

05-5 July 12, 2005

FINANCE MEMORANDUM

**Finance Policy Relating to the
 Revocation of Real Property Tax Exemptions**

This memo describes the Department of Finance’s policy for revoking real property tax exemptions when a property owner is no longer eligible to receive an exemption.

OVERVIEW OF EXEMPTION REVOCATIONS

Property owners in New York City may receive a reduction in property taxes in the form of a property tax exemption if they meet certain conditions. Depending on the exemption, certain factors such as a change in ownership or change in the use of the property will cause the exemption to be revoked. Finance becomes aware that a property is no longer eligible to receive an exemption through various channels. For example, when a property is sold, the filing of a deed or a NYC-RPT Real Property Transfer Tax Return alerts Finance that the property has transferred and the new owner may not be eligible to receive the existing exemption. Finance also sends out periodic renewal notices for certain exemption programs whereby the owner must certify that he or she is still eligible for the exemption (owners who fail to respond may lose their exemption benefit).

A variety of exemption programs exist, and they can be generally categorized into three groups. The following table shows the three different exemption categories, the primary reasons that these exemptions are revoked and how Finance becomes aware that an exemption should be revoked:

Exemption Category	Description	Primary Reasons Exemptions are Revoked	What Alerts Finance to Revoke the Exemption
Personal Exemptions	Based on the qualifications of the owner of a personal residence	<ul style="list-style-type: none"> · Property is sold or transferred · Property is no longer primary residence of owner · Owner no longer qualifies for exemption 	<ul style="list-style-type: none"> · Deed and/or NYC-RPT Real Property Transfer Tax Return is filed · Property owner's response to renewal notice
Ownership Type and Property Use Exemptions	Based on the nature of the owner’s business activity and use of a commercial property	<ul style="list-style-type: none"> · Property is sold · The usage of the property changes 	<ul style="list-style-type: none"> · Deed and/or NYC-RPT Real Property Transfer Tax Return is filed · Property owner's response to renewal notice
Construction Exemptions	Based on eligible new construction or renovations for residential and commercial properties	<ul style="list-style-type: none"> · The defined benefit period for the exemption expires 	<ul style="list-style-type: none"> · The exemption automatically ends when the defined benefit period expires

The following lists the exemption programs that fall under each category and to which this policy is applicable:

1. Personal Exemptions

- Senior Citizen Homeowner Exemption (SCHE)
- Disabled Homeowner Exemption
- Veterans Exemption
- Clergy Exemption
- Physically Disabled Crime Victim or Good Samaritan Exemption

2. Ownership Type and Property Use Exemptions

- Not for Profit Organizations (420-a and 420-b)
- Low Income Housing Exemption (420-c)

3. Construction Exemptions

- Industrial and Commercial Incentive Program (ICIP)
- J-51: As-of-right tax exemption and abatement for residential rehabilitation or conversion to multiple dwellings
- 421-a: Partial tax exemption for new multiple dwellings
- 421-b: Partial tax exemption for new construction or substantial rehabilitation of owner-occupied one- and two-story family homes
- 421-g: Tax exemption and abatement for conversion of commercial buildings to multiple dwellings (Downtown Manhattan)
- Urban Development Action Area Project (UDAAP): Tax exemption for rehabilitation or new construction of housing in UDAAP areas
- Article XI: Tax exemptions for Housing Development Fund Companies-owned new construction or rehabilitation of affordable housing

NOTE: When Construction Exemptions are revoked for a reason other than the defined benefit period has expired (e.g. the use of the property changes rendering it ineligible) this policy may not apply.

The policy does NOT apply to the STAR or Enhanced STAR benefit established pursuant to Real Property Tax Law §425, but a description of how these exemptions are handled is below.

EXEMPTION REVOCATION POLICY

When an owner is no longer eligible to receive an exemption, **full (non-reduced) taxes will be reinstated the first day of the following quarter.**

If the property becomes ineligible to receive an exemption between:	Full taxes will be reinstated:
January 1, 200X and March 31, 200X	April 1, 200X
April 1, 200X and June 30, 200X	July 1, 200X
July 1, 200X and September 30, 200X	October 1, 200X
October 1, 200X and December 31, 200X	January 1, 200X+1

When and how will I be notified of any taxes that become due as a result of a revoked exemption?

You will see the reinstated charges on your quarterly Statement of Account which will indicate that an exemption has been revoked. Finance sends these Statements of Account prior to each fiscal quarter, which start July 1, October 1, January 1 and April 1. The Statements are mailed approximately one month prior to the start of the quarter so that taxpayers have sufficient time to pay by the due date. If the Statements have already been mailed for the upcoming quarter when you become ineligible to receive an exemption, Finance will wait to bill you for the full taxes until the next quarterly Statement of Account.

In other words, even though Finance has reinstated full taxes after an exemption has been removed, you will not owe these taxes until they are reflected on your quarterly Statement of Account.

Also note that the majority of exemptions are revoked due to a sale of the property. And when a property is sold, Finance becomes aware of the sale when a deed or a NYC-RPT Real Property Transfer Tax Return is filed with Finance's City Register Division (or the County Clerk in the case of Staten Island residents). When these documents are filed *and* recorded, Finance is aware a sale has occurred and will bill the owner. Again, full taxes will be reinstated as indicated in the table above, but the taxpayer will not owe these taxes until Finance sends the taxpayer a quarterly Statement of Account reflecting the charges.

In the case of a property sale, taxpayers should expect to see the reinstated taxes one or two billing cycles after the deed or a NYC-RPT Real Property Transfer Tax Return has been recorded.

In cases other than property sales (for example, a homeowner receiving a Veterans Exemption notifies Finance through the renewal process that the house is no longer his

primary residence), taxpayers should expect to see the reinstated taxes one or two billing cycles after Finance becomes aware the property is no longer eligible.

Example: John Smith buys a house and the previous owner had a Veterans Exemption.

John Smith Buys House	Deed is Recorded	Taxes are Reinstated	Taxes are Due
March 1, 2005	April 10, 2005	April 1, 2005	July 1, 2005

Example: A husband and wife own a home and are receiving the Senior Citizen Homeowner Exemption (SCHE) based on the qualifications of the husband. The husband passes away and the wife does not qualify for SCHE. The wife responds to a Finance SCHE renewal notice indicating that her husband has passed away.

Husband's Death	Wife Responds to Renewal Notice	Taxes are Reinstated	Taxes are Due
February 15, 2005	November 13, 2005	April 1, 2005	January 1, 2006

Example: ABC Corporation buys a building that was previously owned by a church with a full property tax exemption.

ABC Corporation Buys Building	Deed is Recorded	Taxes are Reinstated	Taxes are Due
June 30, 2005	August 20, 2005	July 1, 2005	January 1, 2006

Construction Exemptions

As noted above, construction exemptions have a defined benefit period and while the length of the benefit periods can vary, the benefits typically expire in conjunction with the end of a fiscal quarter. As such, taxes are typically reinstated the 1st day of the quarter following the final quarter of the defined benefit period.

Example: A homeowner is receiving a 421-b tax exemption with an eight-year benefit period that began July 1, 1998

Start of 421-b Exemption	Benefits End	Full Taxes are Reinstated	Full Taxes are Due
July 1, 1998	June 30, 2006	July 1, 2006	July 1, 2006

6-Year Statute of Limitation Rule

If a property is no longer eligible to receive an exemption, and Finance becomes aware of this more than six years later, full taxes will be reinstated only up to six years retroactively.

However, if the property owner is deemed to have acted in a fraudulent manner or has intentionally avoided notifying the City or State of a property sale or change in the status of a property that affects its eligibility for exemption benefits, taxes will be reinstated retroactively to the date when the property became ineligible (for example, the date the property was sold) and interest will apply retroactively to the reinstated taxes.

Example: Jane Doe buys a house from an owner who was receiving the Disabled Homeowner Exemption. Finance does not become aware of the sale until seven years later when the deed is recorded. Jane Doe has received the tax benefit since buying the house. Full taxes are reinstated retroactively 6 years prior to the quarter Finance becomes aware of the sale.

Jane Doe Buys the House	Deed is Recorded	Full Taxes are Reinstated	Full Taxes are Due
June 20, 1998	July 15, 2005	July 1, 1999	October 1, 2005

Interest Charges

If you pay the full amount of charges owed by the due date indicated on your Statement of Account, no interest will be imposed. If you do not pay the full amount by the due date, interest will start to accrue on and after the due date at the same rate as for all other real property tax charges.

INFORMATION ON THE SCHOOL TAX RELIEF (STAR) EXEMPTION

As stated above, this new policy does not apply to Basic or Enhanced STAR. This section explains the procedure when a STAR exemption is removed from a property.

Basic STAR provides a property tax reduction of approximately \$200 a year for any owner-occupied primary residence. There are no age or income restrictions. Enhanced STAR provides a slightly higher reduction of approximately \$350 a year to eligible senior citizens who meet the age and income requirements.

Unlike other exemption programs, the STAR benefit is not revoked when a property is sold or no longer eligible. In the case that a property is sold or otherwise becomes ineligible, the STAR exemption remains active for the remainder of the fiscal year (i.e. until June 30). Also, if a property with a STAR benefit is sold or otherwise become ineligible between January 5 and June 30, the exemption remains active until the end of the following fiscal year.

Example: A house with a Basic STAR exemption is sold on October 1, 2004. Whether or not the new owner applies for STAR or is eligible for it, the existing Basic STAR exemption will remain in effect until the end of the fiscal year, June 30, 2005.

Example: Another house with Basic STAR benefits is sold on February 1, 2005. Regardless of the new owner, the existing STAR exemption will remain in effect until the end of the following fiscal year, June 30, 2006.

Even if a new homeowner is enjoying the STAR benefit that is still active from the prior owner, the new owner must apply for STAR based on his own qualifications to continue to receive the benefit without interruption. All new owners should apply for STAR immediately after taking ownership of the property.