and moderate income areas and away from prime Manhattan neighborhoods. In 1987, J-51 was broadened to include the renovation of single room occupancy buildings and previously City-owned residential properties. The legislation also limited the exemption of assessment increases caused by inflation or market appreciation.

In July 1992 the State Legislature amended the J-51 program to address several issues. A major problem has been the abrupt termination of the exemption benefit for some participants who were not financially prepared for the increase in tax liability. To provide a period of transition, the exemption benefit is now phased out over four years. Other changes include easing of eligibility requirements for mandatory asbestos removal and an increase in the maximum assessed value of condominiums and cooperatives eligible to participate from \$30,000 to \$40,000. These changes must be approved by the City Council.

## **Eligibility**

Virtually all types of multi-family residential properties with a minimum of three dwelling units are eligible for J-51 benefits. In addition, renovations of attached or semi-attached one and two family homes with shared essential services (e.g., heating) and buildings with a store and one or two dwelling units may also be eligible for benefits.

The law was amended several times over the past decade to target incentives to location or assessed value. For example, in most areas of Manhattan below 110th Street, an exemption is not granted if the new assessed value per apartment exceeds \$38,000. For all other properties in that area, the increase in assessed value due to renovation may not be fully exempt and depends upon the average assessed value per dwelling unit. In the Tax Abatement Exclusion Zone, located in an irregularly shaped area from 96th Street to 34th Street in Manhattan, abatements are only granted for major capital improvements to a maximum value of \$2,500 per dwelling unit. Also, in a irregularly shaped area from 86th Street to Houston Street known as the Minimum Tax Zone, abatements cannot be used to reduce taxes on the land portion of the property. However, these restrictions do not apply in other areas of the City. Furthermore, rental buildings are not eligible for an abatement if the new assessed value per apartment is

\$30,000 or more.

## Benefits

J-51 provides a wide range of benefits generally related to the amount of construction involved in a particular project. The most common type of work, referred to as a major capital improvement, involves building wide improvements to common areas or systems where the number of apartments remains unchanged. The next two levels of work, moderate and substantial rehabilitation, require more extensive construction. Moderate rehabilitation must include the replacement or upgrading of one or more of the building's major systems and a minimum expenditure of \$2,500 per apartment. Substantial rehabilitation involves a gut renovation or a change in a building's configuration requiring a new certificate of occupancy. A conversion changes a building from a non-residential or temporary housing use to permanent housing.

The following sections on exemptions and abatements describe the benefits received for the above types of improvements and discuss the "inflation protection" provided under the exemption. Table 1 summarizes these benefits by type of work.

Exemptions: The J-51 program provides a 32 year exemption for a moderate rehabilitation, a substantial governmentally assisted rehabilitation of a previously City-owned Class A building, or an improvement to an SRO. For all other renovations, such as major capital improvements, the exemption period is 12 years. In July 1992, the State Legislature changed the exemption period for all new projects, pending City Council approval. The 32 year and 12 year exemption periods have been replaced by a period of 30 years and 10 years, respectively, followed by a four year phase-out period.

J-51 exempts any increase in the assessed value of the building due to the work performed. In addition, all properties participating in the program also receive some exemption from increases in assessed value due to property appreciation. Historically, the City sought to limit the exemption to the physical improvement and exclude "inflation protection". A 1982 decision by the New York State Court of Appeals (in Prince Wooster Corp. v. Tax Commission) determined that the statute required all increases subsequent to the alteration be tax exempt. This decision, at a time when market values were increasing rapidly, significantly increased the cost of the program during the 1980s.

The following actual case of a 34 unit rental building in Brooklyn is illustrative of the cost of "inflation protection". In its first year in the program, the building received a tax benefit of \$29,900 based on the physical improvements that were completed. The tax benefit increased to \$42,000 by the ninth year of a 12 year exemption. Three-quarters of the increase was due to "inflation protection" which exempted all assessment increases on both the taxable and non-taxable portions of the assessed value.

"Inflation protection" provides a substantial benefit for J-51 participants which is unrelated to the work performed under the program. This shifting of the tax burden to non-participants results in unequal tax treatment. In 1987, the Legislature limited full "inflation protection" for most properties to their first three years in the program. Thereafter, increases in assessed

value are prorated between the taxable and exempt portions of the assessment. Projects still receiving the 100 percent exemption benefit include moderate rehabilitation and projects either carried out with substantial government assistance or those located in neighborhood preservation areas.

**Table 1**  
**J-51 Benefits as of FY 1992**

<u>Type of Work</u>	<u>Percentage of Construction Cost Abated</u>	<u>Annual Abatement Rate</u>	<u>Length of Exemption Period</u>
▪ Major Capital Improvement	90%	8.33%	12 years
▪ Moderate Rehabilitation	100	8.33	32 years
▪ Non-Residential Conversion in Manhattan	50	8.33	12 years
▪ Moderate Rehabilitation with Government Assistance	150	12.50	32 years
▪ Substantial Rehabilitation	90	8.33	12 years
▪ Substantial Rehabilitation of Formerly City Owned Property with Government Assistance	150	12.50	32 years

**Abatements:** The J-51 tax abatement allows the participant to recoup the cost of construction through a reduction in tax liability. The total abatement is based on a percentage of the actual cost or the cost as certified by the Department of Housing Preservation and Development, whichever is lower.

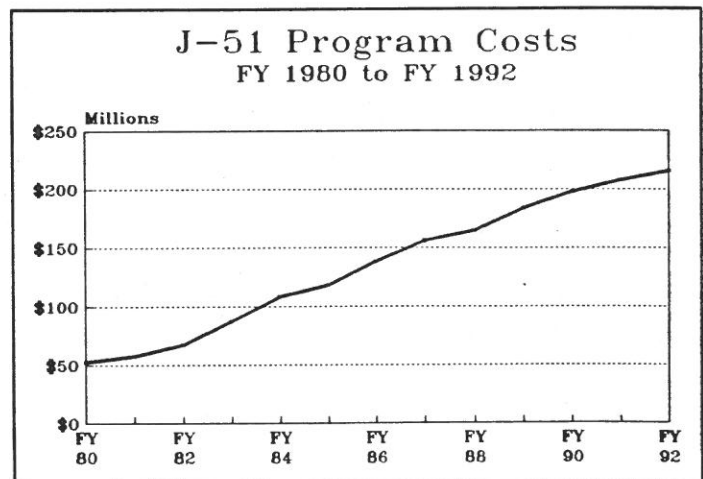
The abatement can range from 50 percent to 150 percent of the certified cost, while the abatement for some cooperatives and condominiums is limited to no more than \$2,500 per apartment. The specific

percentage or dollar benefit depends upon several factors including the type of renovation, the location of the project, number of rooms per dwelling unit, and whether it is receiving other government assistance. These factors also determine the annual abatement rate, which equals either 8.33 percent or 12.5 percent of the approved cost. The abatement period may extend up to 20 years if, in any year, the annual abatement is greater than the tax liability.

### Statistical Analysis

The cost of the J-51 program has grown from \$50 million in FY 1980 to \$215 million in FY 1992. This four-fold increase can be attributed to several factors which shaped the residential market, as well as the J-51 program, in the past decade:

- There were substantial increases in construction costs which exceeded the rate of inflation.
- An acceleration of conversion activity of rental properties into

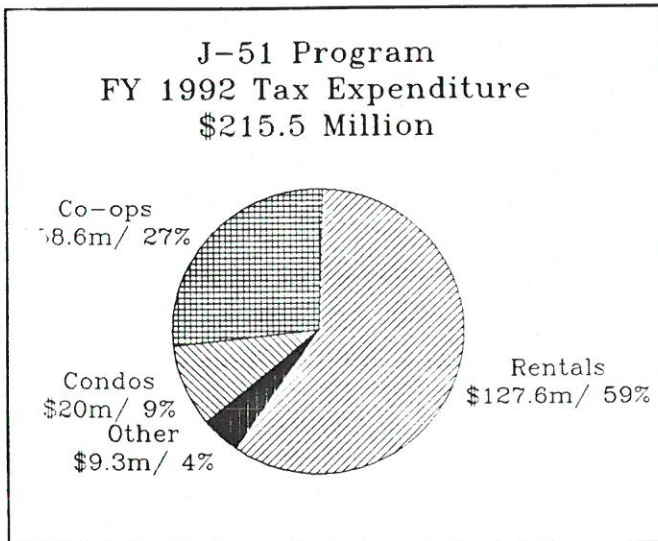


**Figure 1**



cooperatives and condominiums generated substantial investment by sponsors and new homeowners.

- As a result of the Prince-Wooster case, which affected all properties prior to 1987, assessment increases due solely to market appreciation during the 1980s greatly increased the tax exemption.



In FY 1992, the J-51 program provided benefits to 25,000 buildings containing 592,000 apartments. Rental buildings, which contain two out of every three apartments in the program, accounted for \$128 million in benefits, or 60 percent of the program's cost. In comparison, cooperatives and condominiums accounted for 27 percent and 9 percent of program costs, respectively. The remaining tax expenditure is attributable to mixed use buildings and eligible Class One properties, primarily three family homes.

Figure 2

While rental buildings are the largest component of program cost, the average tax benefit per apartment is substantially lower for a rental unit than for either a co-op or condominium. In FY 1992, the average tax exemption and abatement benefit was \$1,200 for a rental apartment, \$2,000 for a cooperative, and \$3,600 for a condominium. This large variation in tax benefits conforms to differences in market values which reflect higher investment in owner-occupied properties and location value. Based on FY 1992 assessments, the average market value of a rental unit receiving both an exemption and abatement was \$34,000 compared with \$71,000 for a cooperative and \$92,000 for a condominium.<sup>1</sup>

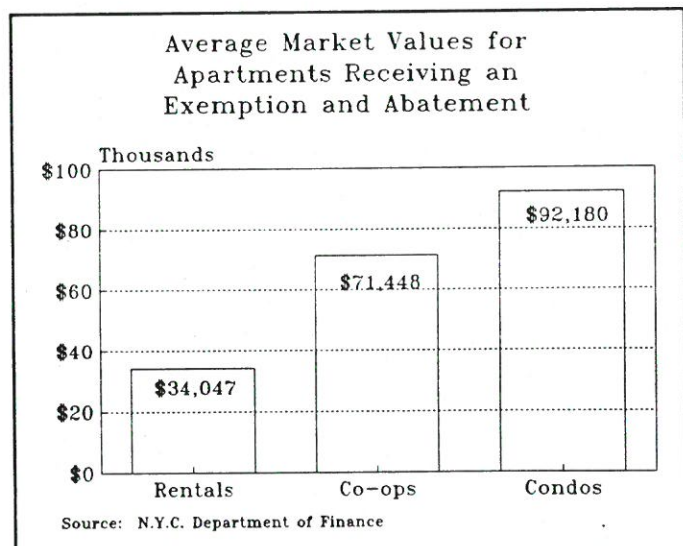
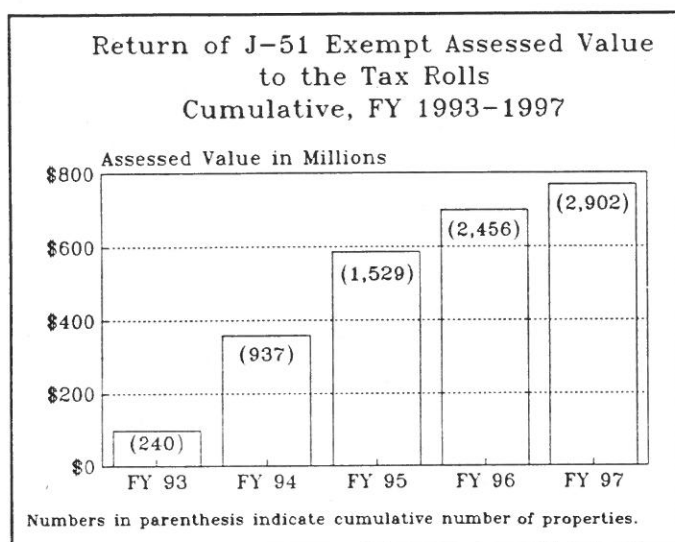


Figure 3

<sup>1</sup> As required by State law (Section 581), market value estimates of cooperatives and condominiums must be based on the same criteria used for comparable rental buildings. If they

**Figure 4**

in the program, they are 57 percent of those returning to the tax roll in the next five years. They also account for nearly two-thirds of the value that will become taxable during this period.

The J-51 tax abatement could fully or partially offset this increase in property taxes when the exemptions expires. This usually occurs when a property has minimum property taxes based on the pre-existing assessed value and does not fully utilize its annual tax abatement during the exemption period. The unused abatement is deferred and may be applied to subsequent tax increases.

A major trend during the 1980s was the conversion of rental buildings to cooperatives and condominiums. J-51 has played a major role in the improvement and upgrading of such properties. Forty-three percent of all cooperatives Citywide benefit from the J-51 program. In comparison, 17 percent of the condominiums Citywide and 11 percent of rental properties are participating. Table 2 shows the participation rates in each borough.

**Table 2**  
**J-51 Program Participants**  
**Percent by Borough and Property Type**

	<u>Rentals</u>	<u>Condos</u>	<u>Co-ops</u>
Manhattan	13.3	15.9	31.2
Bronx	21.1	0.5	49.7
Brooklyn	8.2	61.1	55.8
Queens	11.6	29.4	60.5
Staten Is.	<u>2.9</u>	<u>3.8</u>	<u>30.8</u>
Citywide	11.6	17.4	42.9

were valued based on their sales price, these estimates would be 25 percent to 70 percent higher.

## **Evaluation**

Despite its costs and criticisms, the J-51 program continues to be a critical element in implementing the City's housing goals, by providing incentives to maintain and upgrade its stock of older housing. The program continues to be adaptable to the changing housing market, restricting and expanding benefits as needs change.

The modernization of housing through J-51 has served to increase the value of the City's property tax base. In FY 1992, the City invested over \$215 million in the form of J-51 tax exemptions and abatements for more than 25,000 buildings. Of this amount, some \$80 million will return to the tax rolls as tax exemptions expire over the next five years.

J-51 also plays an important role in the supply of modernized housing for the City's labor force. Almost 600,000 households, or more than 20 percent of all housing units, benefit directly or indirectly from J-51, with minimal increases, if any, in rent or maintenance charges. These residents enhance the City's tax base by paying personal income and sales taxes. If only 25 percent of these households remained in the City due to J-51, the benefits derived from their income and sales taxes would equal the entire J-51 tax expenditure in FY 1992.



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## NYC TAX TREATMENT OF INTERNATIONAL BANKING FACILITIES

### Introduction

Both New York City and State impose a Banking Corporation Tax, based primarily on net income. In 1978, the City and State provided an exemption for income derived from a bank's International Banking Facility (IBF), pending Federal Reserve authorization. Through an IBF, a bank can conduct certain exclusively international banking activities without being subject to federal reserve and deposit insurance requirements.<sup>1</sup>

The Federal Reserve authorized IBFs in 1981, in reaction to the relocation of U.S. international banking operations to freer regulatory environments in the Bahamas and the Cayman Islands and abroad in locations such as London or Hong Kong. The New York tax exemption sought to attract the offshore branches of large U.S. money center banks back to the City at a time when the combined State and City nominal bank tax rate was more than 25 percent. During the 1980s, foreign banks also benefitted from NYC IBF tax benefits as foreign banking activity in the United States grew substantially.

In addition to New York, at least eight states, including California, Florida and Illinois, have enacted provisions exempting IBF income from local taxation. However, there is no federal tax advantage to the establishment of an IBF. In Tax Year 1991, the value of the NYC IBF tax benefit was approximately \$49 million.

The following sections discuss the origin and activities of International Banking Facilities, describe New York's tax treatment of IBFs and evaluate the policy impact of the IBF exemption.<sup>2</sup>

### IBFs, U.S. Banking Regulation and the Euromarket

The Federal Reserve decision to allow IBFs in 1981 was in response to the growth in the 1970s of the highly profitable Eurocurrency market or "Euromarket."

The Euromarket is the market for any foreign currency outside its country of origin. "Eurocurrency" may include U.S. dollars traded abroad (Eurodollars - the predominate

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<sup>1</sup> Despite its name, an International Banking Facility is not a discrete physical entity - it is a separate set of bank books for those activities which conform to the Federal Reserve IBF requirements. The establishing bank must maintain separate IBF accounts to comply with Federal Reserve reporting requirements and the tax requirements of states which provide an IBF exemption.

<sup>2</sup> Much of the discussion in this essay applies to New York State as well as New York City, since both jurisdictions have similar tax laws regarding the treatment of IBF income. However, the revenue estimates are New York City-specific.

currency in the Euromarket) or yen bought and sold outside Japan (Euroyen). Participants in the Euromarket are primarily banks, multinational corporations, and government entities seeking to make large overnight or short-period investments at favorable interest rates or to secure large amounts of capital. Interest rates are favorable because business costs are lower without regulatory restrictions,<sup>3</sup> and because profits can be made from the differentials in currency exchange rates. IBF deposits and loans, including those that are denominated in dollars, are considered to be part of the Euromarket.

IBFs are not totally free from regulation. To prevent unfair competition with domestic banking, the Federal Reserve imposed restrictions on permissible IBF activities. The IBF can only deal with non-U.S. persons or entities, its own bank or other IBFs.<sup>4</sup> IBF funds can only be used for foreign activities, and the IBF can only accept overnight deposits from banking institutions. All corporate, government or individual deposits must have a minimum of two days. The IBF also may not issue negotiable certificates of deposit, which could be traded. At least partially due to Fed restrictions, most IBF activity is with banks - overseas branches of its own bank, other banks abroad or other IBFs. As of September 1990, nearly three-quarters of all IBF loans and deposits involved inter-bank placements.

### **International Banking Facility Trends**

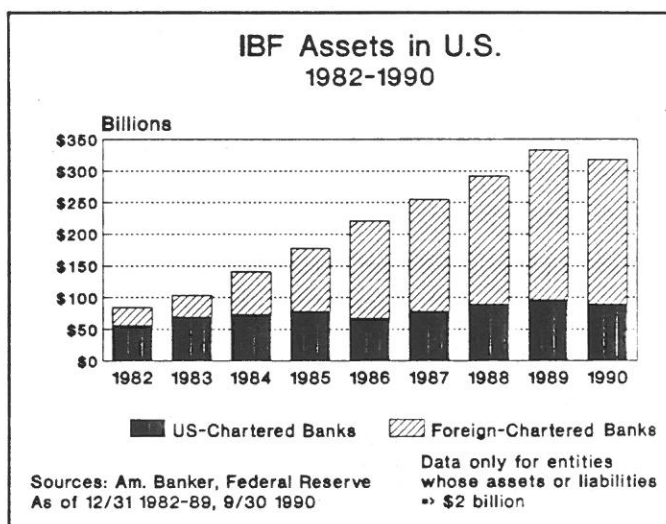
IBF assets doubled over the 1980s from approximately \$150 billion in their first year, 1982, to over \$300 billion as of September 1990,<sup>5</sup> increasing from 4.5 percent to 9.6 percent of total U.S. bank assets over the period. As shown in the graphs below, the growth of IBF assets was particularly pronounced for foreign-chartered banks, growing at an average annual rate of 33 percent over the period compared to a 6 percent growth rate for U.S.-chartered banks. By 1990, foreign-chartered banks held nearly three-quarters of all IBF assets, reflecting, in part, the increased presence of foreign banks in the U.S. in the 1980s. However, on a per bank basis IBF activity is much more significant at U.S.-chartered banks--twelve such banks are responsible for a full one-quarter of IBF assets.

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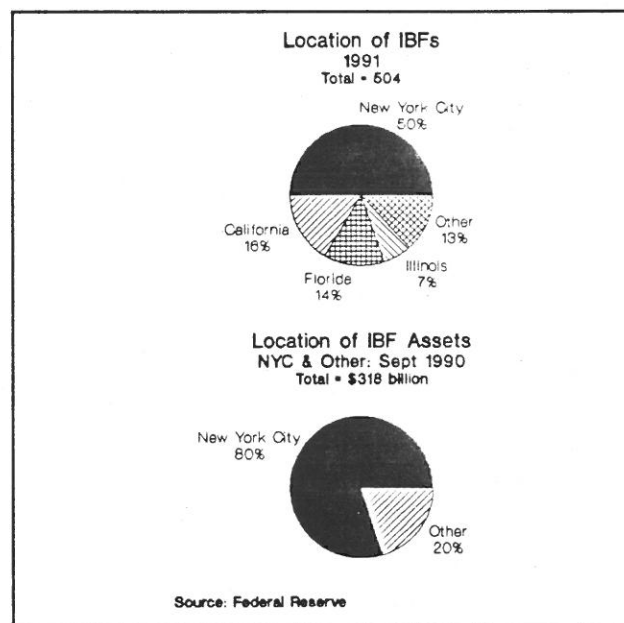
<sup>3</sup> It should be noted that recent reductions in reserve requirements have made this factor less significant in the cost competitiveness of conducting international banking activities from a U.S. location through an IBF.

<sup>4</sup> For New York tax purposes, an IBF benefit is provided only to the extent that the IBF is funded by foreign sources. Funding by a domestic source, including the establishing entity, constitutes "ineligible funding" and reduces the IBF tax benefit.

<sup>5</sup> Totals derived from Federal Reserve data maintained on IBFs with at least \$2 billion in assets each, the only consistent time series available for the 1980s.



As of May 1991, there were 504 IBFs registered with the Federal Reserve. New York City is the main IBF location, with 50 percent of registered IBFs and 80 percent of IBF assets, as would be expected from New York's preeminent position in international finance and the large number of foreign bank branches here. California, Florida and Illinois, which are also important U.S. centers of international banking and trade, together account for another 37 percent of all IBFs.



### New York IBF Tax Exemption

The New York IBF tax exemption is structured differently now than under the law originally establishing the exemption. Under the original 1978 law, a bank determined its tax-exempt IBF income by a separate calculation of IBF income and expenses. This "separate books"



calculation was consistent with the method generally used to distinguish New York taxable income from income earned in other jurisdictions. In 1985, the City and State restructured the banking corporation taxes with regard to both non-IBF and IBF income. To determine non-IBF New York taxable income, the new law replaced the "separate books" method with a "formula allocation" method. The formula method starts with the bank's total income from all jurisdictions, and then determines the share taxable in New York by applying an allocation ratio--known as the taxpayer's Business Allocation Percentage (BAP)--which measures the New York share of the corporation's payroll, receipts and deposits. The formula method is a commonly used method of apportioning income of firms involved in interstate business, since it is often impossible to assign the income of large multistate corporations precisely among the various jurisdictions in which they do business, as required by the separate books method.

In contrast to its treatment of non-IBF income, the 1985 law did not eliminate the separate books method for the IBF calculation. Rather, the law allows a bank to choose to calculate the eligible IBF deduction by either the separate books method or the new formula method. (The election must be made at the beginning of the tax year.) Under the latter method, IBF income is included in total income but IBF activity is treated as though it occurred outside the City, thus reducing the taxpayer's NYC BAP. This optional choice was the result of an impasse between the banking establishment which wanted to retain the old method, and State and City tax authorities who wanted the IBF calculation to be covered by the new formula allocation provisions.

By allowing the two optional methods for calculating the IBF deduction, the New York 1985 law permits banks to maximize the tax benefit. If a bank has significant IBF operations in NYC but earns only limited IBF profits, the formula method will produce the greater benefit. On the other hand, if an IBF produces significant profits, the separate books method will usually produce the greater benefit.

The ability of a bank to maximize its IBF tax benefit through the optional methods can be shown by means of a simple example. A bank which is a NYC taxpayer has total income of \$50 million in Year 1, of which \$10 million is deductible under the separate books method as IBF income. During the same year, use of the formula allocation IBF deduction method would reduce the bank's NYC BAP from 50 percent to 45 percent. In Year 2, the bank again has total income of \$50 million but deductible IBF income of only \$1 million, even though the proportion of its overall activities that are related to its NYC IBF remains the same as in Year 1. As shown in the calculations in the box below, in Year 1 the separate books deduction method reduces the bank's NYC liability from \$2.25 million to \$1.8 million, an IBF tax benefit of \$450,000 (column 1). During the same year, use of the formula allocation method would have produced a tax benefit of only \$225,000 (column 3). However, in Year 2 the formula method produces the larger benefit since IBF income is much reduced and the separate books method would produce a smaller benefit (column 2).

**EXAMPLE OF OPTIONAL METHODS FOR  
CALCULATING IBF DEDUCTION**

		<b>SEPARATE BOOKS METHOD</b>		<b>ALLOC. FORMULA METHOD</b>
		<b>Year 1</b>	<b>Year 2</b>	<b>Same for Year1 &amp; Year2</b>
Total Income	=	\$50,000,000	\$50,000,000	\$50,000,000
NYC IBF Income	= -	\$10,000,000	\$ 1,000,000	
Taxable Income		\$40,000,000	\$49,000,000	\$50,000,000
NYC BAP	=	x 50%	x 50%	x 45%
NYC Taxable Inc.	=	\$20,000,000	\$24,500,000	\$22,500,000
NYC Tax Rate (9%)	=	x 9%	x 9%	x 9%
NYC TAX LIABILITY	=	\$ 1,800,000	\$ 2,205,000	\$ 2,025,000
NYC TAX LIABILITY PRIOR TO IBF DEDUCTION (1)	=	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000
NYC IBF TAX BENEFIT	=	\$ 450,000	\$ 45,000	\$ 225,000

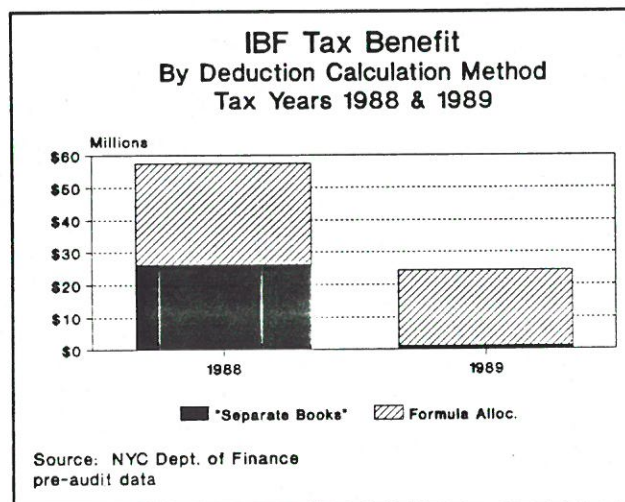
(1) Based on application of Bank Tax rate to NYC taxable income without IBF deduction (\$50,000,000 x 50% x 9%).

For large U.S. clearing house and foreign-chartered banks with significant IBF operations, the optional methods are especially advantageous since IBF profit levels at these banks vary from year to year. With careful tax planning each year, these banks can maximize the IBF tax exemption by electing the method which best suits their projection of specific profit and loss conditions. For example, during the mid-1980s when the IBF profits of these banks were large (due, in part, to high-yielding Latin American loans), the separate books method which removed IBF profits from the bank's total net income provided the larger tax benefit. In 1989, however, when many Latin American loans were written-off as uncollectible, these banks benefitted more by calculating the IBF deduction by the formula allocation method.

The revenue cost of the City's IBF tax benefit can fluctuate from year to year depending on the profitability of IBF activities and the tax planning strategies of banks. In 1988, a relatively profitable year for banks, the tax expenditure cost of IBFs was nearly \$60 million, with 45 percent of the IBF benefit determined by "separate books" calculations. In 1989, a year of large Latin America loan losses, the IBF tax benefit cost was only \$25 million, and only 4



percent of the IBF benefit in that year was determined by the "separate books" method.<sup>6</sup>



It is important to note that the value of the IBF benefit can change significantly during a tax audit. A separate and distinct set of tax rules exists for computing IBF income for purposes of the New York tax deduction. Auditors must closely examine the worldwide operations of the bank to determine if IBF income and expenses have been properly attributed in the calculation of IBF income.<sup>7</sup> The audit issues regarding the allocation percentage method are generally easier for auditors to monitor than those of the "separate books" method.

### IBF Cost/Benefit Analysis

The IBF tax expenditure is projected to cost New York City \$49 million in tax revenue foregone for Tax Year 1991. Available tax data show that the bulk of the City benefit in recent years has gone to major U.S. clearinghouse or money-center banks and a few large foreign banks, predominately Japanese.

The City IBF tax exemption was intended to promote New York as a location for international banking operations previously conducted offshore or abroad, and to strengthen New York as a world financial center. In the early 1980s, a substantial amount of American international

<sup>6</sup> Tax years 1988 and 1989 are the most recent years for which complete taxpayer records are available. These data do not reflect possible subsequent audit adjustments since audits commonly lag the tax year by several years.

<sup>7</sup> Only income from specific types of transactions (loans, deposits, letters of credit, fee income or foreign exchange) with foreign persons is IBF eligible.



banking did shift back from the Caribbean facility offshore to New York and it is commonly accepted that the IBF benefit was a major factor. More uncertain is the relationship of the IBF tax benefit to the tremendous growth in foreign bank presence here.

New York City is now recognized as the leading foreign bank center in the world, with more foreign bank offices and agencies than in any other U.S. city. Indeed, as of March 1992, the latest data available, nearly three-quarters of the total assets of U.S. branches and agencies of foreign banks were located in New York. Some foreign bank activity primarily services foreign residents and businesses, so the IBF tax benefit may have contributed to, and certainly benefits, the growth of this sector. However, the largest foreign bank profits here are not related to IBF international transactions, but to U.S.-market activity for which the IBF tax exemption is not a factor. It is therefore likely that the IBF exemption has not fueled the foreign bank presence here, but rather has allowed foreign banks to capitalize on other activities here.

The IBF tax exemption was also intended to generate additional City employment. The exemption cannot be credited with producing significant direct employment gains for New York, since IBF activities require few personnel and the establishment of an IBF often involves merely the creation of a new set of bank books. Increased employment opportunities have certainly resulted from the overall strengthening of the City's banking industry and its position as an international financial center but, as discussed above, it is impossible to attribute this directly to the IBF tax benefit.

An important consideration in evaluating a tax expenditure is whether the City could recoup the money if the benefit were to be eliminated. Evidence suggests that elimination of the IBF benefit might not increase City revenues since technological advances in telecommunications have made the booking of bank transactions increasingly flexible. IBF accounts might be shifted to other locations, such as to other states with IBF tax exemptions or abroad to avoid local taxes, although the City could claim the right to audit the out-of-City IBF accounts of NYC-headquartered banks.

## Conclusions

At \$49 million, the IBF tax expenditure is one of the largest non-property City tax expenditures. Although the benefit that the City derives cannot be quantified with certainty and it is clear that there have been no significant direct employment gains, the argument that IBFs help bolster the City's preeminent position as an international financial center has merit. Most importantly, the elimination of this tax exemption might not result in recovered City tax revenues since IBF activities could possibly be booked to another jurisdiction.

However, audit and tax data suggest that the IBF law contains an unintended tax benefit or "loophole" which could be closed: the current optional use of the "separate books" method to calculate the IBF deduction. Eliminating this option and requiring the use of the formula allocation method would minimize the City's revenue exposure from the IBF tax expenditure and assist tax auditors to better monitor IBF activities.

## **ENERGY COST SAVINGS PROGRAM (ECSP)**

### **Introduction**

In May 1985 NYC Local Law No. 54 established the New York City Energy Cost Savings Program (ECSP) as an incentive for businesses to expand operations in or relocate to designated areas of the City. The tax expenditure for the ECSP is valued at \$11 million for calendar year 1991.

The ECSP provides cost savings to industrial and commercial companies that relocate to Manhattan north of 96th Street or any other borough from Manhattan south of 96th Street, certain areas of Brooklyn and Queens or outside the City. Certain business expansions or improvements may also qualify for ECSP benefits. The program provides a 30 percent reduction in electricity charges and a 20 percent reduction in natural gas charges for eight years, with a gradual phase-out of the reduction during the following four years. The utility companies receive a credit on the Utility Tax as reimbursement for the reduction in energy bills passed through to the consumer. (See page 113 for a detailed description of the program.)

The goal of the ECSP is to keep the City energy-cost competitive relative to surrounding jurisdictions and to stem the loss of jobs to less costly locations. The ECSP, along with other local economic development-related tax incentive programs, was implemented during a period of significant expansion in the City economy when steeply rising costs in Manhattan's major business districts led many companies to consider relocating or expanding in other locations. The City was especially vulnerable to relocations of large energy-intensive computer facilities.

Several large back-office finance operations are participants in the ECSP. The program has also benefitted a large number of manufacturing companies and other non-financial enterprises.

### **Participant Profile**

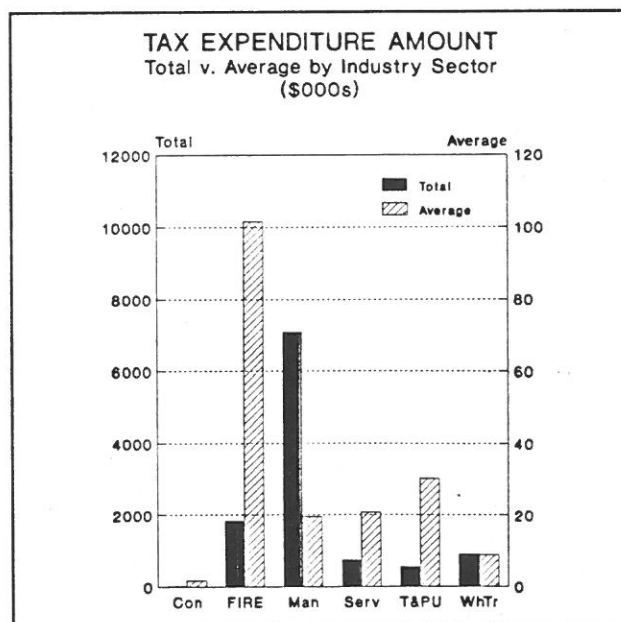
According to the New York City Department of Business Services, which administers the ECSP, 545 businesses received monthly energy cost reductions totaling more than \$11 million in calendar year 1991.

ECSP PARTICIPANT PROFILE CALENDAR YEAR 1991				
	NUMBER OF FIRMS	EXPEND. AMOUNT		AVERAGE PER FIRM
MANUFAC.	362	\$ 7,081,402	63.8%	\$ 19,562
FIRE	18	1,829,259	17.8%	101,626
WHOLE.	102	905,584	8.2%	8,878
SERVICES	35	728,090	6.6%	20,803
TRAN. & P.U	18	545,385	3.6%	30,299
CONSTRUC.	10	16,744	0.2%	1,674
TOTAL	545	\$11,106,465		\$ 20,379

Manufacturers comprise two-thirds of both the number of firms receiving ECSP benefits and the total program cost. Nearly 50 percent of these manufacturing beneficiaries are apparel, food product, metal and printing firms. The remaining manufacturers are engaged in a wide variety of activities. The FIRE sector accounts for approximately 3 percent of program participants but nearly 18 percent of program costs. In contrast, the Wholesale Trade sector accounts for the second largest number of ECSP participants, close to 20 percent, but only a small portion of total program costs.

Although the average annual benefit per firm is \$20,379, the value of ECSP benefits varies widely by sector. For FIRE participants, high energy requirements associated with data processing back-office operations drive the average ECSP cost to \$101,626. The value of ECSP benefits for businesses in the Manufacturing, Services or Transportation & Public Utilities sectors ranges between approximately \$20,000 and \$30,000 on average. The Wholesale Trade sector average benefit is \$8,878 per firm. The Construction sector has the smallest average benefit at \$1,674 per business. The low average cost for construction firms is primarily due to their labor-intensive off-site activities, with minimal office space needs.

Almost 80 percent of ECSP participants are located in Queens and Brooklyn, 42 percent and 37 percent, respectively. Only 15 percent of the participants are in the Bronx, 3 percent in Manhattan (where eligibility is restricted geographically) and 2 percent in Staten Island. The borough distribution of ECSP benefits is





roughly the same as the participant distribution.

### **Energy Costs and Incentive Programs in the Metropolitan Area**

In NYC, the ECSP may be supplemented by other energy-related programs provided directly by utility companies. Businesses may be eligible for Con Edison electric rate reductions by moving into vacant or newly constructed buildings or into designated economically distressed areas. Con Ed allocation contracts with the New York State Power Authority enable the utility to deliver energy at reduced rates to manufacturing businesses. Brooklyn Union Gas also offers rate reductions to encourage businesses to start-up and expand in vacant space.

In New Jersey, the New Jersey Public Service Electric and Gas Company offers electric rate discounts to new or expanding businesses in economically distressed zones. In Long Island, there are no energy specific incentives for businesses.

Energy costs in the metropolitan region and the savings provided by the various incentive programs for selected industries are shown in the table below. The data in this table were taken from an analysis of energy costs in selected industries and locations in the New York City metropolitan area conducted by the Economic Policy and Marketing Group (EPMG) of the New York City Deputy Mayor of Economic Development and Finance's office.

According to the EPMG study, New York City's energy benefits make the City cost competitive relative to New Jersey and Long Island. Back office operations receive the greatest benefit from City energy incentive programs. For front office operations, the programs create a slight energy cost advantage in the non-Manhattan boroughs compared to New Jersey. For manufacturing firms, which represent two-thirds of ECSP participants, ECSP and other energy cost reduction programs make NYC energy cost competitive compared to New Jersey, even though ECSP benefits per firm are relatively small.

ANNUAL ENERGY COSTS - 1990  
TYPICAL FIRMS IN SELECTED INDUSTRIES  
NEW YORK CITY METROPOLITAN AREA  
(\$000)

		TOTAL COST	ENERGY BENEFITS		NET COST	TOTAL SAVINGS
			ECSP	ALL OTHER		
BACK OFFICE DATA CENTER	Manhattan	\$1,361	\$ 0	\$150	\$1,211	11%
	Non-Manhattan	1,361	359	138	865	36%
	New Jersey	1,000	0	73	927	7%
	Long Isl.	1,806	0	0	1,806	0%
FRONT OFFICE	Manhattan	353	0	43	310	12%
	Non-Manhattan	353	90	43	220	38%
	New Jersey	257	0	23	234	9%
	Long Isl.	419	0	0	419	0%
PRINTING FIRM	Manhattan	34	9	8	18	47%
	Non-Manhattan	34	9	8	18	47%
	New Jersey	23	0	3	20	12%
	Long Isl.	35	0	1	34	3%
APPAREL	Manhattan	13	3	1	9	31%
	Non-Manhattan	13	3	1	9	31%
	New Jersey	8	0	1	7	13%
	Long Isl.	N.A.				-

SOURCE: NYC Economic Policy and Marketing Group, 7/91

### Program Evaluation

In calendar year 1991 the cost of the ECSP was approximately \$11 million. A break-even analysis using employment data reported by ECSP participants at the time of application and statistics of average tax revenues per employee indicates that about 4,200 jobs must have been created or retained in the City directly because of ECSP to justify the cost of the program. Thus, one out every eleven jobs, or 9 percent of the estimated job total of 46,000 reported by ECSP recipients must be attributable to the ECSP. The break-even point varies only slightly by industry sector, ranging between 4 percent for construction jobs to 12 percent for jobs in the Services industry.

Of course, the role of energy cost savings in business location decisions must be examined in

relation to overall operating costs. Energy costs in many industries constitute a relatively small portion of total business operating costs. For example, for back office, front office, printing and apparel firms in the NYC metropolitan area, labor and occupancy expenses far outweigh energy expenses as a cost of doing business. Excluding the firms' cost of goods and funds, energy costs make up, on average, only 3 percent of total operating costs, ranging from 6 percent for front offices with data processing capabilities to less than 1 percent for apparel firms. Nevertheless, although other cost factors may play a more important role in business location decisions, energy costs can be an important factor in determining a company's profit margin.

### Conclusion

The ECSP break-even point is significantly lower than other New York City tax expenditure programs. The Fiscal Year 1991 Tax Expenditure Report estimated the break-even percentage for non-taxation of insurance companies at 35 percent and for the Relocation and Employment Assistance Program (REAP) at 27 percent. The 9 percent break-even point for ECSP indicates that, on a per employee basis, the City's expenditure for ECSP is relatively cost-efficient.

However, energy costs represent only a small portion of business operating costs and expansion or relocation decisions for a business are often governed by many other factors including proximity to customers and markets. All of these factors must be considered in evaluating the effectiveness of a program such as ECSP in retaining City businesses.



## DETAILED PROGRAM DESCRIPTION

Relocations Businesses qualify for ECSP if they relocate to Manhattan north of 96th Street or any of the other boroughs from Manhattan south of 96th Street, Fulton Ferry in Brooklyn, Long Island City in Queens or outside the City.

Expansions/Improvements Businesses also qualify for ECSP benefits if they (1) occupy newly developed, expanded or improved space that qualifies for the City's Industrial and Commercial Incentive Program (ICIP), (2) undertake certain projects financed with bonds issued by the New York City Industrial Development Agency; (3) occupy space in certain City or State owned projects in the City except in Manhattan below 96th Street; or (4) occupy space in a building primarily used for manufacturing activity where building improvements total at least 20 percent of assessed value.

An ECSP eligible business, or "participant", which purchases electricity or gas from a utility supervised by the Public Service Commission is entitled to receive from the utility a special rebate certificate. The participant applies the rebate amount toward its outstanding monthly utility bills. In turn, the utility deducts the total amount of rebates from its utility gross receipts tax payments.

An eligible business which purchases electricity or gas from a non-Public Service Commission vendor of utility services, such as a landlord, can receive a special rebate in the same manner described above if the vendor elects to participate in the program. If the vendor does not elect to participate, the eligible energy user can qualify for a direct tax credit instead. In addition, a fuel service vendor which has made discounts to a landlord may claim a tax credit for the amount of the discounts made during the taxable year.



## **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 Tax Expenditure Report 1992-1993 (February 1992). Second, revenue estimates are provided for sales tax expenditures for which the Department of Finance has data. Finally, a table is provided comparing New York City sales tax policy regarding the exemption of services with the policies of major states. Data for this table were excerpted from a Federation of Tax Administrators (FTA) analysis of the issue.

#### **Personal Income Tax Expenditure**

The Personal Income Tax section provides a list of tax expenditures based on 1991 law, and two tables showing components of income and modifications to income of New York City resident filers in 1989. These tables are derived from a statistical sample of 1989 Personal Income Tax returns created by the New York State Department of Taxation and Finance.

## **Part V: Sales Tax**

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## NEW YORK CITY SALES TAX EXPENDITURES

New York City generally imposes the sales and use tax on the same products and services to which the statewide sales and use tax applies. The following list identifies the sales tax expenditures common to both the State and the City unless otherwise noted. This list was derived from the New York State Department of Taxation and Finance, Tax Expenditure Report 1992-1993, (February 1992).

### Services

- Interstate and international telephone and telegraph service
- Certain information services <sup>1</sup>
- 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
- Promotional materials mailed out of state
- Certain parking and garaging services
- Certain protective and detective services
- Certain information services delivered through telephone or telegraph services
- Cable television

### Food

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

### Medical

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

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



## **Sales Tax**

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### **Energy**

Sales of energy sources for particular uses <sup>2</sup>

### **Transportation**

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

### **Communication**

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

### **Industry**

Sales of certain tools and supplies used in production <sup>3</sup>  
Farming exemption  
Research and development property  
Machinery and equipment used in production  
Wrapping and packaging materials  
Fishing vessels

### **Miscellaneous**

Property sold through vending machines at 10 cents or less  
Trade-in allowances

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<sup>2</sup> The City taxes sales of energy sources used in the production process. However, the City grants taxpayers a refundable credit against their business taxes for sales taxes paid on purchases of electricity used in the production process. The City also taxes energy sources used for residential purposes.

<sup>3</sup> Retail sales of parts with a useful life of one year or less and tools and supplies used in conjunction with production machinery and equipment are subject to City taxation.

Hotel room rents paid by a permanent resident or where rent is less than two dollars per day <sup>4</sup>  
Dues for fraternal societies  
Certain store coupons  
Excise taxes imposed on the consumer  
Property sold by morticians  
United States and New York State flags  
Garage sales at private residences  
Portion of receipts from sales of mobile homes  
Sales of used mobile homes  
Sales of race horses through claiming races  
Certain racehorses purchased outside the state  
Training and maintaining racehorses  
Property sold to contractor for capital improvements or repairs for exempt organizations  
Property donated by manufacturer to tax exempt organization  
Sales and use taxes paid to other states  
Precious metal bullions and coins  
Computer software transferred to affiliated corporations  
Services to computer software  
Self-use of computer software by its author

### Exempt Organizations

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

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<sup>4</sup> The City defines permanent resident as an occupant of a hotel room for at least 180 consecutive days while the State defines permanent resident as an occupant for at least 90 consecutive days.

## **Sales Tax**

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### **Exempt Admission Charges**

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

### **Credits**

Credit for tangible property which is incorporated  
into real property outside the State  
Credit for bulk purchases outside the State  
Credit for tangible property sold by contractors  
in certain situations  
Credit for tangible property assembled in State,  
but shipped outside the State  
Credit for certain veterinary drugs  
Credit for construction materials and supplies used  
in Economic Development Zones <sup>5</sup>  
Credit for omnibus carriers providing local transit service

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<sup>5</sup> The City did not grant this sales tax credit.

Table 8

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

Tax Year 1991

(\$ Million)	
Program	Amount
Interstate and International Telephone and Telegraph .....	62
Aviation Fuel Sold to Airlines .....	38
Newspaper and Periodicals .....	38
Production Machinery and Equipment .....	20
Water Delivered Through Mains or Pipes .....	17
Cable Television .....	14
Airline Food and Drink for In-Flight Consumption .....	4

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

## **Sales Tax**

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### **Interstate and International Telephone and Telegraph**

**Citation**

Tax Law Section 1105(b)

**Description**

Interstate and international telephone and telegraph services are tax exempt.

**Estimate**

\$62 million

**Data Source**

Federal Communications Commission

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

**Citation**

Tax Law Section 1115(a)(9)

**Description**

Aviation fuel sold to airlines is tax exempt.

**Estimate**

\$38 million

**Data Source**

Port Authority of New York and New Jersey

## **Newspapers and Periodicals**

### **Citation**

Tax Law Section 1115(a)(5)

### **Description**

Newspapers and periodicals are exempt from sales and use tax.

### **Estimate**

\$38 million

### **Data Sources**

New York City Newspapers  
Magazine Publishers of America

## **Production Machinery and Equipment**

### **Citation**

Tax Law Section 1115(a)(12)

### **Description**

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

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

### **Tax Expenditure**

\$20 million

### **Data Source**

New York City Department of Finance



## **Sales Tax**

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### **Water Delivered Through Mains or Pipes**

**Citation**

Tax Law Section 1115(a)(2)

**Description**

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

**Estimate**

\$17 million

**Data Source**

NYC Department of Environmental Protection

### **Cable Television Service**

**Citation**

Tax Law Section 1105(c)(9)

**Description**

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

**Estimate**

\$14 million

**Source**

New York State Commission on Cable Television

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

**Citation**

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

**Description**

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

**Estimate**

\$4 million

**Data Sources**

Port Authority of NY and NJ

Air Transport World

### SALES TAXATION OF SERVICES

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

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								Total No. of Taxing States
	NJ 7%	CT 6%	MA 5%	PA 6%	FL 6%	CA 7.25%	TX 6%	IL 6.25%	
<b>Admissions &amp; Amusements</b>									
Admission to cultural events	Tax	Tax	--	--	Tax	--	Tax	--	30
Billiard parlors	--	--	--	--	Tax	--	Tax	--	21
Bowling alleys	--	--	--	--	--	--	Tax	--	23
Cable TV services	--	--	--	--	Tax	--	Tax	--	22
Pari-mutuel racing events	--	Tax	--	--	Tax	--	Tax	--	26
Pinball & other mechanical amusements	--	Tax	--	--	Tax	--	--	--	22
<b>Automotive road &amp; towing services</b>	Tax	Tax	--	--	--	--	--	--	14
<b>Business Services</b>									
Advertising agency fees	--	Tax	--	--	--	--	--	--	6
Advertising time or space sales	Tax	--	--	--	--	--	--	--	4
Outdoors	--	--	--	--	--	--	--	--	3
Radio, television & publishing	Tax	--	--	--	--	--	--	--	4
Bail bond fees	--	--	--	--	--	--	--	--	5
Check & debt collection	--	--	--	Tax	--	Tax	--	--	8
Commercial art & graphic design	--	Tax	--	Tax	--	--	Tax	--	13
Commercial launderers	--	--	--	Tax	--	--	Tax	--	31
Employment agencies	--	Tax	--	Tax	--	--	--	--	9
Lobbying & consulting	--	Tax	--	Tax	--	--	--	--	8
Marketing	--	--	--	--	--	--	--	--	6
Packing & crating	--	--	--	--	--	--	--	--	8
Process server fees	--	--	--	--	--	--	--	--	6
Public relations, management consulting	--	Tax	--	--	--	--	--	--	7
Secretarial &/or court reporting services	--	Tax	--	Tax	--	--	--	--	9

Data for this table were excerpted from FTA Research Report No. 137, Sales Taxation of Services: Who Taxes What? (April 1991), with updates of the sales tax changes in the states enumerated above.

Tax = taxed; -- = exempt

In California, 0.5 percentage point of the sales tax rate is temporary and will expire on June 30, 1993.

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

## Sales Tax

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								Total No. of Taxing States
	NJ 7%	CT 6%	MA 5%	PA 6%	FL 6%	CA 7.25%	TX 6%	IL 6.25%	
Business Services, continued									
Sign construction & installation	--	Tax	--	--	--	--	--	--	9
Telemarketing services on contract	--	--	--	--	--	--	--	--	6
Temporary help agencies	--	Tax	--	Tax	--	--	--	--	9
Test laboratories (excluding medical)	--	--	--	--	--	--	--	--	7
Computer Services									
Mainframe access & processing	--	Tax	--	Tax	Tax	--	Tax	--	11
Software - custom programs - material	--	Tax	--	--	Tax	--	Tax	--	27
Software - custom programs - services	--	Tax	--	Tax	--	--	Tax	--	16
Construction									
Construction services	--	Tax	--	--	--	--	Tax	--	10
Gross income of contractors	--	Tax	--	--	--	--	Tax	--	10
Water well drilling	--	--	--	--	--	--	--	--	9
Finance, Insurance and Real Estate									
Bank service charges	--	--	--	--	--	--	--	--	3
Insurance services	--	--	--	--	--	--	Tax	--	6
Investment counseling	--	--	--	--	--	--	--	--	6
Loan broker fees	--	--	--	--	--	--	--	--	6
Property sales agents	--	--	--	--	--	--	--	--	5
Real estate management fees	--	--	--	--	--	--	--	--	5
Real estate title abstract services	--	--	--	--	--	--	--	--	5
Industrial and Mining Services									
Metal, non-metal & coal mining	--	--	--	--	--	--	--	--	6
Oil field services	--	--	--	--	--	--	Tax	--	10
Seismograph & geophysical services	--	--	--	--	--	--	--	--	7
Typesetting services	--	Tax	--	Tax	--	Tax	Tax	--	16
Leases & Rentals									
Chartered flights (with pilots)	Tax	--	Tax	--	--	--	--	--	11
Trailer parks - overnight	--	--	--	--	Tax	--	--	--	30
Packing & crating	--	--	--	--	--	--	--	--	7
Personal services									
Dating services	--	Tax	--	--	--	--	Tax	--	8
Debt counseling	--	--	--	--	--	--	--	--	6

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								Total No. of Taxing States
	NJ 7%	CT 6%	MA 5%	PA 6%	FL 6%	CA 7.25%	TX 6%	IL 6.25%	
Personal Services, continued									
Diaper service	--	--	--	--	--	--	Tax	--	23
Fishing & hunting guide services	--	--	--	--	--	--	--	--	9
Garment altering & repairing	--	Tax	--	--	Tax	--	Tax	--	20
Gift & package wrapping services	--	--	--	--	--	--	Tax	--	10
Income from funeral services	--	--	--	--	Tax	--	--	--	15
Laundry & dry cleaning, coin operated	--	--	--	--	--	--	--	--	10
Laundry & dry cleaning, non-coin	--	--	--	--	--	--	Tax	--	20
Personal instruction (golf,dance,tennis)	--	--	--	--	--	--	--	--	6
Shoe repair	--	Tax	--	--	Tax	--	Tax	--	19
Tax return preparation	--	Tax	--	--	--	--	--	--	7
Water softening & conditioning	--	--	--	Tax	--	--	--	--	11
Professional Services									
Accounting & 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	--	--	--	12
Labor repairs to interstate vessels	--	Tax	--	Tax	Tax	--	--	--	11
Travel agent services	--	--	--	--	--	--	--	--	4
Utilities - Industrial									
Interstate telephone & telegraph	Tax	Tax	Tax	--	Tax	--	Tax	Tax	20
Water	--	--	--	--	--	--	--	--	22
Utilities - Residential									
Interstate telephone & telegraph	Tax	Tax	Tax	--	--	--	Tax	Tax	19
Water	--	--	--	--	--	--	--	--	12



## Sales Tax

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								<i>Total No. of Taxing States</i>
	NJ 7%	CT 6%	MA 5%	PA 6%	FL 6%	CA 7.25%	TX 6%	IL 6.25%	
Utility & Transportation									
Income from intrastate transportation	--	--	--	--	--	--	--	--	11
Income from taxi operations	--	--	--	--	--	--	--	--	7
Interstate air courier (billed in-state)	--	--	--	--	--	--	--	--	1
Intrastate courier service	--	--	--	--	--	--	--	--	4
Local intra-city buses	--	--	--	--	--	--	--	--	8
Marina towing	--	--	--	--	Tax	--	--	--	8
Veterinary Services	--	--	--	--	--	--	--	--	4

## **Part V: Personal Income Tax**

## **Personal Income Tax**

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### **NEW YORK CITY PERSONAL INCOME TAX**

#### **New York City Personal Income Tax Modifications, 1991**

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

#### **Federal Exclusions to Income**

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

#### **New York State Modifications**

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

### **New York State Modifications, continued**

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

### **New York State Deductions and Exemptions**

#### **Standard Deduction**

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

#### **Itemized Deductions**

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

#### **Personal Exemptions**

- Exemptions for dependents

### **New York City Credit**

Household Credit

## Personal Income Tax

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

The data presented in this section regarding the 1989 New York City Personal Income Tax (PIT) are based on a statistical sample of approximately 34,000 New York City personal income tax returns prepared by the New York State Department of Taxation and Finance. The total number of New York City resident returns filed exceeded 2.8 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 \$20.6 million in 1989.

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

New York State adjustments to federal income, such as the pension exclusion, U.S. government bond interest, and state and local tax refunds, reduced Federal AGI by four percent, from \$99.2 billion to \$95.1 billion. Of the \$22.3 billion in deductions applied against New York AGI, approximately three-quarters was attributable to the standard deduction. Dependent exemptions totalling \$1.6 billion brought taxable income to \$71.3 billion. The \$2.1 billion liability attributable to this taxable income reflects an overall average tax rate of 2.9 percent.

Table 9

**NEW YORK CITY PERSONAL INCOME TAX  
COMPONENTS OF ADJUSTED GROSS INCOME (AGI)  
TAX YEAR 1989  
(\$ Millions)**

INCOME

Wages	71,223
Dividend/Interest	12,338
Business Income	5,093
Capital Gains	6,735
SSI, Pension, IRA	3,863
Other Income <sup>a</sup>	869
Federal Adjustments <sup>b</sup>	(914)

FEDERAL AGI 99,207

NY ADJUSTMENTS

Pension Exclusion	(1,550)
US Gov't Bond Interest	(1,551)
State & Local Tax Refunds	(571)
Taxable Social Security	(632)
Other	(732)

NY AGI <sup>c</sup> 95,142

Notes: <sup>a</sup> Other Income includes taxable tax refunds, unemployment compensation and alimony received.

<sup>b</sup> Federal Adjustments include IRA and Keogh plan contributions and alimony paid.

<sup>c</sup> NY AGI cannot be less than zero, unlike Federal AGI, which may have negative values.



Table 10

**NEW YORK CITY PERSONAL INCOME TAX  
SUMMARY OF DEDUCTIONS AND CREDITS  
TAX YEAR 1989  
(\$ Millions)**

**DEDUCTIONS**

ITEMIZED		
Taxes Paid	4,529	
Less Income Taxes	(3,825)	
Allowable Taxes	704	
Interest	3,775	
Contributions	1,401	
Medical expenses	488	
2% Miscellaneous <sup>a</sup>	866	
Other Miscellaneous <sup>b</sup>	119	
Adjustments <sup>c</sup>	(44)	
Subtotal	7,309	
High-income Limitation <sup>d</sup>	(973)	
TOTAL ITEMIZED	6,336	
STANDARD DEDUCTION	17,349	
UNUSED DEDUCTIONS <sup>e</sup>	(1,395)	
TOTAL DEDUCTIONS APPLIED		22,290
EXEMPTIONS		1,563
TAXABLE INCOME		71,289
NYC TAX	2,061	
NYC Household Credit	(21)	
Other Taxes <sup>f</sup>	4	
NYC TAX LIABILITY		2,044

Notes: <sup>a</sup> 2% Miscellaneous deductions are expenses such as education and employee expenses subject to a 2% of AGI threshold.

<sup>b</sup> Other Miscellaneous deductions include casualty & theft losses, moving expenses and other items not subject to the 2% threshold.

**Table 10**  
(continued)

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- Notes: <sup>c</sup> Adjustments are minor New York State items affecting partners and subchapter S corporation shareholders.
- <sup>d</sup> High-income limitation reduces itemized deductions by up to 20% for filers with NYAGI exceeding \$100,000.
- <sup>e</sup> Unused deductions represent the amount by which the allowable deductions exceed NYAGI.
- <sup>f</sup> Other Taxes include the New York City minimum tax.



## **PART VI**

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

#### **Introduction**

In accordance with the requirements of the City Charter, this section includes summaries of audits and evaluations of City tax expenditures conducted during the previous two years. For tax expenditure reporting purposes in fiscal 1992, two evaluations meet this criterion.

## Audits and Evaluations

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### New York City Department of Finance, Annual Report to the City Council on the Industrial and Commercial Incentive Program, April 1991

#### Summary

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

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

In fiscal 1991, the ICIP included nearly 1,100 projects either receiving or eligible for exemption from real estate taxes. There were 708 projects Citywide receiving benefits totalling \$110 million, and an additional 303 projects which carry no exempt value but are eligible for this benefit. As of March 31, 1991 there were also 984 preliminary applications for ICIP benefits on file with the Department. More than 80% of the projects are for commercial purposes, and over 90% of the projects (665), with benefits of \$37.6 million, are located outside Manhattan. Although 78% of the ICIP projects have construction costs of less than \$1 million, the bulk of the benefits (84%) are going to projects with construction costs exceeding \$10 million. More than half of the dollar benefits granted this year will be repaid to the City, and represent tax deferrals for Manhattan projects.



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**Department of Housing Preservation and Development and Department of Finance, Annual Report J-51 Tax Exemption/Tax Abatement Program (Section 11-243) Fiscal Year 1990**

**Summary**

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

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

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

**Key Findings:**

- The total number of J-51 awards issued increased each year over the period fiscal year 1986-1990. In FY'90 the number of awards issued fell by 22% from the FY89 level. The program benefitted 76,042 dwelling units in FY 1986, and 107,384 in FY 1990.
- The Bronx, with 17% of the City's multiple dwelling units, saw its share of total J-51 benefits granted rise from 18% in 1985 to 22% in 1990. In contrast, Manhattan, with 39.9% of total units, saw its share increase from 22% in 1985 to 25% in 1990. Brooklyn had a small change, rising from 24% of total benefits granted in 1985 to 27% in 1990, and Queens' share dropped from 35% in 1985 to 26% in 1990. Brooklyn and Queens have 26% and 16% of the total multiple dwelling units in the City. Staten Island, which has only 0.1% of the City's multiple dwelling units, saw its share of J-51 benefits decrease from a 0.47% share in 1986 to 0.1% share in 1990.
- MCI's, for which the majority of J-51 benefits were granted, increased significantly in



## Audits and Evaluations

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Brooklyn, the Bronx and Manhattan, but only slightly in Queens, and declined in Staten Island. Gut rehabilitations remained stable in Manhattan and Brooklyn and increased significantly in the Bronx and Queens, and the rate of moderate rehabilitations remained fairly stable between FY'86 through FY'89, but declined sharply in FY'90 in all boroughs. Conversions have been concentrated almost exclusively in Queens.

- The number of privately financed improvements granted benefits grew over the period FY 1986-89, but fell in FY'90. Government financed projects dropped significantly (76%) in 1986, and in FY'90 (60%).
- Over the FY'86 and FY'88 period the collectable real property tax from all properties receiving J-51 benefits was approximately 65% of the amount that would have been collected each year if the properties had not been granted abatements. In FY'89 this figure increased to 67% and increased again to 69% in FY'90.

## **PART VII**

### **DESCRIPTIONS OF MAJOR NEW YORK CITY TAXES**

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

#### **Banking Corporation Tax**

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

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

- (1) 9 percent of the entire net income allocated to the City;
- (2) 3 percent of alternative entire net income allocated to the City;
- (3) one-tenth of a mill on each dollar of taxable assets allocated to New York City (except that alien banking corporations calculate a tax at the rate of 2.6 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 where the annual base rent is \$11,000 or greater. If the annual base rent is less than \$11,000, there is no tax due.

## Major New York City Taxes

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### General Corporation Tax

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

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

- (1) 8.85 percent of the corporation's entire net income allocated to the City;
- (2) 0.15 percent of the firm's business and investment capital allocated to the City (or 0.04 percent for cooperative housing corporations);
- (3) 8.85 percent of 30 percent of the sum of entire net income plus the compensation paid to corporate officers and certain shareholders, allocated to the City;
- (4) \$300 minimum tax.

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

### Mortgage Recording Tax

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

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

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

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

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

### Personal Income Tax and Non-Resident Earnings Tax

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

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

The personal income tax rates imposed on every resident of New York City for 1991 range from 2.51 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 earning from self-employment.

### Real Property Tax

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

- (1) Class 1 consists of 1, 2, and 3 family residential property, small condominiums, and certain vacant land zoned for residential use;
- (2) Class 2 consists of all other residential property including cooperatives and condominiums;
- (3) Class 3 consists of utility company equipment and special franchises; and
- (4) Class 4 consists of all other real property, such as office buildings, factories, stores, hotels and lofts.

New York City assesses properties at a uniform percentage of market value within each class of real property, applying class specific tax rates to determine tax liability. For fiscal 1992 the real property tax rates are as follows:

- (1) For Class 1, the tax rate is \$10.888 per \$100 of assessed value.
- (2) For Class 2, the tax rate is \$9.885 per \$100 of assessed value.
- (3) For Class 3, the tax rate is \$13.083 per \$100 of assessed value.
- (4) For Class 4, the tax rate is \$10.631 per \$100 of assessed value.

## **Major New York City Taxes**

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### **Real Property Transfer Tax**

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

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

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

For properties other than the residential properties referred to above:

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

### **Sales Tax**

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

In addition, a New York City sales and use tax is imposed on charges for the parking or garaging of motor vehicles. The basic tax rate imposed on the parking charge is 6 percent; an additional 8 percent tax is imposed on parking in Manhattan by non-Manhattan residents.

### **Unincorporated Business Tax**

This tax is imposed on every individual or unincorporated entity carrying on a trade, business or profession wholly or partly within New York City.

The unincorporated business tax is imposed at the rate of 4 percent of taxable income allocable to New York City.



### Utility Tax

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

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





## **APPENDICES**

### **INTRODUCTION**

This section includes:

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

### APPENDIX I

#### NEW YORK CITY CHARTER SECTION 240

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

- a. a listing of all exclusions, exemptions, abatement, 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.

# TAX EXPENDITURE REPORT SUMMARY TABLE

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

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

### APPENDIX III

#### CALCULATION OF AVERAGE NEW YORK CITY TAXES PER WORKER

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

The estimate of average City taxes per worker is the sum, by sector, of average business taxes per worker and average individual taxes per worker. Employment data are for calendar year 1989 and tax data are for tax year 1989, which roughly corresponds to calendar year 1989. The final values are grown to calendar year 1991, according to the growth in the tax liability/employment ratio over the two-year period.

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

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

<u>Industry Sector</u>	<u>Non-Property Taxes Average per worker</u>	<u>All Taxes Average per worker</u>
FIRE	\$2,931	\$4,247
Services	1,757	2,484
Manufacturing	1,980	2,582
Wholesale Trade	2,266	2,593
Retail Trade	1,279	1,889
Construction	1,861	1,861
Trans. & Pub.Utl.	1,746	1,746
Government	912	1,183
<b>All SECTORS</b>	<b>\$1,739</b>	<b>\$2,358</b>



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

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

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

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

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

2. Personal Income Tax (PIT)

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

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

3. Sales Tax (STX)

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

The average individual STX paid per worker is determined from wage and income data for residents and non-residents according to #2, above, combined with BLS Consumer Expenditure Survey data to determine average taxable consumer expenditures at various income levels for



## Appendices

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residents and non-residents. A weighted average of resident and non-resident STX paid is used to determine the average tax per individual worker. The average Sales Tax per sector per worker is the sum of the business share per worker and the individual share per worker.

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

### 4. Commercial Rent Tax

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

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

### 5. Real Property Tax

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

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

### 6. Utility Tax (UTX)

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

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

## APPENDIX IV

### BREAK-EVEN ANALYSIS METHODOLOGY

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

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

For the break-even analysis used in this report, City benefits are measured in average tax revenues generated per job. The calculation of average taxes is based on 1991 City taxes compared to 1991 City employment. It should be noted that the calculation of average taxes is not intended to capture marginal revenues resulting from new employment, either directly or indirectly through "multiplier effects."

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

The following is a description of the specific break-even methodology applied to the Energy Cost Savings Program in Part IV. The analysis was not applied to the International Banking Facility program because direct job creation or retention is not a primary goal of the tax expenditure. A partial break-even analysis using the average value of City personal income and sales taxes paid by local residents is applied to the J-51 program.

#### Energy Cost Savings Program

The tax expenditure cost of the Energy Costs Savings Program (ECSP) is approximately \$11 million in business income and utility tax credits. The \$11 million cost was distributed by industry sector of approved applicants, and compared to values of taxes per worker in those sectors, adjusted for the business income and utility tax credit. Sixty-seven percent of ECSP-related jobs are in Manufacturing where the adjusted value of average taxes per worker is \$2,545; 15 percent are in Finance, Real Estate and Insurance (FIRE) with \$4,185 in taxes per

## Appendices

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worker; 7 percent are in Wholesale Trade, with \$2,546 in taxes per worker; 5 percent are in each Services and Transportation & Public Utilities with \$2,449 and 1,703, respectively, in taxes per worker; and less than 1 percent are in Construction, with \$1,818 in taxes per worker. ECSP costs per sector divided by the value of taxes per worker indicate that in order to break even, ECSP must be directly responsible for retaining 2,782 Manufacturing jobs, 471 FIRE jobs, 297 Service jobs, 356 Wholesale Trade jobs, 297 Service jobs, 237 jobs in Transportation and Public Utilities, and 9 Construction jobs.

## APPENDIX V

### REAL PROPERTY TAX EXPENDITURE

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.

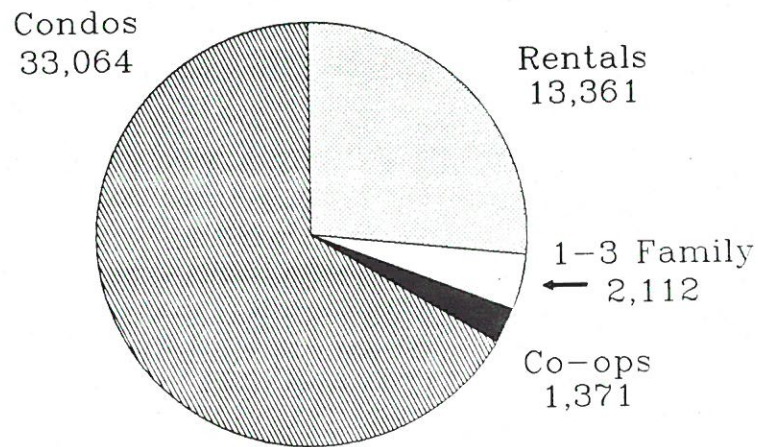
It should be noted that the number of exemptions presented in Part II of this report may not equal the number of properties presented in this appendix. For example, a single property may receive more than one J-51 exemption if the rehabilitation of the property consisted of separate improvements initiated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



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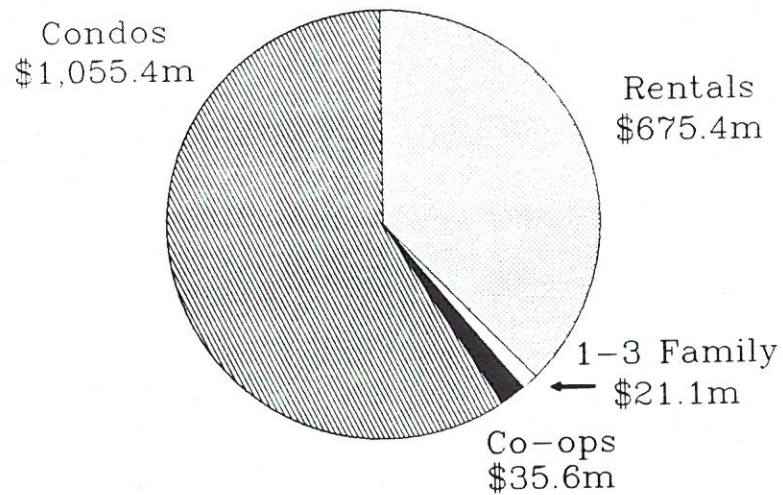
## Distribution of Exemptions by Housing Type 421-A Program

Distribution of Housing Units



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Distribution of Exempt Value



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

Program: <u>421-A Exemption</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	2,112	0	594	735	737	46
	Exempt Assessed Value	\$21.1	\$0.0	\$6.8	\$6.7	\$7.5	\$0.1
	Taxable Assessed Value	\$14.2	\$0.0	\$1.8	\$6.7	\$5.3	\$0.4
Condos	Number of Units	33,064	15,987	739	3,246	6,716	6,376
	Exempt Assessed Value	\$1,055.4	\$797.0	\$19.5	\$54.9	\$128.8	\$55.1
	Taxable Assessed Value	\$599.6	\$495.2	\$4.3	\$10.7	\$57.9	\$31.4
Cooperatives	Number of Units	1,371	769	60	494	48	0
	Exempt Assessed Value	\$35.6	\$27.4	\$1.3	\$5.9	\$1.0	\$0.0
	Taxable Assessed Value	\$48.9	\$39.9	\$1.8	\$6.7	\$0.4	\$0.0
Rentals	Number of Units	13,361	10,809	148	654	1,594	156
	Exempt Assessed Value	\$675.4	\$539.2	\$4.2	\$26.8	\$100.5	\$4.6
	Taxable Assessed Value	\$435.8	\$402.2	\$1.6	\$8.6	\$23.1	\$0.4
Mixed Use <sup>1</sup>	Number of Units	0	0	0	0	16	0
	Exempt Assessed Value	\$0.0	\$13.1	\$0.0	\$0.2	\$1.1	\$0.0
	Taxable Assessed Value	\$0.0	\$1.8	\$0.0	\$0.3	\$0.8	\$0.0
All	Number of Units	49,908	27,565	1,541	5,129	9,111	6,578
	Exempt Assessed Value	\$1,787.5	\$1,376.7	\$31.8	\$94.5	\$238.9	\$59.8
	Taxable Assessed Value	\$1098.5	\$939.1	\$9.5	\$33.0	\$87.5	\$32.2
Number of Properties With Unit Data		34,115	16,052	944	3,571	7,152	6,396
Number of Properties Without Unit Data		518	27	128	100	260	3

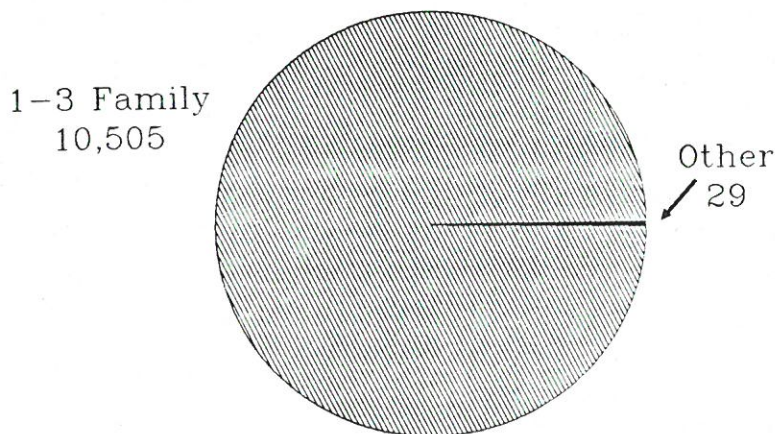
<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.



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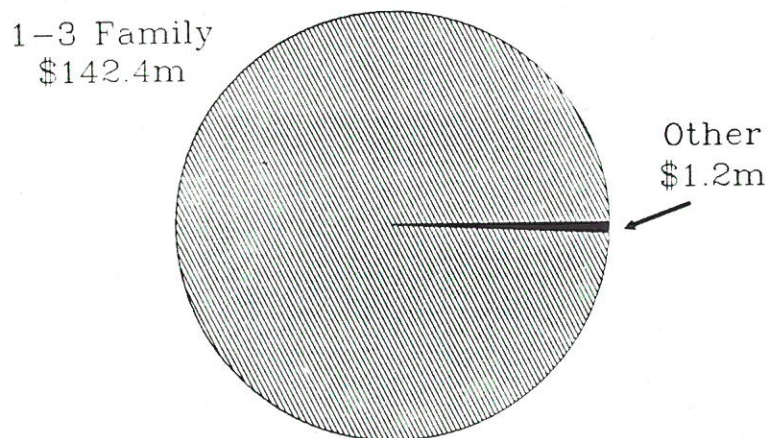
## Distribution of Exemptions by Housing Type 421-B Program

Distribution of Housing Units



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Distribution of Exempt Value



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

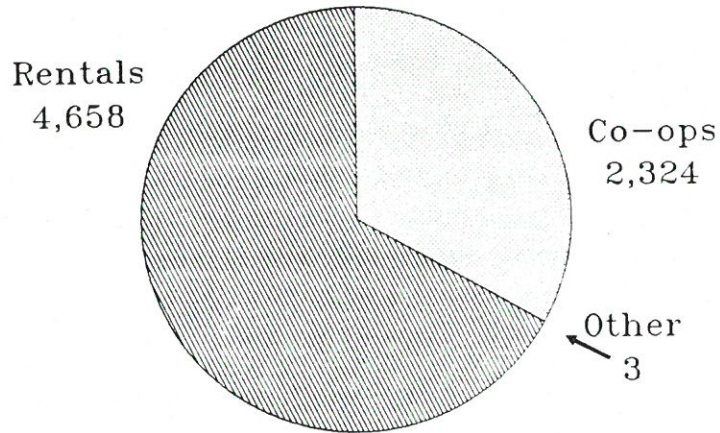
Program: <u>421-B Exemption</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	10,505	19	643	826	1,324	7,693
	Exempt Assessed Value	\$142.4	\$0.1	\$6.7	\$7.5	\$12.7	\$115.4
	Taxable Assessed Value	\$146.1	\$0.7	\$8.0	\$9.4	\$15.8	\$112.3
Condos	Number of Units	20	8	0	10	0	2
	Exempt Assessed Value	\$0.1	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.3	\$0.1	\$0.0	\$0.2	\$0.0	\$0.0
Cooperatives	Number of Units	2	0	0	2	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	7	0	2	0	5	0
	Exempt Assessed Value	\$1.1	\$1.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.4	\$0.2	\$0.0	\$0.0	\$0.1	\$0.0
Mixed Use <sup>1</sup>	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	10,543	27	645	838	1,329	7,695
	Exempt Assessed Value	\$143.6	\$1.2	\$6.7	\$7.5	\$12.7	\$115.4
	Taxable Assessed Value	\$146.8	\$1.0	\$8.0	\$9.6	\$15.9	\$112.3
Number of Properties With Unit Data		7,551	15	456	450	809	5,821
Number of Properties Without Unit Data		6,883	1	401	346	209	5,926

<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.

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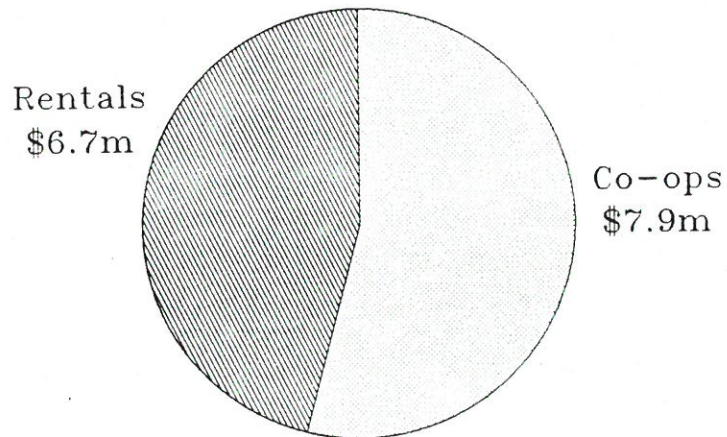
Distribution by Housing Type  
HPD Division of Alternative  
Management Programs (DAMP)

Distribution of Housing Units



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Distribution of Exempt Value



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

Program: <u>HPD Division of Alternative Management Programs (DAMP)</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	3	3	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	0.0	0.0	0.0	0.0	0.0	0.0
Cooperatives	Number of Units	2,324	1,405	544	375	0	0
	Exempt Assessed Value	\$7.9	\$5.8	\$0.9	\$1.3	\$0.0	\$0.0
	Taxable Assessed Value	\$9.1	\$5.7	\$2.1	\$1.4	\$0.0	\$0.0
Rentals	Number of Units	4,658	1,482	2,100	1,070	6	0
	Exempt Assessed Value	\$6.7	\$3.4	\$2.3	\$1.1	\$0.0	\$0.0
	Taxable Assessed Value	\$16.7	\$5.9	\$7.1	\$3.7	\$0.0	\$0.0
Mixed Use <sup>1</sup>	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	6,985	2,890	2,644	1,445	6	0
	Exempt Assessed Value	\$14.6	\$9.2	\$3.2	\$2.4	\$0.0	\$0.0
	Taxable Assessed Value	\$25.8	\$11.6	\$9.2	\$5.1	\$0.0	\$0.0
Number of Properties With Unit Data		255	125	71	58	1	0
Number of Properties Without Unit Data		1	1	0	0	0	0

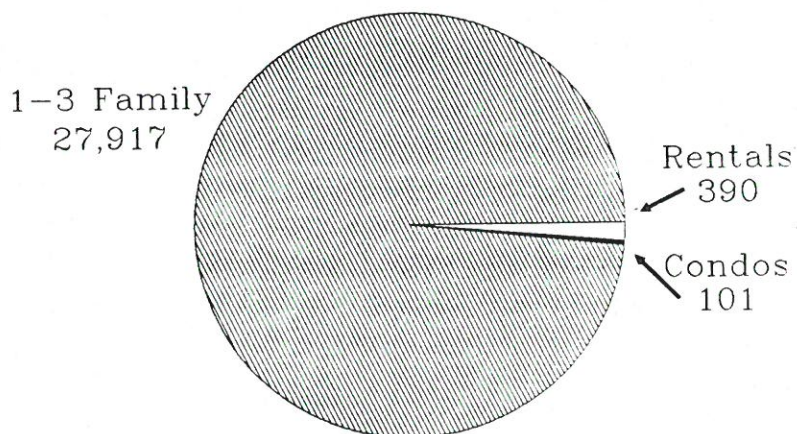
<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.



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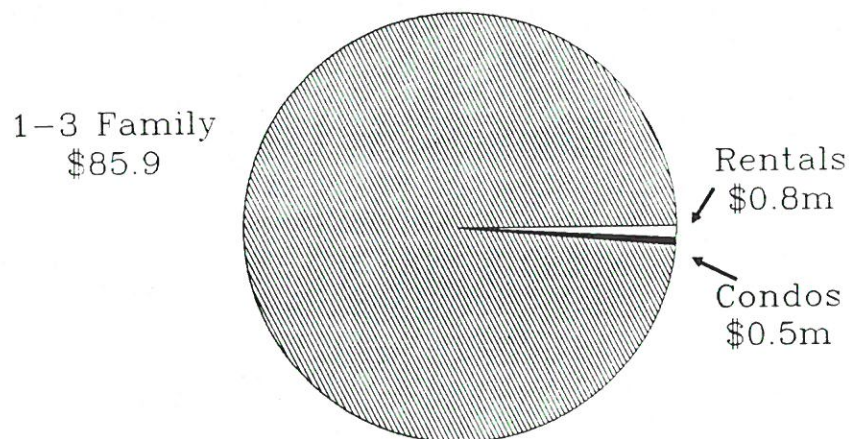
## Distribution by Housing Type Senior Citizen Homeowner Exemption

Distribution of Housing Units



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Distribution of Exempt Value



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

Program: <u>Senior Citizen</u> <u>Homeowner Exemption</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	27,917	82	3,979	8,924	12,874	2,058
	Exempt Assessed Value	\$85.9	\$0.2	\$10.0	\$25.9	\$40.9	\$8.9
	Taxable Assessed Value	\$125.5	\$0.3	\$20.8	\$29.4	\$64.6	\$10.4
Condos	Number of Units	101	8	62	0	25	6
	Exempt Assessed Value	\$0.5	\$0.1	\$0.2	\$0.0	\$0.2	\$0.0
	Taxable Assessed Value	\$0.6	\$0.2	\$0.2	\$0.0	\$0.2	\$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	390	39	45	243	59	4
	Exempt Assessed Value	\$0.8	\$0.0	\$0.1	\$0.5	\$0.1	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.1	\$0.5	\$0.1	\$0.0
Mixed Use <sup>1</sup>	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	28,408	129	4,086	9,167	12,958	2,068
	Exempt Assessed Value	\$87.2	\$0.3	\$10.3	\$26.4	\$41.2	\$8.9
	Taxable Assessed Value	\$126.9	\$0.5	\$21.1	\$29.9	\$64.9	\$10.5
Number of Properties With Unit Data		16,041	48	1,836	4,866	7,609	1,682
Number of Properties Without Unit Data		69	6	37	15	3	12

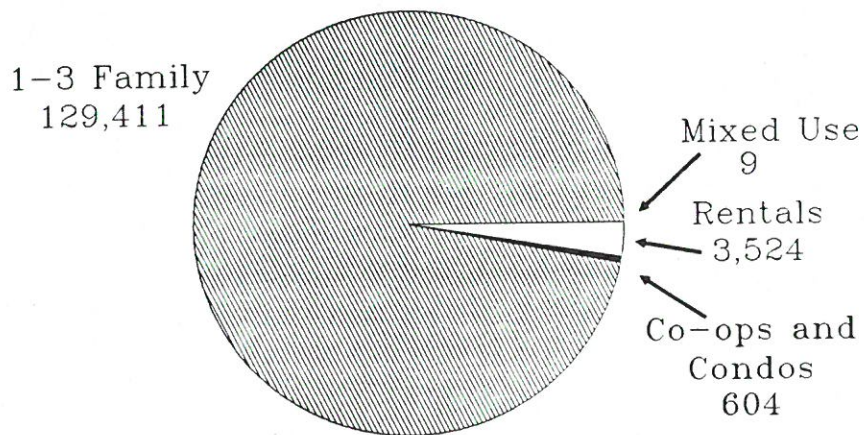
<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.



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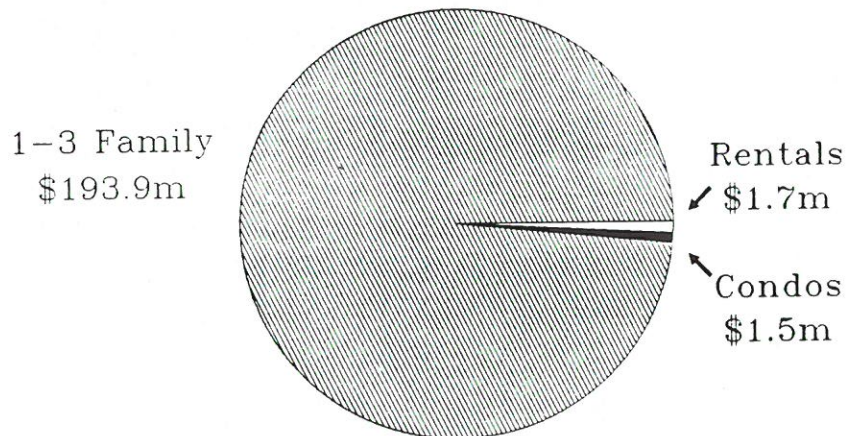
## Distribution by Housing Type Veterans' Exemption

### Distribution of Housing Units



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### Distribution of Exempt Value



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

Program: Veteran's Exemption

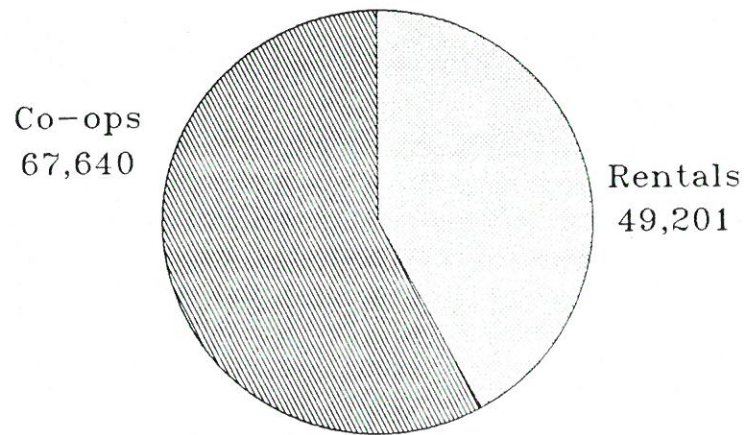
(\$ Millions)

		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	129,411	327	14,170	34,856	59,176	20,882
	Exempt Assessed Value	\$193.9	\$0.4	\$14.9	\$48.8	\$87.7	\$42.1
	Taxable Assessed Value	\$1,066.7	\$8.4	\$108.9	\$241.8	\$499.7	\$207.9
Condos	Number of Units	597	83	50	6	319	139
	Exempt Assessed Value	\$1.5	\$0.2	\$0.1	\$0.0	\$1.0	\$0.4
	Taxable Assessed Value	\$10.6	\$3.5	\$0.4	\$0.1	\$5.2	\$1.4
Cooperatives	Number of Units	7	7	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.2	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	3,524	397	325	1,747	819	236
	Exempt Assessed Value	\$1.7	\$0.2	\$0.1	\$1.0	\$0.4	\$0.1
	Taxable Assessed Value	\$21.1	\$5.4	\$1.4	\$8.2	\$4.2	\$1.8
Mixed Use <sup>1</sup>	Number of Units	9	0	0	3	4	2
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.5	\$0.0	\$0.0	\$0.1	\$0.1	\$0.2
All	Number of Units	133,548	814	14,545	36,612	60,318	21,259
	Exempt Assessed Value	\$197.1	\$0.8	\$15.1	\$49.8	\$89.1	\$42.6
	Taxable Assessed Value	\$1,099.1	\$17.4	\$110.7	\$250.2	\$509.2	\$211.3
Number of Properties							
With Unit Data		82,683	296	6,283	20,973	37,903	17,229
Number of Properties							
Without Unit Data		357	2	201	52	43	60

<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.

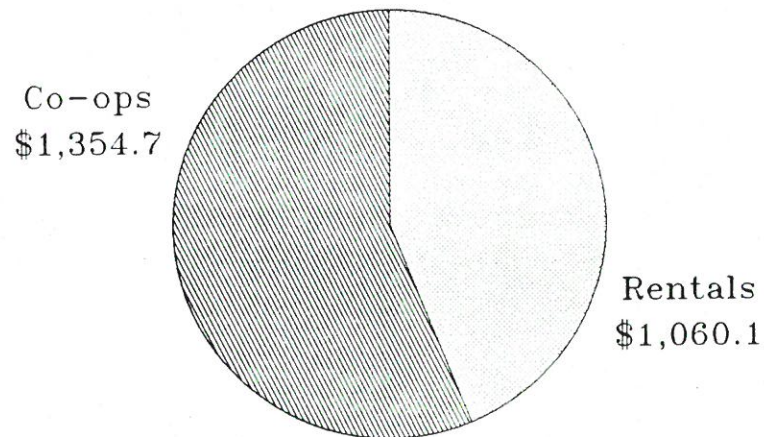
## Distribution by Housing Type Limited Profit Housing (Mitchell-Lama)

### Distribution of Housing Units



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### Distribution of Exempt Value



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

Program: Limited Profit Housing  
(Mitchell-Lama)

(\$ Millions)

		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
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	67,640	18,523	23,775	14,122	11,220	0
	Exempt Assessed Value	\$1,354.7	\$475.7	\$426.5	\$267.2	\$185.3	\$0.0
	Taxable Assessed Value	\$14.6	\$1.8	\$2.4	\$10.4	\$0.0	\$0.0
Rentals	Number of Units	49,201	14,140	13,856	15,210	5,005	990
	Exempt Assessed Value	\$1,060.1	\$441.0	\$223.1	\$302.4	\$71.5	\$22.0
	Taxable Assessed Value	\$0.5	\$0.0	\$0.0	\$0.0	\$0.4	\$0.0
Mixed Use <sup>1</sup>	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	116,841	32,663	37,631	29,332	16,225	990
	Exempt Assessed Value	\$2,414.8	\$916.7	\$649.6	\$569.6	\$256.8	\$22.0
	Taxable Assessed Value	\$15.1	\$1.8	\$2.4	\$10.4	\$0.4	\$0.0
Number of Properties With Unit Data		298	92	83	88	33	2
Number of Properties Without Unit Data		0	0	0	0	0	0

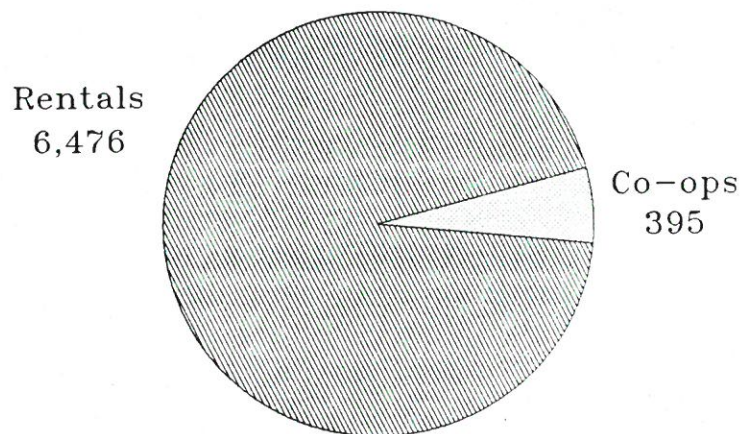
<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.



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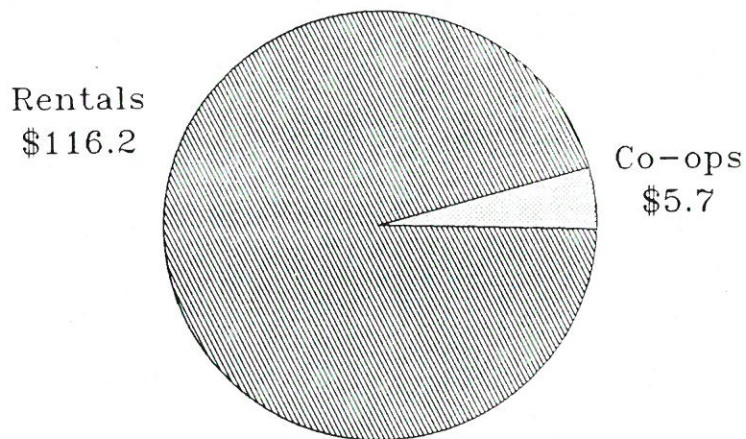
## Distribution by Housing Type Housing Development Fund Companies (HDFC)

### Distribution of Housing Units



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### Distribution of Exempt Value



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

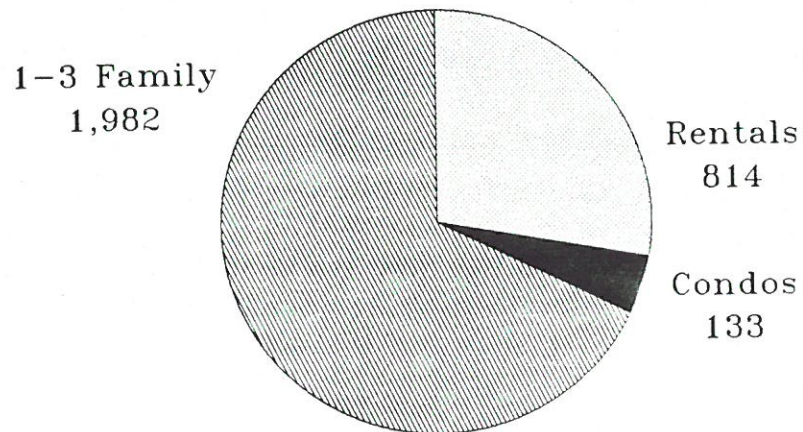
Program: <u>Housing Development Fund Corporation (HDFC)</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$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	\$4.6	\$0.0	\$1.1	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	6,476	1,871	2,637	1,510	458	0
	Exempt Assessed Value	\$116.2	\$50.9	\$36.3	\$16.9	\$12.1	\$0.0
	Taxable Assessed Value	\$0.2	\$0.0	\$0.0	\$0.2	\$0.0	\$0.0
Mixed Use <sup>1</sup>	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	6,871	2,200	2,637	1,576	458	0
	Exempt Assessed Value	\$121.9	\$55.5	\$36.3	\$18.0	\$12.1	\$0.0
	Taxable Assessed Value	\$0.2	\$0.0	\$0.0	\$0.2	\$0.0	\$0.0
Number of Properties With Unit Data		65	24	27	12	2	0
Number of Properties Without Unit Data		1	0	1	0	0	0

<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.



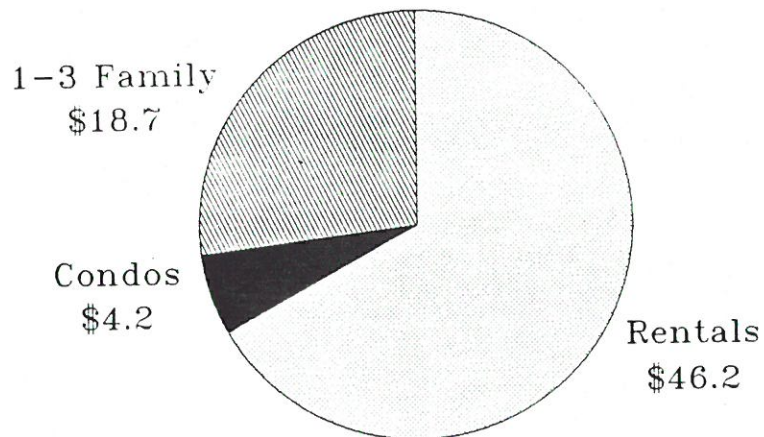
## Distribution by Housing Type Urban Development Action Area Projects

### Distribution of Housing Units



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### Distribution of Exempt Value



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

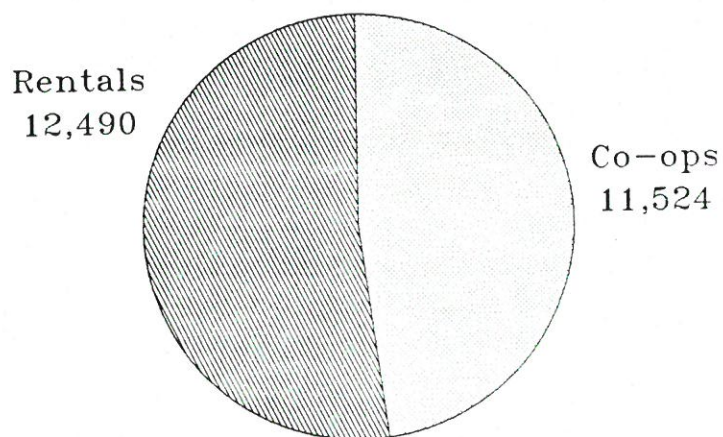
Program: <u>Urban Development Action Area Projects (UDAAP)</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	1,982	0	40	1,863	79	0
	Exempt Assessed Value	\$18.7	\$0.0	\$0.3	\$17.8	\$0.5	\$0.0
	Taxable Assessed Value	\$5.1	\$0.0	\$0.1	\$4.8	\$0.3	\$0.0
Condos	Number of Units	133	133	0	0	0	0
	Exempt Assessed Value	\$4.2	\$4.2	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$1.0	\$0.8	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	814	726	0	88	0	0
	Exempt Assessed Value	\$46.2	\$46.1	\$0.0	\$0.1	\$0.0	\$0.0
	Taxable Assessed Value	\$10.3	\$10.3	\$0.0	\$0.0	\$0.0	\$0.0
Mixed Use <sup>1</sup>	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	2,929	859	40	1,951	79	0
	Exempt Assessed Value	\$69.1	\$50.3	\$0.3	\$17.9	\$0.5	\$0.0
	Taxable Assessed Value	\$16.4	\$11.1	\$0.1	\$4.8	\$0.3	\$0.0
Number of Properties With Unit Data		1,957	137	40	1,703	77	0
Number of Properties Without Unit Data		115	0	1	114	0	0

<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.

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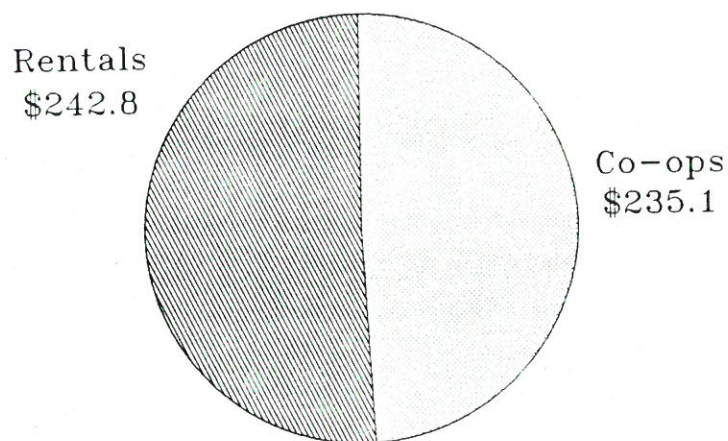
## Distribution by Housing Type "Other Residential" Exemptions.

### Distribution of Housing Units



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### Distribution of Exempt Value



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

Program: "Other Residential"<sup>1</sup>

(\$ Millions)

		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
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	11,524	7,508	407	3,245	364	0
	Exempt Assessed Value	\$235.1	\$160.0	\$7.7	\$61.4	\$6.0	\$0.0
	Taxable Assessed Value	\$23.2	\$21.8	\$1.0	\$0.4	\$0.0	\$0.0
Rentals	Number of Units	12,490	3,516	3,135	3,815	1,779	245
	Exempt Assessed Value	\$242.8	\$90.1	\$57.1	\$52.8	\$36.2	\$6.7
	Taxable Assessed Value	\$1.0	\$0.0	\$0.8	\$0.2	\$0.0	\$0.0
Mixed Use <sup>2</sup>	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	24,014	11,024	3,542	7,060	2,143	245
	Exempt Assessed Value	\$477.9	\$250.1	\$64.8	\$114.2	\$42.2	\$6.7
	Taxable Assessed Value	\$24.2	\$21.8	\$1.8	\$0.6	\$0.0	\$0.0
Number of Properties With Unit Data		154	39	41	56	10	8
Number of Properties Without Unit Data		2	1	0	0	1	0

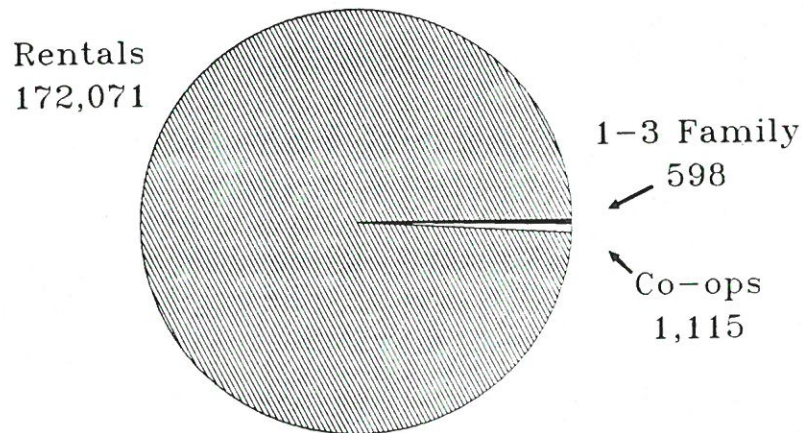
<sup>1</sup> Includes the following programs: Limited Dividend Housing Companies, Redevelopment Companies, and Miscellaneous State Assisted Housing.

<sup>2</sup> Mixed Used properties include structures that combine residential with retail or office uses.

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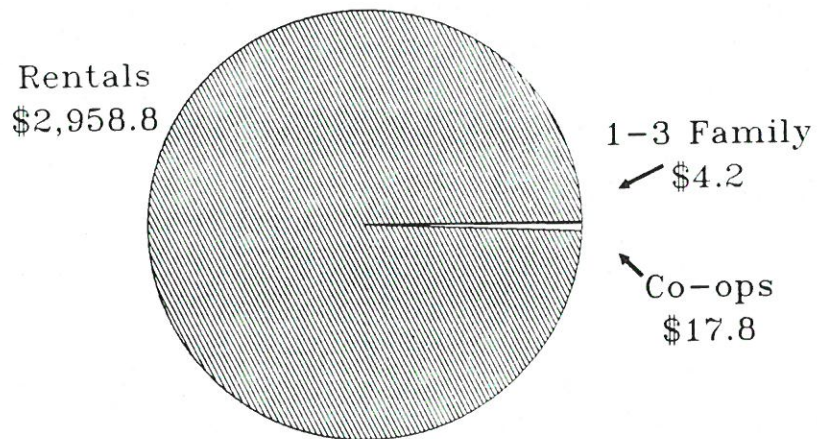
## Distribution by Housing Type New York City Housing Authority

### Distribution of Housing Units



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### Distribution of Exempt Value





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

Program: New York City Housing Authority

(\$ Millions)

		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	598	0	6	169	423	0
	Exempt Assessed Value	\$4.2	\$0.0	\$0.1	\$1.1	\$3.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	1,115	292	307	300	216	0
	Exempt Assessed Value	\$17.8	\$0.1	\$9.0	\$6.3	\$2.4	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	172,071	47,072	43,424	59,909	17,334	4,332
	Exempt Assessed Value	\$2,958.8	\$943.0	\$757.4	\$930.8	\$237.1	\$91.4
	Taxable Assessed Value	\$46.8	\$17.7	\$21.5	\$7.6	\$0.0	\$0.0
Mixed Use <sup>1</sup>	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	173,784	47,364	43,737	60,378	17,973	4,332
	Exempt Assessed Value	\$2,980.8	\$943.1	\$766.5	\$938.2	\$242.5	\$91.4
	Taxable Assessed Value	\$46.8	\$17.7	\$21.5	\$7.6	\$0.0	\$0.0
<hr/>							
	Number of Properties With Unit Data	1,159	214	180	335	417	13
	Number of Properties Without Unit Data	16	6	2	4	4	0

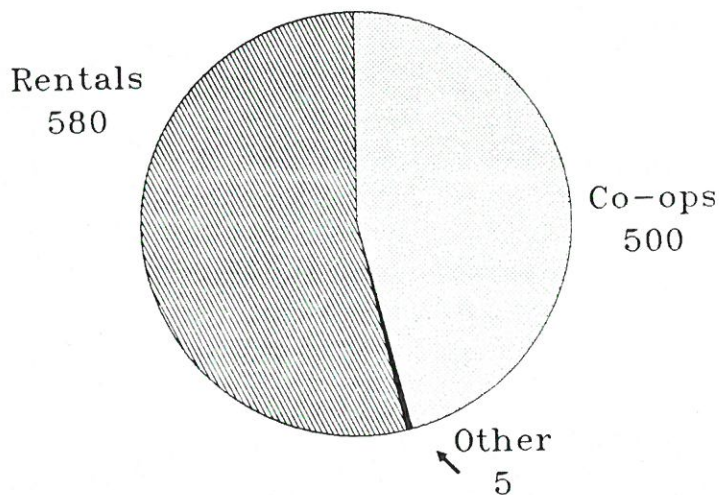
<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.



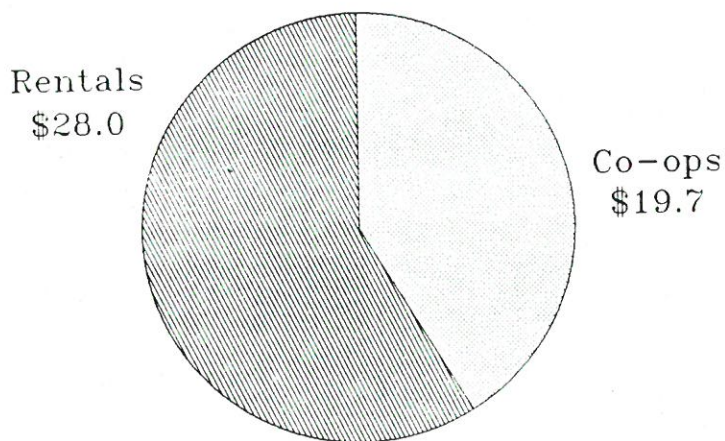
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## Distribution by Housing Type Urban Development Corporation (UDC)

### Distribution of Housing Units



### Distribution of Exempt Value



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

Program: Urban Development Corporation

(\$ Millions)

		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	3	3	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	2	2	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	500	225	0	275	0	0
	Exempt Assessed Value	\$19.7	\$8.1	\$0.0	\$11.6	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	580	580	0	0	0	0
	Exempt Assessed Value	\$28.0	\$28.0	\$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 <sup>1</sup>	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	1,085	810	0	275	0	0
	Exempt Assessed Value	\$47.8	\$36.2	\$0.0	\$11.6	\$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	19	18	0	1	0	0
	Number of Properties Without Unit Data	1	1	0	0	0	0

<sup>1</sup> Mixed Used properties include structures that combine residential with retail or office uses.



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Nebraska  
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## INDEX TO TAX EXPENDITURE DESCRIPTIONS

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

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



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