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

ANNUAL REPORT ON TAX EXPENDITURES

FISCAL YEAR 2004

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

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REPORT PREPARED BY THE
OFFICE OF TAX POLICY
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EXECUTIVE SUMMARY

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

In Fiscal Year 2004 there were more than fifty tax expenditure programs related to the City-administered real estate tax and City-administered business and excise taxes. These programs were valued at more than $3.1 billion.

- Real estate tax expenditures accounted for the largest share, with almost than $2.3 billion in tax benefits in FY 2004. Housing and economic development-related incentives comprised 48 percent and 35 percent of the real estate tax expenditures, respectively. The five largest real estate tax expenditure programs in FY 2004 are presented in the following table. These programs accounted for 60 percent of the cost of FY 2004 real estate tax expenditures.

5 Largest FY 2004 NYC Real Estate Tax Expenditure Programs
$ Millions

NYC Housing Authority	$329
Industrial & Commercial Incentive Program	$314
421-a New Multiple Dwellings	$252
Co-op/Condominium Abatement	$251
Limited Profit Housing Companies	$217

- Business income and excise tax expenditure programs were valued at $486 million in Tax Year 2001, the latest year for which data are available. Many of these programs are designed to foster economic development, by, for example, reducing City energy costs for eligible businesses or providing relocation incentives. The five largest business income and excise tax expenditure programs in TY 2001 are presented in the following table. These programs accounted for 84 percent of the cost of TY 2001 business income and excise tax expenditures.

5 Largest TY 2001 NYC Business Income and Excise Tax Expenditure Programs
$ Millions

Insurance Corporation Non-Taxation	$175
International Banking Facility	$ 84
Business & Investment Capital Tax Limitation	$ 82
Energy Cost Savings Program	$ 36
Commercial Revitalization Program	$ 31

Parts II and III of the report provide descriptions of FY 2004 real estate and TY 2001 business income and excise tax expenditures and include tables and charts providing distributional and other information regarding City tax expenditure programs.

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

Part V of the report provides information on selected tax expenditures related to the City's sales tax and personal income tax, which are administered by New York State. City sales tax expenditures estimated in this report totaled nearly $326 million in Tax Year 2001. City personal income tax (PIT) credits were worth $50 million in Tax Year 2001.

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

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

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

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INTRODUCTION

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

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

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

The New York City Tax Expenditure Report for FY 2004 includes detailed distributional information for City real property tax expenditure programs and, where available, for other tax expenditure programs. Such data are intended to help policy makers evaluate the impact of tax benefit programs.

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

Introduction

The Appendix to the report provides the text of New York City Charter Section 240, the Finance Department's taxes-per-worker calculations and ranking of industry sectors, and supplemental statistical data for FY 2004 regarding City real property tax expenditures.

PART I

DEFINITION OF TAX EXPENDITURES

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

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

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

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

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

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

METHODOLOGY

Application of City Tax Expenditure Criteria

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

Definitions and Methodology

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 2004 (July 1, 2003 - June 30, 2004). Estimates for business income and excise taxes are for tax year 2001, which for most taxpayers corresponds to calendar year 2001. (For Commercial Rent Tax purposes, tax year 2001 was from June 1, 2000 to May 31, 2001.) All estimates are derived from Department of Finance data, unless otherwise noted. Data for Payments in Lieu of Taxes (PILOTs) are based on Department of Finance Data and information provided by the City's Office of Management and Budget.

Measurement

In Parts II and III, the tax expenditure information provided for each item represents a direct mathematical calculation of the tax revenue foregone.[1] The estimate is not intended to represent the potential revenue gain for the City if the expenditure were eliminated. For example, the absence of a tax expenditure may lead taxpayers to take advantage of other tax relief programs. In certain cases, the elimination of a tax expenditure may even result in a revenue loss if the benefit had been stimulating other taxable economic activity. The data provided in this report do not take into account the effect of tax expenditures on the economic behavior of taxpayers or on the City's overall economy.

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

PART II

REAL PROPERTY TAX EXPENDITURES

Overview

The City's real estate tax, its single largest revenue source, is projected to provide more than $11.3 billion, or almost 44 percent of total tax revenue, in FY 2004. At the time of publication of this report, the City's FY 2004 books had not been officially closed. Real estate tax programs provided benefits through 156,272 exemptions and 433,199 abatements in FY 2004.[1] These exemptions and abatements resulted in a total tax expenditure of almost $2.3 billion.[2]

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

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

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

Tax Expenditure Purposes

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

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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. Consequently, the STAR program has been excluded from the report.

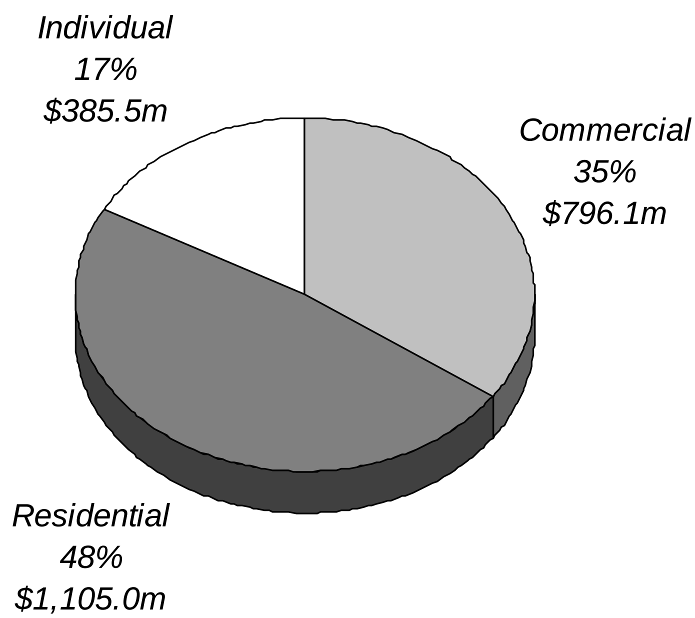
Real Property Tax

Residential - Housing benefits comprised 48 percent of property tax expenditures, valued at $1,105.0 million in FY 2004. Tax relief was currently provided through more than 62,000 exemptions and more than 67,500 abatements. Different programs provide incentives for new construction or rehabilitation of small homes and/or multi-family buildings. Some programs are combined with additional financial assistance to target benefits for moderate and middle income housing. Several housing programs vary benefits on the basis of geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building. The single largest residential incentive program covers Limited Profit Housing Companies, otherwise known as Mitchell-Lama housing.

Commercial - The value of economic development incentives was $796.1 million in FY 2004, 35 percent of total property tax expenditures. The City provided these benefits through 8,459 exemptions and 617 abatements. The kinds of properties assisted by the commercial programs range from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs frequently provide more extensive benefits to industrial construction and renovation.

Individual Assistance - The smallest real property tax expenditure category, programs for individual assistance, totaled $385.5 million in FY 2004. Almost 87,000 exemptions reduced taxes for veteran and senior citizen homeowners, while the Senior Citizen Rent Increase Exemption (SCRIE) provided 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 seventh year, the City's Co-op/Condo Program has reduced the FY 2004 tax bills of more than 320,000 class two co-op and condo owners by $250.6 million.

Chart 1
Real Property Tax Expenditures
By Purpose, FY 2004
Total: $2,286.6 million



Tax Expenditure Sources

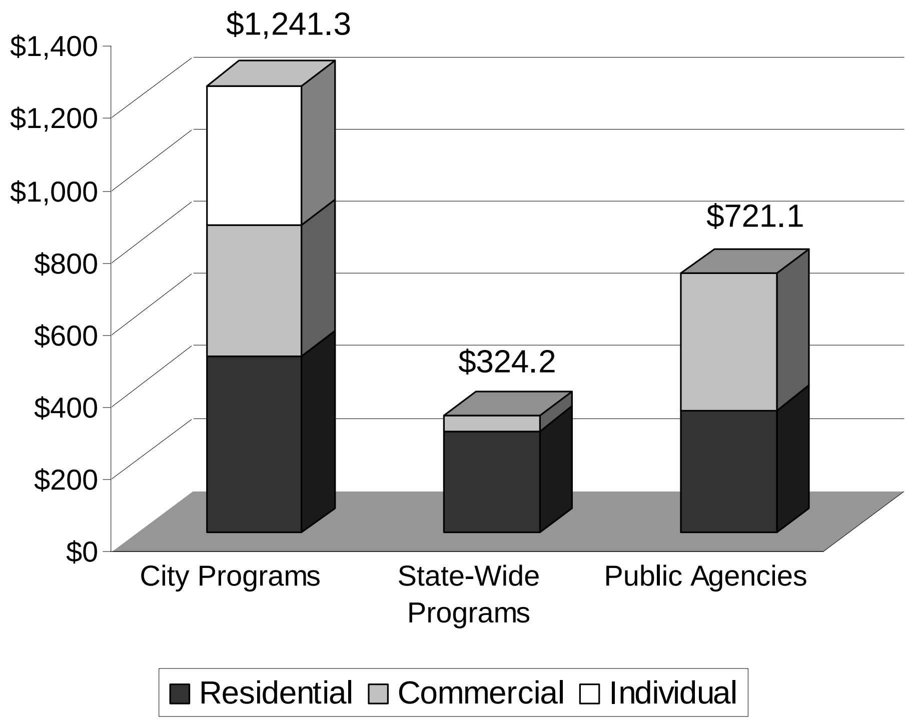
The major sources of expenditures include City and State programs and public agencies. Various State-wide programs have been included in this report since the City administers the related exemptions and these programs serve as channels for housing and economic development incentives in the City. (Chart 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 2004, tax expenditures from this source totaled $1,241.3 million. Residential incentives comprised 40 percent of City program expenditures and were valued at $492.1 million. Another 29 percent of City program tax expenditures were attributable to economic development programs. It should be noted that legislation enacted in 2004 provides for payment of a real estate tax rebate of up to $400 to owners of one- to three-family homes or cooperative or condominium apartments who occupy the dwelling as their primary residence. The rebate program will be in effect for fiscal years 2004, 2005 and 2006.

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 $324.2 million of FY 2004 property tax expenditures in this category, 87 percent was 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 accounted for more than $380 million of the FY 2004 real property tax expenditures attributable to public agencies. The New York City Housing Authority accounted for 96 percent of the $340.1 million in residential tax expenditures in this category.

Chart 2
Real Property Tax Expenditures
By Source, FY 2004
Total: $2,286.6 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 Citizen 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 – primarily one, two and three family homes; class two - all other residential properties; class three – certain 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 the 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 2004
($ Millions)

PROGRAM TYPE	Number of Exemptions & Abatements	Exempt Assessed Value[1]	Tax Expenditure
HOUSING DEVELOPMENT	**116,052**	**$3,205.4**	**$505.5**
J-51 Exemption	**14,544**	**$724.9**	**$91.5**
Residential	14,531	$720.6	$91.0
Commercial	13	$4.3	$0.5
J-51 Abatement	**67,745**	**N/A**	**$97.6**
Residential	67,711	N/A	$96.8
Commercial	34	N/A	$0.7
421-a, New Multiple Dwellings	**19,119**	**$1,992.8**	**$251.8**
10 year exemption	2,645	$672.7	$84.1
15 year exemption	12,610	$303.7	$39.0
20 year exemption	44	$766.0	$96.7
25 year exemption	3,820	$250.4	$32.0
Residential	17,148	$1,886.3	$239.6
Commercial	1,971	$106.5	$12.2
421-b, New Private Housing	**13,655**	**$163.7**	**$23.8**
HPD Division of Alternative Management	**883**	**$77.3**	**$9.8**
Lower Manhattan Conversion[2]	**106**	**$246.7**	**$31.1**
INDIVIDUAL ASSISTANCE	**452,406**	**$511.5**	**$385.5**
Senior Citizen Homeowner (SCHE)	28,356	$239.6	$34.2
Senior Citizen Rent Increase (SCRIE)[3]	44,258	N/A	$80.2
Veterans' Exemption	58,565	$266.9	$19.8
Physically Disabled Crime Victims	1	$0.0	$0.0
Low Income Disabled Homeowners	647	$4.9	$0.7
Co-op/Condo Abatement[4]	320,579	N/A	$250.6

1 When the program provides an abatement rather than an exemption, this column is marked "N/A".

2 The Lower Manhattan Conversion program was enacted as part of the Commercial Revitalization Program, which is described later in this section.

3 SCRIE recipients are as of December 2003, amounts are for FY2003

4 A total of 51,419 residential condo units plus 269,160 co-op units in 5,801 developments benefitted from this program in FY 2004.

Table 1 (cont'd)
CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 2004
($ Millions)

PROGRAM TYPE	Number of Exemptions & Abatements	Exempt Assessed Value	Tax Expenditure
ECONOMIC DEVELOPMENT	**5,431**	**$2,930.5**	**$350.3**
Industrial & Commercial Incentive Board	**72**	**$14.6**	**$1.7**
New Construction	18	$6.2	$0.7
Alterations	54	$8.4	$1.0
Industrial & Commercial Incentive Program	**4,619**	**$2,727.9**	**$313.7**
Industrial & Special Commercial	2,912	$1,209.0	$140.1
All Other Commercial Projects	1,707	$1,518.8	$173.6
Other Commercial & Industrial Exemptions	**740**	**$188.1**	**$34.9**
Water-works Corporations	122	$91.0	$11.2
Major League Sports Facilities	1	$97.1	$11.1
Real Estate Tax Abatement	617	N/A	$12.6
TOTAL: CITY PROGRAMS	**573,889**	**$6,647.4**	**$1,241.3**
Total Residential	114,034	$3,094.6	$492.1
Total Commercial/Industrial	7,449	$3,041.3	$363.7
Total Individual Assistance	452,406	$511.5	$385.5

Totals may not add due to rounding.

Table 2

CITY PROGRAMS

REAL PROPERTY TAX EXPENDITURES BY BOROUGH

Fiscal Year 2004

($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Tax Expenditure	Number of Exemptions	Tax Expenditure
HOUSING DEVELOPMENT PROGRAMS	**26,986**	**$297.6**	**42,512**	**$70.0**
J-51 Exemption	1,731	32.2	9,543	36.3
J-51 Abatement	21,242	34.6	30,374	21.1
421-a, New Multiple Dwellings	3,471	193.2	1,461	8.6
421-b, New Private Housing	18	0.1	875	1.9
HPD Division of Alternative Management	418	6.5	259	2.1
Lower Manhattan Conversion	106	31.1	0	-
INDIVIDUAL ASSISTANCE PROGRAMS	**194,940**	**$231.2**	**28,379**	**$19.5**
Senior Citizen Homeowner Exemption	479	1.5	2,970	3.0
Senior Citizen Rent Increase Exemption	13,125	27.1	6,108	10.1
Veterans' Exemption	2,298	4.0	4,630	1.2
Phys. Disabled Crime Victims Part. Exemption	0	-	0	-
Low Income Disabled Homeowners	14	0.0	66	0.1
Co-op/Condo Abatement	179,024	198.6	14,605	5.2
ECONOMIC DEVELOPMENT PROGRAMS	**1,314**	**$159.6**	**627**	**$31.8**
Industrial & Commercial Incentive Board	6	0.1	5	0.0
Industrial & Commercial Incentive Program	736	136.2	621	31.7
Water-works Corporations	0	-	0	-
Major League Sports Facilities	1	11.1	0	-
Real Estate Tax Abatement	571	12.2	1	0.1
TOTAL: CITY PROGRAMS	**223,240**	**$688.4**	**71,518**	**$121.3**

Note: Totals may not add due to rounding.

Table 2 (cont'd)

CITY PROGRAMS

REAL PROPERTY TAX EXPENDITURES BY BOROUGH

Fiscal Year 2004

($ Millions)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	**Tax Expenditure**	**Number of Exemptions**	**Tax Expenditure**	**Number of Exemptions**	**Tax Expenditure**
18,378	**$69.6**	**15,500**	**$47.1**	**12,676**	**$21.2**
3,077	19.2	190	3.2	3	0.6
7,770	26.1	8,074	14.7	285	1.1
6,645	21.5	5,755	26.2	1,787	2.3
687	1.5	1,474	3.0	10,601	17.3
199	1.2	7	0.0	0	-
0	-	0	-	0	-
75,307	**$52.6**	**134,283**	**$74.5**	**19,497**	**$7.7**
7,807	9.4	13,869	17.2	3,231	3.1
15,233	24.5	9,570	18.2	222	0.3
13,028	3.5	25,548	7.9	13,061	3.2
0	-	1	0.0	0	-
165	0.2	283	0.3	119	0.1
39,074	15.0	85,012	30.9	2,864	1.0
1,446	**$61.4**	**1,641**	**$81.7**	**403**	**$15.9**
25	0.2	34	0.7	2	0.6
1,388	61.0	1,473	69.6	401	15.3
0	-	122	11.2	0	-
0	-	0	0	0	-
33	0.2	12	0.2	0	-
95,131	**$183.5**	**151,424**	**$203.3**	**32,576**	**$44.8**

CITY PROGRAMS

J-51 Program, Residential Alterations and Rehabilitation

Citation

NYS Real Property Tax Law, Section 489
NYC Administrative Code, Section 11-243

Policy Objective

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

Description

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

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

Properties that undergo renovations that qualify as Major Capital Improvements, such as the replacement of heating, plumbing or roofing systems, installation of new windows, or exterior and parapet wall repointing, may receive an exemption for 14 years (10 years at full exemption followed by a four-year period of declining exemption). Existing taxes may be abated for up to 90 percent of the reasonable cost of rehabilitation, at a rate of 8-1/3 percent per year, for as long as 20 years. Buildings in designated areas of Manhattan below 96th Street are eligible for abatement of taxes on the building assessment, not the land, up to $2,500 per unit. Moderate rehabilitation projects, where there is a significant improvement to at least one major building-wide system, receive a 34-year tax exemption and an abatement of no more than 20 years for up to 100 percent of the reasonable cost. A major requirement is that the property remains substantially occupied during the rehabilitation.

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

A 2003 amendment to the program authorizes J-51 exemption (but not abatement) benefits for projects that result in an expansion of the gross cubic content of the building, provided that the floor area of the existing building that was converted, altered or improved comprises at least 50 percent of the completed structure. (In Manhattan between 110th Street and Chambers Street, such a project could qualify for exemption benefits only if it were aided by a government grant, loan or subsidy.)

In 2003, the City Council amended the statute to require that all conversions, alterations, and improvements be completed prior to December 31, 2007, instead of December 31, 2003, to qualify for benefits under this program.

Distributional Information

In FY 2004, the J-51 program provided 14,544 exemptions and 67,745 abatements to 671,113 apartments. The exempt value of these properties was $724.9 million. This total exempt value was distributed according to property type in the table below. Rentals in Manhattan, the Bronx, and Brooklyn received the largest proportion of J-51 benefits.

	Percent of Total Units	Percent of Exempt Assessed Value[1]
1- 3 Family	0.07%	0.17%
Condos	4.15%	11.48%
Co-ops	34.47%	4.24%
Rentals	61.14%	83.47%
Mixed Use	0.17%	0.64%
	100.00%	100.00%

[1] For properties receiving exemption only.

Tax Expenditure

$189.1 million, which included $91.5 million in exemption benefits and $97.6 million in abatement benefits.

Section 421-a, New Multiple Dwellings

Citation

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

Policy Objective

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

Description

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

The 421-a program is defined according to location:

- In the Manhattan Exclusion Zone (roughly defined as south of 96th Street, north of Houston Street on the west side, and north of 14th Street on the east side), properties receive a ten-year declining exemption only if they meet conditions (a), (b), or (c) above. The property enjoys a full exemption for two years followed by an eight-year period during which taxes are phased in at 20 percent every two years. In 2003, the City Council extended the effective date of this designation until December 30, 2007.

- 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, 2007 and if the project meets qualifying condition (a) or (b). The property will receive a full exemption for 12 years followed by an eight-year period during which taxes are phased in at 20 percent every two years.

- However, if the properties specified in the above paragraph do not qualify for a 20-year exemption, they will receive only a 10-year exemption, unless they meet condition (a), (b), or (c). If one of these conditions is met, they are granted a 15-year exemption, 11 years of full exemption followed by a four-year phase-in of full taxation.

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

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

In 2002, the State Legislature extended Section 421-a exemption benefits to projects where construction commences before December 31, 2007, rather than December 31, 2003.

In 2003, the State Legislature expanded the program to cover projects that include new residential construction and the concurrent conversion, alteration or improvement of an existing building, provided the floor area of the existing building does not comprise more than 49 percent of the completed structure. (In Manhattan between 110th Street and Chambers Street, such a project could qualify for exemption only if it were aided by a governmental grant, loan, or subsidy.)

Distributional Information

In FY 2004, the City provided 17,148 residential exemptions under the 421-a program. Condominium apartments and rental buildings received a large percentage of these exemptions. Overall, 41,023 apartment units received tax benefits with an exempt value of $1,992.8 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	10.89%	1.85%
Condos	24.16%	23.65%
Co-ops	3.56%	2.90%
Rentals	60.39%	66.25%
Mixed Use	0.03%	0.01%
Other	0.99%	5.34%
	100.00%	100.00%

Tax Expenditure

$251.8 million

Section 421-b, New Private Housing

Citation

NYS Real Property Tax Law, Section 421-b

Policy Objective

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

Description

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

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

The 421-b program has been periodically extended, most recently to projects commenced between July 1, 2002 and June 30, 2006 and completed no later than July 1, 2008.

Distributional Information

In FY 2004, the City provided 13,655 exemptions valued at $163.7 million in exempt assessed value. One- and two-family homes in Staten Island accounted for more than 70 percent of the units that received benefits granted through this program. The table below presents the distribution of 18,831 units.

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	99.87%	99.77%
Condos	0.08%	0.14%
Co-ops	0.00%	0.00%
Rentals	0.02%	0.01%
Mixed Use	0.03%	0.08%
	100.00%	100.00%

Tax Expenditure

$23.8 million

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

Citation

NYS Private Housing Finance Law, Section 577

Policy Objective

To return City-owned residential properties to private ownership.

Description

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

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

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

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

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

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

Distributional Information

In FY 2004, there were 883 DAMP exemptions containing 19,186 housing units. The total exempt assessed value is $77.3 million. Forty-four percent of all units were located in Manhattan, accounting for 67 percent of the exempt assessed value. These benefits were distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.08%	0.05%
Condos	0.00%	0.00%
Co-ops	74.11%	72.31%
Rentals	25.77%	27.52%
Mixed Use	0.03%	0.03%
	100.00%	100.00%

Tax Expenditure

$9.8 million

Senior Citizen Homeowner Exemption (SCHE)

Citation

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

Policy Objective

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

Description

This program provides a partial exemption of the assessed value of the legal residence occupied in whole or in part by the owner or owners of the property. To qualify for the benefit, the following conditions must be met: (a) all owners must be at least 65 years of age, except that if the property is owned by a married couple or siblings, only one of them must meet the age criteria; (b) combined household income may not exceed specified limits detailed below; and (c) the owner must have held title to the property for a minimum of 12 consecutive months, although exceptions may apply when a qualifying property is sold and a new one purchased. There are two instances in which a property will qualify for SCHE although the qualifying senior citizen does not hold title to the property: (1) the property is held in trust for the benefit of a person or persons who meet the income and age requirements; or (2) the person or persons hold a legal life estate in the property. Eligible tenant-shareholders of cooperative apartments can also claim SCHE benefits. For purposes of this program, the co-op tenant-shareholder is deemed to own that portion of the property represented by his or her proportionate share of the outstanding stock of the corporation. A co-op tenant-shareholder who resides in a dwelling subject to Article 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 SCHE exemption applies only to the portion of the property used for residential purposes.

For FY 2004, a 50 percent exemption is available for homeowners with incomes no greater than $21,500. For homeowners with incomes between $21,501 and $24,499, the tax exemption is reduced by five percentage points for each $1,000 increment in income above $21,500. For those with incomes between $24,500 and $29,899, the exemption percentage declines by five percentage points for each $900 increment in income above $24,499. Beginning with FY05, each of the income limits has been increased by $2,500. The income ceiling for the 50 percent exemption will be $24,000, while the maximum income for a 5 percent exemption will be $32,399.

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

Distributional Information

In FY 2004, there were 28,356 exemptions (containing 48,910 housing units) with an exempt value of $239.6 million. The following table gives a distribution of these households by income range:

Percentage Exemption	Income Range	Number of Exemptions	Percent of Total Exemptions	Exempt Assessed Value
50%	$0 – 21,500	21,844	77.0%	$181.6m
45%	$21,501 – 22,499	1,012	3.6%	7.8m
40%	$22,500 – 23,499	889	3.1%	6.1m
35%	$23,500 – 24,499	818	2.9%	5.0m
30%	$24,500 – 25,399	716	2.5%	3.7m
25%	$25,400 – 26,299	615	2.1%	2.7m
20%	$26,300 – 27,199	511	1.8%	1.8m
15%	$27,200 – 28,099	427	1.5%	1.1m
10%	$28,100 – 28,999	336	1.2%	0.6m
5%	$29,000 – 29,899	47	0.2%	0.1m
	Income unspecified[1]	1,141	4.0%	29.3m
	TOTAL	28,356	100.0%	$239.6m

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

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

	Percent of Total Units	Percent of Total Exempt Assessed Value
1-3 Family	89.35%	84.57%
Condos	1.42%	2.37%
Co-ops	7.91%	12.21%
Rentals	0.81%	0.34%
Mixed Use	0.52%	0.51%
	100.00%	100.00%

Tax Expenditure

$34.2 million

Senior Citizen Rent Increase Exemption (SCRIE)

Citation

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

Policy Objective

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

Description

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

Tenants may be eligible for the SCRIE program if they are at least 62 years old and have a total household income that prior to its most recent amendment, did not exceed $20,000 (last amended in 1996). Effective September 1, 2003, the income limit was increased to $24,000. 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.

Tax Expenditure

FY 2003: $80.2 million

Veterans' Exemptions

Citation

NYS Real Property Tax Law, Sections 458 and 458-a

Policy Objective

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

Description

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

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

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

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

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

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

Distributional Information

In FY 2004, there were 58,565 exemptions in this program with a total exempt value of $266.9 million. These properties represented 102,600 housing units, which were primarily located outside Manhattan. Queens accounted for 48 percent of the total housing units. These benefits were distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	83.67%	62.93%
Condos	1.27%	3.24%
Co-ops	12.60%	32.89%
Rentals	2.02%	0.56%
Mixed Use	0.45%	0.36%
	100.00%	100.00%

Tax Expenditure

$19.8 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 his or her 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 $21,500. The exemption ranges from 45 percent to 5 percent for homeowners with incomes greater than $21,500 but less than $29,900. Beginning with FY 2005, each of the income limits has been increased by $2,500. The income ceiling for the 50 percent exemption will be $24,000, while the maximum income for a 5 percent exemption will be $32,399. 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; (c) have received a certificate from the State Commission of the Blind and Visually Handicapped stating that such person is legally blind; or (d) be certified to receive a United States Postal Service disability pension. The property must be used exclusively for residential purposes or only that portion used for residential purposes shall be entitled to exemption. The property must also be the legal residence of and occupied by the eligible disabled person. An exception is permitted where the disabled person is absent while receiving health-related care as an inpatient of a residential health care facility. The exemption is also applicable to eligible owners of cooperative apartments. No parcel that receives an exemption under section 459-c may receive an exemption pursuant to section 467 (Senior Citizen Homeowner Exemption).

This exemption was implemented for the first time in FY 2000; certain homeowners who would have been eligible for the exemption in FY 1999 had it been in effect for that year were allowed an equivalent credit against their FY 2000 tax.

Tax Expenditure:

$0.7 million

Class Two Cooperatives and Condominiums Partial Tax Abatement

Citation

NYS Real Property Tax Law, Section 467-a

Policy Objective

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

Description

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

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

In 2004, the State Legislature extended the co-op/condo abatement program through FY 2008 (Chapter 97 of the laws of 2004).

Tax Expenditure

$250.6 million

Industrial and Commercial Incentive Board (ICIB)

Citation

NYS Real Property Tax Law, Section 489-aaa - 489-iii
NYC Administrative Code, Sections 11-247 - 11-255

Policy Objective

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

Description

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

Initially, the program offered two types of benefits:

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

- New commercial construction was granted a ten-year declining exemption equal to 50 percent of the increase in assessed value.

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

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

Tax Expenditure

$1.7 million

Industrial and Commercial Incentive Program (ICIP)

Citation

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

Policy Objective

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

Description

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

1. Industrial Projects

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

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

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

2. Commercial Projects

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

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

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

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

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

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

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

(f) Revitalization Areas: The ICIP program was amended as part of the City's Commercial Expansion Program (see page 38). Within Regular or Special Exemption areas, an area may be designated as a Revitalization Area, which may be any area of the City, except in Manhattan south of 96th Street, that is zoned C4, C5, C6, M1, M2 or M3. The importance of the Revitalization Area designation is:

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

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

In 2003, the ICIP program was extended for four years, permitting applications for benefits to be filed until June 30, 2007 and building permits to be obtained by July 31, 2007.

Tax Expenditure

$313.7 million

Water-works Corporations, Jamaica Water Supply

Citation

NYS Real Property Tax Law, Section 485-d
NYC Administrative Code, Section 11-245.2

Policy Objective

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

Description

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

Current law does not provide for a sunset provision.

Tax Expenditure

$11.2 million

Major League Sports Facilities, Madison Square Garden

Citation

NYS Real Property Tax Law, Section 429

Policy Objective

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

Description

Since FY 1983, 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

$11.1 million

Commercial Revitalization Program and Commercial Expansion Program

Description

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

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

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

Commercial Revitalization Program: Lower Manhattan

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

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

Real Estate Tax Abatement: Commercial Leases in Lower Manhattan

Citation

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

Policy Objective

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

Description

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

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

The program imposes other eligibility requirements as follows:

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

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

[1] As noted on page 38, the original Commercial Revitalization Program included a tax abatement program for commercial leases in selected areas elsewhere in the City. This benefit is now part of the Commercial Expansion Program.

- Pursuant to an amendment enacted in 2003, the lease must be signed within the eligibility period that will end March 31, 2007. Additionally, the benefit period cannot extend beyond March 31, 2013.

Tax Expenditure

See next page

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

Citation

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

Policy Objective

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

Description

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

To be eligible, the premises must be located in a non-residential or mixed-use building with a minimum aggregate floor area of 25,000 square feet. The building must have been constructed prior to January 1, 1999. The lease must commence between July 1, 2000 and June 30, 2007. Finally, the program requires minimum improvements to the premises, varying by the length of the lease and the number of employees that will be located at the premises.

The program provides the same tax benefits and structure as the Real Estate Tax Abatement program under the Commercial Revitalization Program (see page 39). Qualifying leases with a term of five years or more are eligible for a five-year tax abatement while qualifying leases with a term of at least three years but less than five years are eligible for the three-year benefit.

Tax Expenditure

$12.6 million (total for Commercial Revitalization and Expansion Programs)

Lower Manhattan Conversion: Non-Residential Buildings to Residential Use

Citation

NYS Real Property Tax Law, Section 421-g

Policy Objectives

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

Description

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

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

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

Tax Expenditure

$31.1 million

Lower Manhattan Conversion: Non-Residential Buildings to Mixed Use

Citation

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

Policy Objectives

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

Description

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

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

Tax Expenditure

$0.0 million

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Table 3
STATE-WIDE
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 2004
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs[1]	Net Tax Exependitures
Limited Profit Housing Cos.	354	$ 2,267.5	$ 285.0	$ 67.9	$ 217.1
Residential	308	$ 2,164.4	$ 273.2	$ 67.9	$ 205.3
Commercial	46	$ 103.1	$ 11.8	$ -	$ 11.8
Limited Dividend Cos.	11	$ 38.3	$ 4.8	$ 0.5	$ 4.3
Redevelopment Cos.	397	$ 539.8	$ 68.1	$ 39.1	$ 29.0
Residential	373	$ 534.8	$ 67.5	$ 39.1	$ 28.4
Commercial	24	$ 4.9	$ 0.6	$ -	$ 0.6
Housing Development Fund Cos.	282	$ 452.3	$ 55.2	$ 14.3	$ 40.9
Residential	192	$ 291.5	$ 36.8	$ 14.3	$ 22.5
Commercial	90	$ 160.8	$ 18.4	$ -	$ 18.4
Urban Development Action Area Program	9,330	$ 150.4	$ 21.0	$ 6.1	$ 14.9
State Assisted Housing	68	$ 155.5	$ 18.6	$ 0.5	$ 18.1
Residential	36	$ 69.5	$ 8.8	$ 0.5	$ 8.2
Commercial	32	$ 86.0	$ 9.8	$ -	$ 9.8
TOTAL: STATE-WIDE PROGRAMS	10,442	$ 3,603.8	$ 452.6	$ 128.4	$ 324.2
Total Residential	10,250	$ 3,248.9	$ 412.0	$ 128.4	$ 283.6
Total Commercial/Industrial	192	$ 354.9	$ 40.6	$ -	$ 40.6

[1] PILOTs are fiscal year 2004 estimates

Note: Totals may not add due to rounding.

Table 4
STATE-WIDE
REAL PROPERTY TAX EXPENDITURES BY BOROUGH
Fiscal Year 2004
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
Limited Profit Housing Companies	97	$97.5	100	$47.1
Limited Dividend Companies	2	$3.0	0	$0.0
Redevelopment Companies	96	$12.9	158	$6.0
Housing Development Fund Companies	71	$14.7	78	$11.1
Urban Development Action Area Program	783	$0.0	1,985	$4.7
State Assisted Housing	31	$6.2	16	$4.7
TOTAL STATE-WIDE PROGRAMS	**1,080**	**$134.3**	**2,337**	**$73.5**

Note: Totals may not add due to rounding.

Table 4 (cont'd)

STATE-WIDE

REAL PROPERTY TAX EXPENDITURES BY BOROUGH

Fiscal Year 2004

($ Millions)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure	Number of Exemptions	Net Tax Expenditure
109	$51.1	43	$19.9	5	$1.4
9	$1.3	0	$0.0	0	$0.0
128	$9.2	7	$0.9	8	$0.0
109	$10.7	19	$3.3	5	$1.1
5,835	$8.8	703	$1.4	24	$0.0
15	$5.3	5	$1.7	1	$0.2
6,205	**$86.5**	**777**	**$27.1**	**43**	**$2.8**

STATE-WIDE PROGRAMS

Limited Profit Housing Companies

Citation

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

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 2004, there were 308 residential and 46 commercial exemptions under this program. The residential properties contained 112,326 housing units with a total exempt assessed value of $2,164.4 million.

Sixty percent of residential units receiving benefits were co-ops, which were located in all boroughs except Staten Island. Twenty-two percent of the exempt assessed value was attributable to Manhattan co-op projects, while 22 percent of all units were co-ops located in the Bronx (the location of Co-op City). Rental units receiving benefits were 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	61.37%	60.45%
Rentals	38.63%	39.52%
Mixed Use	0.00%	0.03%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$217.1 million

Limited Dividend Housing Companies

Citation

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

Policy Objective

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

Description

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

The enabling legislation does not include a sunset provision.

Distributional Information

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

Net Tax Expenditure (after PILOTs)

$4.3 million

Redevelopment Companies

Citation

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

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

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

Net Tax Expenditure (after PILOTs)

$29.0 million

Housing Development Fund Companies (HDFC)

Citation

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

Policy Objective

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

Description

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

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

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

This enabling legislation does not include a sunset provision.

Distributional Information

In FY 2004, there were 192 residential and 90 commercial exemptions under this program. The residential properties contained 14,826 housing units with an exempt assessed value of $291.5 million. Rentals made up 98 percent of this program. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	0.02%	0.01%
Condos	0.00%	0.00%
Co-ops	2.00%	2.17%
Rentals	97.98%	97.79%
Mixed Use	0.00%	0.02%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$40.9 million

Urban Development Action Area Project (UDAAP)

Citation

NYS General Municipal Law, Section 696

Policy Objective

To encourage the construction of residential housing in designated areas.

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 2004, there were 9,330 residential exemptions under this program that contained 16,382 housing units with an exempt assessed value of $150.4 million. One-, two-, and three-family houses in Brooklyn and rentals in Manhattan received the largest proportion of UDAAP benefits. These benefits are distributed by property type as follows:

	Percent of Total Units	Percent of Exempt Assessed Value
1-3 Family	83.83%	66.98%
Condos	1.59%	6.60%
Co-ops	0.00%	0.00%
Rentals	13.61%	25.72%
Mixed Use	0.96%	0.70%
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

$14.9 million

Miscellaneous State-Assisted Housing

Citation

NYS Real Property Tax Law, Section 422

Policy Objective

To encourage the creation of housing for a target population.

Description

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

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

Distributional Information

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

Net Tax Expenditure (after PILOTs)

$18.1 million

Table 5
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 2004
($ Millions)

	Number of Exemptions	Exempt Assessed Value	Gross Tax Expenditure	PILOTs	Net Tax Expenditure
Industrial Development Agency	703	$1,126.5	$ 128.8	$ 46.6	$ 82.2
Economic Development Corp.	233	$ 152.7	$ 17.5	$ 4.7	$ 12.8
NYC Housing Authority	1,377	$2,819.5	$ 355.3	$ 26.4	$ 328.9
Residential	1,276	$ 2,769.4	$ 349.6	$ 26.4	$ 323.2
Commercial	101	$ 50.1	$ 5.7	$ -	$ 5.7
Urban Development Corporation	78	$1,439.9	$ 165.2	$ -	$ 165.2
Residential	13	$ 48.2	$ 6.1	$ -	$ 6.1
Commercial	65	$ 1,391.7	$ 159.1	$ -	$ 159.1
					$ -
NYS Power Authority	16	$ 701.9	$ 86.3	$ -	$ 86.3
					$ -
Battery Park City Authority	2,456	$1,383.5	$ 163.4	$ 131.5	$ 31.9
Residential	2,416	$ 439.4	$ 55.4	$ 44.6	$ 10.8
Commercial	40	$ 944.2	$ 107.9	$ 86.9	$ 21.0
Teleport, Port Authority	26	$ 62.8	$ 7.2	$ -	$ 7.2
Trust for Cultural Resources	251	$ 54.9	$ 6.8	$ -	$ 6.8
TOTAL: PUBLIC AGENCIES	**5,140**	**$ 7,741.8**	**$ 930.3**	**$ 209.2**	**$ 721.1**
Total Residential	3,705	$ 3,257.0	$ 411.1	$ 71.0	$ 340.1
Total Commercial/Industrial	1,435	$ 4,484.8	$ 519.2	$ 138.2	$ 381.0

Notes:
PILOTs are fiscal year 2004 final estimates.
Totals may not add due to rounding.

REAL PROPERTY TAX EXPENDITURES BY BOROUGH
Fiscal Year 2004
($ Millions)

	MANHATTAN		THE BRONX	
	Number of Exemptions	**Gross Tax Expenditure**	**Number of Exemptions**	**Gross Tax Expenditure**
Industrial Development Agency	310	$ 76.7	60	$ 10.7
Economic Development Corp.	1	$ 0.0	5	$ 0.3
NYC Housing Authority	297	$ 139.1	264	$ 84.7
Urban Development Corporation	57	$ 151.3	8	$ 4.4
NYS Power Authority	3	$ 3.2	5	$ 11.2
Battery Park City Authority	2,456	$ 163.4	-	$ -
Teleport, Port Authority	-	$ -	-	$ -
Trust for Cultural Resources	251	$ 6.8	-	$ -
TOTAL: PUBLIC AGENCIES	**3,375**	**$ 540.4**	**342**	**$ 111.4**

Table 6 (cont'd)
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES BY BOROUGH
Fiscal Year 2004
($ Millions)

BROOKLYN		QUEENS		STATEN ISLAND	
Number of Exemptions	**Gross Tax Expenditure**	**Number of Exemptions**	**Gross Tax Expenditure**	**Number of Exemptions**	**Gross Tax Expenditure**
179	$ 16.0	147	$ 17.2	7	$ 8.2
57	$ 13.6	25	$ 0.8	145	$ 2.7
479	$ 98.2	321	$ 27.3	16	$ 6.0
9	$ 6.7	3	$ 0.0	1	$ 2.8
2	$ 8.4	5	$ 63.5	1	$ 0.0
-	$ -	-	$ -	-	$ -
-	$ -	-	$ -	26	$ 7.2
-	$ -	-	$ -	-	$ -
726	**$ 142.8**	**501**	**$ 108.9**	**196**	**$ 26.9**

PUBLIC AGENCIES

Industrial Development Agency (IDA)

Citation

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

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Net Tax Expenditure (after PILOTs)

$82.2 million

Economic Development Corporation (EDC)

Citation

NYS Real Property Tax Law, Section 412

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

$12.8 million

New York City Housing Authority (NYCHA)

Citation

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

Policy Objective

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

Description

As of January 1, 2004, the New York City Housing Authority operated 346 developments with more than 181,000 apartments. An additional 88,338 apartments were in its leasing program. In total, these units housed approximately 650,000 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. (Upon the expiration of the initial 50- or 60-year exemption period, an additional 50- or 60-year exemption period may be granted.) However, by law, the City may require payments-in-lieu-of-taxes (PILOTs) from NYCHA projects. The fixed annual PILOT for NYCHA's City funded projects is $109,000. For the Federally aided projects, NYCHA pays a PILOT based on net routine operating expenses, which may vary annually. For fiscal year 2004, PILOTs for the federally aided projects were estimated to be $26.3 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 2004, there were 1,276 residential and 101commercial exemptions containing 187,233 housing units with an exempt assessed value of $2.8 billion. NYCHA benefits were distributed throughout the five boroughs. Manhattan and Brooklyn had the greatest proportion of NYCHA exempt value. Rental properties comprised 99 percent of NYCHA exemptions; therefore, a distribution by housing type is not provided.

NYCHA provided data for 174,800 households living in public housing as of January 1, 2003.

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

Household Income Range	Number of Households	Percent of Total Households
$0 - 9,999	75,200	43.0%
$10,000 - 12,499	18,637	10.7%
$12,500 - 14,999	13,914	8.0%
$15,000 - 19,999	17,995	10.3%
$20,000 - 24,999	12,481	7.1%
$25,000 - 29,999	10,390	5.9%
$30,000 - 34,999	7,607	4.4%
$35,000 - 39,999	5,126	2.9%
$40,000 - 44,999	3,681	2.1%
$45,000 - 49,999	2,436	1.4%
$50,000 and over	7,333	4.2%
TOTAL REPORTING INCOME	174,800	100.00%

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

Net Tax Expenditure (after PILOTs)

$328.9 million

Urban Development Corporation (UDC)

Citation

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

Policy Objective

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

Description

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

The UDC exemption does not contain a sunset provision.

Distributional Information

In FY 2004, there were 13 residential and 65 commercial exemptions under this program. The residential properties contain 615 housing units with an exempt assessed value of $48.2 million. The exempt assessed value for the commercial properties was $1,391.7 million. The residential component of the UDC exemption consisted of rentals in Manhattan.

Net Tax Expenditure (after PILOTs)

$165.2 million

New York Power Authority

Citation

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

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

$86.3 million

Battery Park City Authority (BPCA)

Citation

NYS Public Authorities Law, Section 1981
NYS Real Property Tax Law, Section 412

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 2004, there were 2,416 residential exemptions with an exempt value of $439.4 million, providing tax relief for 2,293 condominiums and 3,664 rental apartments. Similarly, there were 40 commercial exemptions with an exempt value of $944.2 million.

Net Tax Expenditure (after PILOTs)

$31.9 million

Teleport Center, Port Authority of NY and NJ

Citation

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

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

$7.2 million

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

Citation

NYS Arts and Cultural Affairs Law, Sections 20.33 and 21.11

Policy Objective

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

Description

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

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

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

Tax Expenditure

$6.8 million

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 2001, the business income and excise tax laws contained 24 provisions granting tax preferences that can be defined as tax expenditures. Data exist to estimate the value of 16 of these tax expenditures. The estimates are stated on a tax year rather than New York City fiscal year basis. When available, information is provided on the number of businesses benefiting from a tax expenditure program.

In Tax Year 2001, the tax expenditure value of the 16 programs totaled approximately $486 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 2001 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 2001

Program	($ Millions) Amount
Quantifiable	
Insurance Corporation Non-Taxation	175
International Banking Facility	84
Business and Investment Capital Tax Limitation	82
Energy Cost Savings Program	36
Commercial Revitalization Program	31
Foreign Bank Alternative Tax on Capital Stock	23
Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital	19
Special Allocation Rule: Regulated Investment Company Management Fees	15
Double-Weighting Manufacturers' Receipts Factor	11
Relocation and Employment Assistance Program	6
Real Estate Investment Trusts	2
School Bus Operation Deduction	2
Dramatic or Musical Arts Performance Exemption	*
Employment Opportunity Relocation Costs Credit	*
Manufacturing and Research and Development Property Depreciation	*
Real Estate Tax Escalation Credit	*
TOTAL QUANTIFIABLE TAX EXPENDITURES	486

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

Chapter 649, Section 11, NYS Laws of 1974

Policy Objective

To promote the New York City insurance industry.

Description

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

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

Tax Affected

General Corporation Tax

Tax Expenditure

$ 175 million

International Banking Facility Deduction

Citation

NYC Administrative Code, Section 11-641(f)

Policy Objective

To promote international banking activities in New York City.

Description

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

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

$84 million

Number of Beneficiaries

117 banking corporations

Business and Investment Capital Tax Limitation

Citation

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

Policy Objective

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

Description

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

Tax Affected

General Corporation Tax

Tax Expenditure

$82 million

Number of Beneficiaries

46 corporations

Energy Cost Savings Program (ECSP) Credit

Citation

NYC Administrative Code, Section 11-1105.1 and Chapter 6 of Title 22

Policy Objective

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

Description

The ECSP program applies to industrial and commercial companies that relocate to Manhattan north of 96th Street or the other boroughs or that occupy new or improved space in these areas. Manufacturing firms that own or lease space in a building located in Manhattan south of 96th Street may also qualify for ECSP benefits. In addition, legislation enacted in 1995 expanded ECSP to include certain other eligible businesses in lower Manhattan (see Commercial Revitalization Program write-up on pages 76-77).

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

In Tax Year 1999, the program provided eligible firms with reductions of up to 30 percent of electricity charges and up to 20 percent of natural gas charges for eight years, with a gradual phase-out during the following four years.

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

Certificates of eligibility must be obtained from the City before July 1, 2005 to participate in this program.

Tax Affected

Utility Tax

Tax Expenditure

$36 million

Commercial Revitalization Program: Lower Manhattan

Citation

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

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

Policy Objective

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

Description

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

Commercial Rent Tax Abatement:

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

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

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

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

Energy Cost Savings:

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

In general, the reduction in energy charges is provided as a rebate in the form of a reduced energy bill from the utility to the building's landlord, who, in turn, is required to pass along the benefit to eligible tenants. The utility recoups the special rebate by claiming a credit for the amount against its gross receipts tax otherwise payable to the City. Application for benefits must be made after June 30, 1995 and before July 1, 2005 and before a building permit for the required construction or renovation is issued.

Taxes Affected

Commercial Rent Tax
Utility Tax

Tax Expenditure

CRT: $6 million
UTX: $25 million

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

$23 million

Number of Beneficiaries

113 banking corporations

Cooperative Housing Corporation Four-tenths Mill Tax Rate on Capital

Citation

NYC Administrative Code, Section 11-604.1.E

Policy Objective

To promote cooperative housing corporations in New York City.

Description

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

Tax Affected

General Corporation Tax

Tax Expenditure

$19 million

Number of Beneficiaries

5,410 corporations

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

Citation

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

Policy Objective

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

Description

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

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

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

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

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

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

Tax Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

$15 million

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

Citation

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

Policy Objective

To encourage manufacturing firms to locate in New York City.

Description

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

$11 million

Number of Beneficiaries

1,732 firms

Relocation and Employment Assistance Program (REAP)

Citation

NYC Administrative Code, Sections 11-503(i), 11-604.17, 11-643.7, 11-1105.2 , Chapter 6-B of Title 22

Policy Objective

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

Description

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

Legislation enacted in 1999 extended REAP to utility tax payers.

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

Taxpayers must be certified annually by the City in order to participate in this program. A firm must receive its certificate of eligibility or file a preliminary application and fulfill certain requirements before July 1, 2008 to be eligible to receive REAP benefits.

Legislation enacted in 2004 expanded the REAP program to cover certain firms that relocate to Lower Manhattan (roughly the area below Houston Street) from outside New York City. To qualify, in addition to meeting certain other conditions, a firm must have conducted substantial business operations outside the City for at least 24 months prior to the year of relocation, and must not have had any employees at premises in the City between January 1, 2002 and the date it acquires relocation premises. The Lower Manhattan credit is $3,000 and is refundable for the year of relocation and the following four years. Credits that aren’t refundable can be carried over for five years. The 2004 legislation also made certain changes affecting the preexisting REAP program.

Taxes Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax
Utility Tax

Tax Expenditure

$6 million

Number of Beneficiaries

37 firms

Real Estate Investment Trusts (REITS)

Citation

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

Policy Objective

To promote REITs as investment vehicles.

Description

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

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

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

Legislation enacted in 1996 made the above benefit permanent and extended the benefit to certain transfers to preexisting REITs. Through legislative extensions, the reduced tax rate for transfers of real property into existing REITs has been continued until August 31, 2005.

Tax Affected

General Corporation Tax
Real Property Transfer Tax

Tax Expenditure

GCT: Not available
RPTT: $2 million

School Bus Operation Deduction

Citation

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

Policy Objective

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

Description

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

Tax Affected

General Corporation Tax

Tax Expenditure

$2 million

Dramatic or Musical Arts Performance Exemption

Citation

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

Policy Objective

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

Description

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

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

Tax Affected

Commercial Rent Tax

Tax Expenditure

Less than $1 million

Employment Opportunity Relocation Costs Credit (EORC)

Citation

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

Policy Objective

To promote employment in New York City.

Description

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

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Manufacturing and Research & Development Property Depreciation

Citation

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

Policy Objective

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

Description

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Real Estate Tax Escalation Credit (RETE)

Citation

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

Policy Objective

To encourage businesses to relocate to New York City.

Description

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

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than $1 million

Air Pollution Control Facilities Deduction

Citation

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

Policy Objective

To improve the quality of air in New York City.

Description

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Credit Line Mortgages

Citation

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

Policy Objective

To reduce credit costs for small homeowners.

Description

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

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

Tax Affected

Mortgage Recording Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code, Section 11-502(d)

Policy Objective

To exempt certain revenue-generating activities from business taxation.

Description

The City's Unincorporated Business Tax is generally imposed on unincorporated businesses operating in the City. However, certain owners of real property, lessees or fiduciaries engaged in holding, leasing or managing real property are not considered to be engaged in an unincorporated business. Under UBT law prior to a 1994 legislative change, owners, lessees or fiduciaries had to be engaged exclusively in qualified activities to receive the exemption.

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

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

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code, Section 11-502(c)

Policy Objective

To exempt certain revenue-generating activities from business taxation.

Description

The City's Unincorporated Business Tax is generally imposed on unincorporated businesses operating in the City. However, individuals or entities engaged in certain trading activities for their own account are not considered to be engaged in an unincorporated business. Under UBT law prior to legislative changes in 1994 and 1996, the exemption was only applicable to an individual or entity engaged exclusively in the purchase and sale of property or the purchase, sale or writing of stock option contracts, or both, for his or her own account.

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

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

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

Special Allocation Rule: Credit Card Interest

Citation

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

Policy Objective

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

Description

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

Not available

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

Citation

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

Policy Objective

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

Description

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

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

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

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

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

Citation

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

Policy Objective

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

Description

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

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

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Special Allocation Rule: Radio/TV Commercial Receipts

Citation

NYC Administrative Code, Section 11-508(e-1) and 11-604(3)(a)(2)(A), (B) and (3)(a)(9)

Policy Objective

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

Description

In determining their business allocation percentage, taxpayers normally determine the source of receipts from services based upon where the services were performed (GCT) or where the office from which the employees are sent to perform the services is located (UBT). However, for both GCT and UBT purposes, the income a business receives from broadcasting radio and television commercials or programs (whether through the public airways or by cable, satellite transmission or any other means of transmission) 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.

In addition, charges paid by subscribers to television or radio programming services (whether transmitted by cable or otherwise) are allocated to the jurisdiction in which the subscriber is located, determined, generally, on the basis of the subscriber's billing address.

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

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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.

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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 this part 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's Annual Report on New York State Tax Expenditures (February 2004). Second, revenue estimates are provided for sales tax expenditures for which the Department of Finance has data. The aggregate Tax Year 2001 value of the tax expenditures for which estimates are provided was $326 million.

Personal Income Tax Expenditures

The Personal Income Tax section provides a list of tax expenditures and two tables showing components of income and modifications to income of New York City resident filers in 2001. These tables are derived from a statistical sample of Tax Year 2001 Personal Income Tax returns created by the New York State Department of Taxation and Finance. Descriptions are also provided for two New York City-specific Personal Income Tax credits. These credits were worth a combined value of $50 million in Tax Year 2001.

NEW YORK CITY SALES TAX EXPENDITURES

New York City generally imposes the sales tax on the same products and services to which the statewide sales tax applies. The following list identifies the sales tax expenditures common to both the State and the City unless otherwise noted. This list was derived from the New York State Department of Taxation and Finance's Annual Report on New York State Tax Expenditures (February 2004).

Services

Certain information services [1]
Certain information services provided over the telephone
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
Coin-operated car wash services

Food

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

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

Medical

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

Energy

Fuel, gas, electricity, refrigeration and steam used in research and development and production [1]
Fuel, gas, electricity, refrigeration and steam used in farming and commercial horse breeding
Reduced rate on gas and electric service
Gas and electricity used in transmission, distribution and storage

Transportation

Commercial vessels
Barge repairs
Commercial aircraft
Fuel sold to airlines
Parts for foreign aircraft
Intra-family sales of motor vehicles
Motor vehicles and vessels 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 and Media

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

[1] Effective November 1, 2000, energy used in the production of tangible personal property for sale is exempt from City taxation. Prior to that date, the City granted taxpayers a refundable credit against their business taxes for sales taxes paid on purchases of electricity used in the production process.

Certain telecommunications and Internet
Radio and television broadcasting
Internet data centers
Film production
Certain mobile telecommunications services

Industry

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

Miscellaneous

Certain property sold through vending machines
Trade-in allowances
Hotel room rents paid by a permanent resident [1]
Dues for fraternal societies
Dues for homeowners' associations
Homeowners' associations' parking services
Store coupons
Excise taxes imposed on the consumer
Property sold by morticians
United States and New York State flags
Garage sales at private residences
New mobile homes
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

[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.

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

Exempt Organizations

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

Admission Charges

Certain admission charges
Events given for the benefit of charitable organizations, veterans' posts,
and Indian nations
Certain symphony orchestra and opera company events
National guard organization events
Municipal police and fire department events
Certain athletic games

[1] Effective March 1, 2000, clothing and footwear priced under $110 are exempt from State and City sales taxation. This exemption was suspended for one year, effective June 1, 2003, and as of August 2004, the suspension has been extended through the end of May 2005. During the suspension period, several one-week tax holidays have been legislated for clothing and footwear costing less than $110.

Carnivals or rodeos for certain charitable organizations
Agricultural fairs, historical homes, gardens, sites,
and museums

Credits

Sales tax vendor credits
Tangible property sold by contractors in certain situations
Veterinary drugs
Construction materials used in Empire Zones [1]
Bus companies providing local transit service

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

Table 8
TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS FROM THE SALES TAX BASE [1]
Tax Year 2001

Program	($ Million) Amount
Interstate and International Telephone and Telegraph	111
Newspapers and Periodicals	74
Fuel Sold to Airlines	44
Cable Television	32
Water Delivered Through Mains or Pipes	31
Production-Related Machinery, Equipment, Parts, Tools, Supplies and Services	24
Energy Used in Manufacturing	6
Airline Food and Drink for In-Flight Consumption	4

[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

$111 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

$74 million

Data Sources

Audit Bureau of Circulation

Fuel Sold to Airlines

Citation

NYS Tax Law Section 1115(a)(9)

Description

Fuel sold to airlines for use in their airplanes is tax exempt.

Estimate

$44 million

Data Source

Port Authority of New York and New Jersey

Cable Television Service

Citation

NYS Tax Law Section 1105(c)(9)

Description

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

Estimate

$32 million

Data Source

National Cable Television Association

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

$31 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
New York City exempts from sales taxation purchases of machinery, equipment, parts, tools, supplies and services for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration or steam for sale.

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

Tax Expenditure

$ 24 million

Data Source

NYC Department of Finance

Energy Used in Manufacturing

Citation

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

Description

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

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

Estimate

$ 6 million

Data Sources

NYC Department of Finance

Airline Food and Drink for In-Flight Consumption

Citation

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

Description

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

Estimate

$4 million

Data Sources

Port Authority of NY and NJ
Air Transport World

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 from income and State modifications that pass through in determining City taxable income.

Federal Exclusions from Income

IRA and Keogh Contributions
Income Earned Abroad by U.S. Citizens
Limited Exception to Passive Loss Rules on Rental Real Estate
Gain from Sale of Principal Residence
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 Tuition 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, Accident Disability and Accidental Death Insurance
Interest on Life Insurance Policy and Annuity Cash Value
Interest on Qualified New York State and Local Bonds
Oil and Gas Exploration and Development Costs
MACRS/ACRS Depreciation
Amortization of Business Start-Up Costs
Capital Gains at Death
Farmers' Expensing of Capital Outlays
Capital Asset Treatment of Certain Natural Resource Income
Expensing of R&D Costs
Social Security and Tier I Railroad Retirement Benefits (Partial Exclusion)
Capital Gains from Small Business Stock
Expensing up to $102,000 on Certain Depreciable Business Property
Deferred Tax on Installment Sales
Deduction for Student Loan Interest
Exclusion for Education IRA's
Deduction for Higher Education Expenses
Exclusion of Earnings of Qualified Tuition Programs

New York State Modifications

New York Additions

Interest or Dividends on Obligations or Securities of Certain Federal Authorities
Interest on Obligations of Other States or Political Subdivisions of those States
Personal and Unincorporated Business Income Taxes Imposed by New York and Deducted in Determining Federal Taxable Income
Interest on Loans Incurred to Carry Tax-Exempt Securities
Expenses for Production of Tax-Exempt Income
Public Employee Retirement Contributions
Federal Percentage Depletion
New Business Investment Deferral
S Corporation Additions
Other Additions
College Choice Tuition Savings Distributions

New York Subtractions

Interest or Dividend Income on Obligations or Securities Taxable Federally but Exempt for NY Purposes
Interest and Dividends on Obligations or Securities of Certain Federal Authorities
Interest on Obligations of the U.S. and its Possessions
Pensions Paid by the Federal Government, the State of New York or Municipal Governments
Portion of Pensions and Annuities Received by Individuals 59 ½ Years of Age or Older
Disability Income Included in Federal AGI
Social Security and Tier I Railroad Retirement Benefits Included in Federal AGI
Accelerated Death Benefits and Viatical Settlements
Contribution to NYS College Choice Tuition Savings Program
Long-term care Insurance Premiums[1]
Deferral of Gain from Sale of Qualifying Emerging Technology Investments
Payments to Victims of Nazi Persecution

New York State Deductions and Exemptions

Standard Deduction (2003)

- Single:	$ 7,500
- Married/Joint:	14,600
- Head of Household:	10,500
- Married/Separate:	6,500

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

Itemized Deductions [1]

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

Dependent Exemptions

- $1,000 Exemption per Dependent

New York City Tax Credits [2]

Household Credit
UBT Paid

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

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

It should be noted that legislation enacted in 2004 permits City residents to claim an earned income tax credit equal to five percent of the earned income tax credit allowed for Federal income tax purposes. The credit, which is refundable, can be claimed for tax years beginning on or after January 1, 2004.

Components of Adjusted Gross Income and Summary of Deductions and Credits

The data presented in this section regarding the Tax Year 2001 New York City Personal Income Tax (PIT) are based on a statistical sample of approximately 35,000 New York City personal income tax returns prepared by the New York State Department of Taxation and Finance. The total number of returns filed by New York City resident taxpayers was more than 2.5 million.

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

City PIT tax rates are independent of the State rates and reflect local policy choices as to the distribution of the tax burden among income groups. The New York City Household Credit is a City-specific tax expenditure that reduced tax liability by $12.7 million in 2001.

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

Table 9
NEW YORK CITY PERSONAL INCOME TAX
COMPONENTS OF ADJUSTED GROSS INCOME (AGI)
Tax Year 2001

($ Millions)

INCOME		
Wages and Salaries	124,719	
Dividend and Interest	10,385	
Business Income	5,117	
Capital Gains	14,046	
Social Security, Pension, IRA	7,359	
Other Income [1]	12,900	
Federal Adjustments [2]	(1,467)	
FEDERAL AGI		173,059
NY ADDITIONS		
State and Local Bond Interest [3]	261	
Other Additions [4]	1,306	
TOTAL ADDITION ADJUSTMENTS		1,567
NY SUBTRACTIONS		
Pension Income from Federal, New York State and Local Governments	(1,288)	
US Government Bond Interest	(1,044)	
State and Local Tax Refunds	(1,840)	
Taxable Social Security Benefits	(1,506)	
Pension Exclusion [5]	(1,412)	
College Choice Tuition Savings Deductions	(57)	
Other Subtractions	(750)	
TOTAL SUBTRACTION ADJUSTMENTS		(7,897)
NY STATE AGI		166,728

Table 9
(continued)

Note: The data provided in Tables 9 and 10 pertain to full-year NYC resident taxpayers.

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

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

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

[4] Includes public employee retirement contributions, college choice tuition savings distributions, and miscellaneous adjustments.

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

Table 10
NEW YORK CITY PERSONAL INCOME TAX
SUMMARY OF DEDUCTIONS AND CREDITS
Tax Year 2001
($ Millions)

DEDUCTIONS		
ITEMIZED DEDUCTIONS		
Taxes Paid		(10,159)
Interest Paid		(5,346)
Contributions		(4,286)
Medical expenses		(689)
Job and Employee Expenses [1]		(2,988)
Other Miscellaneous Expenses [2]		(227)
TOTAL FEDERAL ITEMIZED DEDUCTIONS		(23,695)
TOTAL ITEMIZED DEDUCTIONS[3]		(11,835)
TOTAL STANDARD DEDUCTION		(18,399)
UNUSED DEDUCTIONS [4]		2
TOTAL DEDUCTIONS APPLIED		(30,232)
EXEMPTIONS		
TOTAL EXEMPTIONS APPLIED		(1,649)
TAXABLE INCOME		134,845
NYC RESIDENT TAX		4,452
NYC Household Credit	(13)	
UBT Credit	(37)	
Accumulation Distribution Credit	0	
Other Taxes [5]	1	
TOTAL NYC TAX LIABILITY		4,403

Table 10
(continued)

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

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

[3] Available itemized deductions after NYS add-backs and high-income limitations.

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

[5] Includes the New York City minimum tax.

Personal Income Tax Household Credit

Citation

NYS Tax Law Section 1310(d)

Policy Objective

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

Description

New York City taxpayers with federal adjusted gross income below specified levels may claim the household credit. The amount of the credit varies according to filing status, federal adjusted gross income and the number of persons in the household. In tax year 2001, the credit was available to single taxpayers with federal adjusted gross income not greater than $12,500 and other filing types with adjusted gross income not greater than $22,500. The credit amount decreases as income increases, and in 2001 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 2001, 426,031 New York City households claimed the household credit. The household credit reduced the 2001 tax liability of New York City taxpayers by $12.7 million. Of the 2.5 million New York City returns filed in 2001, approximately 17 percent claimed the household credit. The average benefit was $30 per household, with half of the beneficiaries reporting income below $15,000.

HOUSEHOLD CREDIT

Household Adjusted Gross Income Range	Number of Households	Total Value of Credit (000s)	Average Value
Under $10,000	70,061	$938	$13
$10,000 - $14,999	143,195	$3,381	$24
$15,000 - $19,999	145,444	$6,548	$45
$20,000 - $22,499	67,331	$1,823	$27
Total	**426,031**	**$12,690**	**$30**

Tax Expenditure

$13 million

Personal Income Tax Credit for Unincorporated Business Tax Payments

Citation

NYS Tax Law Section 1310(e)

Policy Objective

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

Description

New York City residents are allowed to claim credits against their City personal income tax liabilities for unincorporated business taxes paid by businesses they carry on as sole proprietors or paid by partnerships in which they are partners. For taxable years beginning on or after January 1, 1997, a City resident whose taxable income is not more than $42,000 is allowed a credit for 65 percent of his or her share of the UBT paid by the firm for its tax year ending within or at the same time as the resident's tax year; a resident whose taxable income is more than $42,000 but not more than $142,000 is allowed a declining credit computed by subtracting from 65 percent, one-tenth of a percentage point for each $200 of taxable income above $42,000; and a resident whose taxable income is over $142,000 is allowed a 15 percent credit. The City is authorized to adopt local laws to raise (but not reduce) the above percentages to as much as a 100 percent credit.

Tax Expenditure

$37 million

PART VI

SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES

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. One evaluation meets this criterion: the Local Law 69 Report issued by the NYC Economic Development Corporation.

New York City Economic Development Corporation, Local Law 69 Report, Fiscal Year 2003[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 eleventh report pursuant to this law. EDC appreciates this opportunity to report to the Council on EDC's economic development programs and on the results of its efforts. EDC believes that this report demonstrates how critical EDC's efforts are toward rebuilding and expanding New York City's economic base by stimulating job growth and business expansion.

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

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

Audits and Evaluations

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

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

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

Summary of Aggregate Benefits

The LL69 analysis reveals that EDC 's economic development initiatives associated with 615 qualifying projects will return a Net Impact to the City of approximately $16.8 billion between FY'96 and FY'10. EDC is required to report on each LL69 project for an eight-year period (base year plus seven years). Including the projects which commenced in FY'03, the entire reporting period covers the period beginning in FY'96 and ending in FY'10.

- Gross City Benefits were $17.6 billion for the 615 LL69 projects. These projects involve the projected retention of 211,586 jobs and the creation of 74,520 jobs through the FY'10 reporting period.

- City Costs were $812.8 million. City Costs include assistance provided to the 615 projects.

- The City enjoyed a 22:1 ratio of Gross City Benefits ($17.6 billion) to City Costs ($812.8 million).

These figures compare to $15.8 billion in Net Impact to the City reported in the FY'02 report and a ratio of Gross City Benefits to City Costs of 23:1.

PART VII

DESCRIPTIONS OF MAJOR NEW YORK CITY TAXES AND NYC RECENT TAX PROGRAM LEGISLATION

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

MAJOR NEW YORK CITY TAXES

Banking Corporation Tax

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

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

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

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

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

(4) $125 minimum tax.

Commercial Rent Tax

This tax is imposed at the rate of 6 percent (but see effective rates below) of the base rent paid by tenants of premises used to conduct any business, profession or commercial activity.

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

General Corporation Tax

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

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

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

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

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

(4) $300 minimum tax.

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

Mortgage Recording Tax

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

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

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

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

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

[1] Effective for tax years beginning on or after July 1, 1999 the officers' addback provision of the income-plus-compensation base is eliminated.

Description of Major NYC Taxes

Personal Income Tax

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

The personal income tax rates imposed on every resident of New York City for 2002 range from 2.907 percent to 3.648 percent.[1] For tax years 2003 through 2005, the top marginal rate has been increased to 4.45 percent.

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

Real Property Tax

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

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

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

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

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

New York City assesses properties at a uniform percentage of market value within each class of real property, applying class-specific tax rates to determine tax liability. The rates, per $100 of assessed value, are as follows:

FY 2004 Rates

(1)	Class 1	14.550
(2)	Class 2	12.620
(3)	Class 3	12.418
(4)	Class 4	11.431

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

Real Property Transfer Tax

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

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

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

For properties other than the residential properties referred to above:

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

Sales Tax

This tax is imposed on the sale or use of tangible personal property and certain services; sales of gas, electricity, steam, refrigeration, and intrastate telephone and telegraph services; food and beverages sold by restaurants and caterers; hotel and motel occupancies; admission charges to certain places of amusement; and club dues. The tax rate is 4 percent, except for the period June 4, 2003 to May 31, 2005, for which the rate has been temporarily increased to 4.125 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, including gas and electric companies and telephone companies. Companies that derive 80 percent or more of their gross receipts from mobile telecommunications services are also considered utilities, regardless of whether they are supervised by the Department of Public Service. Vendors of utility services are those that are not "utilities" but that sell gas, electricity, steam, water, refrigeration, or telecommunications services, or that operate omnibuses, whether or not those activities represent the vendor's main business.

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

RECENT NYC TAX PROGRAM LEGISLATION

A brief summary of significant New York City tax law changes enacted in recent years is presented below. The listing is organized chronologically. Thus, specific tax law changes in a given year may not reflect current law.

Chronology of Selected Legislative Actions Affecting NYC Taxes

Tax Action	Tax*	Legal Citation	Effective Date
1990			
Increase in hotel tax rate from 5% to 6%	HTX	Chapter 342, Laws of 1990, Local Law 43 of 1990	9/1/90
Increase in mortgage recording tax rates	MRT	Chapter 343, Laws of 1990, Local Law 44 of 1990	8/1/90
Imposition of 12.5% PIT surcharge	PIT	Chapter 344, Laws of 1990, Local Law 42 of 1990	TY90
1991			
Real property tax rate increase for "Safe Streets, Safe City" Program	RPT	City Council Resolution, 1/22/91	FY91
Additional real property tax rate increase	RPT	City Council Resolution, 7/1/91	FY92
12.5% PIT surcharge extended and dedicated to "Safe Streets, Safe City" program	PIT	Chapter 6, Laws of 1991, Local Law 15 of 1991	TY92
STX imposed on telephone answering services	STX	Chapter 166, Laws of 1991	9/1/91
STX imposed on pre-written computer software	STX	C. 166	9/1/91
STX imposed on shipping and delivery charges	STX	C. 166	9/1/91
Imposition of 14% PIT surcharge	PIT	Chapter 272, Laws of 1991, Local Laws 64,77 of 1991	TY91
1993			
Partial CRT credit for annual rent between $11,000-$13,999	CRT	Local Law 57 of 1993	6/1/93
Increase in CRT taxable threshold from $11,000 to $21,000 annual rent	CRT	LL 57	6/1/94
1994			
50% rate reduction for qualifying transfers to newly organized REITs	RPTT	Chapter 170, Laws of 1994	6/9/94
Hotel tax rate reduction from 6% to 5%	HTX	Local Law 21 of 1994	12/1/94
Increase in CRT taxable threshold from $21,000 to $31,000 annual rent	CRT	Local Law 22 of 1994	6/1/95
UBT Technical Reform:			
o Allow entity earning up to $25,000 in gross income to retain "self-trading" exemption	UBT	Chapter 485, Laws of 1994	TYs BOOA 7/1/94
o Conform UBT treatment of investment income to GCT rules	UBT	C. 485	TYs BOOA 7/1/94
o Replace partnership-level exemption with partner-level credit	UBT	C. 485	TYs BOOA 7/1/94
o Allow real estate exemption even though other income earned	UBT	C. 485	TYs BOOA 7/1/94

* Defined on last page of chart.

Notes: Local laws adopted by the NYC Council, Chapter laws adopted by NYS legislature.

TYs BOOA = Tax years beginning on or after; TYs EOOA = Tax years ending on or after.

Chronology of Selected Legislative Actions Affecting NYC Taxes

Tax Action	Tax*	Legal Citation	Effective Date
1995			
Lower Manh commercial revitalization program established		Chapter 4, Laws of 1995	4/1/95
Increase in CRT taxable threshold from $31,000 to $40,000 annual rent	CRT	Local Law 57 of 1995	9/1/95
CRT eliminated above 96 St in Manhattan and in other boroughs	CRT	LL 57	9/1/95
CRT effective rate reduction from 6% to 5.1%	CRT	LL 57	3/1/96
CRT effective rate reduction from 5.1% to 4.5%	CRT	LL 57	6/1/96
Repeal City sales tax on interior decorating and design	STX	Chapters 297,298, Laws of 1995	12/1/95
Senior Citizen Homeowner Exemption (SCHE) extended to co-op owners	RPT	Chapter 406, 407, Laws of 1995	FY97
Industrial and Commercial Incentive Program (ICIP) revised and extended -- renovations and "smart" bldgs. in Manh.; deeper industrial benefit provided	RPT	Chapter 661, Laws of 1995, Local Law 58 of 1995	7/1/95 [new benefits]
1996			
Amendments to SCHE related to co-op owners	RPT	Chapter 49, Laws of 1996, Local Laws 1,40 of 1996	FY97
UBT Reforms			
o Self-trading exemption expanded to cover modern activities	UBT	Chapter 128, Laws of 1996	TYs BOOA 1/1/96
o "Principally engaged" test established for self-trading exemption	UBT	C. 128	TYs BOOA 1/1/96
o Allow carry forward of partner-level credit	UBT	C. 128	TYs BOOA 1/1/96
UBT small business credit increased from $600 to $800; partial credit for liability $801-$999 (credit increased to $1000 for TYs BOOA 1/1/97)	UBT	C. 128	TYs BOOA 1/1/96
Co-op and Condo tax abatement established	RPT	Chapter 273, Laws of 1996	FY97
Sales tax holiday for clothing purchases under $500	STX	Chapter 309, Laws of 1996	1/18 - 1/24/97
50% transfer tax rate reduction for qualifying transfers between 7/13/96 and 8/31/99 to preexisting REITs; prior temporary rate reduction for transfers to newly organized REITs made permanent	RPTT	C. 309	7/13/96
City sales tax exemption for production items	STX	Chapter 366, Laws of 1996	9/1/96
Lower Manh commercial revitalization program amended		Chapter 472, Laws of 1996	7/1/96
Reform of "income-plus-compensation" GCT base	GCT	Chapter 625, Laws of 1996	TYs BOOA 7/1/99; fully effective
Repeal of "regular-place-of-business" requirement	GCT,UBT	C. 625	TYs BOOA 7/1/96
Manufacturers allowed to double-weight receipts factor	GCT,UBT	C. 625	TYs BOOA 7/1/96

* Defined on last page of chart.

Notes: Local laws adopted by the NYC Council, Chapter laws adopted by NYS legislature.

TYs BOOA = Tax years beginning on or after; TYs EOOA = Tax years ending on or after.

Chronology of Selected Legislative Actions Affecting NYC Taxes

Tax Action	Tax*	Legal Citation	Effective Date
1997			
City PIT rates reduced under STAR Program	PIT	Chapter 389, Laws of 1997	TYs BOOA 1/1/99; phased in over 3 years
City PIT credit allowed under STAR Program	PIT	C. 389	TYs BOOA 1/1/98; phased in over 4 years
Increase in CRT taxable threshold from $40,000 to $100,000 annual rent; partial credit provided for rent betw. $100,000-$139,999	CRT	Local Law 63 of 1997	6/1/97
CRT effective rate reduction from 4.5% to 3.9%	CRT	LL 63	9/1/98
Veterans' exemption extended to co-op owners	RPT	Chapter 171, Laws of 1997, Local Law 68 of 1997	FY99
Sales tax holiday for clothing purchases under $100	STX	C. 389	9/1 - 9/7/97
UBT small business credit increased from $1,000 to $1,800; partial credit for liability $1,801-$3,199	UBT	Chapter 481, Laws of 1997	TYs BOOA 1/1/97
NYC residents allowed a partial PIT credit for UBT paid	PIT	C. 481	TYs BOOA 1/1/97
Lower Manh commercial revitalization program amended and extended		Chapter 629, Laws of 1997	9/17/97
City sales tax exemption for theatrical productions	STX	Chapter 670, Laws of 1997	3/1/98
Sales tax holiday for clothing purchases under $500	STX	Chapter 687, Laws of 1997	1/17 - 1/23/98
Annual vault charge repealed		Local Law 47 of 1997	TYs BOOA 6/1/98
Coin-operated amusement devices tax repealed		Local Law 48 of 1997	TYs BOOA 8/1/97
1998			
Sales tax holiday for clothing purchases under $500	STX	Chapter 56, Laws of 1998	9/1 - 9/7/98
Sales tax holiday for clothing purchases under $500	STX	C. 56	1/17 - 1/24/99
Sales tax exemption for college textbooks	STX	C. 56	6/1/98
Sales tax exemption for computer hardware used to develop computer software	STX	C. 56	6/1/98
Sales tax exemption for telecommunications equipment expanded	STX	C. 56	9/1/98
Lower Manh commercial revitalization program technical amendments		Chapter 468, Laws of 1998	9/17/97

* Defined on last page of chart.
Notes: Local laws adopted by the NYC Council, Chapter laws adopted by NYS legislature.
TYs BOOA = Tax years beginning on or after; TYs EOOA = Tax years ending on or after.

Chronology of Selected Legislative Actions Affecting NYC Taxes

Tax Action	Tax*	Legal Citation	Effective Date
1999			
12.5% "Safe Streets, Safe City" PIT surcharge expires	PIT		TY99
Nonresident earnings tax repealed	PIT	Chapter 5, Laws of 1999	7/1/99
ICIP benefits extended	RPT	Chapter 143, Laws of 1999, Local Law 44 of 1999	1/1/99
Co-op and condo tax abatement extended	RPT	Chapter 407, Laws of 1999	FY00
Sales tax holiday for clothing purchases under $500	STX	C. 407	9/1 - 9/7/99
Sales tax holiday for clothing purchases under $500	STX	C. 407	1/15 - 1/21/00
Permanent NYS sales tax exemption for clothing under $110; City Council resolution passed to include NYC local tax	STX	C. 407	3/1/00
Sales tax exemption for certain cable tv and telecommunications equipment	STX	C. 407	3/1/01
Sales tax exemption for computer hardware used to develop Internet websites	STX	C. 407	3/1/01
50% transfer tax rate reduction for qualifying transfers to pre-existing REITs extended to 8/31/02	RPTT	C. 407	9/1/99
2000			
Special UBT and Bank Tax allocation rules adopted for mutual fund management fees	UBT,BTX	Chapter 63, Laws of 2000	TYs BOOA 1/1/01
Sales tax exemption for equipment used by Internet data center operators (web site operators)	STX	C. 63	9/1/00
Sales tax exemption for telecommunications and cable tv service providers expanded	STX	C. 63	9/1/00
Sales tax exemption for broadcasters' production and transmission equipment	STX	C. 63	9/1/00
Sales tax phased-out on energy distribution sold separately from commodity	STX	C. 63	9/1/00
PIT 14% surcharge reduced	PIT	Chapter 184, Laws of 2000 Local Laws 68 of 2000, 37 of 2001	TY01
ICIP revisions to encourage development in "commercial revitalization areas"	RPT	Chapter 261, Laws of 2000, Local Law 42 of 2001	7/1/00
New commercial revitalization program for designated areas in NYC		C. 261	7/1/00
City sales tax exemption provided for energy used in production	STX	Chapter 472, Laws of 2000	11/1/00

* Defined on last page of chart.
Notes: Local laws adopted by the NYC Council, Chapter laws adopted by NYS legislature.
TYs BOOA = Tax years beginning on or after; TYs EOOA = Tax years ending on or after.

Chronology of Selected Legislative Actions Affecting NYC Taxes

Tax Action	Tax*	Legal Citation	Effective Date
2001			
Increase in CRT taxable threshold from $100,000 to $150,000 annual rent; partial credit provided for rent betw. $150,000-$189,999	CRT	Local Law 6 of 2001	12/1/00
"In progress" exemption period expanded to 3 yrs for certain commercial construction	RPT	Local Law 35 of 2001	Constr commenced aft 1/5/00
Increase in CRT taxable threshold from $150,000 to $250,000 annual rent; partial credit provided for rent betw. $250,000-$300,000	CRT	Local Law 38 of 2001	6/1/01
Lower Manh commercial revitalization program extended		Chapter 118, Laws of 2001	4/1/01
Co-op and condo tax abatement extended	RPT	Chapter 294, Laws of 2001	FY02
2002			
Special mid-year real property tax increase to offset budget gap	RPT	Local Law 40 of 2002	1/1/03
Persons killed in 9-11 attacks exempted from personal income tax	PIT	Chapter 85, Laws of 2002	TYs 00,01
Sales tax holidays in Lower Manhattan for purchases under $500	STX	C. 85, City Council Resol. 278	6/9 - 6/11, 7/9 - 7/11, 8/20 - 8/22/02
50% transfer tax rate reduction for qualifying transfers to pre-existing REITs extended to 8/31/05	RPTT	C. 85	9/1/02
City business tax depreciation rules partially uncoupled from 2002 federal amendments	GCT,BTX, UBT	Chapter 93, Laws of 2002, Local Law 17 of 2002	TYs EOOA 9/10/01
City cigarette tax increased from 8 cents to $1.50 per pack	CT	C. 93, Local Law 10 of 2002	7/2/02
City utility tax treatment of mobile telecommunications services revised	UTX	C. 93	TYs BOOA 8/1/02

* Defined on last page of chart.

Notes: Local laws adopted by the NYC Council, Chapter laws adopted by NYS legislature.

TYs BOOA = Tax years beginning on or after; TYs EOOA = Tax years ending on or after.

Chronology of Selected Legislative Actions Affecting NYC Taxes

Tax Action	Tax*	Legal Citation	Effective Date
2003			
Three-year City personal income tax surcharge imposed on joint filers and surviving spouses with taxable income exceeding $150,000, heads of households with taxable income over $125,000 and singles and married persons filing separately with taxable income over $100,000; higher surcharge rate imposed on all taxpayers with taxable income over $500,000	PIT	Chapter 63, Laws of 2003, Local Law 41 of 2003	TY's 2003, 2004, 2005
City sales tax rate temporarily increased by .125% (to 4.125%)	STX	Ch. 63, Local Law 35 of 2003	6/4/03--5/31/05
Sales tax exemption for clothing and footwear purchases under $110 temporarily suspended	STX	Chapter 62, Laws of 2003	6/1/03--5/31/04
Sales tax holidays declared for clothing and footwear purchases under $110	STX	Ch. 62 and 63, NYC Council Resolution 937 of 2003	8/26--9/1/03 and 1/26--2/1/04
25% surcharge imposed on real estate tax bills for Class 1 (1- to 3-family homes) rental properties not the primary residence of the owner or the owner's parent or child [Note: Local Law 6 of 2004 delayed the surcharge until FY 2007.]	RPT	Ch. 63, Local Law 47 of 2003	FY 2004
Industrial and commercial incentive program extended	RPT	Chapter 103, Laws of 2003, Local Law 48 of 2003	7/1/03
J-51 exemption program extended	RPT	Chapter 418, Laws of 2002, Local Law 16 of 2003	2/28/03
Certain intangible asset-related transactions between related entities disregarded for City general and banking corporation, unincorporated business and personal income tax purposes	GCT, BTX, UBT, PIT	Chapters 63 and 686, Laws of 2003	TYsBOOA 1/1/03
Three-month amnesty program established for City-administered income and non-property excise taxes		Ch. 63	10/20/03--1/23/04
City's commercial revitalization program and commercial expansion program extended		Chapter 440, Laws of 2003	7/1/03

Tax:
BTX = Banking Corporation Tax
CT = Cigarette Tax
CRT = Commercial Rent Tax
GCT = General Corporation Tax
HTX = Hotel Tax
MRT = Mortgage Recording Tax
PIT = Personal Income Tax
RPTT = Real Property Transfer Tax
RPT = Real Property Tax
STX = Sales Tax
UBT = Unincorporated Business Tax
UTX = Utility Tax

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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 2004

APPENDIX I

NEW YORK CITY CHARTER SECTION 240

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

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

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

1. the legal authority for such tax benefit;

2. the objectives of, and eligibility requirements for, such tax benefit;

3. such data and supporting documentation as are available and meaningful regarding the number and kind of taxpayers using benefits pursuant to such tax benefit and the total amount of benefits used pursuant to such tax benefit, by taxable and/or fiscal year;

4. for each tax benefit pursuant to which a taxpayer is allowed to claim benefits in one year and carry them over for use in one or more later years, the number and kind of taxpayers carrying forward benefits pursuant to such tax benefit and the total amount of benefits carried forward, by taxable and/or fiscal year;

5. for nineteen hundred ninety and each year thereafter for which the information required by paragraphs three and four are not available, the reasons therefor, the steps being taken to provide such information as soon as possible, and the first year for which such information will be available;

6. such data and supporting documentation as are available and meaningful regarding the economic and social impact and other consequences of such tax benefit; and

7. a listing and summary of all evaluations and audits of such tax benefit issued during the previous two years.

APPENDIX II

CALCULATION OF AVERAGE NEW YORK CITY TAXES PER WORKER

The Department of Finance's estimates of the average amounts of New York City taxes attributable to workers employed in various economic sectors in the City are calculated in two basic ways. For business income and commercial rent 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 utility and sales taxes paid by businesses, the business share of liability is distributed among industry sectors based upon the distribution of payroll by sector as provided by the New York State Department of Labor.

For taxes paid by individuals, the Office of Tax Policy used a file of wage and withholding information supplied by the New York State Department of Taxation and Finance. This file was merged with the New York State personal income tax file to obtain income and personal income tax paid for each employee, and with business income tax files to determine the industry sector of each employer. The average sales tax paid by individuals in each sector was computed based upon the average income in that sector from this data source.

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 2001 and tax data are for tax year 2001, which roughly corresponds to calendar year 2001.

Eight City taxes are included in the calculations: Real Property Tax, Banking Corporation Tax, General Corporation Tax, Unincorporated Business Tax, Utility Tax, Commercial Rent Tax, Personal Income Tax and Sales Tax. (Minor City taxes, such as the Hotel Room Occupancy Tax, Cigarette Tax and Beer and Liquor Excise Tax, which are not directly related to primary City business activities, are not included in the calculations.)

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

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

Appendices

Calculation of Average Taxes per Worker

NAICS Sector*	Non-Property Taxes Average per worker	All Taxes Average per worker
Finance & Insurance	$8,816	$9,719
Legal Services	7,473	8,167
Professional/Technical/ Managerial	4,731	5,054
Real Estate	4,534	4,760
Information	3,727	4,219
Trade	2,893	3,120
Manufacturing	2,707	3,793
Other	2,188	2,296
Services	1,977	2,624
Public Administration	1,479	1,720
Private-Sector Only	3,480	4,096
ALL INDUSTRIES	**$3,091**	**$3,732**

* Taxes-per-worker estimates are provided for economic sectors based on the North American Industrial Classification System (NAICS). Beginning in Tax Year 1998, taxpayers were required to report their economic activities based on NAICS, rather than the old Principal Business Activity system, which was based on the Federal Standard Industrial Classification system.

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

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

   Department of Finance (DOF) Office of Tax Policy databases were used to obtain the distribution of GCT and UBT liability by industry sector; the Bank Tax is allocated entirely to the Finance & Insurance 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 business income tax data; NYS Department of Labor (DOL) employment data

2. Personal Income Tax (PIT)

The Office of Tax Policy used a file of wage and withholding information supplied by the New York State Department of Taxation and Finance. This file was merged with personal income tax files to obtain income and personal income tax paid for each employee, and with business income tax files to determine the industry sector of each employer. This approach represents a change from previous years. The change is due to the newly available withholding data, which provides a link between the personal income tax data and sector information.

Sources: NYS Department of Taxation and Finance PIT and wage/withholding data; DOF Tax Policy business income tax data

3. Sales Tax (STX)

The business share of the Sales Tax (22 percent) is assumed to be distributed according to the sector distribution of payroll from NYS DOL employment data. 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 by starting with income data for residents according to #2, above. This income data is combined with NYS DOL employment statistics and BLS Consumer Expenditure Survey data in order 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 STX 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; NYS DOL data; BLS Consumer Expenditure Survey Data; NYS Department of Taxation and Finance PIT and wage/withholding data; DOF Tax Policy commuter tax data; DOF Tax Policy business income tax data

4. Commercial Rent Tax

Department of Finance Commercial Rent Tax (CRT) processing tapes 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 business income tax and CRT data; NYS DOL data

5. Real Property Tax

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

Sources: DOF Real Property Assessment Division data; NYS DOL data

6. Utility Tax (UTX)

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

Sources: NYS Public Service Commission data; NYS DOL data.

APPENDIX III

NYC TAXES DIRECTLY RELATED TO CITY EMPLOYMENT BY INDUSTRY SECTOR TAX YEAR 2001

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

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

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

NYC Taxes Directly Related to City Employment [1]
By NAICS Industry Sector
Tax Year 2001 [2]
$ Millions

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employ-ment Rank
	All Industries	13,281.8	$3,732		
	Private-sector Only	12,342.4	$4,096		
1	Finance & Insurance	3,445.6	$9,719	1	4
2	Services	3,142.0	$2,624	8	1
3	Professional/Technical/Managerial	1,359.6	$5,054	3	5
4	Trade	1,292.0	$3,120	7	3
5	Public Administration	939.4	$1,720	10	2
6	Information	781.6	$4,219	5	7
7	Legal Services	666.8	$8,167	2	10
8	Other	585.8	$2,296	9	6
9	Manufacturing	585.7	$3,793	6	8
10	Real Estate	483.2	$4,760	4	9

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

[2] See Appendix II for discussion of methodology.

NYC Taxes Directly Related to City Employment By NAICS Sub-Industry Sector [1] Tax Year 2001

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employ-ment Rank
1	Securities & Commodities	$2,530,436,603	$12,939	3	5
2	Professional/Technical	$1,334,287,724	$5,074	9	3
3	Credit Agencies	$848,201,906	$8,511	5	13
4	Health Care	$790,465,311	$2,293	37	2
5	Local Government	$740,422,333	$1,674	45	1
6	Legal Services	$666,758,046	$8,167	6	15
7	Business Services	$611,662,484	$2,952	28	4
8	Real Estate	$483,182,165	$4,760	13	12
9	Accommodations	$406,089,598	$2,079	40	6
10	Other Retail Trade	$382,030,043	$3,535	20	11
11	Broadcasting/Telecomm	$348,855,389	$4,832	12	16
12	Social Services	$319,332,151	$2,256	38	7
13	Publishing	$317,549,093	$4,560	14	17
14	Construction	$316,703,288	$2,565	33	8
15	Nondurable Wholesale	$293,430,442	$3,480	22	14
16	Education	$290,769,884	$2,563	34	10
17	Movies/Video/Sound	$241,008,597	$5,553	8	26
18	Insurance	$234,798,706	$3,961	17	22
19	Arts & Entertainment	$221,152,398	$4,944	11	25
20	Transportation	$217,476,018	$1,874	42	9
21	Durable Wholesale	$204,099,400	$3,273	24	19
22	Clothing & Accessories	$186,417,805	$3,049	27	21
23	Other Services	$184,361,593	$2,777	31	18
24	Textiles/Apparel/Leather	$164,529,516	$2,879	30	24
25	Other Manufacturing	$147,178,777	$3,502	21	28
26	Food & Beverage Stores	$120,272,811	$2,081	39	23
27	Federal Government	$109,353,921	$1,781	43	20
28	Personal Services	$104,727,700	$2,560	35	29
29	Repair & Maintenance	$80,380,309	$4,948	10	32
30	Chemical & Allied Products	$79,779,416	$13,724	2	39
31	General Merchandise	$74,518,157	$2,612	32	30
32	Holding Companies	$74,183,367	$12,231	4	38
33	State Government	$73,683,082	$1,738	44	27

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

NYC Taxes Directly Related to City Employment
By NAICS Sub-Industry Sector
Tax Year 2001

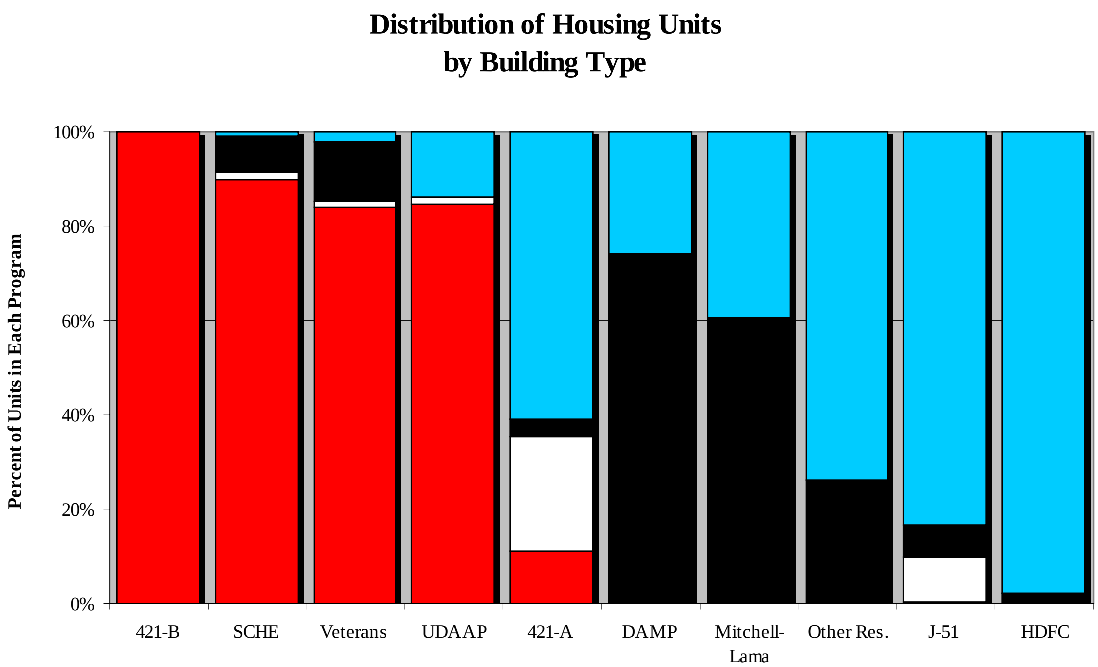
Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employ-ment Rank
34	Food & Beverage Mfg/Processing	$69,708,498	$4,291	15	32
35	Printing	$56,491,784	$3,938	18	35
36	Utilities	$53,578,341	$3,476	23	34
37	Furniture & Home Furnishings	$37,513,272	$3,159	25	36
38	Museums	$21,071,046	$1,962	41	37
39	Wood/Paper	$16,974,998	$3,072	26	41
40	Furniture & Related	$16,250,792	$2,914	29	40
41	Electrical Equipment	$15,151,986	$3,780	19	42
42	Private Households	$14,929,420	$914	46	31
43	Rubber & Miscellaneous Plastics	$7,485,727	$2,399	36	43
44	Petroleum & Coal	$4,927,621	$72,465	1	46
45	Primary Metal Industries	$2,264,662	$4,148	16	44
46	Agriculture & Mining	$2,006,478	$6,695	7	45

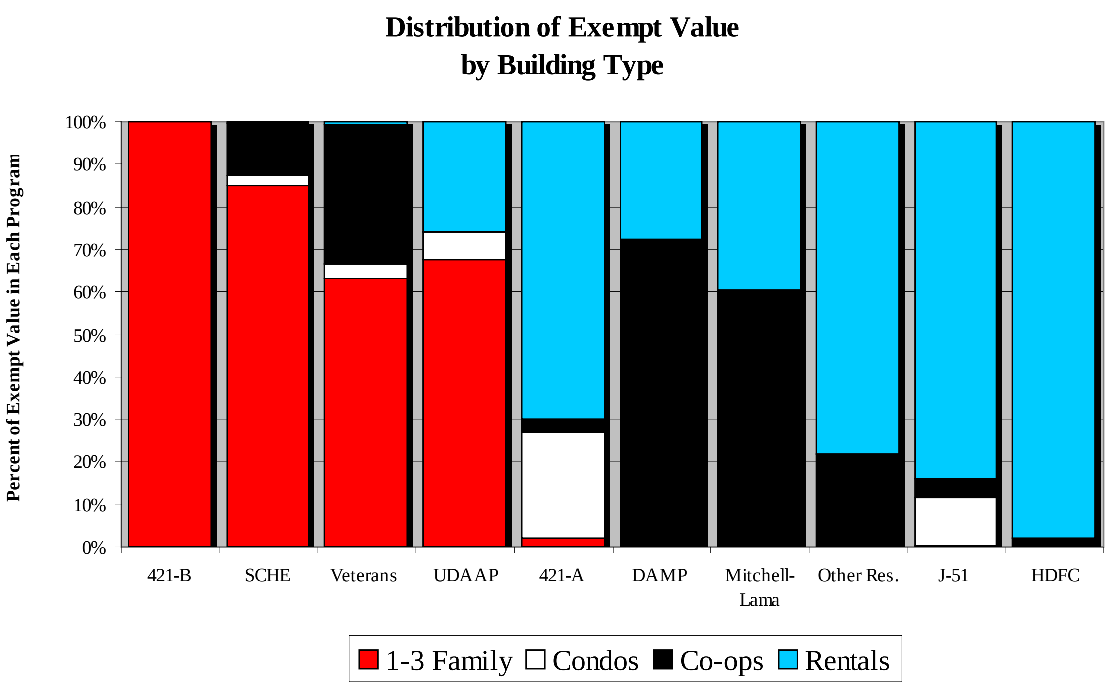
APPENDIX IV

REAL PROPERTY TAX EXPENDITURE STATISTICAL SUPPLEMENT FY 2004

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

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


Distribution of Housing Units
by Building Type
Percent of Units in Each Program
100%
80%
60%
40%
20%
0%
421-B
SCHE
Veterans
UDAAP
421-A
DAMP
Mitchell-Lama
Other Res.
J-51
HDFC


Distribution of Exempt Value
by Building Type
Percent of Exempt Value in Each Program
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
421-B
SCHE
Veterans
UDAAP
421-A
DAMP
Mitchell-Lama
Other Res.
J-51
HDFC
1-3 Family
Condos
Co-ops
Rentals

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2004

(Dollars in millions)

J-51

Exemption		**Citywide**	**Manhattan**	**Bronx**	**Brooklyn**	**Queens**	**Staten Island**
1-3 FAMILY	Number of Units	339	47	41	245	6	0
	Exempt AV	1.25	0.21	0.14	0.88	0.03	0.00
	Taxable AV	0.69	0.06	0.06	0.57	0.01	0.00
CONDOS	Number of Units	10,360	444	8,158	1,631	127	0
	Exempt AV	83.17	23.08	24.42	34.38	1.29	0.00
	Taxable AV	94.08	18.89	48.73	24.53	1.94	0.00
CO-OPS	Number of Units	7,124	990	4,014	664	1,456	0
	Exempt AV	30.70	9.39	12.36	4.96	3.99	0.00
	Taxable AV	75.63	10.32	42.35	6.25	16.71	0.00
RENTALS	Number of Units	89,878	20,719	48,463	16,762	3,528	406
	Exempt AV	604.43	221.69	250.31	108.01	19.98	4.43
	Taxable AV	511.19	139.89	252.67	90.57	27.20	0.87
MIXED USE	Number of Units	240	11	0	229	0	0
	Exempt AV	0.32	0.00	0.00	0.32	0.00	0.00
	Taxable AV	0.48	0.00	0.00	0.48	0.00	0.00
ALL	Number of Units	107,941	22,211	60,676	19,531	5,117	406
	Exempt AV	719.87	254.37	287.23	148.55	25.29	4.43
	Taxable AV	682.07	169.15	343.80	122.40	45.85	0.87
Abatement							
1-3 FAMILY	Abatement Only Units	126	4	12	107	3	-
	Total Abatement	0.19	0.01	0.02	0.16	0.00	0.00
CONDOS	Abatement Only Units	17,462	8,228	3,448	1,769	3,861	156
	Total Abatement	6.76	2.78	1.00	2.58	0.39	0.00
CO-OPS	Abatement Only Units	224,220	83,616	17,744	43,198	78,886	776
	Total Abatement	23.83	8.77	1.99	4.96	8.03	0.07
RENTALS	Abatement Only Units	320,444	100,838	49,921	91,788	73,045	4,852
	Total Abatement	66.18	22.86	16.67	18.09	7.56	1.00
MIXED USE	Abatement Only Units	920	879	16	25	-	-
	Total Abatement	0.81	0.46	0.00	0.34	0.00	0.00
ALL	Abatement Only Units	563,172	193,565	71,141	136,887	155,795	5,784
	Total Abatement	97.76	34.88	19.68	26.13	15.99	1.07
Total Number of Exemption and	**Abatement Units**	671,113	215,776	131,817	156,418	160,912	6,190

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2004

(Dollars in millions)

421-A

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	4,466	0	1,101	1,573	1,782	10
	Exempt AV	36.78	0.00	6.09	15.98	14.66	0.05
	Taxable AV	17.49	0.00	4.43	6.46	6.59	0.01
CONDOS	Number of Units	9,910	689	709	4,559	2,670	1,283
	Exempt AV	471.34	293.59	10.99	100.67	59.60	6.49
	Taxable AV	202.42	122.05	2.85	29.71	35.50	12.31
CO-OPS	Number of Units	1,459	1,057	74	132	122	74
	Exempt AV	57.75	47.84	0.99	1.97	4.24	2.72
	Taxable AV	9.52	7.77	0.08	0.45	1.12	0.09
MIXED USE	Number of Units	11	0	0	4	7	0
	Exempt AV	0.18	0.00	0.00	0.06	0.06	0.05
	Taxable AV	0.59	0.00	0.00	0.05	0.48	0.06
RENTALS	Number of Units	24,772	15,636	1,950	2,176	4,496	514
	Exempt AV	1,320.31	1,127.07	39.17	43.20	102.59	8.27
	Taxable AV	214.36	181.07	1.53	6.09	24.71	0.96
OTHER	Number of Units	405	0	257	6	142	0
	Exempt AV	106.40	68.60	10.25	2.67	24.84	0.05
	Taxable AV	119.51	108.28	0.31	2.45	8.36	0.12
ALL	Number of Units	41,023	17,382	4,091	8,450	9,219	1,881
	Exempt AV	1,992.76	1,537.11	67.48	164.55	205.98	17.64
	Taxable AV	563.88	419.17	9.20	45.22	76.76	13.54

Distribution of Exemptions by Borough and Property Type
Fiscal Year 2004
(Dollars in millions)

421-B

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	18,806	17	1,655	1,093	2,549	13,492
	Exempt AV	163.31	0.47	13.25	10.42	20.58	118.59
	Taxable AV	171.13	1.11	9.30	13.55	21.81	125.36
CONDOS	Number of Units	15	8	0	7	0	0
	Exempt AV	0.23	0.17	0.00	0.06	0.00	0.00
	Taxable AV	0.34	0.21	0.00	0.13	0.00	0.00
MIXED USE	Number of Units	6	0	2	0	0	4
	Exempt AV	0.13	0.00	0.01	0.00	0.00	0.12
	Taxable AV	0.15	0.00	0.03	0.00	0.00	0.12
RENTALS	Number of Units	4	0	0	4	0	0
	Exempt AV	0.01	0.00	0.00	0.01	0.00	0.00
	Taxable AV	0.01	0.00	0.00	0.01	0.00	0.00
ALL	Number of Units	18,831	25	1,657	1,104	2,549	13,496
	Exempt AV	163.68	0.64	13.26	10.49	20.58	118.71
	Taxable AV	171.64	1.32	9.33	13.69	21.81	125.49

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2004

(Dollars in millions)

DAMP

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	16	7	3	0	6	0
	Exempt AV	0.04	0.02	0.01	0.00	0.01	0.00
	Taxable AV	0.07	0.04	0.02	0.00	0.01	0.00
CO-OPS	Number of Units	14,219	6,977	4,383	2,800	59	0
	Exempt AV	55.91	39.83	8.41	7.51	0.17	0.00
	Taxable AV	88.12	44.71	25.74	17.31	0.37	0.00
RENTALS	Number of Units	4,945	1,363	2,958	618	6	0
	Exempt AV	21.28	11.51	7.99	1.74	0.03	0.00
	Taxable AV	24.76	8.42	12.60	3.70	0.04	0.00
MIXED USE	Number of Units	6	0	0	6	0	0
	Exempt AV	0.02	0.00	0.00	0.02	0.00	0.00
	Taxable AV	0.06	0.00	0.00	0.06	0.00	0.00
ALL	Number of Units	19,186	8,347	7,344	3,424	71	0
	Exempt AV	77.25	51.36	16.41	9.27	0.21	0.00
	Taxable AV	113.00	53.17	38.36	21.06	0.41	0.00

Distribution of Exemptions by Borough and Property Type
Fiscal Year 2004
(Dollars in millions)

SENIOR CITIZENS HOMEOWNER

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	43,701	91	5,376	13,649	20,850	3,735
	Exempt AV	202.66	0.62	19.04	59.72	102.84	20.45
	Taxable AV	200.13	0.59	21.98	49.34	111.93	16.29
CONDOS	Number of Units	694	100	134	50	253	157
	Exempt AV	5.67	1.74	0.44	0.41	2.25	0.84
	Taxable AV	5.09	2.21	0.14	0.30	1.91	0.53
CO-OPS	Number of Units	3,867	786	153	664	2,236	28
	Exempt AV	29.25	9.40	0.93	4.07	14.69	0.16
	Taxable AV	3,642.51	1,942.47	173.95	335.71	1,175.41	14.97
MIXED USE	Number of Units	253	3	16	121	103	10
	Exempt AV	1.23	0.01	0.06	0.53	0.58	0.05
	Taxable AV	1.47	0.02	0.04	0.71	0.66	0.03
RENTALS	Number of Units	395	54	33	207	101	0
	Exempt AV	0.83	0.06	0.04	0.49	0.24	0.00
	Taxable AV	2.32	0.18	0.13	1.38	0.63	0.00
ALL	Number of Units	48,910	1,034	5,712	14,691	23,543	3,930
	Exempt AV	239.65	11.83	20.51	65.22	120.60	21.49
	Taxable AV	3,851.52	1,945.48	196.25	387.44	1,290.55	31.82

Distribution of Exemptions by Borough and Property Type
Fiscal Year 2004
(Dollars in millions)

VETERANS

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	85,844	304	7,645	20,406	42,124	15,365
	Exempt AV	167.97	0.59	12.99	38.73	76.10	39.56
	Taxable AV	780.79	12.93	55.93	157.25	406.71	147.98
CONDOS	Number of Units	1,298	365	74	26	461	372
	Exempt AV	8.65	5.11	0.29	0.14	1.99	1.12
	Taxable AV	32.37	21.42	0.91	0.38	6.65	3.00
CO-OPS	Number of Units	12,928	4,375	680	1,537	6,254	82
	Exempt AV	87.80	53.01	2.62	5.39	26.51	0.26
	Taxable AV	15,203.16	10,830.55	590.54	815.08	2,929.47	37.51
MIXED USE	Number of Units	457	25	23	223	145	41
	Exempt AV	0.97	0.05	0.04	0.34	0.41	0.13
	Taxable AV	8.04	2.04	0.20	2.99	2.16	0.65
RENTALS	Number of Units	2,069	309	214	1,137	362	47
	Exempt AV	1.50	0.28	0.14	0.68	0.34	0.05
	Taxable AV	24.27	8.30	1.88	10.30	3.45	0.33
ALL	Number of Units	102,596	5,378	8,636	23,329	49,346	15,907
	Exempt AV	266.88	59.03	16.09	45.28	105.35	41.12
	Taxable AV	16,048.62	10,875.25	649.46	986.01	3,348.44	189.47

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2004

(Dollars in millions)

LIMITED PROFIT/MITCHELL-LAMA

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
CO-OPS	Number of Units	68,936	18,217	24,317	14,265	12,137	0
	Exempt AV	1,308.28	504.97	348.84	275.88	178.59	0.00
	Taxable AV	1.00	1.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	43,390	13,553	11,687	14,341	2,819	990
	Exempt AV	855.33	427.10	138.60	243.44	33.13	13.06
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
ALL	Number of Units	112,326	31,770	36,004	28,606	14,956	990
	Exempt AV	2,163.61	932.07	487.44	519.32	211.72	13.06
	Taxable AV	1.00	1.00	0.00	0.00	0.00	0.00

Distribution of Exemptions by Borough and Property Type
Fiscal Year 2004
(Dollars in millions)

HDFC

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	3	0	3	0	0	0
	Exempt AV	0.02	0.00	0.02	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	296	230	0	66	0	0
	Exempt AV	6.34	5.15	0.00	1.19	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
MIXED USE	Number of Units	1	0	0	1	0	0
	Exempt AV	0.08	0.00	0.01	0.07	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	14,526	3,208	4,400	5,357	1,389	172
	Exempt AV	285.06	93.80	72.97	89.93	25.80	2.55
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
ALL	Number of Units	14,826	3,438	4,403	5,424	1,389	172
	Exempt AV	291.50	98.95	73.00	91.19	25.80	2.55
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00

Distribution of Exemptions by Borough and Property Type
Fiscal Year 2004
(Dollars in millions)

UDAAP

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	13,733	1,011	3,576	7,988	1,119	39
	Exempt AV	100.43	6.73	29.23	55.17	9.00	0.30
	Taxable AV	27.24	1.52	3.20	19.75	2.69	0.09
CONDOS	Number of Units	261	138	122	0	1	0
	Exempt AV	9.89	7.59	1.84	0.09	0.37	0.00
	Taxable AV	6.15	5.96	0.15	0.00	0.04	0.00
CO-OPS	Number of Units	0	0	0	0	0	0
	Exempt AV	0.00	0.00	0.00	0.00	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	2,230	1,447	70	710	3	0
	Exempt AV	38.58	32.83	1.01	4.73	0.01	0.00
	Taxable AV	38.66	36.66	0.19	1.81	0.01	0.00
MIXED USE	Number of Units	158	0	10	125	23	0
	Exempt AV	1.04	0.00	0.16	0.74	0.14	0.00
	Taxable AV	0.32	0.00	0.02	0.23	0.07	0.00
ALL	Number of Units	16,382	2,596	3,778	8,823	1,146	39
	Exempt AV	149.94	47.15	32.24	60.74	9.51	0.30
	Taxable AV	72.38	44.14	3.55	21.78	2.81	0.09

Distribution of Exemptions by Borough and Property Type
Fiscal Year 2004
(Dollars in millions)

OTHER RESIDENTIAL		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	5	0	1	4	0	0
	Exempt AV	0.04	0.00	0.01	0.03	0.00	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	8,817	6,146	90	2,581	0	0
	Exempt AV	139.79	97.22	1.32	41.25	0.00	0.00
	Taxable AV	51.24	51.24	0.00	0.00	0.00	0.00
RENTALS	Number of Units	25,098	7,702	8,729	6,282	2,140	245
	Exempt AV	502.75	200.56	155.57	111.47	30.18	4.97
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
ALL	Number of Units	33,920	13,848	8,820	8,867	2,140	245
	Exempt AV	642.59	297.78	156.90	152.75	30.18	4.97
	Taxable AV	51.24	51.24	0.00	0.00	0.00	0.00

Distribution of Exemptions by Borough and Property Type

Fiscal Year 2004

(Dollars in millions)

NYC HOUSING AUTHORITY

		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 FAMILY	Number of Units	653	0	3	349	301	0
	Exempt AV	5.48	0.00	0.03	2.37	3.07	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
CO-OPS	Number of Units	1,057	317	224	300	216	0
	Exempt AV	10.79	0.11	2.62	5.84	2.21	0.00
	Taxable AV	0.00	0.00	0.00	0.00	0.00	0.00
RENTALS	Number of Units	185,522	56,014	46,467	61,284	17,442	4,315
	Exempt AV	2,752.84	1,079.11	665.47	756.23	204.73	47.30
	Taxable AV	1.57	1.56	0.01	0.00	0.00	0.00
ALL	Number of Units	187,232	56,331	46,694	61,933	17,959	4,315
	Exempt AV	2,769.10	1,079.22	668.12	764.44	210.02	47.30
	Taxable AV	1.57	1.56	0.01	0.00	0.00	0.00

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INDEX TO TAX EXPENDITURE DESCRIPTIONS

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

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

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