



# What is ICAP And is it Effective?

The Industrial and Commercial Abatement Program (ICAP) is a New York City tax-incentive program designed to encourage private businesses to invest in commercial and industrial development, especially in areas of the City outside of Manhattan below 96<sup>th</sup> Street and in neighborhoods with higher poverty and unemployment. ICAP started in 2008 and is currently authorized through 2029. It replaced older tax incentive programs dating back to the 1970s. By giving tax credits to participating businesses, the City does not collect tax revenue that it otherwise would have—a form of spending known as a “tax expenditure.” ICAP is one of the top five most expensive tax expenditures in the City.

## How ICAP Works

ICAP gives property tax breaks to businesses that build or renovate commercial or industrial properties. By giving tax credits or abatements to participating businesses, the City reduces the cost for property owners to undertake these investments.

The program is as-of-right, meaning qualifying projects automatically receive the benefit. To qualify, the project must meet certain rules around location, cost, and project type.

## Why is IBO Looking at ICAP?

The Independent Budget Office (IBO) does regular reviews of economic development tax incentive programs. These are government programs that offer tax breaks to encourage private economic development investments in the City. This ICAP review is the fourth report under Local Law 18 (2017), which requires the IBO to look at whether these tax breaks are effective. The decision to evaluate ICAP was made jointly between IBO and City Council.

IBO’s study answers the following key questions on ICAP:

1. Did ICAP meet its original goals?
2. Is ICAP aligned with current City economic development priorities?
3. Was ICAP a cost-effective use of tax dollars?

## Does ICAP Align with Current City Economic Development Priorities?

The City’s most important economic development priority is currently housing. ICAP is focused on commercial and industrial property, and IBO found that the program is at odds with the development of housing.

Goal	IBO Finding
Encourage industrial and commercial development	ICAP did help encourage commercial development—mainly office buildings—but very few industrial properties. Some projects would not have happened without the tax break. The total cost of the program is more than the new tax revenue it brings in, meaning that the program does not pay for itself.
Disperse investments from Manhattan below 96 <sup>th</sup> street to the rest of the City	ICAP largely benefitted boroughs outside Manhattan and in northern Manhattan.
Target investment to economically distressed and high unemployment areas	ICAP failed to meet this goal. Instead, ICAP stimulated less investment in areas of economic distress.

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IBO found that ICAP was poorly designed to strengthen employment hubs, due to ineffective targeting of the program.

## Was ICAP Cost-Effective for New York City?

While ICAP helps bring about new development more efficiently than direct City spending, it still comes at a notable cost to public tax revenues.

For example, in fiscal year 2025, the City did not collect \$609.2 million in property tax revenue because of ICAP.

With the program recently renewed through 2029, the findings in this report offer policymakers the opportunity to consider whether ICAP is structured to meet the City's evolving needs, or if reforms are necessary.

## Read IBO's Full Report

For more details on the program, read IBO's full report "[An Evaluation of the Industrial and Commercial Abatement Program](#)."

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