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

ANNUAL REPORT ON TAX EXPENDITURES

Fiscal Year 1999

RUDOLPH W. GIULIANI, MAYOR • ANDREW S. ERISTOFF, COMMISSIONER

ERRATA

Please replace the table found on pages 157-158 with the following revised table.

* REVISED *
NYC Taxes Directly Related to City Employment
By Two-Digit Industry Sector
Tax Year 1997

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
1	Security & Commodities	1,685,486,867	10,850.38	5	4
2	Depository Institutions	990,343,784	8,622.56	6	7
3	Business Services	769,980,474	3,021.75	26	3
4	Local Government	658,607,500	1,639.47	58	1
5	Medical & Other Health Services	658,177,858	2,134.13	46	2
6	Legal Services	482,634,178	6,923.75	7	15
7	Real Estate	374,217,586	3,752.23	17	10
8	Engineering, Accounting & Related	371,224,052	3,763.88	16	11
9	Printing & Publishing	314,467,903	4,309.49	14	14
10	Holding & Other Investments	302,948,383	17,416.83	3	40
11	Nondurable Wholesale Trade	302,484,639	3,059.22	28	9
12	Durable Wholesale Trade	236,710,446	3,059.22	24	12
13	Eating & Drinking Places	205,938,911	1,507.32	60	6
14	Communication	191,163,769	3,037.38	25	18
15	Hotels	185,903,178	5,327.65	10	28
16	Social Services	181,284,153	1,178.90	65	5
17	Miscellaneous Retail	170,692,876	2,728.68	30	19
18	Educational Services	169,451,790	1,598.90	59	8
19	Insurance Carriers	162,630,697	3,226.10	22	22
20	Amusement & Recreation	159,384,761	3,671.11	18	24
21	Apparel	149,671,624	2,038.60	48	13
22	Special Trade Contractors	128,919,301	2,007.12	49	16
23	Insurance Agents, Brokers, Services	123,359,212	5,188.61	11	31
24	Federal Government	120,115,750	1,892.12	53	17
25	Motion Pictures	115,831,879	3,420.60	20	29
26	Apparel & Accessories	113,404,053	2,533.04	36	23
27	Air Transportation	101,368,474	1,900.53	52	21
28	Food Stores	87,664,868	1,496.22	61	20
29	Chemicals & Allied Products	78,304,727	5,540.95	9	43
30	State Government	78,304,563	1,859.22	54	25
31	General Merchandise	64,564,337	1,796.05	56	27
32	Membership Organizations	64,390,925	1,692.49	57	26
33	Electrical Equipment	59,668,022	4,597.27	13	45
34	Personal Services	51,152,228	1,797.15	55	30
35	General Building Contractors	50,281,539	2,637.24	33	38

* REVISED *
NYC Taxes Directly Related to City Employment
By Two-Digit Industry Sector
Tax Year 1997

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employ-ment Rank
36	Nondepository Institutions	49,671,301	6,820.17	8	51
37	Miscellaneous Manufacturing Industries	47,973,863	2,201.34	44	32
38	Furniture & Homefurnishings	45,973,779	2,313.26	40	36
39	Automotive Repair & Garages	44,798,248	2,062.72	47	33
40	Food & Kindered Products	43,690,550	2,993.73	27	42
41	Electric, Gas & Sanitary	41,317,367	2,287.40	41	39
42	Transportation Services	37,228,690	1,945.28	51	37
43	Automotive Dealers & Gas Stations	37,094,063	2,712.15	31	44
44	Motor Freight & Warehousing	31,762,096	1,489.78	62	34
45	Local & Suburban Transit	31,663,470	1,488.99	63	35
46	Textile Mill Products	24,901,202	2,442.01	38	46
47	Building Materials	22,546,111	2,710.52	32	49
48	Miscellaneous Repair Services	22,351,047	3,293.70	21	52
49	Fabricated Metal Products	22,144,018	2,267.23	42	47
50	General Contractors other than Bldgs	18,776,254	2,507.18	37	50
51	Tobacco Products	16,796,237	18,336.50	2	64
52	Instruments, Photo & Optical Goods	15,549,469	4,883.63	12	58
53	Industrial & Commercial Machinery	15,467,390	3,200.37	23	54
54	Paper & Allied Products	15,059,888	2,412.28	39	53
55	Museums, Art Galleries & Gardens	12,260,625	1,316.37	64	48
56	Private Households	11,026,283	727.52	66	41
57	Water Transportation	10,605,783	2,251.28	43	55
58	Furniture & Fixtures	9,572,814	2,533.16	35	56
59	Transportation Equipment	8,472,371	3,902.52	15	61
60	Rubber & Miscellaneous Plastics	7,078,659	1,964.11	50	57
61	Leather & Leather Products	6,827,794	2,564.91	34	59
62	Stone, Clay & Glass	5,940,497	2,853.26	29	62
63	Lumber & Wood	4,869,760	2,155.71	45	60
64	Primary Metal Industries	4,168,556	3,615.40	19	63
65	Petroleum Refining	2,928,475	33,660.63	1	65
66	Pipelines	260,492	12,404.37	4	66

ANNUAL REPORT ON TAX EXPENDITURES Fiscal Year 1999

FINANCE
NEW • YORK
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DEPARTMENT OF FINANCE

RUDOLPH W. GIULIANI
MAYOR

ANDREW S. ERISTOFF
COMMISSIONER

REPORT PREPARED BY THE
OFFICE OF TAX POLICY

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

August 1999

Dear Readers:

I am pleased to present this year's annual report on New York City tax expenditures, in compliance with New York City Charter Section 240. The report is the ninth issue of the series and covers programs that were in effect for Fiscal Year 1999.

The purpose of the report is to inform taxpayers and elected officials about special tax benefit programs enacted into law and administered by the City of New York to further economic and social objectives. The report series is a key reference tool for those studying the City's tax system and local tax policy.

This year's report contains information on more than fifty tax expenditure programs, such as benefits to spur local economic development, incentives for housing development and rehabilitation and programs to assist senior citizens. Additional copies of the report can be obtained from the Office of Tax Policy, and excerpts from the report will soon be available on the Department of Finance web site.

Sincerely,

Andrew S. Eristoff
Commissioner

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ACKNOWLEDGMENTS

The tax expenditure report was produced by the Office of Tax Policy under the direction of Associate Commissioner Israel Schupper, Property Director Fran Joseph and Research Director Michael Hyman. Antonio Ampil directed the production of the report. The report's staff also included Jacob Glickman, David Martin and Gillian Persaud. The Tax Policy Business Tax Statistics Unit directed by Karen Schlain also provided valuable assistance.

EXECUTIVE SUMMARY

New York City furthers its social and economic objectives through a variety of programs. Some programs are funded by direct governmental appropriations; others are funded by reductions in tax liability and are referred to as "tax expenditures." This report, as mandated by the City Charter, identifies and describes the tax expenditure programs of taxes administered by the City and provides tax expenditure estimates based on available data.

In FY 1999 there were more than fifty tax expenditure programs related to the City-administered real estate tax and business and excise taxes. These programs were valued at close to $1.9 billion.

- Real estate tax expenditures accounted for the largest share, with nearly $1.5 billion in tax benefits. Housing and economic development-related incentives comprised 50 percent and 33 percent of the real estate tax expenditures, respectively.

- Business income and excise taxes accounted for more than half of the total number of tax expenditure programs and were valued at $397 million. Many of these programs are designed to foster economic development, by, for example, reducing City energy costs for eligible businesses or providing relocation incentives.

There have been many changes in City tax expenditures in recent years. These changes are the result of the expiration and phasing-out of certain incentives, as well as the creation of new programs and the expansion of existing programs. The program descriptions are updated each year to reflect these changes.

The report provides tables and charts detailing tax expenditure costs. Real estate tax expenditure data are for FY 1999 while the business and excise tax expenditures are generally based on data for tax year 1997, the latest year for which data are available. The report also provides a variety of data to assist in analyzing the effectiveness of tax expenditure programs, such as the annual analysis of taxes per worker found in Appendix II and the property tax statistical supplement in Appendix IV.

The report also includes a summary of recent tax law changes. Part VII reviews the changes in tax law that have taken effect through FY 1999, such as the repeal of the Commercial Rent Tax north of 96th in Manhattan and in the other boroughs and reforms affecting the City's business taxes.

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INTRODUCTION

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

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

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

The New York City Tax Expenditure Report for FY 1999 includes detailed distributional information for City real property tax expenditure programs and, where available, for other tax expenditure programs. Such data are intended to help policy makers evaluate the impact of tax benefit programs.

Part I provides the criteria used to define City tax expenditures and the methodology used to identify and estimate the cost of such expenditures. Parts II and III describe tax expenditures for the Real Property Tax and business income and excise taxes, respectively. In past years, Part IV has provided detailed examinations of selected aspects of the City's tax system. This feature is not included in this year's report. Part V describes tax expenditures for the City's Sales Tax and Personal Income Tax, which are administered by New York State. Part VI summarizes audits and evaluations of City tax expenditures that have been conducted during the previous two years. Part VII describes the main provisions of major New York City taxes and recent New York City tax law changes.

The Appendix to the report provides the text of New York City Charter Section 240, updates of the Finance Department's taxes-per-worker calculations and ranking of industry sectors based on the New York City taxes directly attributable to them, and supplemental statistical data for FY 1999 regarding City real property tax expenditures.

PART I

DEFINITION OF TAX EXPENDITURES

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

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

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

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

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

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

METHODOLOGY

Application of City Tax Expenditure Criteria

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

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

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

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

Data

Revenue information for property tax exemptions and abatements is for the City's FY 1999 (July 1, 1998 - June 30, 1999). Estimates for business income and excise taxes are for tax year 1997, which for most taxpayers corresponds to calendar year 1997. (For Commercial Rent Tax purposes, tax year 1997 was from June 1, 1996 to May 31, 1997.) All estimates are derived from Department of Finance data, unless otherwise noted. Data for Payments in Lieu of Taxes (PILOTs) are based on Department of Finance Data and information provided by the City's Office of Management and Budget.

Measurement

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

PART II

REAL PROPERTY TAX EXPENDITURES

Overview

The City estimates that the real estate tax, its single largest revenue source, will provide more than $7.5 billion or 36.1 percent of total tax revenue in FY 1999. Real estate tax programs for the current year provide benefits through 164,815 exemptions and 385,957 abatements.[1] These exemptions and abatements result in a total tax expenditure of almost $1.5 billion in FY 1999.

The City's property tax programs can generally be categorized as: (1) incentives for spurring residential construction or economic development; or (2) providing tax relief to individual homeowners or tenants. The City has maintained flexibility in its real estate tax incentive programs, restricting or expanding them as the economy has changed. Although certain housing and economic development incentives were curtailed or eliminated in prime Manhattan commercial and residential neighborhoods during the late 1980's, the City began offering such incentives on a limited basis in response to persistently high vacancy rates in commercial space and the lack of new housing even in Manhattan.

The City derives its authority for providing real estate tax expenditures from a variety of New York State laws,[2] provisions in the City Charter, the City Administrative Code and underlying agency regulations. Sunset dates are included for many programs to allow for periodic review of continuing need and, if necessary, to institute revisions in the law. Annual reports are mandated for some programs. Tax expenditures are largely granted and administered by various City agencies. The City also uses Statewide programs and public agencies to provide housing and economic development incentives to the local real estate market.

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

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

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

Real Property Tax

Tax Expenditure Purposes

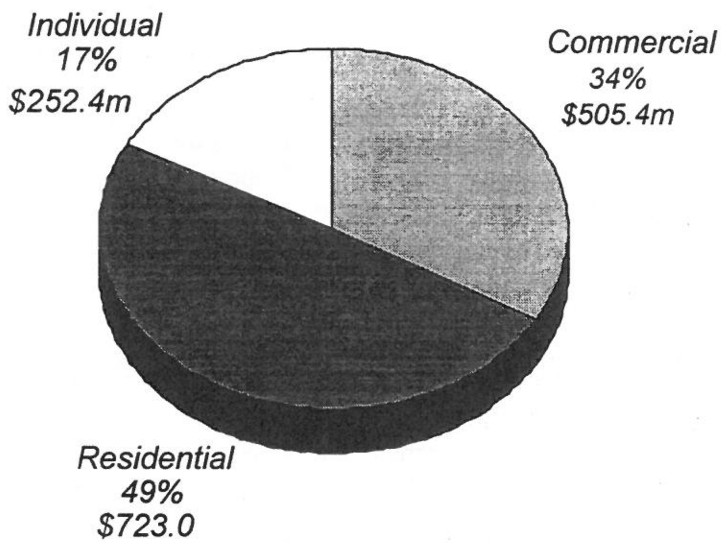
Property tax expenditures support residential, commercial and individual assistance programs. (Chart 1)

Residential - Housing benefits comprise 48.8 percent of property tax expenditures, or the equivalent of $723 million in FY 1999 revenues. Tax relief is currently provided through almost 53,000 exemptions and nearly 52,000 abatements. Different programs provide incentives for new construction or rehabilitation of small homes and/or multi-family buildings. Some programs are combined with additional financial assistance to target benefits for moderate and middle income housing. Several housing programs vary benefits on the basis of geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building. The single largest residential incentive program is the Limited Profit Housing Companies, otherwise known as Mitchell-Lama housing.

Commercial - The value of economic development incentives is $505.4 million in FY 1999, 34.1 percent of total property tax expenditures. The City provides these benefits through more than 7,500 exemptions and 361 abatements. The kinds of properties assisted by the commercial programs vary from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs will frequently provide more extensive benefits to industrial construction and renovation.

Individual Assistance - The smallest real property tax expenditure category, programs for individual assistance, totals $252.4 million in FY 1999. Over 104,000 exemptions currently reduce taxes for veteran and senior citizen homeowners, while SCRIE provides relief to senior citizen renters. Senior citizen programs are based on the income of the qualifying individual who legally owns or occupies the property. In its third year, the City's Co-op/Condo Program has reduced FY 1999 tax bills of certain class two co-op and condo owners by almost $153 million.

Chart 1
Real Property Tax Expenditures
By Purpose, FY 1999
Total: $1,480.9 million



Tax Expenditure Sources

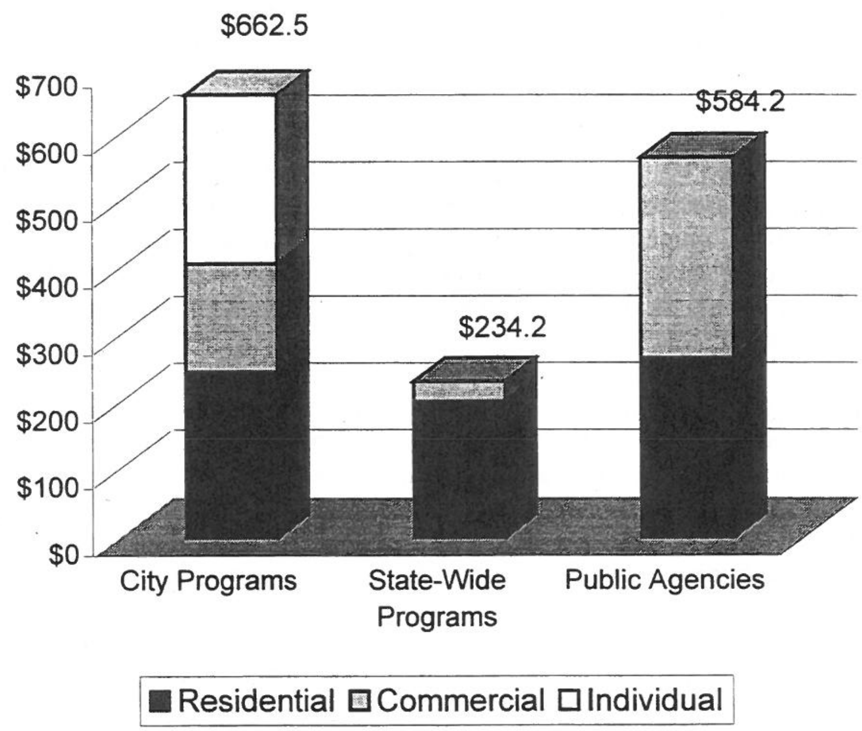
The major sources of expenditures include City and State programs and public agencies. Various State-wide programs have been included in this report since the City administers the related exemptions and these programs serve as channels for housing and economic development incentives in the City. (Chart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

City Programs - This category includes local incentives granted directly by the City for housing, commercial development and individual assistance. Also included are State-wide programs in which participation is at the discretion of the locality. In FY 1999, tax expenditures from this source totaled $662.5 million or 45.2 percent of net City-wide property tax expenditures. Residential incentives comprised 37.6 percent of City program expenditures and are valued at $249 million. Another 24.3 percent of City Program tax expenditures are attributable to economic development programs.

State-wide Programs - These are predominantly residential programs that meet many of the same goals as the City programs but are not exclusive to City taxpayers. For these programs, the net tax expenditure is displayed after deducting Payments-in-Lieu-of-Taxes (PILOTs) and Shelter Rent. Of the total $234.2 million of property tax expenditures in this category, more than 87 percent is granted to moderate and middle income housing, with the largest proportion going to Limited Profit Housing Companies.

Public Agencies - Although tax exemptions are granted to all public authorities, the exempt properties included in this report benefit certain taxpayers rather than the public at large. The agencies include the City's Industrial Development Agency, the New York City Housing Authority, the State Urban Development Corporation and the regional New York-New Jersey Port Authority. Commercial and industrial projects account for over $300 million of the tax expenditures attributable to public agencies. The New York City Housing Authority accounts for 88.5 percent of the $269.2 million in residential tax expenditures in this category.

Chart 2.
Real Property Tax Expenditures
By Source, FY 1999
Total: $1,480.9 million



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

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

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

Exempt Assessed Value - Exemptions have the effect of excluding from the tax rolls a portion of the assessed value, whether the result of new construction (for example, the Industrial and Commercial Incentive Program) or tax relief (Senior Citizens Homeowner Exemption). When a program provides an abatement of property taxes, this column is marked "N/A" and the value of the abatement can be found in the column marked "Tax Expenditures."

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

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

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

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

> Gross Tax Expenditures - For Tables 3 and 5, gross tax expenditures are determined by applying the appropriate tax rates to the exempt values, using the same methodology that was applied for Tax Expenditures in Table 1, but not accounting for any offsetting revenues.
>
> Payments-in-Lieu-of-Taxes (PILOTs) - Although exempt from taxation, certain properties may be contractually obligated to make payments to the City. Additionally, certain housing programs are required to pay taxes based on a shelter rent formula, defined as gross rent less utility costs. Though available by exemption, this information may not be available by property type at this time.
>
> Net Tax Expenditures - These values are determined by reducing the gross tax expenditures by applicable PILOTs. Tax abatements, which are credits used to reduce tax liability (rather than assessment reductions), are included in this column.

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

Table 1
CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1999
($ Millions)

	Number of Exemptions & Abatements	Exempt Assessed Value[1]	Tax Expenditure
HOUSING DEVELOPMENT PROGRAMS	96,669	$1,421.9	$253.9
J-51 Exemption	7,790	$512.1	$54.9
Residential	7,783	$507.5	$54.4
Commercial	7	$4.6	$0.5
J-51 Abatement	51,741	N/A	$105.8
Residential	51,711	N/A	$105.6
Commercial	30	N/A	$0.2
421-a, New Multiple Dwellings	23,749	$734.7	$78.9
10 year exemption	7,820	$253.8	$27.2
15 year exemption	12,570	$252.1	$27.1
20 year exemption	5	$90.7	$9.7
25 year exemption	3,354	$138.1	$14.8
Residential	21,685	$693.6	$74.7
Commercial	2,064	$41.2	$4.2
421-b, New Private Housing	12,724	$89.1	$9.8
HPD Division of Alternative Management (DAMP)	665	$43.2	$4.6
INDIVIDUAL ASSISTANCE PROGRAMS	438,167	$ 453.3	$ 252.4
Senior Citizen Homeowner Exemption (SCHE)	30,120	$192.8	$21.1
Senior Citizen Rent Increase Exemption (SCRIE)[2]	49,002	N/A	$62.5
Veterans' Exemption	74,191	$260.5	$16.1
Physically Disabled Crime Victims Partial Exemption	1	$0.0	$0.0
Co-op/Condo Abatement[3]	284,853	N/A	$152.7

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

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

[3] A total of 38,625 residential condo units plus 246,228 co-op units in 4,551 developments benefitted from this program in FY 99.

Table 1 (cont'd)

	Number of Exemptions & Abatements	Exempt Assessed Value	Tax Expenditure
ECONOMIC DEVELOPMENT PROGRAMS	**4,323**	**$1,467.4**	**$156.2**
Industrial & Commercial Incentive Board (ICIB)	288	87.5	9.0
New Construction	55	16.6	1.7
Alterations	233	70.9	7.3
Industrial & Commercial Incentive Program (ICIP)	3,552	1,204.1	123.5
Deferral Areas [4]	47	62.3	6.6
Industrial & Special Commercial	1,838	460.4	47.1
All Other Commercial Projects	1,667	681.4	69.8
Other Commercial & Industrial Exemptions	483	175.8	23.8
Water-works Corporations	121	90.8	8.2
Major League Sports Facilities	1	85.1	8.7
Commercial Revitalization Program [5]	361	N/A	6.9
TOTAL: CITY PROGRAMS	**539,159**	**$3,299.8**	**$662.5**
Total Residential	94,568	1,333.4	249.0
Total Commercial/Industrial	6,424	1,513.2	161.0
Total Individual Assistance	438,167	453.3	252.4

[4] 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.

[5] CRP amounts through February 8, 1999.

Totals may not add due to rounding.

Table 2

CITY PROGRAMS

REAL PROPERTY TAX EXPENDITURES BY BOROUGH

Fiscal Year 1999

($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure
HOUSING DEVELOPMENT PROGRAMS	**30,245**	**$96.3**	**18,922**	**$49.4**
J-51 Exemption	2,267	16.4	1,219	21.6
J-51 Abatement	19,122	31.7	14,741	22.4
421-a, New Multiple Dwellings	8,516	45.1	1,468	3.7
421-b, New Private Housing	25	0.0	1,331	0.8
HPD Division of Alternative Management	315	3.1	163	0.8
INDIVIDUAL ASSISTANCE PROGRAMS	**175,664**	**$139.8**	**31,065**	**$15.7**
Senior Citizen Homeowner Exemption	314	0.6	3,325	2.0
Senior Citizen Rent Increase Exemption	14,206	20.5	7,193	8.9
Veterans' Exemption	2,089	2.6	6,012	1.1
Co-op/Condo Abatement	159,055	116.1	14,535	3.7
Phys. Disabled Crime Victims Part. Exemption	0	0	0	0
ECONOMIC DEVELOPMENT PROGRAMS	**940**	**$62.0**	**456**	**$16.3**
Industrial & Commercial Incentive Board	81	4.6	26	0.3
Industrial & Commercial Incentive Program	504	41.9	430	16.0
Water-works Corporations	0	0	0	0
Major League Sports Facilities	1	8.7	0	0
Commercial Revitalization Program	354	6.8	0	0
TOTAL: CITY PROGRAMS	**206,849**	**$298.1**	**50,443**	**$81.4**

Note: Totals may not add due to rounding.

Table 2 (cont'd)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure
18,575	$55.5	16,174	$41.8	12,753	$10.9
3,427	14.6	695	2.1	182	0.3
8,916	29.8	8,284	21.2	678	0.5
4,877	9.5	6,330	17.6	2,558	2.9
1,175	0.9	858	0.8	9,335	7.2
180	0.7	7	0	0	0
75,205	$36.3	134,204	$55.0	22,029	$5.7
8,233	5.9	14,660	10.5	3,588	2.1
16,463	17.6	10,919	15.4	221	0.2
17,418	3.2	32,932	6.7	15,740	2.6
33,091	9.6	75,692	22.5	2,480	0.7
0	0	1	0	0	0
965	$19.3	1,471	$45.4	491	$13.1
62	0.9	101	2.1	18	1.0
903	18.4	1,242	35.0	473	12.1
0	0	121	8.2	0	0
0	0	0	0	0	0
0	0	7	0.1	0	0
94,745	$111.1	151,849	$142.2	35,273	$29.7

CITY PROGRAMS

J-51 Program, Residential Alterations and Rehabilitation

Citation

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

Policy Objective

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

Description

J-51 benefits vary based on government involvement in the rehabilitation of the property, its location, and the extent and nature of the improvement. A 1993 amendment restructured the exemption benefit for new projects, replacing the last two benefit years at full exemption with a four year period of declining exemption, resulting in a less abrupt transition to full taxation. Additionally, this amendment increases the number of properties eligible for the abatement benefit by increasing the assessed value limitation imposed on multiple dwellings, other than condominiums or cooperatives, from $30,000 to $40,000.

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

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

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

long as 20 years. Buildings in designated areas of Manhattan below 96th Street are eligible for abatement of taxes on the building assessment, not the land, up to $2,500 per unit.

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

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

In 1998, the State Legislature extended the authority of localities to adopt or amend local laws pursuant to section 489 of the Real Property Tax Law, from June 1, 1999 to June 1, 2003. Additionally, all conversions, alterations, and improvements must be completed prior to December 31, 2003 to qualify for benefits under this program.

Distributional Information

In FY 1999, the J-51 program provided 7,790 exemptions and 51,741 abatements to 686,866 apartments. The exempt value of these properties is $507.5 million. This total exempt value is distributed according to property type in the table below. Rentals in Manhattan, the Bronx, and Brooklyn receive the largest proportion of J-51 benefits.

	Percent of Total Units	Percent of Exempt Assessed Value
1- 3 Family	0.06%	0.16%
Condos	4.04%	11.11%
Co-ops	30.66%	7.20%
Condops*	2.47%	0.54%
Rentals	63.36%	80.96%
Mixed Use	0.01%	0.03%
	100.00%	100.00%

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

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

Tax Expenditure

$160.6 million, which includes a $54.9 million exemption and a $105.7 million abatement.

Section 421-a, New Multiple Dwellings

Citation

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

Policy Objective

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

Description

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

The 421-a program is defined according to location:

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

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

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

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

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

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

In 1998, the State Legislature extended the provisions of the 421-a program. In Manhattan, the 20-year exemption is available for construction commenced after July 1, 1992 and completed before December 31, 2003 (changed from 1999). All other 421-a exemption provisions require construction to be completed no later than December 31, 2003 (changed from 1999).

Distributional Information

In FY 1999, the City provided 21,685 residential exemptions under the 421-a program. These exemptions are largely represented by condominium apartments and rental buildings. Overall, there were 33,135 apartment units receiving tax benefits with an exempt value of $693.6 million. This total exempt value is distributed in the table below according to property type.

	Percent of Total Units	Percent of Total Exempt Assessed Value
1-3 Family	9.90%	3.39%
Condos	50.09%	50.82%
Co-ops	1.90%	1.70%
Condops*	1.19%	1.20%
Rentals	36.91%	42.89%
Mixed Use	0.01%	0.00%
	100.00%	100.00%

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

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

Tax Expenditure

$78.9 million

Section 421-b, New Private Housing

Citation

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

Policy Objective

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

Description

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

As in other programs, the building assessment is exempt during the construction period, not to exceed two years. Thereafter, the property is fully exempt for an additional two years. In the third year, the exemption is reduced to 75 percent and declines by 12-1/2 percent in each subsequent year, until the ninth year when the property becomes fully taxable. The exemption is applicable only to the value of the new construction. During the exemption period, the property owner must pay a minimum tax, which shall be based on the lesser of: (a) the assessed valuation during the tax year immediately preceding the tax year in which construction was commenced; or (b) in the case of new construction, the assessed valuation of the land appearing on the tax roll in the first year after completion of construction.

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

Distributional Information

In FY 1999, the City provided 12,724 exemptions valued at $89.1 million in exempt assessed value. One- and two-family homes in Staten Island account for almost 56 percent of the units that received benefits granted through this program. The table below presents the distribution of 18,657 apartment units in 12,266 properties. Unit information is not available for the remaining 458 properties. The distribution of exempt assessed value below represents all properties in this program.

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

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	99.44%	99.33%
Condos	0.24%	0.34%
Co-ops	0.00%	0.00%
Rentals	0.27%	0.22%
Mixed Use	0.05%	0.11%
	100.00%	100.00%

Tax Expenditure

$9.8 million

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

Citation

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

Policy Objective

To return City-owned residential properties to private ownership.

Description

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

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

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

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

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

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 FY 1999, there were 665 DAMP exemptions containing 14,373 housing units. The total exempt assessed value is $43.2 million. Nearly 45 percent of all units are located in Manhattan, accounting for 66 percent of the exempt assessed value. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.06%	0.03%
Condos	0.00%	0.00%
Co-ops	26.62%	32.99%
Rentals	73.32%	66.98%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Tax Expenditure

$4.6 million

Senior Citizen Homeowner Exemption (SCHE)

Citation

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

Policy Objective

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

Description

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

In FY 1999 (for assessment rolls completed in calendar year 1998), a 50 percent exemption is available for homeowners with incomes no greater than $18,500. For homeowners with incomes between $18,501 and $21,499, the tax exemption is reduced by five percentage points for each $1,000 increment in income above $18,500. For those with incomes of $21,500 but no greater than $26,899, the exemption percentage declines by five percentage points for each $900 increment in income above $21,499. In 1997, the City Council amended the program pursuant to state authorization to allow a deduction of unreimbursed medical and prescription drug expenses from income to determine eligibility and level of exemption.

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

In 1998, the City Council made additional changes to the program as authorized by state legislation. First, seniors may now exclude from income veterans' disability compensation as defined by Title 38 of the United States Code. Second, the income thresholds were increased. For a 50 percent exemption, total household income may be no greater than $19,500. The exemption declines by five percentage points: (a) for each additional $1,000 of household income for those with incomes between $19,501 and $22,499; and (b) for each additional $900 of household income for those with incomes greater than $22,499 but no more than $27,899. These changes are effective for the assessment roll completed in calendar year 1999 (FY 2000).

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

Distributional Information

In FY 1999, there were 30,120 exemptions, an increase of almost 3 percent over the previous fiscal year, containing 56,393 housing units. The exempt value of $192.8 million increased by $10.1 million or 5.5 percent from FY 1998. The following table gives a distribution of these households by income range:

Degree Exempt	Income Range	Numbers of Exemptions	Percent of Total Exemptions	Exempt Assessed Value
50%	$0 - 18,499	22,560	75.0%	$151.1m
45%	$18,500 - 19,499	1,179	3.9%	7.5m
40%	$19,500 - 20,499	1,104	3.7%	6.1m
35%	$20,500 - 21,499	960	3.2%	4.7m
30%	$21,500 - 22,399	798	2.6%	3.3m
25%	$22,400 - 23,299	677	2.2%	2.3m
20%	$23,300 - 24,199	656	2.1%	1.8m
15%	$24,200 - 25,099	570	1.9%	1.2m
10%	$25,100 - 25,999	419	1.4%	0.6m
5%	$26,000 - 26,899	389	1.3%	0.3m
0%	$26,900 +	808	2.7%	13.9m
	TOTAL	30,120	100.0%	$192.8m

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

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

	Percent of Total Units	Percent of Total Exempt Assessed Value
1-3 Family	82.78%	90.87%
Condos	0.82%	1.40%
Co-ops	4.51%	7.11%
Condops*	11.23%	0.10%
Rentals	0.42%	0.21%
Mixed Use	0.24%	0.31%
	100.00%	100.00%

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

Tax Expenditure

$21.1 million

Senior Citizen Rent Increase Exemption (SCRIE)

Citation

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

Policy Objective

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

Description

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

Tenants may be eligible for the SCRIE program if they are at least 62 years old and have a total household income that does not exceed $20,000 (last amended in 1996). The definition of "income" excludes payments made to individuals because of their status as victims of Nazi persecution as defined in P.L. 103-286. Once tenants qualify for the program, increases in their Social Security income are excluded from the determination of total household income. Furthermore, the tenant must reside in a rent controlled, rent stabilized or rent regulated (such as Mitchell-Lama housing) unit.

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

Distributional Information

In FY 1999, as February 28, 1999, 49,002 households were receiving SCRIE abatements. The following table gives a distribution of these households by borough:

	Total Units[1]	Percent of Total Units
Manhattan	14,206	28.99%
Bronx	7,193	14.68%
Brooklyn	16,463	33.60%
Queens	10,919	22.28%
Staten Island	221	0.45%
Citywide	49,002	100.00%

[1] Source: Department of Aging.

Tax Expenditure

$62.5 million

Veterans' Exemptions

Citation

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

Policy Objective

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

Description

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

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

Amendments to sections 458 and 458-a during the 1995 legislative session expanded the program to include those civilians who, during World War II, were employed by the American Field Service and served overseas under the U.S. Army or U.S. Army Groups or civilians employed by Pan American Airways (including subsidiaries) who served overseas as a result of Pan American's contract with the Air Transport Command or Naval Air Transportation Service. Additionally, exemptions under sections 458 or 458-a may now be granted to properties held in trust for the benefit of such person or persons who would

Veterans' Exemption (cont'd)

otherwise be eligible for these exemptions but for the fact that they do not hold legal title to the property.

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

The property must be used exclusively for residential purposes and be the primary residence of the veteran or the surviving spouse who has not remarried. If the property is not used exclusively for residential purposes, the non-residential portions of the property are fully taxable.

Distributional Information

In FY 1999, there were 74,191 exemptions in this program with a total exempt value of $260.5 million. These properties represent over 155,270 housing units which are primarily located outside Manhattan. Queens accounts for almost 39 percent of the total housing units. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	70.77%	72.58%
Condos	0.77%	2.22%
Co-ops	7.11%	23.27%
Condops	18.89%	0.77%
Rentals	2.03%	0.70%
Mixed Use	0.40%	0.46%
	100.00%	100.00%

Tax Expenditure

$16.1 million

Physically Disabled Crime Victims

Citation

NYS Real Property Tax Law; Section 459-b

Policy Objective

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

Description

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

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

Tax Expenditure

Less than $100

Persons with Disabilities and Low Incomes

Citation

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

Policy Objective

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

Description

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

This exemption will be implemented for the first time for the FY 2000 assessment roll. However, state and city legislation enacted in 1998 authorizes the City to grant a credit to any person: (a) who applies for the exemption and is determined to be eligible for the program for FY 2000; and (b) who would have been eligible for FY 1999 had the exemption applied to the FY 1999 assessment roll. The credit shall be applied against the property's FY 2000 tax liability but shall not exceed the amount of taxes due.

Tax Expenditure

None

Partial Tax Abatement for Class Two Cooperatives and Condominiums

Citation

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

Policy Objective

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

Description

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

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

Tax Expenditure

$152.7 million

Industrial and Commercial Incentive Board (ICIB)

Citation

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

Policy Objective

To encourage economic development by means of tax exemptions for construction or rehabilitation of commercial and industrial structures.

Description

The Industrial and Commercial Incentive Board (ICIB) was created in 1977. ICIB determined and distributed tax exemptions based on an analysis of the prospective recipient's need and the impact on the City's economy.

Initially, the program offered two types of benefits:

- New construction of industrial facilities or the rehabilitation of existing commercial or industrial buildings were granted an exemption equal to 95 percent of the incremental assessed value for a period of 19 years, declining by 5 percent annually.
- New commercial construction was granted a ten-year declining exemption equal to 50 percent of the increase in assessed value.

As the City's economy improved, amendments were made to the law that restricted benefits for most commercial projects. An exception was made for commercial rehabilitation projects in areas designated as "special need," also known as "as of right" areas, which receive the same schedule of benefits as previously. The ten year, 50 percent exemption applied to all other commercial reconstruction and new construction in "special need" areas only. All other new commercial construction was limited to a 50 percent exemption declining over five years. Pursuant to a 1982 amendment, increases in assessed value that result from construction, including increases that occur within two years of completion, were eligible for exemption. Subsequent increases in assessed value are taxable.

In November 1984, the City Council enacted legislation establishing the Industrial and Commercial Incentive Program (ICIP), the successor to ICIB.

Tax Expenditure

$9.0 million

Industrial and Commercial Incentive Program (ICIP)

Citation

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

Policy Objective

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

Description

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

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

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

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

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

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

The 1995 legislation also included benefits in Manhattan below 96th Street for qualifying new construction. Such buildings or structures must incorporate at least two (out of seven) criteria, including, but not limited to: state of the art fiber-optic telecommunications wiring available for distribution to individual tenants on each floor; total square footage of not less than 500,000 gross square feet; minimum electrical capacity of 6 watts per net square footage; and emergency back-up power for 25 percent of the building or 200,000 square feet. Such projects will receive a 100 percent exemption of the increase in assessed value due to the construction work for four years, followed by 4 years of declining tax exemption. Such projects in lower Manhattan are eligible if the application is filed from July 1, 1995 through June 30, 1999. For all other New Construction projects below 96th Street, eligibility ended December 31, 1996.

In 1998, section 489-dddd was amended regarding eligibility for exemption. In the new construction area south of the center line of 34th Street: (a) an application for exemption must have been made prior to January 1, 1997; (b) construction of the foundation must have been completed by December 31, 1998; and (c) total construction must be completed no later than December 31, 2000. Furthermore, the law was amended for these projects by reducing the percentage of space that must meet specified height requirements from 50 percent to 40 percent.

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

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

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

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

Tax Expenditure

$123.5 million

Water-works Corporations, Jamaica Water Supply

Citation

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

Policy Objective

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

Description

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

Current law does not provide for a sunset provision.

Tax Expenditure

$8.2 million

Major League Sports Facilities, Madison Square Garden

Citation

NYS Real Property Tax Law; Article 4, Section 429

Policy Objective

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

Description

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

Tax Expenditure

$8.7 million

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

Citation

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

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

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

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

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

Policy Objective

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

Description

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

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

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

Real Estate Tax Abatement

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

Pursuant to an amendment enacted by the State Legislature in 1997, the abatement for years one, two and three is equal to the tax liability per square foot, not to exceed $2.50 per square foot, for all leases commencing on or after April 1, 1997. The abatement for years four and five will be determined as above -- that is, it will equal two-thirds and one-third, respectively, of the abatement in the initial year.

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

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

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

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

Commercial Rent Tax Abatement

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

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

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

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

Energy Cost Savings

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

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

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

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

Conversion to Residential Use

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

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

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

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

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

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

Mixed Use

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

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

Tax Expenditure

Commercial Abatement: $6.9 million (through February 8, 1999)

For FY 1999, the tax expenditure value of the Commercial Rent Tax and Energy Cost Savings Program benefit is projected at $7 million. For the Tax Year 1997 value, see page 87.

Table 3
STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1999
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs [1]	Net Tax Expenditures
Limited Profit Housing Companies	368	$2,084.7	$223.3	$63.9	$159.4
Residential	326	1,979.9	212.6	63.9	148.7
Commercial	42	104.8	10.7	0	10.7
Limited Dividend Companies	16	85.7	6.9	3.5	3.4
Redevelopment Companies	405	531.1	57.0	34.6	22.4
Residential	382	525.9	56.5	34.6	21.8
Commercial	23	5.1	0.5	0	0.5
Housing Development Fund Companies	236	344.5	36.5	10.8	25.7
Residential	183	248.7	26.7	10.8	15.9
Commercial	53	95.8	9.8	0	9.8
Urban Development Action Area Program	5,523	95.7	10.4	3.1	7.2
State Assisted Housing	78	156.8	16.4	0.4	16.1
Residential	37	75.7	8.1	0.4	7.8
Commercial	41	81.1	8.3	0	8.3
TOTAL: STATE-WIDE PROGRAMS	6,626	$3,298.5	$350.6	$116.4	$234.2
Total Residential	6,467	3,011.7	321.3	116.4	204.8
Total Commercial/Industrial	159	286.8	29.4	0	29.4

[1] PILOTs are fiscal year 1999 estimates.

Note: Totals may not add due to rounding.

Table 4
STATE-WIDE
REAL PROPERTY TAX EXPENDITURES BY BOROUGH
Fiscal Year 1999
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
Limited Profit Housing Companies	100	$72.3	98	$35.7
Limited Dividend Companies	3	2.2	1	(0.1)
Redevelopment Companies	92	14.9	166	1.4
Housing Development Fund Companies	67	9.9	69	9.1
Urban Development Action Area Program	173	1.6	1,078	1.4
State Assisted Housing	39	5.3	16	4.0
TOTAL STATE-WIDE PROGRAMS	474	$106.2	1,428	$51.6

Note: Totals may not add due to rounding.

Table 4 (cont'd)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
110	$35.3	55	$15.3	5	$0.8
9	1.1	3	0.1	0	0
132	5.5	7	0.4	8	0.1
83	5.1	14	1.3	3	0.4
3,717	3.5	539	0.7	16	0.0
15	4.3	7	1.9	1	0.7
4,066	$54.7	625	$19.7	33	$2.0

STATE-WIDE PROGRAMS

Limited Profit Housing Companies

Citation

NYS Private Housing Finance Law, Article 2
NYS Real Property Tax Law, Article 4, Sec. 414

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 1999, there are 326 residential and 42 commercial exemptions under this program. The residential properties contain 114,723 housing units with a total exempt assessed value of $1,979.9 million.

Limited Profit Housing Companies (cont'd)

Almost 59 percent of residential units receiving benefits are co-ops which are located in all boroughs except Staten Island. Although 23.5 percent of the exempt assessed value is attributable to Manhattan co-op projects, 34.9 percent of the co-op units are located in the Bronx (including Co-op City). Rental units receiving benefits are primarily located in Manhattan, the Bronx, and Brooklyn.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	58.86%	58.85%
Rentals	41.14%	41.12%
Mixed Use	0.00%	0.04%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$159.4 million

Limited Dividend Housing Companies

Citation

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

Policy Objective

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

Description

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

The enabling legislation does not include a sunset provision.

Distributional Information

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

Net Tax Expenditure (after PILOTs)

$3.4 million

Redevelopment Companies

Citation

NYS Private Housing Finance Law, Article 5
NYS Real Property Tax Law, Article 4, Section 423

Policy Objective

To encourage low- to moderate-income housing through private financing.

Description

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

The enabling legislation does not include a sunset provision.

Distributional Information

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

Net Tax Expenditure (after PILOTs)

$22.4 million

Housing Development Fund Companies (HDFC)

Citation

NYS Private Housing Finance Law, Article 11
NYS Real Property Tax Law, Article 4, Section 414

Policy Objective

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

Description

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

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

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

There is no sunset provision within the enabling legislation.

Distributional Information

In FY 1999, there were 183 residential and 53 commercial exemptions under this program. The residential properties contain over 14,497 housing units with an exempt assessed value of $248.7 million. Rentals make up almost 98 percent of this program. These benefits are distributed by property type as follows:

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

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	2.06%	2.10%
Rentals	97.94%	97.90%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$25.7 million

Urban Development Action Area Project (UDAAP)

Citation

NYS General Municipal Law, Article 16

Policy Objective

To encourage the construction of residential housing in designated areas.

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 1999, there were 5,523 residential exemptions under this program that contain 8,273 housing units with an exempt assessed value of $95.7 million. One-, two-, and three-family houses in Brooklyn and rentals in Manhattan receive the largest proportion of UDAAP benefits. These benefits are distributed by property type as follows:

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

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	83.45%	50.89%
Condos	3.13%	3.87%
Co-ops	0.00%	0.00%
Rentals	13.31%	45.14%
Mixed Use	0.11%	0.00%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$7.2 million

Miscellaneous State-Assisted Housing

Citation

NYS Real Property Tax Law; Article 4, Section 422

Policy Objective

To encourage the creation of housing for a target population.

Description

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

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

Distributional Information

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

Net Tax Expenditure (after PILOTs)

$16.1 million

Table 5
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1999
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs	Net Tax Expenditure
Industrial Development Agency	622	$1,002.0	$101.3	$39.8	$61.5
Economic Development Corporation	197	87.4	8.9	1.5	7.4
NYC Housing Authority	1,450	2,443.5	262.3	21.1	241.2
Residential	1,350	2,414.4	259.3	21.1	238.2
Commercial	100	29.1	3.0		3.0
Urban Development Corporation	120	824.0	84.6	0.1	84.5
Residential	15	41.6	4.5		4.5
Commercial	105	782.4	80.1	0.1	80.0
NYS Power Authority	8	456.9	41.3	0.0	41.3
Battery Park City Authority	2,333	1121.6	116.0	36.5	79.5
Residential	2,296	247.0	26.5		26.5
Commercial	37	874.6	89.5	36.5	53.0
World Trade Center, Port Authority	1	855.0	87.5	26.0	61.5
Teleport, Port Authority	5	14.9	1.5	0.0	1.5
Trust for Cultural Resources	251	54.5	5.7	0.0	5.7
TOTAL: PUBLIC AGENCIES	4,987	$6,859.8	$709.2	$125.0	$584.2
Total Residential	3,661	2,703.0	290.3	21.1	269.2
Total Commercial/Industrial	1,326	4,156.8	418.9	103.9	315.0

Notes:

PILOTs are fiscal year 1999 billing estimates.

Teleport exempt AV source: NYC Department of Finance – Real Estate Utilities Coporation; the PILOT was discontinued due to the abatement of 100% of the taxes (and PILOT) as of February 1999.

Totals may not add due to rounding.

Table 6
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES BY BOROUGH[1]
Fiscal Year 1999
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Gross Expenditure	Number of Exemptions	Gross Expenditure
Industrial Development Agency	270	$52.6	54	$2.7
Economic Development Corporation	0	0	2	0.2
NYC Housing Authority	305	95.5	242	63.6
Urban Development Corporation	99	71.8	9	3.6
NYS Power Authority	3	2.8	2	0.0
Battery Park City Authority	2,333	116.0	0	0
World Trade Center, Port Authority	1	87.5	0	0
Teleport, Port Authority	0	0	0	0
Trust for Cultural Resources	251	5.7	0	0
TOTAL: PUBLIC AGENCIES	**3,262**	**$432.1**	**309**	**$70.2**

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

Note: Totals may not add due to rounding.

Table 6 (cont'd)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure	Number of Exemptions	Gross Tax Expenditure
120	$21.7	173	$16.7	5	$7.4
32	7.2	21	0.6	142	0.9
457	77.3	431	21.5	15	4.4
10	6.7	1	0.0	1	2.4
0	0	3	38.5	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	5	1.5
0	0	0	0	0	0
619	$113.0	629	$77.3	168	$16.6

PUBLIC AGENCIES

Industrial Development Agency (IDA)

Citation

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

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Net Tax Expenditure (after PILOTs)

$61.5 million

Economic Development Corporation (EDC)

Citation

NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

$7.4 million

New York City Housing Authority (NYCHA)

Citation

NYS Public Housing Law; Article 3, Section 52
NYS Real Property Tax Law; Article 4, Section 414

Policy Objective

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

Description

As of January 1, 1999, the New York City Housing Authority operated 344 developments with more than 181,000 apartments. An additional 76,868 apartments are in its leasing program. These 257,868 units house approximately 637,000 persons.

Except for New York State-assisted projects, NYCHA property is exempt from direct taxation. City-aided projects are exempt for a period of 50 years. Federally aided projects may be exempt for up to 60 years. However, by law, the City may require payments-in-lieu-of-taxes (PILOTs) from NYCHA projects. The fixed annual PILOT for NYCHA's City funded projects is $109,000. For the Federally aided projects, NYCHA pays a PILOT based on net routine operating expenses, which may vary annually. For calendar 1999, PILOTs for the federally aided projects were $21.1 million. The State-assisted projects paid $1.9 million annually in real property taxes. As assessed value for the State projects has been held constant for many years, there is a substantial implicit tax expenditure.

Distributional Information

In FY 1999, there were 1,350 residential and 100 commercial exemptions containing 196,221 housing units with an exempt assessed value of $2.4 billion. NYCHA benefits are distributed throughout the five boroughs. Manhattan and Brooklyn have the greatest proportion of NYCHA exempt value. Rental properties comprise 99 percent of NYCHA exemptions; therefore, a distribution by housing type is not provided.

NYCHA provided data for 174,894 households living in public housing as of January 1, 1999. Based on this data, the distribution of households is as follows:

New York City Housing Authority (cont'd)

Household Income Range	Number of Households	Percent of Total Households
$0 - 9,999	101,641	58.1%
$10,000 - 12,499	17,322	9.9%
$12,500 - 14,999	10,456	6.0%
$15,000 - 19,999	14,490	8.3%
$20,000 - 24,999	10,175	5.8%
$25,000 - 29,999	7,321	4.2%
$30,000 - 34,999	4,534	2.6%
$35,000 - 39,999	2,800	1.6%
$40,000 - 44,999	1,796	1.0%
$45,000 - 49,999	1,267	0.7%
$50,000 and over	3,092	1.8%
Total Reporting Income	174,492	100.00%

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

Net Tax Expenditure (after PILOTs)

$241.2 million

Urban Development Corporation (UDC)

Citation

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

Policy Objective

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

Description

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

The UDC exemption does not contain a sunset provision.

Urban Development Corporation (UDC) (cont'd)

Distributional Information

In FY 1999, there were 15 residential and 105 commercial exemptions under this program. The residential properties contain 900 housing units with an exempt assessed value of $41.6 million. The exempt assessed value for the commercial properties is $782.4 million. The residential component of the UDC exemption consists of rentals in Manhattan and co-ops in Brooklyn and Manhattan.

	Percent of Total Units	Percent of Residential Exempt Assessed Value
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	30.56%	21.39%
Rentals	69.44%	78.61%
Mixed Use	0.00%	0.00%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$84.5 million

New York Power Authority

Citation

NYS Public Authorities Law; Article 5, Title 1
NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

$41.3 million

Battery Park City Authority (BPCA)

Citation

NYS Public Authorities Law; Article 8, Title 12
NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 1999, there were 2,296 residential exemptions with an exempt value $247 million providing tax relief for 2,293 condominiums and 2,249 rental apartments. Similarly, there are 37 commercial exemptions with an exempt value of $874 million.

Net Tax Expenditure (after PILOTs)

$79.5 million

World Trade Center, Port Authority of NY and NJ

Citation

NYS Unconsolidated Laws; Title 17, Chap. 5
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 that authorized the Port Authority to proceed with the World Trade Center contains no sunset provisions.

Net Tax Expenditure (after PILOTs)

$61.5 million

Teleport Center, Port Authority of NY and NJ

Citation

NYS Unconsolidated Laws; Title 17
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 worldwide telecommunications. The Center provides fiber optic links with the participating companies' Manhattan offices.

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

Net Tax Expenditure (after PILOTs)

$1.5 million

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

Citation

NYS Arts and Cultural Affairs Law; Article 20 and Article 21 – formerly, Articles 13-E and 13-F of the NYS General Municipal Law.

Policy Objective

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

Description

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

To date, only one trust for cultural resources has been created -- for the Museum of Modern Art in New York City. As a result, a 52-story tower was developed adjacent to the museum, combining six floors dedicated to the Museum and the remainder of the building containing two hundred sixty residential condominiums.

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

Tax Expenditure

$5.7 million

PART III

BUSINESS INCOME AND EXCISE TAX EXPENDITURES

Overview

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

In 1997, New York City tax law for the business income and excise taxes contained 23 provisions granting tax preferences that can be defined as tax expenditures. Data exist to estimate the value of 15 of these tax expenditures. The estimates are stated on a tax year rather than New York City fiscal year basis. When available, information is provided on the number of businesses benefiting from a tax expenditure program.

In Tax Year 1997, the tax expenditure value of the 15 programs totaled approximately $397 million. Certain tax benefits are explicitly designed to foster economic development. Other tax expenditures, while created for economic development purposes, are also intended to reflect the unique economic activity in which certain industries are engaged. For example, there are special rules for allocating net income for the broadcasting, publishing and mutual fund industries. Still other tax expenditures are created for social objectives, such as to assist the dramatic arts or to promote certain types of scientific research.

Detailed Program Descriptions

The following section provides information on New York City business income and excise tax expenditures. Table 7 provides a summary list of these tax expenditures with Tax Year 1997 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 1997

Program	($ Millions) Amount
Quantifiable	
Insurance Corporation Non-Taxation	182
International Banking Facility	101
Foreign Bank Alternative Tax on Capital Stock	29
Energy Cost Savings Program Credit	27
Business and Investment Capital Tax Limitation	21
Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital	15
Real Estate Investment Trusts	7
Special Allocation Rule: Regulated Investment Company Management Fees	7
Relocation and Employment Assistance Program	5
School Bus Operation Deduction	2
Commercial Revitalization Program	1
Dramatic or Musical Arts Performance Exemption	*
Employment Opportunity Relocation Costs Credit	*
Manufacturing and Research and Development Property Depreciation	*
Real Estate Tax Escalation Credit	*
TOTAL QUANTIFIABLE TAX EXPENDITURES	397

Not Quantifiable

Air Pollution Control Facilities Deduction
Credit Line Mortgages
Owner, Lessee or Fiduciary that Holds, Leases or Manages Real Property
Purchase and Sale of Property or Stock Option Contracts for Taxpayer's Own Account
Special Allocation Rules:
- Credit Card Interest
- 80/20 Allocation Rule for Security/Commodity Brokers
- Newspaper and Periodical Publishers' Advertising Sales Receipts
- Radio/TV Commercial Receipts

* = Less than 1 million.

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

$182 million

International Banking Facility Deduction

Citation

NYC Administrative Code Section 11-641(f)

Policy Objective

To promote international banking activities in New York City.

Description

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

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

$101 million

Number of Beneficiaries

124 banking corporations

Foreign Bank Alternative Tax on Capital Stock

Citation

NYC Administrative Code Section 11-643.5(b)

Policy Objective

To promote foreign banking in New York City.

Description

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

$29 million

Number of Beneficiaries

127 banking corporations

Energy Cost Savings Program Credit (ECSP)

Citation

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

Policy Objective

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

Description

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

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

An eligible user that purchases electricity or gas from a vendor of utility services, such as a landlord, which 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 rebate, the eligible energy user can qualify for a tax credit. A taxpayer that is a supplier of fuel services and that has made discounts to vendors of energy services may claim a tax credit for the amount of the discounts made during the taxable year.

Legislation enacted in 1995 expands this benefit to include certain eligible businesses in lower Manhattan (see Commercial Revitalization Program write-up on pages 42-46).

Certificates of eligibility must be obtained from the City before July 1, 2000 to participate in this program.

Energy Cost Savings Program Credit (ECSP) - cont'd

Taxes Affected

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

Tax Expenditure

$27 million

Number of Beneficiaries

859 companies

Business and Investment Capital Tax Limitation

Citation

NYC Administrative Code, Section 11-604(1)(F)

Policy Objective

To limit the City tax liability of corporations that have low taxable income but large net worth.

Description

A corporation subject to taxation in New York City determines its tax liability by making three alternative calculations (net income, net income plus compensation paid to 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

$21 million

Number of Beneficiaries

19 corporations

Cooperative Housing Corporation Four-tenths Mill Tax Rate on Capital

Citation

NYC Administrative Code Section 11-604.1.E

Policy Objective

To promote cooperative housing corporations in New York City.

Description

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

Tax Affected

General Corporation Tax

Tax Expenditure

$15 million

Number of Beneficiaries

5,300 corporations

Real Estate Investment Trusts (REITS)

Citation

NYC Administrative Code Section 11-2102.e

Policy Objective

To promote REITs as investment vehicles.

Description

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

Any undistributed income the REIT possesses is subject to taxation. To the extent that they are taxable, REITs are subject to only two of the four alternate tax bases that other General Corporation taxpayers must utilize. The tax liability of a REIT is determined by utilizing only the net income and fixed dollar minimum corporate tax bases.

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

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

Tax Affected

Real Property Transfer Tax

Tax Expenditure

$7 million

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

Citation

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

Policy Objective

To promote the activities of managers of RICs (commonly known as mutual funds) 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 the mutual fund are allocated based on the percentage of the RIC's shareholders domiciled in New York City.

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

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

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

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

Tax Affected

General Corporation Tax

Tax Expenditure

$7 million

Relocation and Employment Assistance Program (REAP)

Citation

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

Policy Objective

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

Description

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

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

Legislation enacted in 1999 extends REAP to utility tax payers.

Taxes Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax
Utility Tax

Tax Expenditure

$5 million

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

Number of Beneficiaries

30 companies with 9,662 eligible employees

Additional Information

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

RELOCATION AND EMPLOYMENT ASSISTANCE PROGRAM

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

* status of applications filed through 12/31/97

School Bus Operation Deduction

Citation

NYC Administrative Code Section 11-602.8(a)(4)

Policy Objective

To encourage lower charges for bus services used for educational, charitable or religious purposes.

Description

Income derived from the operation of school buses, where the customer is a school district or a corporation or association organized and operated exclusively for religious, charitable or educational purposes, is excludable from taxable income.

Tax Affected

General Corporation Tax

Tax Expenditure

$2 million

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

Citation:

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

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

Policy Objective

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

Description

As discussed on pages 42-46, the Commercial Revitalization Program was established in 1995 to increase tenant occupancy in office and retail space in certain areas of the City and to reduce building obsolescence by encouraging investment in older commercial space or conversion to residential use. In addition to real property tax benefits, the program provides Commercial Rent Tax relief and energy subsidies through the Energy Cost Savings Program.

Tax Affected

Commercial Rent Tax
Utility Tax

Tax Expenditure
$1 million

Note:
See page 46 for a FY 1999 tax expenditure projection for this program. The estimate is provided for informational purposes.

Dramatic or Musical Arts Performance Exemption

Citation

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

Policy Objective

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

Description

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

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

Tax Affected

Commercial Rent Tax

Tax Expenditure

Less than $1 million

Employment Opportunity Relocation Costs Credit (EORC)

Citation

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

Policy Objective

To promote employment in New York City.

Description

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

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Manufacturing and Research & Development Property Depreciation

Citation

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

Policy Objective

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

Description

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Real Estate Tax Escalation Credit (RETE)

Citation

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

Policy Objective

To encourage businesses to relocate to New York City.

Description

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

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Air Pollution Control Facilities Deduction

Citation

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

Policy Objective

To improve the quality of air in New York City.

Description

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Credit Line Mortgages

Citation

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

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

Tax Affected

Mortgage Recording Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code Section 11-502(d)

Policy Objective

To exempt certain revenue-generating activities from business taxation.

Description

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

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

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

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code Section 11-502(c)

Policy Objective

To exempt certain revenue-generating activities from business taxation.

Description

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

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

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

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

Special Allocation Rule: Credit Card Interest

Citation

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

Policy Objective

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

Description

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

Not available

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

Citation

20 NYCRR Section 4-4.3(c)
NYC Unincorporated Business Tax Regulation Section 28-07(h)

Policy Objective

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

Description

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

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

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

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code Sections 11-508(e-1), 11-604.3(a)(2)(B)

Policy Objective

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

Description

In determining the business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed (GCT) or where the office at which the employees are performing the services are located (UBT). However, publishers of newspapers and periodicals allocate income received from their sales of advertising based on the number of newspapers and periodicals delivered to points within the City.

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

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Special Allocation Rule: Radio/TV Commercial Receipts

Citation

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

Policy Objective

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

Description

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

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

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

PART IV

DETAILED REVIEW OF SELECTED TAX EXPENDITURE PROGRAMS

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

PART V

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

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

Sales Tax Expenditures

The Sales Tax section contains the following information. First, a list is provided of all City sales tax expenditures, as derived from the New York State Department of Taxation and Finance, Annual Report on New York State Tax Expenditures, (February 1999). Second, revenue estimates are provided for sales tax expenditures for which the Department of Finance has data. Finally, a table is provided comparing New York City sales tax policy regarding the exemption of services with the policies of major states. Data for this table were excerpted from a Federation of Tax Administrators (FTA) analysis of the issue.

Personal Income Tax Expenditures

The Personal Income Tax section provides a list of tax expenditures based on 1996 law, and two tables showing components of income and modifications to income of New York City resident filers in 1996. These tables are derived from a statistical sample of 1996 Personal Income Tax returns created by the New York State Department of Taxation and Finance.

NEW YORK CITY SALES TAX EXPENDITURES

New York City generally imposes the sales and use tax on the same products and services to which the statewide sales and use tax applies. The following list identifies the sales tax expenditures common to both the State and the City unless otherwise noted. This list was derived from the New York State Department of Taxation and Finance, Annual Report on New York State Tax Expenditures, (February 1999).

Services

Certain information services [1]
Services performed on a non-trade basis
Laundering, tailoring, shoe repair and similar services
Capital improvement installation services
Services related to railroad rolling stock
Services related to property delivered outside New York
Municipal parking services
Certain parking and garaging services
Certain protective and detective services
Medical emergency alarm call services
Certain information services provided over the telephone
Cable television service
Coin-operated car wash services
Internet access services

Food

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

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

Medical

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

Energy

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

Transportation

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

Communication

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

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

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

Sales Tax

Industry

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

Miscellaneous

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

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[1] The City defines permanent resident as an occupant of a hotel room for at least 180 consecutive days while the State defines permanent resident as an occupant for at least 90 consecutive days.

Miscellaneous, continued

U.S. postage used in the distribution of promotional materials
Temporary clothing and footwear [1]
Coin operated photocopying machines
Luggage carts
Emissions testing equipment
College textbooks

Exempt Organizations

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

Exempt Admission Charges

Certain admission charges
Events given by charitable organizations, veterans' posts,
and Indian nations
Certain symphony orchestras and opera companies
National guard organization events
Municipal police and fire department events

[1] For the week of September 1 to 7, 1997 clothing under $100 was exempt from sales taxation. For the week of January 17 to 23, 1998 clothing and footwear under $500 were exempt from taxation. Two additional one-week sales tax clothing exemption "holidays" were held in September 1998 and January 1999. Two more additional one-week holidays are scheduled for September 1999 and January 2000. Beginning March 1, 2000 the State is granting a permanent sales tax exemption on clothing and footwear priced under $110. The City will also be granting this permanent exemption.

Exempt Admission Charges, continued

Athletic games or exhibitions where proceeds go exclusively
to elementary or secondary schools
Carnivals, rodeos and circuses for charitable organizations
Agricultural fairs, historic sites, garden sites,
historic houses and shrines

Credits

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

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

Table 8
TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS FROM THE SALES TAX BASE [1]
Tax Year 1997

Program	($ Million) Amount
Interstate and International Telephone and Telegraph	142
Newspapers and Periodicals	44
Aviation Fuel Sold to Airlines	39
Water Delivered Through Mains or Pipes	27
Production-Related Machinery, Equipment, Parts, Tools, Supplies and Services	23
Cable Television	23
Airline Food and Drink for In-Flight Consumption	6
Electricity Used in Manufacturing	3

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

Interstate and International Telephone and Telegraph

Citation
NYS Tax Law Section 1105(b)

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

Estimate
$142 million

Data Source
Federal Communications Commission

Newspapers and Periodicals

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

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

Estimate
$ 44 million

Data Sources
Audit Bureau of Circulation

Aviation Fuel Sold to Airlines

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

Description
Aviation fuel sold to airlines is tax exempt.

Estimate
$ 39 million

Data Source
Port Authority of New York and New Jersey

Water Delivered Through Mains or Pipes

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

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

Estimate
$ 27 million

Data Source
NYC Department of Environmental Protection

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

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

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

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

Tax Expenditure
$ 23 million

Data Source
NYC Department of Finance

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

Cable Television Service

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

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

Estimate
$ 23 million

Source
New York State Department of Public Service

Airline Food and Drink for In-Flight Consumption

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

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

Estimate
$6 million

Data Sources
Port Authority of NY and NJ
Air Transport World

Electricity Used in Manufacturing

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

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

Estimate
$3 million

Data Sources
NYC Department of Finance

SALES TAXATION OF SERVICES

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

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

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

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

Tax = taxed; -- = exempt

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

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

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

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

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

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

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

NEW YORK CITY PERSONAL INCOME TAX

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

Federal Exclusions to Income

Tax Year 1996

IRA and Keogh Contributions
Income Earned Abroad by U.S. Citizens
Limited Exception to Passive Loss Rules on Rental Real Estate
Capital Gains on Home Sales for Persons Over Age 55 and Deferral for Reinvesting
Scholarship and Fellowship Income
Employee Meals and Lodging
Public Assistance Benefits
Veterans' Benefits
Employer Contributions for Medical Insurance and Care and Long Term Care Insurance
Employer Contributions for Employee Pensions
Workers' Compensation Benefits
Employer-Provided Education Assistance
Employer-Provided Child Care
Certain Employer-Provided Transportation Benefits
Benefits and Allowances to Armed Forces Personnel
Accelerated Death Benefits
Contributions to Medical Savings Accounts
Self-Employed Persons' Health and Long Term Care Insurance
Employer-Provided Adoption Assistance
Employer-Paid Premiums on Life and Accident Disability Insurance
Interest on Life Insurance Policy and Annuity Cash Value
Interest on Qualified New York State and Local Bonds
MACRS/ACRS Depreciation
Amortization of Business Start-Up Costs
Capital Gains at Death
Expensing of R&D Costs
Social Security and Tier I Railroad Retirement Benefits (Partial Exclusion)
Capital Gains from Small Business Stock
Expensing up to $17,500 on Certain Depreciable Business Property
Deferred Tax on Installment Sales

New York State Modifications - Tax Year 1996

New York Additions

Interest or Dividends on Obligations or Securities of Federal Authorities
Interest on Obligations of Other States
Income Taxes Imposed by New York and Deducted in Determining Federal AGI
Interest on Loans Incurred to Carry Tax-Exempt Securities
Expenses for Production of Tax-Exempt Income
Public Employee Retirement Contributions
Federal Percentage Depletion
New Business Investment Deferral
S Corporation Additions
5% of Acquisition-Related Interest
Other Additions

New York Subtractions

Interest and Dividends on Obligations or Securities of Federal Authorities
Interest on Obligations of the U.S. and its Possessions
Pensions Paid by the Federal Government,
the State of New York or Municipal Governments
Pensions and Annuities Received by Individuals 59 ½ Years of Age or Older
Disability Income Included in Federal AGI
Social Security and Tier I Railroad Retirement Benefits
(To the Extent Includible in Federal AGI)
Taxable Income Tax Refunds or Credits Included in Federal AGI
New Business Investment Gains
New York Depletion Allowance
S Corporation Subtractions
Railroad Unemployment Benefits
Accelerated Death Benefits and Viatical Settlements
Other Subtractions

New York Subtractions Added Since 1996

Contribution to NYS College Choice Tuition Savings Program

New York State Deductions and Exemptions

Standard Deduction (1996)

- Single:	$ 7,400
- Married/Joint:	12,350
- Head of Household:	10,000
- Married/Separate:	6,175

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

Dependent Exemptions
- $1,000 Exemption per Dependent

New York City Tax Credits

Household Credit

Components of Adjusted Gross Income and Summary of Deductions and Credits

The data presented in this section regarding the 1996 New York City Personal Income Tax (PIT) is based on a statistical sample of approximately 31,000 New York City personal income tax returns prepared by the New York State Department of Taxation and Finance. The total number of New York City resident returns filed was nearly 2.8 million.

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

City PIT tax rates are set independently and may be used to modify the tax liability of particular income groups. The New York City Household Credit is a City-specific tax expenditure that reduced tax liability by $14.0 million in 1996.

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

New York State adjustments to federal income, such as the pension exclusion, U.S. government bond interest, and state and local tax refunds, decreased Federal AGI by 6 percent, from $123.6 billion to $116.7 billion. Of the $30.2 billion in deductions available to be used against New York AGI, approximately 73 percent was attributable to the standard deduction. Dependent exemptions totaling $1.6 billion brought taxable income to $88.0 billion. The $3.6 billion tax liability attributable to this taxable income reflects an overall average tax rate of 4.0 percent.

Table 9
NEW YORK CITY PERSONAL INCOME TAX
COMPONENTS OF ADJUSTED GROSS INCOME (AGI)
Tax Year 1996

($ Millions)

INCOME		
Wages and Salaries	87,034	
Dividend and Interest	10,015	
Business Income	4,650	
Capital Gains	9,537	
Social Security, Pension, IRA	7,544	
Other Income [1]	5,190	
Federal Adjustments [2]	(418)	
FEDERAL AGI		123,552
NY ADDITIONS		
State and Local Bond Interest [3]	177	
Other Additions [4]	1,169	
TOTAL ADDITION ADJUSTMENTS		1,346
NY SUBTRACTIONS		
Pension Exclusion [5]	(2,219)	
US Government Bond Interest	(1,777)	
State and Local Tax Refunds	(711)	
Taxable Social Security Benefits	(1,521)	
Other Subtractions	(3,126)	
UNUSED SUBTRACTION ADJUSTMENTS	1,188	
TOTAL SUBTRACTION ADJUSTMENTS [6]		(8,166)
NY STATE AGI		116,732

Table 9
(continued)

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

[2] Federal Adjustments include IRA and Keogh plan contributions, moving expenses (incurred after 1993) and one-half of self-employment tax, self-employed health insurance deduction, penalty on early withdrawal of savings and alimony paid.

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

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

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

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

Table 10
NEW YORK CITY PERSONAL INCOME TAX
SUMMARY OF DEDUCTIONS AND CREDITS
Tax Year 1996

($ Millions)

DEDUCTIONS		
ITEMIZED DEDUCTIONS		
Taxes Paid		(5,529)
Interest Paid		(3,679)
Contributions		(2,598)
Medical expenses		(804)
Job and Employee Expenses [1]		(1,658)
Other Miscellaneous Expenses [2]		(182)
Federal High-Income Limitation [3]		691
TOTAL FEDERAL ITEMIZED DEDUCTIONS		(13,759)
NY ADJUSTMENTS		
State and Local Income Taxes		4,480
NYS Addition Adjustments [4]		1,039
State High-Income Limitation [5]		177
TOTAL ITEMIZED DEDUCTIONS		(8,063)
TOTAL STANDARD DEDUCTION		(22,088)
UNUSED DEDUCTIONS [6]		2,971
TOTAL DEDUCTIONS APPLIED		(27,180)
EXEMPTIONS		
TOTAL EXEMPTIONS		(1,909)
TOTAL EXEMPTIONS APPLIED		(1,555)
TAXABLE INCOME		87,997
NYC RESIDENT TAX		3,506
NYC Household Credit	(14)	
Other Taxes [7]	66	
TOTAL NYC TAX LIABILITY		3,558

Table 10
(continued)

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

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

[3] The Federal high-income limitation reduces itemized deductions for filers with Federal AGI exceeding $117,950 ($58,975 if married filing separate) in tax year 1996.

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

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

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

[7] Includes the New York City minimum tax.

Personal Income Tax Household Credit

Citation

NYS Tax Law Section 1310

Policy Objective

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

Description

New York City taxpayers with federal adjusted gross income below specified levels may claim the household credit. The amount of the credit varies according to filing status, federal adjusted gross income and the number of persons in the household. In tax year 1996, the credit was available to single taxpayers with federal adjusted gross income not greater than $12,250 and other filing types with adjusted gross income not greater than $22,500. The credit amount decreases as income increases and in 1996 ranged from $15 to $10 for single filers and from $30 to $10 per household member for all other filers. The household credit is not refundable.

Distributional Information

In 1996, 421,864 New York City households claimed the household credit -- 51 percent of these households were headed by single parents, 23 percent were married couples and 26 percent were single individuals. The household credit reduced the 1996 tax liability of New York City taxpayers by $14.1 million. Of the 2.8 million New York City returns filed in 1996, nearly 15 percent claimed the household credit. The household credit reduced the City tax liability of roughly 102,100 low-income taxpayers to zero. The average benefit was $33 per household, with the majority of the beneficiaries (68 percent) having income below $17,500.

Personal Income Tax Household Credit - cont'd

HOUSEHOLD CREDIT

Household Income Range	Number of Households	Total Value of Credit (000s)	Average Value
Under $10,000	70,018	$954.65	$14
$10,000 - $12,500	69,617	$919.17	$13
$12,500 - $15,000	70,618	$3,201.22	$45
$15,000 - $17,500	75,465	$4,252.26	$56
$17,500 - $20,000	75,077	$3,003.24	$40
$20,000 - $22,500	59,424	$1,701.62	$29
$22,500 - $25,000	1,649	$56.55	$34
Total	**421,868**	**$14,089**	**$33**

Tax Expenditure

$ 14.1 million

PART VI

SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES

Introduction

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

New York City Economic Development Corporation, Local Law 69 Report, (January 31, 1999) [1]

Introduction

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

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

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

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

In preparing the LL69 report, it was the intention of the Council and EDC to limit the data collection and analysis effort to what was reasonably obtainable. Accordingly, the FY 1998 report primarily relies on information collected at project closing and on annually updated project employment information collected by EDC. The report also uses employment data obtained from the New York State Department of Labor (DOL). For projects that closed prior to the passage of LL69, the report includes all information that was available to or easily obtainable by EDC as required by LL69.

The model EDC created for this effort relies on a series of assumptions. These assumptions are based on analysis of the relationships between jobs, business output, earnings and tax revenues, and have been applied across the different types of industry sectors represented in EDC's LL69 project list. The assumptions stem from complex economic models on the New York City economy developed by the United States Department of Commerce.

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

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

Analysis Contained in this Report

The LL69 analysis presented in this report reflects four basic steps. These include determining project eligibility, calculating City Costs, estimating City Benefits and determining the Net Impact of EDC's economic development programs.

Project Eligibility

Local Law 69 requires EDC to report on all projects undertaken by EDC for the purpose of the creation or retention of jobs when the project meets the following criteria:

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

Local Law 69 requires that EDC provide a variety of descriptive information for each eligible project. The general type of information required includes, project name (usually the name of the business receiving the benefits), the location, the type of City assistance received and the number of jobs created or retained.

EDC has reviewed project records dating back to FY 1991 and determined that there are 353 individual EDC projects that meet the LL69 criteria. Records from the former Department of Ports and Trade (P&T), the Financial Services Corporation of New York City (FSC) and the New York City Public Development Corporation (PDC) were reviewed. The LL69 projects generally fall into four EDC program categories:

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

Summary of Aggregate Benefits

The LL69 eligibility criteria cover 353 individual projects. EDC is required to report on each LL 69 project for an eight-year period (base year plus seven years). Including the projects, which commenced in FY 1998, the entire reporting period, covers the period beginning in FY 1991 and ending in FY 2005.

The City Costs for these same projects were $260 million. In addition, $41 million in unallocated loans has been deemed uncollectible, yielding total City Costs associated with the LL69 projects of $301 million. In effect, the City enjoyed a 33:1 ratio of Gross City Benefits ($9.9 billion) to City Costs ($301 million).

The LL69 analysis reveals that EDC's economic development initiatives associated with qualifying projects will return a Net Impact to the City of over $9.6 billion between FY 1991 and FY 2005.

These figures compare to $7.7 billion in Net Impact to the City in the FY 1997 report and a ratio of Gross City Benefits to City Costs of 28:1.

The 353 LL69 projects involve the projected retention of 105,916 jobs and the creation of 33,949 jobs through the FY 2005 reporting period.

New York City Department of Finance, Annual Report, Industrial and Commercial Incentive Program, Fiscal Year 1997

Program Facts

The ICIP is an essential component in the City's array of economic development tools. In addition to the real estate tax exemptions and abatements available, projects may also benefit from the Energy Cost Savings Program (ECSP) and the Relocation and Employment Assistance Program (REAP).

In FY 1997, there were almost 2,500 projects either receiving or eligible for exemption from real estate taxes. An exemption is granted for the increase in assessed value arising from new construction or rehabilitation. The projects are divided into the following categories.

> **Exempt Property:** Two thousand seventy-eight (2,078) projects were receiving ICIP exemptions valued at $91.2 million in FY 1997. These projects have a recorded increase in assessed value and represent projects either completed or in construction.
>
> **Eligible for Exemption:** An additional 385 projects which carry no exempt value but were eligible for this benefit. Projects in this group have not yet recorded any increase in assessed value for an ICIP improvement but may be granted future exemptions as construction proceeds.

As of June 30, 1997, there were also 2,316 preliminary applications for ICIP benefits on file with the Department. As of that time, the projects had not begun construction and were not eligible for real estate tax exemptions or benefits under ECSP and REAP.

FY 1997 Highlights

> Continuing the trend began last year, benefits gradually rose for the second consecutive year. While the benefit schedule for many deferral and regular projects continued to decline, it was offset by the rise in newly granted commercial benefits. Exemptions on large commercial projects were boosted by the overall rise in real estate values.
>
> Slightly besting FY 1996's record, the greatest number of projects for a single year were granted eligibility for benefits since the inception of the program. The 302 additional projects receiving benefits in FY 1997 represented the largest single year increase since the inception of the program in 1984.
>
> The majority of projects were located outside Manhattan. One thousand nine hundred twenty-one (1,921) projects, over ninety-two percent of all projects receiving exemptions were located in boroughs other than Manhattan. They accounted for over $66.2 million of all exemption dollars in FY 1997, an increase of less than eight percent from the previous year. The

percentage of benefits attributable to the other boroughs remained relatively stable at 72.5 percent in FY 1997 as opposed to 72.2 percent in FY 1996.

Rehabilitations as a percentage of projects receiving exemption benefits continued to climb. Rehabilitations and alterations of existing structures accounted for over 48 percent of the projects receiving exemptions, up four percentage points from FY 1996. Queens, with 337 projects and Brooklyn, with 300 projects led the boroughs in this category. Rehabilitation accounted for $41.65 million in exempt dollars in FY 1997, representing a one-year increase of 32.8 percent and a two-year increase of more than 82 percent.

Deferral exemption benefits continued to decline and represented only eight percent or $7.4 million of the benefits granted in the 1997 fiscal year. In FY 1997, one deferral project was required to begin repaying the City at $4,380 per annum, the value of 10 percent of the exemption benefits previously received. These numbers will rise significantly in the next few years as fifty-five projects, representing 158 lots, will repay their exemption benefits.

Industrial projects received abatement benefits for the first time in FY 1997. Five projects received $395,000 in abatement benefits, providing money for operating expenses and capital improvements. Since abatement benefits are granted only after completion of the project, both the number of projects and volume of benefits are expected to increase significantly in future years.

Eighty-six percent of the projects are to be used for commercial purposes and fourteen percent for industrial purposes. These range from small retail developments and healthcare facilities in Queens, Brooklyn and Staten Island to commercial projects like a new Carver Federal Savings Bank in Harlem and industrial projects like El Plastics in the South Bronx.

More than eighty-three percent of all ICIP projects have construction costs of less than $1 million, providing tax relief to modest projects in their crucial early years.

Note: See pages 37 - 39 for a description of ICIP eligibility criteria and benefit schedules

PART VII

DESCRIPTIONS OF MAJOR NEW YORK CITY TAXES

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

Banking Corporation Tax

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

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

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

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

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

(4) $125 minimum tax.

Commercial Rent Tax

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

Effective September 1, 1995, the commercial rent tax was eliminated in Manhattan north of 96th Street and in the other boroughs. Effective for tax years beginning on or after June 1, 1997, the taxable threshold was increased to annual rent (or annualized rent for part-year filers) of $100,000. Tenants with rents below this level are exempt from the tax. In addition, tenants with annual taxable rents between $100,000 and $139,000 are eligible for a sliding-scale credit, which partially offsets tax liability. Effective June 1, 1996, the effective tax rate of the commercial rent tax was reduced to 4.5 percent. The effective rate was further reduced to 3.9 percent on September 1, 1998.

General Corporation Tax

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

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

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

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

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

(4) $300 minimum tax.

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

Mortgage Recording Tax

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

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

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

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

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

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

Personal Income Tax and Non-Resident Earnings Tax

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

The personal income tax rates imposed on every resident of New York City for 1999 range from 3.05 percent to 3.83 percent.[2]

The non-resident earnings tax is imposed at the rate of 0.45 percent on wages earned and 0.65 percent on net earnings from self-employment.[3]

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.

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

[3] Legislation was enacted in 1999 eliminating the non-resident earnings tax on New York State residents and potentially on non-New York State residents. At the time of print of this publication, the issue is in litigation.

Recent Tax Law Changes

New York City assesses properties at a uniform percentage of market value within each class of real property, applying class specific tax rates to determine tax liability. For FY 1999 the real property tax rates are as follows:

(1) For Class 1, the tax rate is $10.961 per $100 of assessed value.

(2) For Class 2, the tax rate is $10.739 per $100 of assessed value.

(3) For Class 3, the tax rate is $8.800 per $100 of assessed value.

(4) For Class 4, the tax rate is $10.236 per $100 of assessed value.

Real Property Transfer Tax

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

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

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

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

For properties other than the residential properties referred to above:

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

- 2.625 percent if the consideration is more than $500,000.

Sales Tax

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

In addition, a New York City sales and use tax is imposed on charges for the parking or garaging of motor vehicles. The basic tax rate imposed on the parking charge is 6 percent; an additional 8 percent tax is imposed on parking in Manhattan. (Manhattan residents who meet certain conditions are exempt from the 8 percent tax.)

Unincorporated Business Tax

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

The unincorporated business tax is imposed at the rate of 4 percent of taxable income allocable to New York City. For tax years beginning after 1996, businesses owing unincorporated business tax liability of $1,800 or less may receive a credit to fully offset liability; businesses owing between $1,800 and $3,200 may receive a credit providing partial relief.

Utility Tax

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

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

RECENT NYC TAX PROGRAM LEGISLATION

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

Commercial Rent Tax (CRT) Reduction

Citation: NYC Local Law 57 of 1995

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

Commercial Revitalization Program

Citation: Chapter 4, NYS Laws of 1995

Designed to stimulate economic development in lower Manhattan and elsewhere in the City, this program provides an array of tax benefits for eligible commercial tenants and for residential and mixed-use building conversions. The program is described in detail on pages 37-41 of this report.

Industrial and Commercial Incentive Program (ICIP) Revisions

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

Various enhancements were provided under the ICIP program, including the extension of the benefit for building renovations in certain areas of midtown Manhattan and the adoption of a benefit for the construction of "smart buildings" in Manhattan below 96th street. These enhancements are described in more detail on pages 33-34 of this report.

Interior Decorating Sales Tax

Citation: Chapters 297 and 298, NYS Laws of 1995

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

Business Tax Reform

Citation: Chapter 625, NYS Laws of 1996

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

Cooperative/Condominium Property Tax Relief

Citation: Chapter 273, NYS Laws of 1996

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

Credit Line Mortgages

Citation: Chapters 489 and 490, NYS Laws 1996

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

Lessee's Parking Tax Exemption

Citation: NYC Local Law 74 of 1996

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

Sales Tax Exemption: Production Items

Citation: Chapter 366, NYS Laws of 1996

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

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

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

The income eligibility ceiling for SCRIE benefits has been increased from $16,500 to $20,000; the ownership period requirement for SCHE eligibility has been reduced from two years to one year; SCHE exemption benefits have been extended to qualifying owners of cooperative apartments; the income ceiling for the basic 50 percent SCHE exemption has been increased from $17,500 to $18,500; and an additional bracket has been added to the SCHE exemption schedule so as to allow a 5 percent exemption where a senior citizen's income is between $26,000 and $26,899. SCHE and SCRIE are described on pages 24-28 of this report.

Unincorporated Business Tax (UBT) Relief/Reform

Citation: Chapter 128, NYS Laws of 1996

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

Additional Commercial Rent Tax (CRT) Reduction

Citation: NYC Local Law 63 of 1997

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

Coin-Operated Amusement Devices Tax Repealed

Citation: Local Law 48 of 1997

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

Annual Vault Charge Repealed

Citation: Local Law 47 of 1997

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

Real Property Tax Veteran's Exemption Enhancements

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

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

Additional Unincorporated Business Tax (UBT) Relief Measures

Citation: Chapter 481, NYS Laws of 1997

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

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

Citation: Chapter 481, NYS Laws of 1997

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

Realty Transfer Tax Deduction Allowed for Continuing Liens

Citation: Chapter 314, NYS Laws of 1997

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

Commercial Revitalization Program Amendments

Citation: Chapter 629, NYS Laws of 1997

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

Sales Tax Exemption for Production of Dramatic and Musical Arts Performances

Citation: Chapter 670, NYS Laws of 1997

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

Utility Tax Provisions Revised

Citation: Chapter 536, NYS Laws of 1998

The following changes were made in the city utility tax:

- Certain providers of telecommunications services are subject to the utility tax. The definition of telecommunications services subject to the City's utility tax has been modernized to conform to the definition used for state utility tax purposes. The new definition includes all telephone or telegraph service, including any transmission of voice, image, data, information and paging, through the use of wire, cable, fiber-optic, laser, microwave, radio wave, satellite or similar media or any combination thereof.

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

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

Internet Access Services Exempted from Sales Tax

Citation: Chapter 615, NYS Laws of 1998

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

Offshore Funds Shielded from State/City Corporate Taxes

Citation: Chapter 340, NYS Laws of 1998

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

Parking Fees Paid by Homeowner's Association Members Exempted from City Parking Taxes

Citation: Chapter 344, NYS Laws of 1998

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

APPENDICES

INTRODUCTION

This section includes:

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

APPENDIX I

NEW YORK CITY CHARTER SECTION 240

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

a. a listing of all exclusions, exemptions, abatements, credits or other benefits allowed against city tax liability, against the base or the rate of, or the amount due pursuant to, each city tax, provided however that such listing need not include any benefits which are applicable without any city action to such city tax because they are available in regard to a federal or state tax on which such city tax is based; and

b. a description of each tax benefit included in such listing, providing the following information:

1. the legal authority for such tax benefit;
2. the objectives of, and eligibility requirements for, such tax benefit;
3. such data and supporting documentation as are available and meaningful regarding the number and kind of taxpayers using benefits pursuant to such tax benefit and the total amount of benefits used pursuant to such tax benefit, by taxable and/or fiscal year;
4. for each tax benefit pursuant to which a taxpayer is allowed to claim benefits in one year and carry them over for use in one or more later years, the number and kind of taxpayers carrying forward benefits pursuant to such tax benefit and the total amount of benefits carried forward, by taxable and/or fiscal year;
5. for nineteen hundred ninety and each year thereafter for which the information required by paragraphs three and four are not available, the reasons therefor, the steps being taken to provide such information as soon as possible, and the first year for which such information will be available;
6. such data and supporting documentation as are available and meaningful regarding the economic and social impact and other consequences of such tax benefit; and
7. a listing and summary of all evaluations and audits of such tax benefit issued during the previous two years.

APPENDIX II

CALCULATION OF AVERAGE NEW YORK CITY TAXES PER WORKER

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

The estimate of average City taxes per worker is the sum, by sector, of average business taxes per worker and average individual taxes per worker. Employment data are for calendar year 1997 and tax data are for tax year 1997, which roughly corresponds to calendar year 1997.

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

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

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

Calculation of Average Taxes per Worker

Industry Sector	Non-Property Taxes Average per worker	All Taxes Average per worker
FIRE	$6,610	$7,869
Services	2,274	2,783
Manufacturing	2,644	3,248
Wholesale Trade	2,753	2,987
Transport & Public Utilities	2,196	2,218
Construction	2,177	2,181
Retail Trade	1,348	1,996
Government	1,448	1,608
Private	2,921	3,506
ALL INDUSTRIES	**$2,697**	**$3,218**

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

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

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

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

2. Personal Income Tax (PIT)

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

Sources: DOF Tax Policy PIT data; NYS DOL data

3. Sales Tax (STX)

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

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

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

4. Commercial Rent Tax

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

Sources: DOF Tax Policy Stat Unit; NYS DOL data

5. Real Property Tax

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

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

6. Utility Tax (UTX)

Utility Tax liability is distributed 55 percent to commercial customers, based on NYS Public Service Commission data. (Residential utility taxes are assumed to be independent of employment and are not included in the calculation of taxes per worker.) Business UTX is assumed to be distributed among industry sectors in proportion to the sector distribution of business taxable income, as described in #4 above. Sector liability is then divided by sector employment to determine UTX paid per worker.

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

APPENDIX III

NYC TAXES DIRECTLY RELATED TO CITY EMPLOYMENT BY INDUSTRY SECTOR TAX YEAR 1997

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

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

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

NYC Taxes Directly Related to City Employment [1]
By One-Digit Industry Sector
Tax Year 1997 [2]

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
	All Industries	10,727.3	$3,217.63		
	Private	9,911.4	$3,506.49		
1	FIRE	3,689.0	$7,869.30	2	4
2	Services	3,409.9	$2,783.12	6	1
3	Government	815.9	$1,608.19	10	2
4	Retail Trade	747.9	$1,966.25	9	3
5	Nondurable Manufacturing	659.7	$3,318.13	3	6
6	Wholesale Trade	539.2	$2,987.13	5	7
7	Transport & Public Utilities	445.4	$2,218.07	7	5
8	Durable Manufacturing	193.8	$3,028.54	4	9
9	Construction	198.0	$2,180.70	8	8
10	Agriculture, Forestry, Fisheries	4.5	$1,328.21	11	10
11	Mining	2.5	$8,927.08	1	11

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

[2] See Appendix II for discussion of methodology.

NYC Taxes Directly Related to City Employment
By Two-Digit Industry Sector
Tax Year 1997

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
1	Security & Commodities	1,685,486,867	10,850.38	5	4
2	Depository Institutions	903,828,515	7,869.30	6	7
3	Business Services	769,980,474	3,021.75	27	3
4	Local Government	658,607,500	1,639.47	58	1
5	Medical & Other Health Services	658,177,858	2,134.13	46	2
6	Legal Services	482,634,178	6,923.75	7	15
7	Real Estate	374,217,586	3,752.23	17	10
8	Engineering, Accounting & Related	371,224,052	3,763.88	16	11
9	Nondurable Wholesale Trade	315,497,678	3,059.22	24	9
10	Printing & Publishing	314,467,903	4,309.49	14	14
11	Holding & Other Investments	302,948,383	17,416.83	3	40
12	Durable Wholesale Trade	236,710,446	3,059.22	25	12
13	Eating & Drinking Places	205,938,911	1,507.32	60	6
14	Communication	191,163,769	3,037.38	26	18
15	Hotels	185,903,178	5,327.65	10	28
16	Social Services	181,284,153	1,178.90	65	5
17	Miscellaneous Retail	170,692,876	2,728.68	30	19
18	Educational Services	169,451,790	1,598.90	59	8
19	Insurance Carriers	162,630,697	3,226.10	22	22
20	Amusement & Recreation	159,384,761	3,671.11	18	24
21	Apparel	149,671,624	2,038.60	48	13
22	Special Trade Contractors	128,919,301	2,007.12	49	16
23	Insurance Agents, Brokers, Services	123,359,212	5,188.61	11	31
24	Federal Government	120,115,750	1,892.12	53	17
25	Motion Pictures	115,831,879	3,420.60	20	29
26	Apparel & Accessories	113,404,053	2,533.04	36	23
27	Air Transportation	101,368,474	1,900.53	52	21
28	Food Stores	87,664,868	1,496.22	61	20
29	Chemicals & Allied Products	78,304,727	5,540.95	9	43
30	State Government	78,304,563	1,859.22	54	25
31	General Merchandise	64,564,337	1,796.05	56	27
32	Membership Organizations	64,390,925	1,692.49	57	26
33	Electrical Equipment	59,668,022	4,597.27	13	45
34	Personal Services	51,152,228	1,797.15	55	30
35	General Building Contractors	50,281,539	2,637.24	33	38

NYC Taxes Directly Related to City Employment
By Two-Digit Industry Sector
Tax Year 1997

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employ-ment Rank
36	Nondepository Institutions	49,671,301	6,820.17	8	51
37	Miscellaneous Manufacturing Industries	47,973,863	2,201.34	44	32
38	Furniture & Homefurnishings	45,973,779	2,313.26	40	36
39	Automotive Repair & Garages	44,798,248	2,062.72	47	33
40	Food & Kindered Products	43,690,550	2,993.73	28	42
41	Electric, Gas & Sanitary	41,317,367	2,287.40	41	39
42	Transportation Services	37,228,690	1,945.28	51	37
43	Automotive Dealers & Gas Stations	37,094,063	2,712.15	31	44
44	Motor Freight & Warehousing	31,762,096	1,489.78	62	34
45	Local & Suburban Transit	31,663,470	1,488.99	63	35
46	Textile Mill Products	24,901,202	2,442.01	38	46
47	Building Materials	22,546,111	2,710.52	32	49
48	Miscellaneous Repair Services	22,351,047	3,293.70	21	52
49	Fabricated Metal Products	22,144,018	2,267.23	42	47
50	General Contractors other than Bldgs	18,776,254	2,507.18	37	50
51	Tobacco Products	16,796,237	18,336.50	2	64
52	Instruments, Photo & Optical Goods	15,549,469	4,883.63	12	58
53	Industrial & Commercial Machinery	15,467,390	3,200.37	23	54
54	Paper & Allied Products	15,059,888	2,412.28	39	53
55	Museums, Art Galleries & Gardens	12,260,625	1,316.37	64	48
56	Private Households	11,026,283	727.52	66	41
57	Water Transportation	10,605,783	2,251.28	43	55
58	Furniture & Fixtures	9,572,814	2,533.16	35	56
59	Transportation Equipment	8,472,371	3,902.52	15	61
60	Rubber & Miscellaneous Plastics	7,078,659	1,964.11	50	57
61	Leather & Leather Products	6,827,794	2,564.91	34	59
62	Stone, Clay & Glass	5,940,497	2,853.26	29	62
63	Lumber & Wood	4,869,760	2,155.71	45	60
64	Primary Metal Industries	4,168,556	3,615.40	19	63
65	Petroleum Refining	2,928,475	33,660.63	1	65
66	Pipelines	260,492	12,404.37	4	66

APPENDIX IV

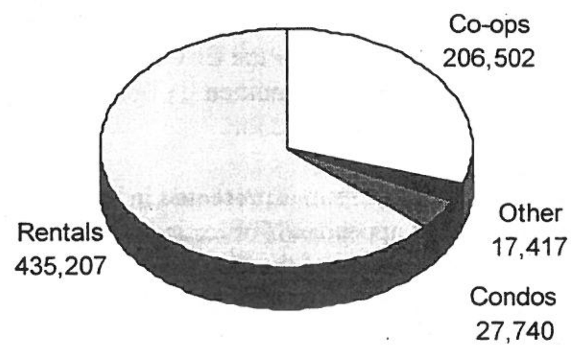
REAL PROPERTY TAX EXPENDITURE STATISTICAL SUPPLEMENT FY 1999

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

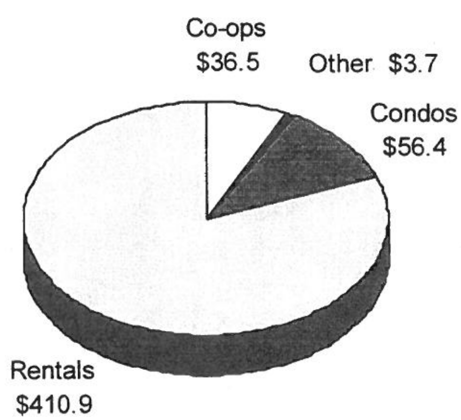
It should be noted that the number of exemptions presented in Part II of this report may not equal the number of properties presented in this appendix. For example, a single property may receive more than one J-51 exemption if the rehabilitation of the property consisted of separate improvements initiated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

Distribution by Housing Type
J-51 Program

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

Program: I-51

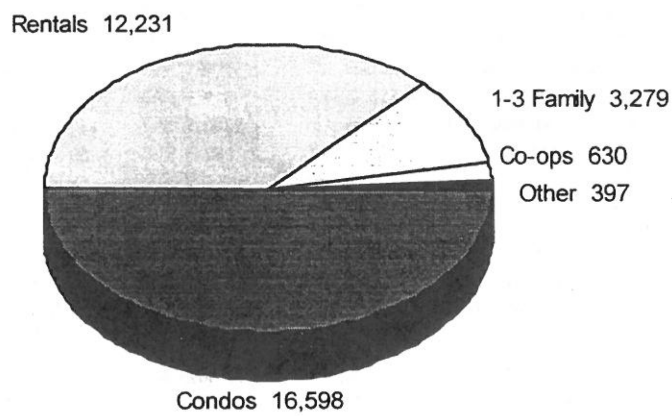
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Total Units	417	58	44	289	23	3
	Exemption Units	274	42	30	199	3	0
	Abatement Only Units	143	16	14	90	20	3
	Exempt Assessed Value	$0.8	$0.2	$0.1	$0.5	$0.0	$0.0
	Taxable Assessed Value	$1.6	$0.2	$0.1	$1.1	$0.2	$0.0
	Total Abatement	$0.1	$0.0	$0.0	$0.1	$0.0	$0.0
Condos	Number of Units	27,740	8,838	11,051	3,465	4,038	348
	Exemption Units	4,188	1,341	6	2,178	615	48
	Abatement Only Units	23,552	7,497	11,045	1,287	3,423	300
	Exempt Assessed Value	$56.4	$19.3	$1.5	$30.6	$3.5	$1.5
	Taxable Assessed Value	$357.6	$206.5	$66.6	$29.8	$48.8	$5.8
	Total Abatement	$5.5	$2.3	$0.4	$1.6	$0.9	$0.2
Cooperatives	Number of Units	206,502	59,369	20,414	44,353	81,487	879
	Exemption Units	10,981	1,125	4,183	2,255	3,418	0
	Abatement Only Units	195,521	58,244	16,231	42,098	78,069	879
	Exempt Assessed Value	$36.5	$9.3	$5.7	$15.0	$6.5	$0.0
	Taxable Assessed Value	$3,103.3	$1,237.4	$263.6	$517.9	$1,073.5	$10.9
	Total Abatement	$26.8	$7.7	$2.3	$7.4	$9.4	$0.1
Condops[1]	Number of Units	16,933	13,867	213	671	2,182	0
	Exemption Units	214	97	0	117	0	0
	Abatement Only Units	16,719	13,770	213	554	2,182	0
	Exempt Assessed Value	$2.7	$1.7	$0.0	$1.0	$0.0	$0.0
	Taxable Assessed Value	$421.1	$370.3	$3.4	$7.7	$39.6	$0.0
	Total Abatement	$2.1	$1.6	$0.0	$0.2	$0.3	$0.0
Rentals	Number of Units	435,207	118,998	121,072	113,832	78,506	2,799
	Exemption Units	89,890	14,318	56,657	14,432	4,099	384
	Abatement Only Units	345,317	104,680	64,415	99,400	74,407	2,415
	Exempt Assessed Value	$410.9	$121.8	$194.2	$84.0	$9.9	$0.9
	Taxable Assessed Value	$4,180.2	$1,661.2	$650.5	$951.1	$895.0	$22.4
	Total Abatement	$71.0	$20.1	$19.7	$20.4	$10.5	$0.2
Mixed Use[2]	Number of Units	67	3	12	50	2	0
	Exemption Units	24	0	0	24	0	0
	Abatement Only Units	43	3	12	26	2	0
	Exempt Assessed Value	$0.1	$0.0	$0.0	$0.1	$0.0	$0.0
	Taxable Assessed Value	$0.8	$0.1	$0.4	$0.3	$0.0	$0.0
	Total Abatement	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	686,866	201,133	152,806	162,660	166,238	4,029
	Exemption Units	105,571	16,923	60,876	19,205	8,135	432
	Abatement Only Units	581,295	184,210	91,930	143,455	158,103	3,597
	Exempt Assessed Value	$507.5	$152.4	$201.5	$131.3	$19.9	$2.5
	Taxable Assessed Value	$8,064.6	$3,475.7	$984.7	$1,507.8	$2,057.3	$39.1
	Total Abatement	$105.6	$31.7	$22.4	$29.7	$21.2	$0.5
	Number of Properties With Unit Data	40,334	12,703	13,700	7,437	6,106	388
	Number of Properties Without Unit Data	705	292	91	188	3	131

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

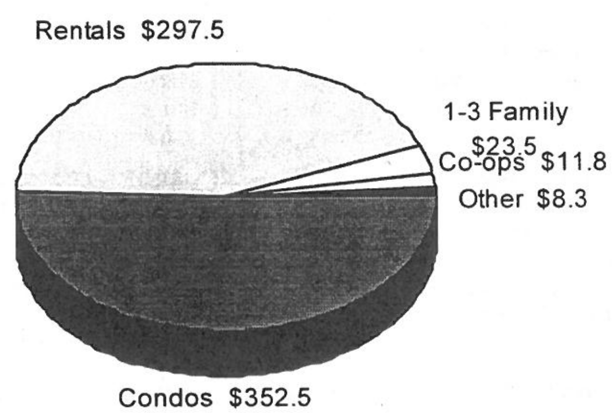
[2] Mixed Use properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
421-A Program

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Housing Type
Fiscal Year 1999
($ Millions)

Program: 421-A

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	3,279	0	1,125	1,187	963	4
	Exempt Assessed Value	$23.5	$0.0	$7.1	$9.5	$6.8	$0.0
	Taxable Assessed Value	$6.8	$0.0	$1.6	$3.1	$2.0	$0.0
Condos	Number of Units	16,598	6,887	685	2,970	3,871	2,185
	Exempt Assessed Value	$352.5	$182.2	$12.1	$55.3	$82.6	$20.3
	Taxable Assessed Value	$351.2	$324.2	$2.4	$6.9	$13.6	$4.0
Cooperatives	Number of Units	630	403	74	153	0	0
	Exempt Assessed Value	$11.8	$8.8	$1.0	$2.0	$0.0	$0.0
	Taxable Assessed Value	$12.3	$12.0	$0.1	$0.3	$0.0	$0.0
Condops[1]	Number of Units	393	393	0	0	0	0
	Exempt Assessed Value	$8.3	$8.3	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$14.6	$14.6	$0.0	$0.0	$0.0	$0.0
Rentals	Number of Units	12,231	6,931	625	1,285	3,048	342
	Exempt Assessed Value	$297.5	$201.2	$11.1	$17.6	$61.3	$6.2
	Taxable Assessed Value	$177.3	$167.9	$0.6	$1.6	$6.8	$0.4
Mixed Use[2]	Number of Units	4	0	0	0	4	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	33,135	14,614	2,509	5,595	7,886	2,531
	Exempt Assessed Value	$693.6	$400.5	$31.4	$84.4	$150.8	$26.5
	Taxable Assessed Value	$562.2	$518.7	$4.7	$11.9	$22.4	$4.5
	Number of Properties With Unit Data	18,225	6,938	1,097	3,413	4,579	2,198
	Number of Properties Without Unit Data	3,460	1,296	364	828	617	355

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

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

Distribution of Exemptions
By Borough and Housing Type
Fiscal Year 1999
($ Millions)

Program: 421-A

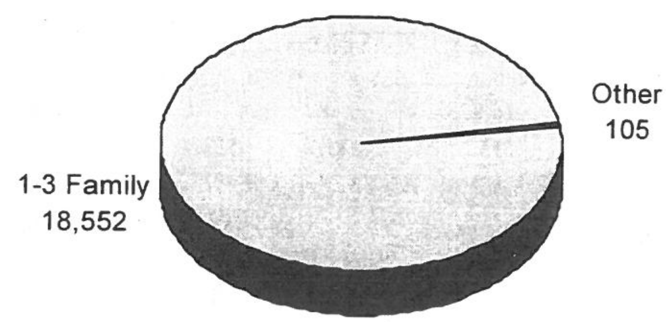
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	3,279	0	1,125	1,187	963	4
	Exempt Assessed Value	$23.5	$0.0	$7.1	$9.5	$6.8	$0.0
	Taxable Assessed Value	$6.8	$0.0	$1.6	$3.1	$2.0	$0.0
Condos	Number of Units	16,598	6,887	685	2,970	3,871	2,185
	Exempt Assessed Value	$352.5	$182.2	$12.1	$55.3	$82.6	$20.3
	Taxable Assessed Value	$351.2	$324.2	$2.4	$6.9	$13.6	$4.0
Cooperatives	Number of Units	630	403	74	153	0	0
	Exempt Assessed Value	$11.8	$8.8	$1.0	$2.0	$0.0	$0.0
	Taxable Assessed Value	$12.3	$12.0	$0.1	$0.3	$0.0	$0.0
Condops[1]	Number of Units	393	393	0	0	0	0
	Exempt Assessed Value	$8.3	$8.3	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$14.6	$14.6	$0.0	$0.0	$0.0	$0.0
Rentals	Number of Units	12,231	6,931	625	1,285	3,048	342
	Exempt Assessed Value	$297.5	$201.2	$11.1	$17.6	$61.3	$6.2
	Taxable Assessed Value	$177.3	$167.9	$0.6	$1.6	$6.8	$0.4
Mixed Use[2]	Number of Units	4	0	0	0	4	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	33,135	14,614	2,509	5,595	7,886	2,531
	Exempt Assessed Value	$693.6	$400.5	$31.4	$84.4	$150.8	$26.5
	Taxable Assessed Value	$562.2	$518.7	$4.7	$11.9	$22.4	$4.5
	Number of Properties With Unit Data	18,225	6,938	1,097	3,413	4,579	2,198
	Number of Properties Without Unit Data	3,460	1,296	364	828	617	355

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

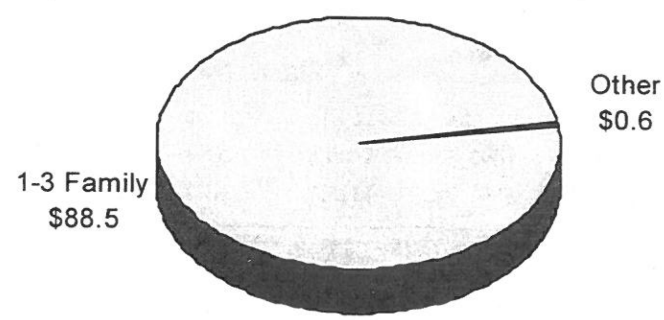
[2] Mixed Use properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
421-B Program

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

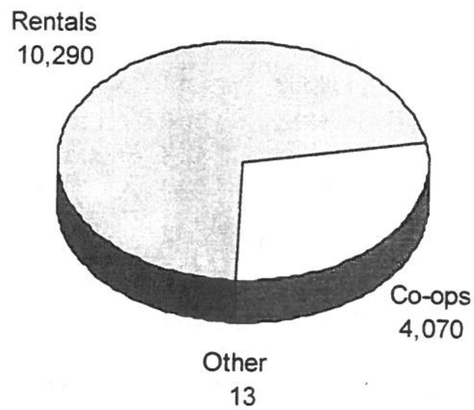
Program: 421-B

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	18,552	13	2,466	1,870	3,773	10,430
	Exempt Assessed Value	$88.5	$0.0	$6.9	$8.0	$7.5	$66.0
	Taxable Assessed Value	$141.4	$0.5	$12.4	$19.2	$31.0	$78.3
Condos	Number of Units	44	12	0	15	17	0
	Exempt Assessed Value	$0.3	$0.0	$0.0	$0.2	$0.1	$0.0
	Taxable Assessed Value	$0.6	$0.1	$0.0	$0.3	$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	51	44	0	7	0	0
	Exempt Assessed Value	$0.2	$0.2	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.1	$0.1	$0.0	$0.1	$0.0	$0.0
Mixed Use [1]	Number of Units	10	0	2	8	0	0
	Exempt Assessed Value	$0.1	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.1	$0.0	$0.0	$0.1	$0.0	$0.0
All	Number of Units	18,657	69	2,468	1,900	3,790	10,430
	Exempt Assessed Value	$89.1	$0.3	$6.9	$8.3	$7.6	$66.0
	Taxable Assessed Value	$142.2	$0.7	$12.4	$19.7	$31.1	$78.3
	Number of Properties With Unit Data	12,266	23	1,328	1,162	857	8,896
	Number of Properties Without Unit Data	458	2	3	13	1	439

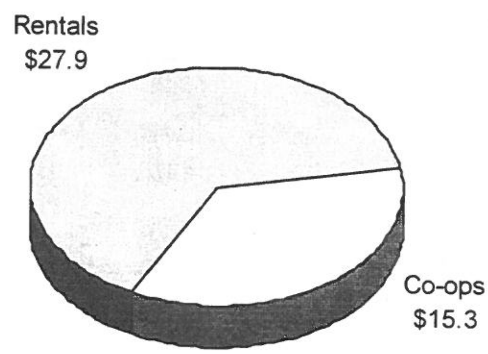
[1] Mixed Use properties include structures that combine residential with retail or office uses.

HPD Division of Alternative Management Programs (DAMP)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

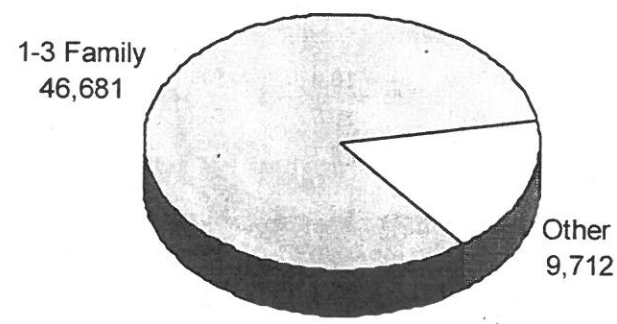
Program: HPD Division of Alternative Management Programs (DAMP)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	13	7	0	0	6	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.1	$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
Cooperative	Number of Units	4,070	2,294	984	792	0	0
	Exempt Assessed Value	$15.3	$11.7	$1.5	$2.1	$0.0	$0.0
	Taxable Assessed Value	$21.7	$12.8	$4.9	$4.0	$0.0	$0.0
Rentals	Number of Units	10,290	4,116	3,596	2,513	65	0
	Exempt Assessed Value	$27.8	$16.9	$6.2	$4.5	$0.2	$0.0
	Taxable Assessed Value	$51.8	$22.4	$16.7	$12.4	$0.3	$0.0
Mixed Use [1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	14,373	6,417	4,580	3,305	71	0
	Exempt Assessed Value	$43.2	$28.6	$7.7	$6.7	$0.2	$0.0
	Taxable Assessed Value	$73.6	$35.2	$21.6	$16.5	$0.4	$0.0
	Number of Properties With Unit Data	660	313	161	179	7	0
	Number of Properties Without Unit Data	0	0	0	0	0	0

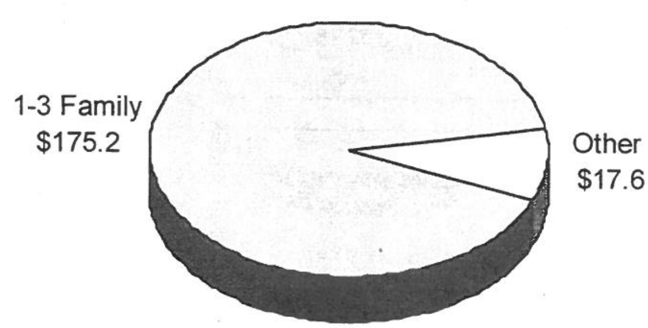
[1] Mixed Use properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Senior Citizen Homeowner Exemption
(SCHE)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

Program: Senior Citizen Homeowner Exemption

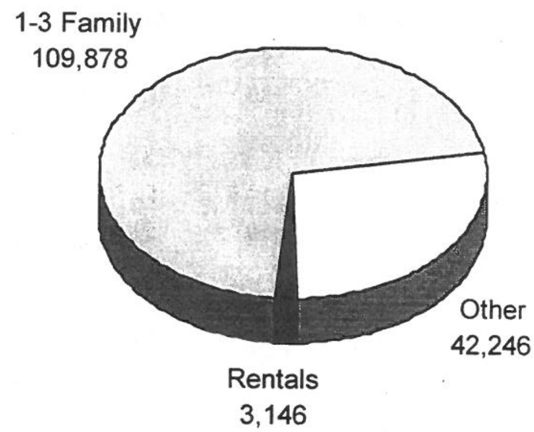
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	46,681	83	5,851	14,671	21,838	4,238
	Exempt Assessed Value	$175.2	$0.3	$17.5	$51.2	$87.5	$18.7
	Taxable Assessed Value	$156.9	$0.2	$18.4	$38.4	$86.8	$13.0
Condos	Number of Units	464	48	131	22	170	93
	Exempt Assessed Value	$2.7	$0.6	$0.3	$0.1	$1.2	$0.4
	Taxable Assessed Value	$2.0	$0.6	$0.1	$0.1	$1.0	$0.3
Cooperatives	Number of Units	2,543	576	96	381	1,467	23
	Exempt Assessed Value	$13.7	$4.7	$0.4	$1.8	$6.7	$0.1
	Taxable Assessed Value	$1,926.0	$818.1	$104.0	$202.3	$790.6	$11.0
Condops[1]	Number of Units	6,331	5,267	0	0	1,064	0
	Exempt Assessed Value	$0.2	$0.2	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$150.0	$129.8	$0.0	$0.0	$20.3	$0.0
Rentals	Number of Units	239	24	8	62	35	110
	Exempt Assessed Value	$0.4	$0.0	$0.0	$0.2	$0.1	$0.0
	Taxable Assessed Value	$1.4	$0.0	$0.0	$0.2	$0.1	$1.0
Mixed Use[2]	Number of Units	135	0	8	31	86	10
	Exempt Assessed Value	$0.6	$0.0	$0.0	$0.1	$0.4	$0.0
	Taxable Assessed Value	$0.5	$0.0	$0.0	$0.1	$0.3	$0.0
All	Number of Units	56,393	5,998	6,094	15,167	24,660	4,474
	Exempt Assessed Value	$192.8	$5.8	$18.3	$53.5	$95.9	$19.3
	Taxable Assessed Value	$2,236.9	$948.7	$122.5	$241.2	$899.1	$25.4
	Number of Properties With Unit Data	29,971	305	3,324	8,213	14,563	3,566
	Number of Properties Without Unit Data	149	9	1	20	97	22

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

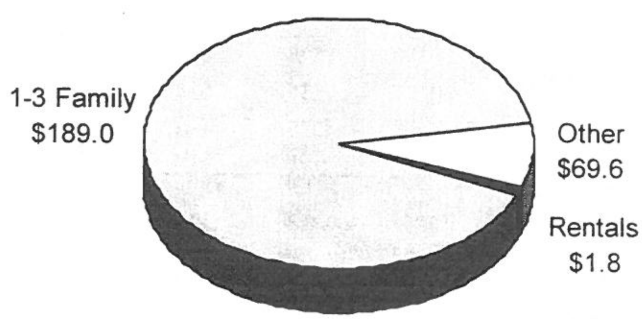
[2] Mixed Use properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Veterans

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

Program: Veterans' Exemption

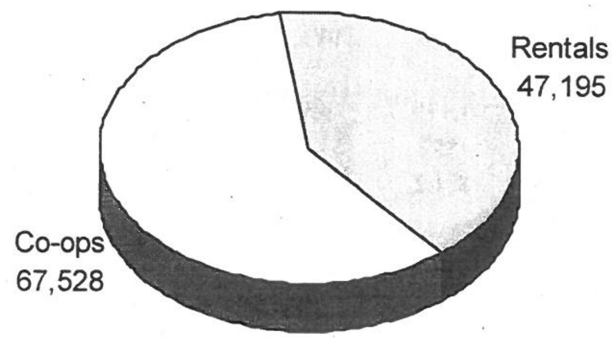
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	109,878	327	11,012	27,829	51,926	18,784
	Exempt Assessed Value	$189.0	$0.6	$14.8	$45.4	$86.3	$41.9
	Taxable Assessed Value	$850.6	10.2	72.3	183.1	429.1	155.8
Condos	Number of Units	1,191	306	88	19	526	252
	Exempt Assessed Value	$5.7	$3.2	$0.3	$0.1	$1.4	$0.8
	Taxable Assessed Value	$21.2	12.9	0.9	0.3	5.1	2.1
Cooperatives	Number of Units	11,099	3,853	491	1,333	5,359	63
	Exempt Assessed Value	$60.6	$35.8	$1.8	$4.1	$18.8	$0.2
	Taxable Assessed Value	$10,397.6	7,170.1	444.3	599.4	2,153.9	29.9
Condops[1]	Number of Units	29,329	27,532	0	22	1,775	0
	Exempt Assessed Value	$2.0	$1.9	$0.0	$0.0	$0.1	$0.0
	Taxable Assessed Value	$840.9	805.0	0.0	0.5	35.5	0.0
Rentals	Number of Units	3,146	442	316	1,547	638	203
	Exempt Assessed Value	$1.8	$0.3	$0.2	$0.8	$0.4	$0.1
	Taxable Assessed Value	$26.9	8.8	2.2	10.0	4.3	1.6
Mixed Use[2]	Number of Units	627	20	40	304	203	60
	Exempt Assessed Value	$1.2	$0.0	$0.1	$0.5	$0.5	$0.2
	Taxable Assessed Value	$8.0	1.5	0.3	3.0	2.4	0.8
All	Number of Units	155,270	32,480	11,947	31,054	60,427	19,362
	Exempt Assessed Value	$260.4	$41.8	$17.1	$50.9	$107.5	$43.0
	Taxable Assessed Value	$12,145.2	8,008.3	519.9	796.3	2,630.4	190.3
	Number of Properties With Unit Data	73,920	2,072	5,997	17,386	32,865	15,600
	Number of Properties Without Unit Data	210	16	12	5	50	127

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

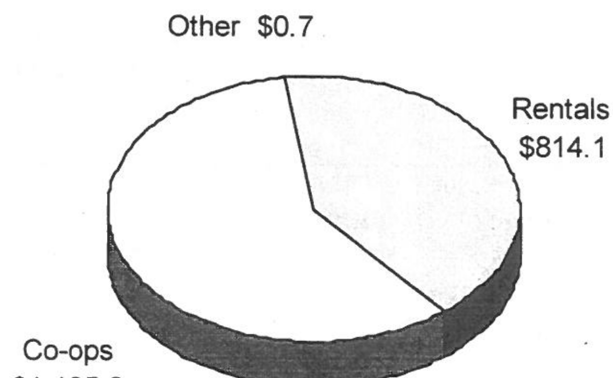
[2] Mixed Use properties include structures that combine residential with retail or office uses.

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

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

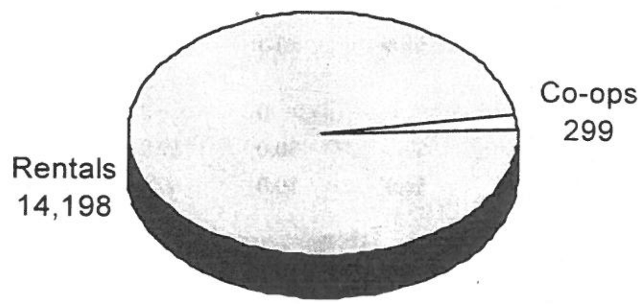
Program: Limited Profit Housing (Mitchell-Lama)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cooperatives	Number of Units	67,528	19,290	23,624	13,394	11,220	0
	Exempt Assessed Value	$1,165.2	$465.7	$323.5	$218.8	$157.2	$0.0
	Taxable Assessed Value	$11.1	$1.8	$2.2	$7.2	$0.0	$0.0
Rentals	Number of Units	47,195	13,847	12,411	14,942	5,005	990
	Exempt Assessed Value	$814.1	$386.4	$141.2	$224.4	$49.1	$13.0
	Taxable Assessed Value	$0.4	$0.0	$0.0	$0.1	$0.3	$0.0
Mixed Use [1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.7	$0.0	$0.0	$0.4	$0.2	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	114,723	33,137	36,035	28,336	16,225	990
	Exempt Assessed Value	$1,979.9	$852.1	$464.7	$443.6	$206.5	$13.1
	Taxable Assessed Value	$11.6	$1.8	$2.2	$7.3	$0.3	$0.0
	Number of Properties With Unit Data	291	93	77	86	33	2
	Number of Properties Without Unit Data	35	0	4	11	17	3

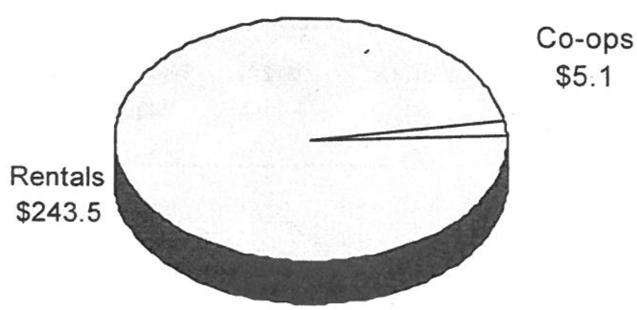
[1] Mixed Use properties include structures that combine residential with retail or office uses. No data were available regarding the number of residential units.

Distribution by Housing Type
Housing Development Fund Companies (HDFC)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

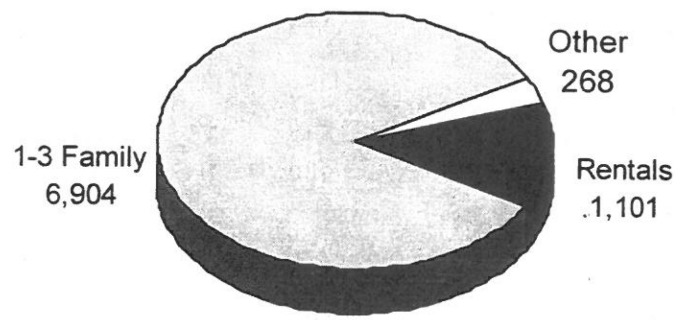
Program: Housing Development Fund Corporation (HDFC)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cooperatives	Number of Units	299	233	0	66	0	0
	Exempt Assessed Value	$5.1	$4.1	$0.0	$1.1	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Rentals	Number of Units	14,198	4,185	4,111	4,391	1,339	172
	Exempt Assessed Value	$243.5	$92.7	$62.8	$62.9	$21.7	$3.4
	Taxable Assessed Value	$15.2	$13.4	$0.0	$1.7	$0.0	$0.0
Mixed Use [1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	14,497	4,418	4,111	4,457	1,339	172
	Exempt Assessed Value	$248.7	$96.8	$62.8	$64.0	$21.7	$3.4
	Taxable Assessed Value	$15.2	$13.4	$0.0	$1.7	$0.0	$0.0
	Number of Properties With Unit Data	167	56	49	50	10	2
	Number of Properties Without Unit Data	16	1	2	12	1	0

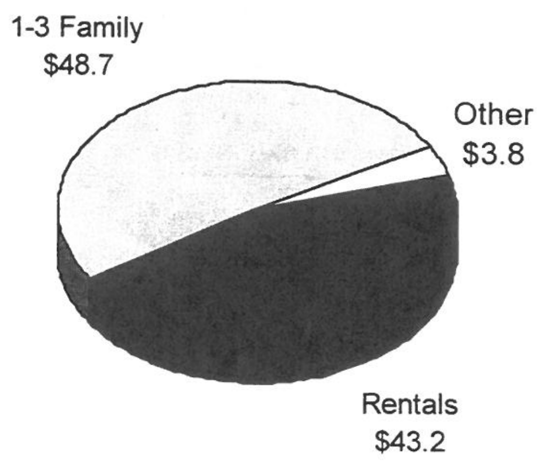
[1] Mixed Use properties include structures that combine residential with retail or office uses.

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

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

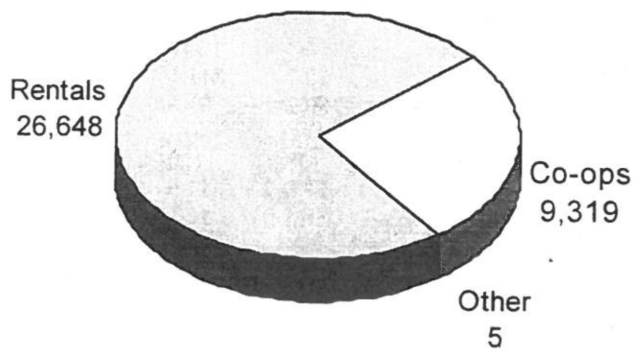
Program: Urban Development Action Area Projects (UDAAP)

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	6,904	73	1,377	4,576	851	27
	Exempt Assessed Value	$48.7	$0.7	$11.1	$30.6	$6.1	$0.2
	Taxable Assessed Value	$14.1	$0.1	$1.6	$10.1	$2.2	$0.1
Condos	Number of Units	259	138	120	0	1	0
	Exempt Assessed Value	$3.7	$1.8	$1.6	$0.0	$0.3	$0.0
	Taxable Assessed Value	$1.8	$1.5	$0.2	$0.0	$0.0	$0.0
Cooperatives	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Rentals	Number of Units	1,101	788	4	309	0	0
	Exempt Assessed Value	$43.2	$41.9	$0.1	$1.2	$0.0	$0.0
	Taxable Assessed Value	$4.5	$4.0	$0.0	$0.5	$0.0	$0.0
Mixed Use [1]	Number of Units	9	0	0	9	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	8,273	999	1,501	4,894	852	27
	Exempt Assessed Value	$95.7	$44.5	$12.7	$31.8	$6.4	$0.2
	Taxable Assessed Value	$20.4	$5.6	$1.9	$10.6	$2.3	$0.1
	Number of Properties With Unit Data	5,256	173	878	3,713	476	16
	Number of Properties Without Unit Data	266	0	200	3	63	0

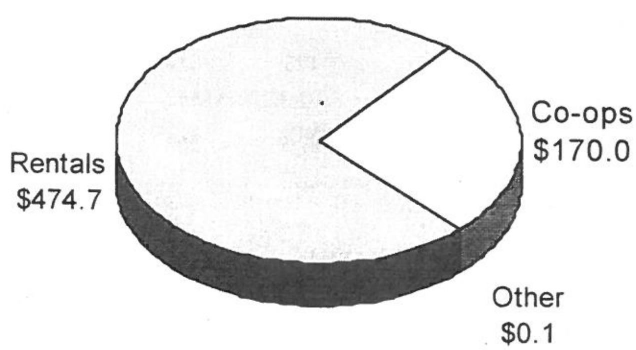
[1] Mixed Use properties include structures that combine residential with retail or office uses.

Distribution by Housing Type "Other Residential" Exemptions

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

Program: "Other Residential"[1]

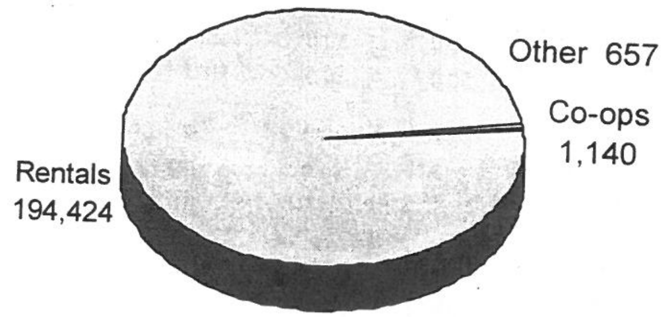
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	5	0	1	4	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cooperatives	Number of Units	9,319	5,961	407	2,951	0	0
	Exempt Assessed Value	$170.0	$115.8	$5.7	$48.6	$0.0	$0.0
	Taxable Assessed Value	$24.1	$23.3	$0.8	$0.0	$0.0	$0.0
Rentals	Number of Units	26,648	8,371	8,806	6,951	2,275	245
	Exempt Assessed Value	$474.7	$186.5	$147.5	$107.4	$28.4	$4.9
	Taxable Assessed Value	$0.9	$0.0	$0.7	$0.2	$0.0	$0.0
Mixed Use[2]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	35,972	14,332	9,214	9,906	2,275	245
	Exempt Assessed Value	$644.8	$302.3	$153.2	$156.0	$28.4	$4.9
	Taxable Assessed Value	$25.0	$23.3	$1.5	$0.2	$0.0	$0.0
	Number of Properties With Unit Data	415	104	152	139	12	8
	Number of Properties Without Unit Data	17	5	9	3	0	0

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

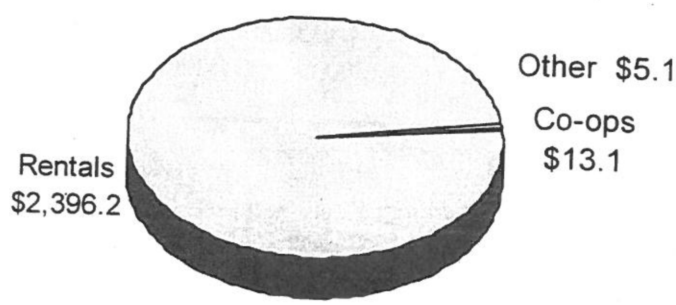
[2] Mixed Use properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
New York Housing Authority

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

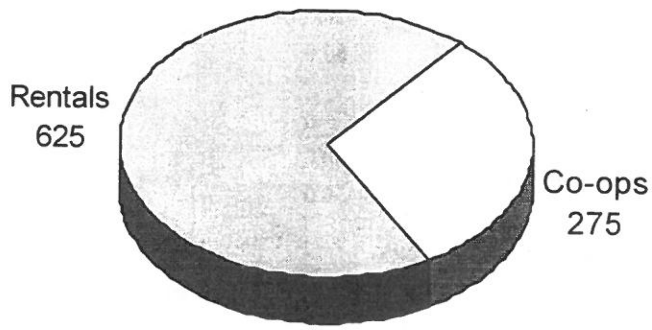
Program: New York City Housing Authority

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	657	0	8	228	421	0
	Exempt Assessed Value	$4.8	$0.0	$0.1	$1.3	$3.5	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cooperatives	Number of Units	1,140	317	307	300	216	0
	Exempt Assessed Value	$13.1	$0.1	$5.2	$5.9	$1.9	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Rentals	Number of Units	194,424	61,855	46,686	64.126	17,442	4,315
	Exempt Assessed Value	$2,396.2	$883.8	$583.8	$699.0	$189.1	$40.6
	Taxable Assessed Value	$21.7	$10.5	$5.8	$5.1	$0.0	$0.3
Mixed Use [1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.3	$0.0	$0.1	$0.1	$0.1	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	196,221	62,172	47,001	64.654	18,079	4,315
	Exempt Assessed Value	$2,414.4	$883.9	$589.2	$706.3	$194.5	$40.6
	Taxable Assessed Value	$21.8	$10.5	$5.8	$5.1	$0.0	$0.3
	Number of Properties With Unit Data	1,282	273	198	381	417	13
	Number of Properties Without Unit Data	69	8	17	34	10	0

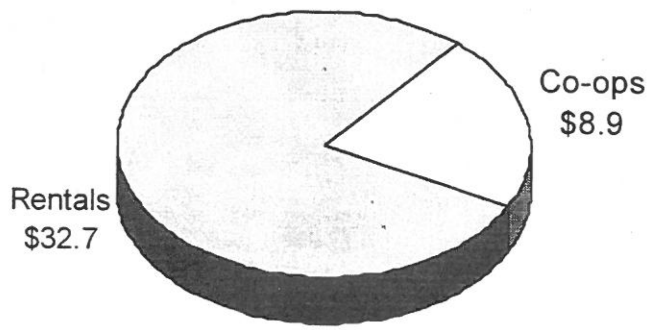
[1] Mixed Use properties include structures that combine residential with retail or office uses.

Distribution by Housing Type
Urban Development Corporation (UDC)

Distribution of Housing Units



Distribution of Exempt Value



Distribution of Exemptions
By Borough and Property Type
Fiscal Year 1999
($ Millions)

Program: Urban Development Corporation

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Cooperatives	Number of Units	275	0	0	275	0	0
	Exempt Assessed Value	$8.9	$0.0	$0.0	$8.9	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Rentals	Number of Units	625	625	0	0	0	0
	Exempt Assessed Value	$32.7	$32.7	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Mixed Use[1]	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
All	Number of Units	900	625	0	275	0	0
	Exempt Assessed Value	$41.6	$32.7	$0.0	$8.9	$0.0	$0.0
	Taxable Assessed Value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Number of Properties With Unit Data	15	14	0	1	0	0
	Number of Properties Without Unit Data	0	0	0	0	0	0

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

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INDEX TO TAX EXPENDITURE DESCRIPTIONS

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

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

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