

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

ANNUAL REPORT
ON TAX
EXPENDITURES

Fiscal Year 1997

RUDOLPH W. GIULIANI, MAYOR • ALFRED C. CERULLO, III, COMMISSIONER

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MAYOR

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COMMISSIONER

REPORT PREPARED BY THE
OFFICE OF TAX POLICY



FINANCE
NEW • YORK
ALFRED C. CERULLO, III
COMMISSIONER

March 1997

Dear Readers:

I am please to present this year's annual report on New York City tax expenditures, in compliance with New York City Charter Section 240. The report is the seventh issue of the series and covers programs that are in effect for Fiscal Year 1997.

The report is intended to inform taxpayers and elected officials about special tax benefit programs enacted into law and administered by the City of New York to further economic and social objectives, such as local economic development or assistance to the City's senior citizen population. This year the City provided more than fifty tax expenditure programs valued at close to \$1.7 billion.

The tax expenditure report series has become an important reference tool for those interested in the City's tax system. This year's report continues the series' goal of informing the public about this important area of tax policy.

Sincerely,

A handwritten signature in black ink that reads "Fred Cerullo".

Alfred C. Cerullo, III
Commissioner

ACKNOWLEDGEMENTS

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

EXECUTIVE SUMMARY

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

In FY 1997 there were more than fifty tax expenditure programs related to the City-administered real estate tax and business and excise taxes. These programs were valued at close to \$1.7 billion.

- Real estate tax expenditures accounted for the largest share, with more than \$1.3 billion in tax benefits. Housing and economic development-related incentives comprised 60 percent and 33 percent of the real estate tax expenditures, respectively.
- Business income and excise taxes accounted for more than half of the total number of tax expenditure programs and were valued at \$359 million. Many of these programs are designed to foster economic development, by, for example, reducing City energy costs for eligible businesses or providing relocation incentives.

There have been many changes in City tax expenditures in recent years. These changes are the result of the expiration and phasing-out of certain incentives, as well as the creation of new programs and the expansion of existing programs.

The report describes several major changes in real estate tax expenditure programs. These include the creation of the Commercial Revitalization Program for Lower Manhattan and other areas of the City, the cooperative and condominium abatement programs, and amendments made to various senior citizen programs. Similarly, the report provides information on recently enacted reforms affecting business and excise tax expenditure programs and a detailed write-up on recent changes affecting Unincorporated Business Tax expenditures.

The section describing the City's major taxes includes a summary of recent New York City tax law changes, such as the elimination of the Commercial Rent Tax in Manhattan north of 96th street and in the other boroughs.

The report includes tables and charts detailing tax expenditure costs. Real estate tax expenditure data are for FY 1997. The business and excise tax expenditures are generally based on data for tax year 1995, the latest year for which data are available. The report also provides a variety of data to assist in analyzing the effectiveness of tax expenditure programs.

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INTRODUCTION

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

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

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

The New York City Tax Expenditure Report for FY 1997 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. Part IV provides a detailed discussion of legislative changes affecting selected tax expenditure programs under the City's Unincorporated Business Tax. 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.

The Appendix to the report provides the text of New York City Charter Section 240, updates of the Finance Department's taxes-per-worker calculations and ranking of industry sectors based on the New York City taxes directly attributable to them, and supplemental statistical data for FY 1997 regarding City real property tax expenditures.

PART I

DEFINITION OF TAX EXPENDITURES

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

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

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

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

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

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

Definition and Methodology

METHODOLOGY

Application of City Tax Expenditure Criteria

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

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

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

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

Data

Revenue information for property tax exemptions and abatements is for the City's FY 1997 (July 1, 1996 - June 30, 1997). Estimates for business income and excise taxes are for tax year 1995, which for most taxpayers corresponds to calendar year 1995. (For Commercial Rent Tax purposes, tax year 1995 was from June 1, 1994 to May 31, 1995.) All estimates are derived from Department of Finance data, unless otherwise noted. Data for Payments in Lieu of Taxes (PILOTs) are based on Department of Finance Data and information provided by the City's Office of Management and Budget.

Measurement

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

PART II

REAL PROPERTY TAX EXPENDITURES

Overview

The City estimates that the real estate tax, its single largest revenue source, will provide almost \$7.2 billion or 38.5 percent of total tax revenue in FY 1997. Real estate tax programs for the current year provide benefits through 169,518 exemptions and 50,191 abatements.¹ These exemptions and abatements result in a total tax expenditure of more than \$1.3 billion in FY 1997.

The City's property tax programs can generally be categorized as: (1) incentives for spurring residential construction or economic development; or (2) providing tax relief to individual homeowners or tenants. The City has maintained flexibility in its real estate tax incentive programs, restricting or expanding them as the economy has changed. Although certain housing and economic development incentives were curtailed or eliminated in prime Manhattan 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 State-wide 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.

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 can qualify for both an exemption and abatement of taxes.

Real Property Tax

Tax Expenditure Purposes

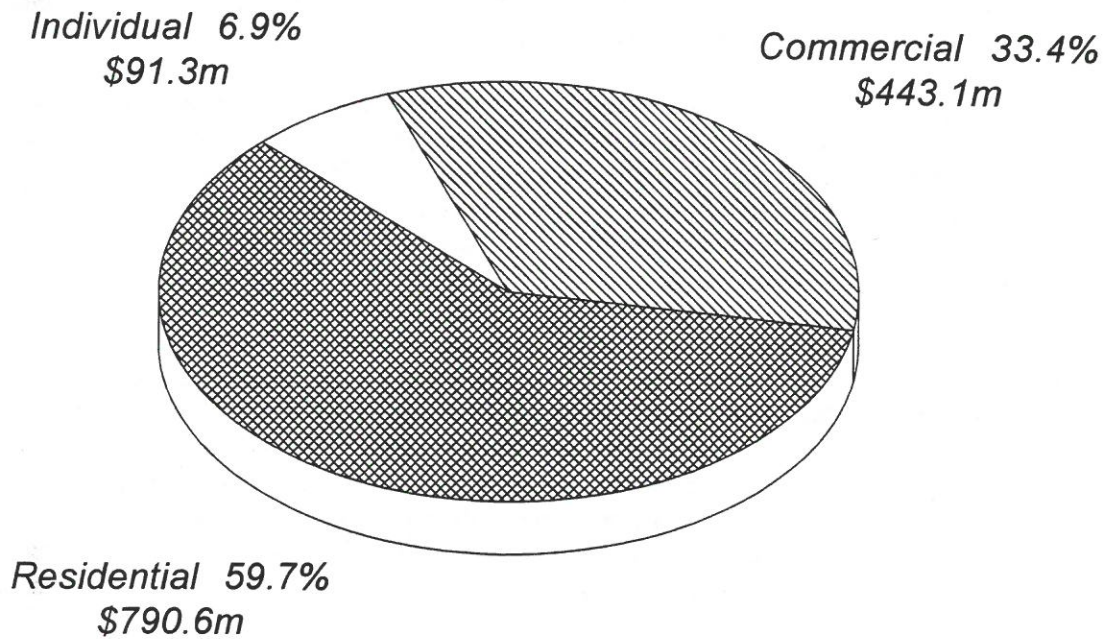
Property tax expenditures support residential, commercial and individual assistance programs. (Chart 1)

Residential - Housing benefits comprise almost 60 percent of property tax expenditures, or the equivalent of \$790.6 million in FY 1997 revenues. Tax relief is currently provided through more than 59,000 exemptions and over 50,000 abatements. Different programs provide incentives for new construction or rehabilitation of small homes and/or multi-family buildings. Some programs are combined with additional financial assistance to target benefits for moderate and middle income housing. Several housing programs vary benefits on the basis of geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building. The single largest residential incentive program is the Limited Profit Housing Companies, otherwise known as Mitchell-Lama housing.

Commercial - The value of economic development incentives is \$443.1 million in FY 1997, 33.4 percent of total property tax expenditures. The City provides these benefits through more than 7,000 exemptions and 103 abatements. The kinds of properties assisted by the commercial programs vary from hotels, retail space, and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. The programs will frequently provide more extensive benefits to industrial construction and renovation.

Individual Assistance - The smallest real property tax expenditure category, programs for individual assistance, totals \$91.3 million in FY 1997. Over 103,000 exemptions currently reduce taxes for veteran and senior citizen homeowners, while SCRIE provides relief to senior citizen renters. Senior citizen programs are based on the income of the qualifying individual who owns or occupies the property. The City's latest program provides a tax reduction to owners of Class Two cooperatives and condominiums. The first year cost of the program is estimated to be \$9 million and will be credited to the FY 1998 tax bills.

Real Property Tax Expenditures By Purpose, FY 1997 Total \$1,325.0 million



Real Property Tax

Tax Expenditure Sources

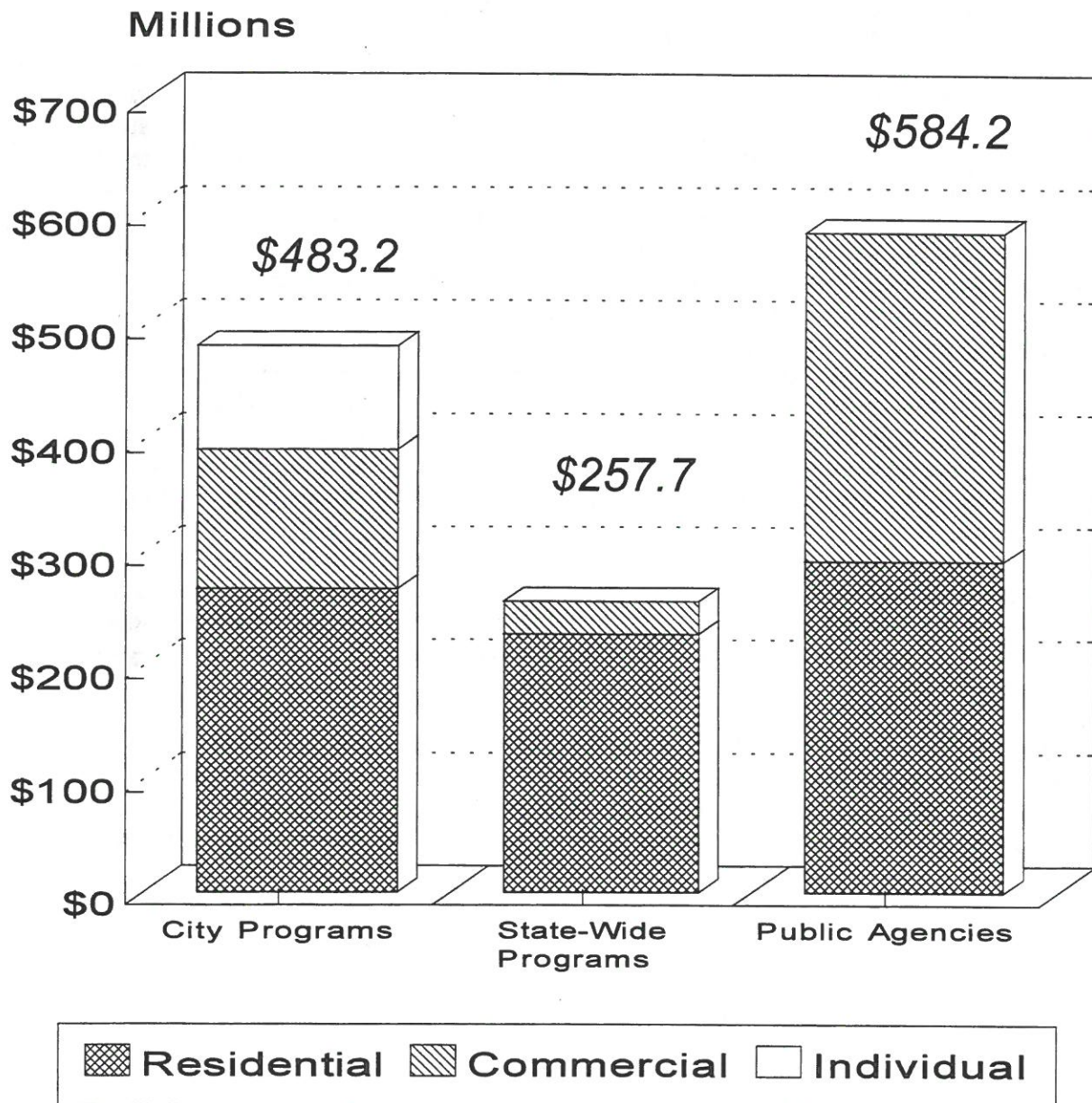
The major sources of expenditures include City and State programs and public agencies. Various State-wide programs have been included in this report since the related exemptions are administered by the City and these programs serve as channels for housing and economic development incentives in the City. (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 1997, tax expenditures from this source total \$483.2 million or 36.5 percent of net City-wide property tax expenditures. Residential incentives comprise 55.6 percent of City program expenditures and are valued at \$268.4 million. Another 25.6 percent of City Program tax expenditures are attributable to economic development programs.

State-wide Programs - These predominantly residential programs meet many of the same goals as the City programs but are not exclusive to City taxpayers. For these programs, the net tax expenditure is displayed after deducting Payments-in-Lieu-of-Taxes (PILOTs) and Shelter Rent. Of the total \$257.7 million of property tax expenditures in this category, 91 percent is granted to moderate and middle income housing, with the largest proportion going to Limited Profit Housing Companies.

Public Agencies - Although tax exemptions are granted to all public authorities, the exempt properties included in this report benefit certain taxpayers rather than the public at large. The agencies include the City's Industrial Development Agency, the New York City Housing Authority, the State Urban Development Corporation and the regional New York-New Jersey Port Authority. In contrast to prior years, commercial and industrial projects in FY 1997 account for less than 50 percent of the tax expenditures attributable to public agencies. The New York City Housing Authority accounts for 89 percent of the \$293.6 million in residential tax expenditures attributable to public agencies.

Real Property Tax Expenditures By Source, FY 1997 Total \$1,325.0 million



Real Property Tax

Detailed Program Descriptions:

City Programs, State-Wide Programs, and Public Agencies

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

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

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

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

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

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

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.

Real Property Tax

Table 1
CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1997
(\$ Millions)

	<u>Number of Exemptions and Abatements</u>	<u>Exempt Assessed Value ¹</u>	<u>Tax Expenditure</u>
HOUSING DEVELOPMENT PROGRAMS	102,826	\$1,544.4	\$275.2
J-51 Exemption	8,846	\$538.2	\$59.5
Residential	8,834	\$536.0	\$59.3
Commercial	12	\$2.2	\$0.2
J-51 Abatement	50,121	N/A	\$105.4
Residential	50,088	N/A	\$105.3
Commercial	33	N/A	\$0.2
421-a, New Multiple Dwellings	29,533	\$878.8	\$96.5
10 year exemption	14,569	\$438.5	\$48.2
15 year exemption	11,733	\$244.5	\$26.7
20 year exemption	3	\$65.7	\$7.3
25 year exemption	3,228	\$130.1	\$14.3
Residential	27,181	\$816.3	\$90.1
Commercial	2,352	\$62.5	\$6.4
421-b, New Private Housing	13,816	\$91.5	\$9.9
HPD Division of Alternative Management	510	\$35.8	\$4.0
INDIVIDUAL ASSISTANCE PROGRAMS	103,179	\$352.2	\$91.3
Senior Citizens Homeowner Exemption	28,299	\$168.8	\$18.2
Senior Citizen Rent Increase Exemption ²	N/A	N/A	\$54.1

Note: Totals may not add due to rounding.

¹ When the 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."

² SCRIE amount through January 1997; based on fiscal 1997 Dept. of Aging data, 53,980 households receive SCRIE benefits.

Real Property Tax

Table 1
(continued)

	Number of Exemptions and <u>Abatements</u>	Exempt <u>Assessed Value</u>	Tax <u>Expenditure</u>
Veterans' Exemption	74,880	\$183.4	\$10.0
Co-op/Condo Abatement ¹	N/A	N/A	\$9.0
ECONOMIC DEVELOPMENT PROGRAMS	3,309	\$1,145.0	\$116.7
Industrial & Commercial Incentive Board	352	\$123.9	\$12.7
New Construction	64	\$22.7	\$2.3
Alterations	288	\$101.2	\$10.4
Industrial & Commercial Incentive Program	2,765	\$845.2	\$86.6
Deferral Areas ²	66	\$29.1	\$3.0
Industrial & Special Commercial	1,484	\$316.5	\$32.4
All Other Commercial Projects	1,215	\$499.6	\$51.2
Other Commercial and Industrial Exemptions	192	\$175.9	\$17.4
Water-works Corporations	121	\$90.9	\$7.4
Major League Sports Facilities	1	\$85.1	\$8.7
Commercial Revitalization Program			
Commercial Abatement	70	N/A	\$1.3
TOTAL CITY PROGRAMS	<u>209,314</u>	<u>\$3,041.6</u>	<u>\$483.2</u>
Total Residential	100,429	\$1,479.7	\$268.4
Total Commercial/Industrial	5,706	\$1,209.7	\$123.5
Total Individual Assistance	103,179	\$352.2	\$91.3

Note: Totals may not add due to rounding.

¹ Tax expenditure is a first year planned estimate. Borough information is not available.

² Taxes in these areas are deferred, not wholly forgiven, and must be paid back over a ten year period. The amount shown reflects the unadjusted values of the current tax exemption.

Real Property Tax

Table 2
CITY PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Borough Distribution
Fiscal Year 1997
(\$ Millions)

	<u>MANHATTAN</u>		<u>THE BRONX</u>	
	<u>Number of Exemptions and Abatements</u>	<u>Tax Expenditure</u>	<u>Number of Exemptions and Abatements</u>	<u>Tax Expenditure</u>
HOUSING DEVELOPMENT PROGRAMS	33,402	\$115.7	18,210	\$49.5
J-51 Exemption	3,112	\$18.3	1,151	\$21.7
J-51 Abatement	17,025	\$31.8	14,168	\$22.3
421-a, New Multiple Dwellings	12,976	\$62.9	1,381	\$3.9
421-b, New Private Housing	30	\$0.0	1,400	\$0.9
HPD Division of Alternative Management	259	\$2.6	110	\$0.7
INDIVIDUAL ASSISTANCE PROGRAMS	555	\$17.8	9,391	\$10.5
Senior Citizen Homeowner Exemption	205	\$0.3	3,195	\$1.8
Senior Citizen Rent Increase Exemption	N/A	\$17.5	N/A	\$7.8
Veterans' Exemption	350	\$0.1	6,196	\$0.8
ECONOMIC DEVELOPMENT PROGRAMS	365	\$38.9	384	\$11.0
Industrial & Commercial Incentive Board	88	\$7.2	31	\$0.3
Industrial & Commercial Incentive Program	206	\$21.7	353	\$10.7
Water-works Corporations	0	\$0.0	0	\$0.0
Major League Sports Facilities	1	\$8.7	0	\$0.0
Commercial Revitalization Program	70	\$1.3	0	\$0.0
TOTAL CITY PROGRAMS	<u>34,322</u>	<u>\$172.4</u>	<u>27,985</u>	<u>\$71.1</u>

Note: Totals may not add due to rounding.

Real Property Tax

Table 2
(continued)

<u>BROOKLYN</u>		<u>QUEENS</u>		<u>STATEN ISLAND</u>	
Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Tax Expenditure	Number of Exemptions and Abatements	Expenditure
18,913	\$56.8	18,014	\$42.1	14,287	\$11.1
3,430	\$16.4	899	\$2.7	254	\$0.4
9,125	\$29.8	9,128	\$21.1	675	\$0.5
4,789	\$8.9	7,058	\$17.6	3,329	\$3.1
1,432	\$1.1	925	\$0.8	10,029	\$7.1
137	\$0.6	4	\$0.0	0	\$0.0
26,372	\$22.6	47,304	\$27.1	19,557	\$4.2
7,954	\$5.2	13,588	\$9.0	3,357	\$1.9
N/A	\$15.0	N/A	\$13.6	N/A	\$0.2
18,418	\$2.4	33,716	\$4.5	16,200	\$2.2
795	\$14.3	1,294	\$41.4	471	\$11.2
79	\$1.2	125	\$2.9	29	\$1.1
716	\$13.0	1,048	\$31.1	442	\$10.1
0	\$0.0	121	\$7.4	0	\$0.0
0	\$0.0	0	\$0.0	0	\$0.0
0	\$0.0	0	\$0.0	0	\$0.0
<u>46,080</u>	<u>\$93.7</u>	<u>66,612</u>	<u>\$110.6</u>	<u>34,315</u>	<u>\$26.5</u>

Note: Totals may not add due to rounding.

Real Property Tax

CITY PROGRAMS

J-51 Program, Residential Alterations and Rehabilitation

Citation

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

Policy Objective

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

Description

J-51 benefits vary based on government involvement in the rehabilitation of the property, its location, and the extent and nature of the improvement. A 1993 amendment restructured the exemption benefit for new projects. By now replacing the last two benefit years at full exemption with a four year period of declining exemption, a less abrupt transition to full taxation is achieved with no revenue impact. Additionally, this amendment increases the number of properties eligible for the abatement benefit by increasing the assessed value limitation imposed on multiple dwellings, other than condominiums or cooperatives, from \$30,000 to \$40,000.

Government assisted projects and those in Neighborhood Preservation Areas receive enriched benefits, including a tax exemption for 34 years (30 years at full exemption followed by a four year period of declining exemption) on the increase in assessed value due to renovation or rehabilitation, and an abatement that may equal the actual claimed cost, applied at a rate of 12.5 percent annually, for up to 20 years. Substantial 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 abatements benefits were extended to conversions of Class A multiple dwellings and rehabilitation of Class A buildings that are not entirely vacant, pursuant to the above conditions.

Properties that undergo renovations which qualify as Major Capital Improvements, such as the replacement of heating, plumbing or roofing systems, installation of new windows, or exterior and parapet wall repointing, may receive an exemption for 14 years (10 years at full exemption followed by a four year period of declining exemption). Existing taxes may be abated for up to 90 percent of the reasonable cost of rehabilitation, at a rate of 8-1/3 percent per year, for as long as 20 years. Buildings in designated areas of Manhattan below 96th Street may only abate the taxes on the building assessment, not the land, up to \$2,500 per unit.

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

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 remain substantially occupied during the rehabilitation.

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

In 1993, the J-51 program was extended until June 1, 1996. Work performed under the program must be completed by December 31, 1999.

Distributional Information

In FY 1997, the J-51 program is providing 8,834 exemptions and 50,088 abatements to 637,644 apartments. The exempt value of these properties is \$536 million, distributed according to property type in the table below. Rentals in Manhattan, the Bronx, and Brooklyn receive the largest proportion of J-51 benefits.

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.06%	0.10%
Condos	4.32%	14.10%
Co-ops	29.79%	9.90%
Condops*	0.01%	0.07%
Rentals	65.81%	75.80%
Mixed Use	<u>0.01%</u>	<u>0.02%</u>
	100.00%	100.00%

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

Tax Expenditure

\$164.9 million, which includes \$59.5 million in tax exemptions and \$105.4 million in tax abatements.

Real Property Tax

Section 421-a, New Multiple Dwellings

Citation

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

Policy Objective

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

Description

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

The 421-a program is defined according to location:

- In the Manhattan Exclusion Zone (roughly defined as south of 96th Street, north of Houston Street on the west side, and north of 14th Street on the east side), properties receive a ten year declining exemption only if they meet conditions (a), (b), or (c) above. The property enjoys a full exemption for two years followed by an eight year period during which taxes are phased in at 20 percent every two years.
- Properties located in Manhattan south of 110th Street, but not in the Exclusion Zone, receive a 20 year exemption if construction commences after July 1, 1992 but before December 31, 1999 and if the project meets qualifying conditions (a) or (b). The property will receive a full exemption for twelve years followed by an eight year period during which taxes are phased in at 20 percent every two years. If the projects meets all requirements enumerated but does not commence construction between July 1, 1992 and December 31, 1999, the property will receive a 15 year exemption consisting of 11 years of full exemption followed by a four year phase in of full taxation.

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

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

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

With the exception of projects in Manhattan qualifying for a 20 year exemption period, all other projects must commence construction no later than January 1, 1998 and complete construction no later than December 31, 1999.

Distributional Information

In FY 1997, the City is providing 27,181 residential exemptions under the 421-a program. These exemptions are largely represented by condominium apartments and rental buildings. Overall, 42,374 apartment units receive tax benefits with an exempt value of \$816.3 million. This total exempt value is distributed in the table below according to property type. Condos and rentals in Manhattan account for the largest proportion of 421-a benefits.

	<u>Percent of Total Units</u>	<u>Percent of Total Exempt Assessed Value</u>
1-3 Family	6.74%	2.35%
Condos	53.73%	55.23%
Co-ops	2.55%	2.09%
Rentals	36.96%	40.32%
Mixed Use	<u>0.02%</u>	<u>0.01%</u>
	100.00%	100.00%

Tax Expenditure

\$96.5 million

Real Property Tax

Section 421-b, New Private Housing

Citation

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

Policy Objective

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

Description

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

As in other programs, the building assessment is exempt during the construction period, not to exceed two years. Thereafter, the property is fully exempt for an additional two years. In the third year, the exemption is reduced to 75 percent and declines by 12½ percent in each subsequent year, until the ninth year when the property becomes fully taxable. The exemption is applicable only to the value of the new construction; the property owner must continue to pay taxes on the pre-construction assessment.

In 1993, the 421-b program was extended an additional four years. Projects must now start construction prior to July 1, 1998 and complete construction no later than July 1, 2000.

Distributional Information

In FY 1997, the City is providing 13,816 exemptions valued at \$91.5 million in exempt assessed value. One and two family homes in Staten Island account for more than 55 percent of the benefits granted through this program. The table below presents the distribution of 19,919 apartment units in 13,424 properties. Unit information is not available for the remaining 390 properties. The distribution of exempt assessed value below represents all properties in this program.

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

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	99.42%	99.12%
Condos	0.19%	0.42%
Co-ops	0.00%	0.00%
Rentals	0.34%	0.20%
Mixed Use	<u>0.06%</u>	<u>0.26%</u>
	100.00%	100.00%

Tax Expenditure

\$9.9 million

Real Property Tax

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

Citation

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

Policy Objective

To return City-owned residential properties to private ownership.

Description

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

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

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

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

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

**Department of Housing Preservation and Development -
Division of Alternative Management Programs (DAMP) - cont'd**

Properties sold through DAMP receive a full tax exemption, until July 1, 2029, on the residential portion of the property that exceeds \$3,500 of assessed value per residential unit. Commencing July 1, 1990, this \$3,500 taxable assessed value per residential unit may increase by up to 6 percent per year, but not to exceed 20 percent over any five year period.

Distributional Information

In FY 1997, there are 510 DAMP exemptions containing 10,901 housing units. The total exempt assessed value is \$35.8 million. Nearly 48 percent of all units are located in Manhattan, accounting for 66.5 percent of the exempt assessed value. These benefits are distributed by property type as follows:

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.06%	0.04%
Condos	0.00%	0.00%
Co-ops	27.08%	35.83%
Rentals	72.56%	64.13%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

Tax Expenditure

\$4.0 million

Real Property Tax

Senior Citizen Homeowner Exemption (SCHE)

Citation

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

Policy Objective

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

Description

The maximum benefit under this program is a 50 percent exemption of the taxable assessed value of a legal residence which is occupied in whole or in part by the owner or owners of the property. To qualify, homeowners must meet the following qualifications: (1) be at least 65 years of age (if the property is owned jointly by either a married couple or siblings, only one owner must be 65 years old) and (2) have a combined household income, including Social Security, of less than \$25,900. Homeowners with incomes \$17,500 and below receive a 50 percent exemption. For homeowners with incomes between \$17,501 and \$20,499, the exemption is reduced by 5 percentage points for each \$1,000 increment in income above \$17,500; for those with incomes between \$20,500 and \$25,899, the exemption is reduced by 5 percentage points for each \$900 increment in income above \$20,500.

In 1996, the City Council amended the SCHE program to provide a 50 percent exemption to homeowners with incomes \$18,500 or less. Similarly, homeowners with incomes between \$18,501 and \$21,499 receive an exemption that is reduced by 5 percentage points for each \$1,000 increment in income above \$18,500; and for those with incomes between \$21,500 and \$26,899, the exemption is reduced by 5 percentage points for each \$900 increment in income above \$21,500. These changes are effective for assessment rolls with a taxable status date on or after January 1, 1997.

Generally, the owner must have held title to the property for a minimum of 12 consecutive months. The exemption applies only to the portion of the property used for residential purposes.

Pursuant to legislation enacted in 1995, the SCHE program was extended to property held in trust for the benefit of a person or persons who, had they held legal title to the property, would be eligible for tax exemption. SCHE was also extended to eligible tenant-shareholders of cooperative apartments. For the purposes of this legislation, the co-op tenant-shareholder is deemed to own that portion of the property represented by his or her proportion share of outstanding stock of the corporation. A co-op tenant-shareholder who resides in a dwelling subject to Articles II, IV, V or XI of the Private Housing Finance Law may be eligible for an

Senior Citizen Homeowner Exemption (SCHE) - cont'd

exemption under the SCHE program if they are 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 Senior Citizen Homeowner Exemption does not include a sunset provision.

Distributional Information

In FY 1997, there are 28,299 exemptions, affecting 46,397 housing units. The exempt value of \$168.8 million increased by \$8 million from FY 1996. The following table gives a distribution of these households by income range:

<u>Degree Exempt</u>	<u>Income Range</u>	<u>Number of Exemptions</u>	<u>Percent of Total Exemptions</u>	<u>Exempt Assessed Value</u>
50%	\$0 - 17,499	22,342	84.8%	\$143.3m
45%	\$17,500 - 18,499	1,186	4.3%	7.2m
40%	\$18,500 - 19,499	1,063	3.4%	5.8m
35%	\$19,500 - 20,499	869	2.5%	4.2m
30%	\$20,500 - 21,399	683	1.7%	2.9m
25%	\$21,400 - 22,299	591	1.2%	2.1m
20%	\$22,300 - 23,199	534	0.9%	1.5m
15%	\$23,200 - 24,099	426	0.6%	1.0m
10%	\$24,100 - 24,999	390	0.4%	0.6m
5%	\$25,000 - 25,899	208	0.2%	0.3m
0%	\$29,000 +	7	0.1%	0.1m
	TOTAL	28,299	100.0%	\$168.8m

The table below shows the distribution of benefits by property type. For the first time, this exemption benefit has been extended to cooperatives. One to three family units still account for the largest percentage of the exempt assessed value.

Real Property Tax

Senior Citizen Homeowner Exemption (SCHE) - cont'd

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	96.07%	98.69%
Condos	1.48%	1.23%
Co-ops	1.62%	2.56%
Rentals	0.64%	0.29%
Mixed Use	<u>0.19%</u>	<u>0.23%</u>
	100.00%	100.00%

Tax Expenditure

\$18.2 million

Senior Citizen Rent Increase Exemption (SCRIE)

Citation

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

Policy Objective

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

Description

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

Tenants may be eligible for the SCRIE program if they are at least 62 years old and have a total household income that does not exceed \$20,000 (last amended in 1996). Additionally, once tenants qualify for the program, increases in their Social Security income are excluded from the determination of total household income. Furthermore, the tenant must reside in a rent controlled, rent stabilized or rent regulated (such as, Mitchell-Lama housing) unit.

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

Real Property Tax

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

Distributional Information

As of January 1, 1997, 53,590 households¹ were receiving SCRIE abatements, distributed by borough as follows:

	<u>Total Units</u>	<u>Percent of Total Units</u>
Manhattan	15,552	29.86%
Bronx	8,166	15.68%
Brooklyn	16,471	31.62%
Queens	11,713	22.49%
Staten Island	<u>189</u>	<u>0.36%</u>
Citywide	52,091	100.00%

Source: NYC Department of Aging

Tax Expenditure

\$54.1 million

¹ Due to unclassifiable data, borough breakout does not equal total households receiving benefit.

Veterans' Exemptions

Citation

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

Policy Objective

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

Description

Partial tax exemptions are granted under two programs:

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

Amendments to sections 458 and 458-a during the 1995 legislative session expanded the program to include those civilians who, during World War II, were employed by the American Field Service and served overseas under the U.S. Army or U.S. Army Groups or civilians employed by Pan American Airways (including subsidiaries) who served overseas as a result of Pan American's contract with the Air Transport Command or Naval Air Transportation Service. Additionally, exemptions under sections 458 or 458-a may now be granted to properties held in trust for the benefit of such person or persons who would otherwise be eligible for these exemptions but for the fact that they do not hold legal title to the property.

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

Real Property Tax

Veterans' Exemption - cont'd

Distributional Information

In FY 1997, there are 74,880 exemptions in this program with a total exempt value of \$183.4 million. These properties represent 122,114 housing units which are primarily located outside Manhattan. Housing units in Queens account for 45 percent of the total. These benefits are distributed by property type as follows:

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	96.23%	97.35%
Condos	0.58%	1.14%
Co-ops	0.01%	0.00%
Rentals	2.63%	0.85%
Mixed Use	<u>0.55%</u>	<u>0.66%</u>
	100.00%	100.00%

Tax Expenditure

\$10.0 million

Partial Tax Abatement for Class Two Cooperatives and Condominiums

Citation

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

Policy Objective

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

Description

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

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

Tax Expenditure

\$9.0 million

Real Property Tax

Industrial and Commercial Incentive Board (ICIB)

Citation

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

\$12.7 million

Industrial and Commercial Incentive Program (ICIP)

Citation

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

Policy Objective

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

Description

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

- Pursuant to legislation enacted in 1995, the minimum required expenditure necessary to obtain benefits under this program was reduced for industrial projects and commercial projects in Special Need and Regular Exemption Areas. Previously, a project could qualify for an exemption if the minimum required expenditure was at least 20 percent of the initial assessed value. The legislation reduced this minimum expenditure to 10 percent of the initial assessed value, except for industrial projects that want to qualify for an abatement of pre-existing tax liability. In these cases, industrial projects must make a minimum required expenditure of 25 percent of their initial assessed value.
- The 1995 amendments increased the exemption period for all industrial projects regardless of location, commercial projects in designated "special need areas" and areas designated as economic development zones, if not already designated as a "special need area." The total benefit period increased from 22 years to 25 years by adding three additional years (for a total of 16) to the full exemption period. This 16 year period is followed by nine years of declining exemption, reduced by 10 percent annually.

Additionally, industrial projects that file an application on or after July 1, 1995 may qualify for a new abatement of pre-existing taxes. The abatement is based upon the taxes imposed

Real Property Tax

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

for the year preceding the effective date of the certificate of eligibility. The abatement schedule is as follows:

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

- The 1995 legislation also included benefits in Manhattan below 96th Street for qualifying new construction. Such buildings or structures must incorporate at least two (out of seven) criteria, including, but not limited to: state of the art fiber-optic telecommunications wiring available for distribution to individual tenants on each floor; total square footage of not less than 500,000 gross square feet; minimum electrical capacity of 6 watts per net square footage; and emergency back up power for 25 percent of the building or 200,000 square feet.

Such projects will receive a 100 percent exemption of the increase in assessed value due to the construction work for the first 4 years following the effective date of a certificate of eligibility, followed by 4 years of declining tax exemption. Such projects in lower Manhattan are eligible if the application is filed from July 1, 1995 through June 30, 1999. For all other New Construction projects below 96th Street eligibility ends December 31, 1996.

- In 1994, changes were made to extend eligibility for benefits granted in the Renovation Area. For the area south of 96th Street and north of 59th Street, eligibility was extended for projects that filed applications by January 31, 1995 (originally due to expire on June 30, 1994). For projects south of the center line of 59th Street, eligibility was extended through June 30, 1999.
- The exemption period for commercial projects in Regular Exemption Areas was extended by the 1995 amendments to a total of 15 years, 11 years (increased from 8) of 100 percent exemption, followed by 4 years of declining exemption.

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

Tax Expenditure

\$86.6 million

Water-works Corporations, Jamaica Water Supply

Citation

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

Policy Objective

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

Description

Since 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

\$7.4 million

Real Property Tax

Major League Sports Facilities, Madison Square Garden

Citation

NYS Real Property Tax Law; Article 4, Section 429

Policy Objective

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

Description

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

Tax Expenditure

\$8.7 million

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

Citation

Real Estate Tax Abatement

NYS Real Property Tax Law Sections 499a to 499h

NYS Real Property Tax Law Sections 499aa to 499hh

Commercial Rent Tax

NYC Administrative Code Section 11-704(i)

Energy Cost Savings

NYS General City Law Section 25-aa to 25-cc

NYS Tax Law Section 1201-c

NYC Administrative Code Section 11-1105.1

Conversion to Residential Use

NYS Real Property Tax Law Section 421-g

Mixed Use

NYS Real Property Tax Law Sections 489-aaaaa to 489-iiiiii

Policy Objective

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

Description

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

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

Real Estate Tax Abatement

This abatement is granted for space that has been leased (a new, renewal or expansion lease) for office or retail purposes. The benefit lasts for five years, starting with an abatement equal

Real Property Tax

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

to 50 percent of the property tax in the initial year but no greater than \$2.50 per square foot. In the fourth and fifth years, the benefit will equal two-thirds and one-third, respectively, of the tax abatement initially granted.

To qualify for a real estate tax abatement, leases must be executed and commence between April 1, 1995 and March 31, 1998. The leased space must be in non-residential or mixed use buildings that were built prior to 1975 and are in eligible abatement zones, located in lower Manhattan and in certain areas elsewhere in the City. Generally, the lease on the eligible premise must be for a minimum term of five years for tenants employing 125 or fewer people and ten years for tenants employing more than 125 people.¹ There is also a minimum required expenditure for tenant improvements -- \$10 and \$35 per square foot for five and ten year leases, respectively, in lower Manhattan, and lesser amounts in other eligible areas.

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 governmental 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, but the benefit will not be allowed for any period beginning after March 31, 2004.

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-thirds, respectively, of the lesser of the rent paid during each period or the base-year rent paid.

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

¹ As amended by Chapter 472 of the Laws of 1996.

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

certain submetering and notice requirements.

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

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

Conversion to Residential Use

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

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

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

To qualify for the program, a building permit for conversion must be issued between July 1, 1995 and June 30, 2002. After the conversion is completed, no more than 25 percent of the building's floor space may be dedicated to commercial and/or community facilities. During the benefit period, the apartments will be subject to rent stabilization.

Mixed Use

This part of the Lower Manhattan program provides a tax exemption for conversion of buildings to mixed residential and commercial use. After completion of construction, more than 25 percent of the floor space must be commercial and accessory use. Additionally, the minimum required expenditure must exceed 20 percent of the initial assessed valuation.

Real Property Tax

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

Finally, a building permit must be issued by July 31, 1999 for the property to be eligible for this exemption.

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

Tax Expenditure

Commercial Abatement: \$1.3 million (through January 27, 1997)

Data are not yet available on tax expenditure cost of other components of the program.

Table 3
STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1997
(\$ Millions)

	<u>Number of</u> <u>Exemptions</u>	<u>Exempt</u> <u>Assessed Value</u>	<u>Gross Tax</u> <u>Expenditure</u>	<u>PILOTs</u> ¹	<u>Net Tax</u> <u>Expenditures</u>
Limited Profit					
Housing Companies	371	\$2,164.0	\$238.4	\$59.8	\$178.6
Residential	330	\$2,059.5	\$227.7	\$59.8	\$167.9
Commercial	41	\$104.4	\$10.7		\$10.7
Limited Dividend Companies	14	\$49.3	\$5.5	\$4.2	\$1.3
Redevelopment Companies	404	\$547.6	\$60.5	\$33.5	\$27.0
Residential	381	\$542.7	\$60.0	\$33.5	\$26.5
Commercial	23	\$4.9	\$0.5		\$0.5
Housing Development					
Fund Companies	241	\$349.9	\$37.9	\$9.2	\$28.7
Residential	189	\$255.9	\$28.3	\$9.2	\$19.1
Commercial	52	\$94.0	\$9.6		\$9.6
Urban Development					
Action Area Program	4,387	\$73.3	\$8.0	\$2.6	\$5.4
State Assisted Housing	58	\$159.9	\$17.0	\$0.3	\$16.7
Residential	31	\$79.9	\$8.8	\$0.3	\$8.5
Commercial	27	\$79.9	\$8.2		\$8.2
TOTAL STATE-WIDE					
PROGRAMS	5,475	\$3,344.1	\$367.4	\$109.7	\$257.7
Total Residential	5,332	\$3,060.8	\$338.3	\$109.7	\$228.6
Total Commercial	143	\$283.3	\$29.0	-	\$29.0

Note: Totals may not add due to rounding.

¹ PILOTs are Payments In Lieu of Taxes. These are FY 1997 estimates.

Real Property Tax

Table 4
STATE-WIDE PROGRAMS
REAL PROPERTY TAX EXPENDITURES
Borough Distribution
Fiscal Year 1997
(\$ Millions)

	<u>MANHATTAN</u>		<u>THE BRONX</u>	
	<u>Number of Exemptions</u>	<u>Net Tax Expenditure</u>	<u>Number of Exemptions</u>	<u>Net Tax Expenditure</u>
Limited Profit Housing Companies	100	\$78.0	101	\$42.3
Limited Dividend Companies	3	\$2.7	1	\$0.23
Redevelopment Companies	90	\$16.1	167	\$3.7
Housing Development Fund Companies	70	\$9.5	69	\$10.8
Urban Development Action Area Program	149	\$1.7	691	\$0.7
State Assisted Housing	24	\$5.4	14	\$4.0
TOTAL STATE-WIDE PROGRAMS	<u>436</u>	<u>\$113.5</u>	<u>1,043</u>	<u>\$61.7</u>

Note: Totals may not add due to rounding.

Real Property Tax

Table 4
(continued)

<u>BROOKLYN</u>		<u>QUEENS</u>		<u>STATEN ISLAND</u>	
<u>Number of</u> <u>Exemptions</u>	<u>Net Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Net Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Net Tax</u> <u>Expenditure</u>
110	\$39.4	55	\$17.4	5	\$1.5
10	\$1.4	0	(\$3.0)	0	\$0.0
132	\$6.6	7	\$0.6	8	(\$0.1)
86	\$6.2	13	\$1.6	3	\$0.5
3,192	\$2.6	350	\$0.4	5	\$0.0
12	\$3.5	7	\$2.3	1	\$1.4
<u>3,542</u>	<u>\$59.8</u>	<u>432</u>	<u>\$19.3</u>	<u>22</u>	<u>\$3.3</u>

Note: Totals may not add due to rounding.

STATE-WIDE PROGRAMS

Limited Profit Housing Companies

Citation

NYS Private Housing Finance Law, Article 2

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 1997, there are 330 residential and 41 commercial exemptions under this program. The residential properties contain 115,599 housing units and have a total exempt assessed value of \$2,059.3 million.

Limited Profit Housing Companies - cont'd

More than 58 percent of residential units receiving benefits are co-ops, which are located in all boroughs except Staten Island. Although 39 percent of the exempt assessed value is attributable to Manhattan co-op projects, 35 percent of the co-op units are located in the Bronx (including Co-Op City). Rental units receiving benefits are primarily located in Manhattan, the Bronx, and Brooklyn.

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	58.69%	58.37%
Rentals	41.31%	41.61%
Mixed Use	<u>0.00%</u>	<u>0.02%</u>
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

\$178.6 million

Real Property Tax

Limited Dividend Housing Companies

Citation

NYS Private Housing Finance Law, Article 4

Policy Objective

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

Description

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

The enabling legislation does not include a sunset provision.

Distributional Information

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

Net Tax Expenditure (after PILOTs)

\$1.3 million

Redevelopment Companies

Citation

NYS Private Housing Finance Law, Article 5

Policy Objective

To encourage low to moderate income housing through private financing.

Description

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

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)

\$27.0 million

Real Property Tax

Housing Development Fund Companies (HDFC)

Citation

NYS Private Housing Finance Law, Article 11

Policy Objective

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

Description

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

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

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

There is no sunset provision within the enabling legislation.

Distributional Information

In FY 1997, there are 189 residential and 52 commercial exemptions under this program. The residential properties contain 14,546 housing units with an exempt assessed value of \$255.9 million. Rentals make up 97 percent of this program. These benefits are distributed by property type as follows:

Housing Development Fund Companies (HDFC) - cont'd

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	2.72%	2.27%
Rentals	97.27%	97.73%
Mixed Use	<u>0.01%</u>	<u>0.00%</u>
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

\$28.7 million

Real Property Tax

Urban Development Action Area Project (UDAAP)

Citation

NYS General Municipal Law, Article 16

Policy Objective

To encourage the construction of residential housing in designated areas.

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 1997, there are 4,387 residential exemptions under this program that affect 5,790 housing units and have an exempt assessed value of \$73.3 million. One, two, and three family houses in Brooklyn and rentals in Manhattan receive the largest portion of UDAAP benefits. These benefits are distributed by property type as follows:

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

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	79.08%	43.61%
Condos	3.44%	5.57%
Co-ops	0.00%	0.00%
Rentals	17.39%	50.73%
Mixed Use	<u>0.09%</u>	<u>0.09%</u>
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

\$5.4 million

Real Property Tax

Miscellaneous State Assisted Housing

Citation

NYS Real Property Tax Law; Article 4, Section 422

Policy Objective

To encourage the creation of housing for a target population.

Description

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

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

Distributional Information

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

Net Tax Expenditure (after PILOTs)

\$16.7 million

Table 5
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES
Fiscal Year 1997
(\$ Millions)

	<u>Number of Exemptions</u>	<u>Exempt Assessed Value</u>	<u>Gross Tax Expenditure</u>	<u>PILOTs¹</u>	<u>Net Tax Expenditures</u>
Industrial Devt Agency	661	\$860.7	\$88.2	\$41.0	\$47.2
Economic Devt Corporation	86	\$47.6	\$4.9	\$1.5	\$3.4
NYC Housing Authority	1,457	\$2,605.2	\$287.8	\$23.8	\$264.0
Residential	1,336	\$2,579.4	\$285.2	\$23.8	\$261.4
Commercial	121	\$25.8	\$2.6	-	\$2.6
Urban Development Corporation	119	\$746.7	\$76.9	\$0.0	\$76.9
Residential	16	\$47.3	\$5.2		\$5.2
Commercial	103	\$699.3	\$71.7	\$0.0	\$71.7
NYS Power Authority	8	\$430.9	\$35.5	\$0.0	\$35.5
Battery Park City Authority	2,334	\$1,123.9	\$117.2	\$30.0	\$87.2
Residential	2,296	\$244.2	\$27.0		\$27.0
Commercial	38	\$879.7	\$90.2	\$30.0	\$60.2
World Trade Center, Port Authority	1	\$861.8	\$88.3	\$24.3	\$64.0
Teleport, Port Authority	5	\$21.3	\$2.2	\$1.1	\$1.1
Trust for Cultural Resources	249	\$44.1	\$4.8	\$0.0	\$4.8
TOTAL PUBLIC AGENCIES	4,920	\$6,742.1	\$705.9	\$121.7	\$584.2
Total Residential	3,648	\$2,870.9	\$317.4	\$23.8	\$293.6
Total Commercial/Industrial	1,272	\$3,871.2	\$388.5	\$97.9	\$290.6

Note: Totals may not add due to rounding.

¹ PILOTs are Payments in Lieu of Taxes. These are FY 97 estimates.

Real Property Tax

Table 6
PUBLIC AGENCIES
REAL PROPERTY TAX EXPENDITURES ¹
Borough Distribution
Fiscal Year 1997
(\$ Millions)

	<u>MANHATTAN</u>		<u>THE BRONX</u>	
	<u>Number of Exemptions</u>	<u>Gross Tax Expenditure</u>	<u>Number of Exemptions</u>	<u>Gross Tax Expenditure</u>
Industrial Development Agency	254	\$48.7	59	\$3.5
Economic Development Corporation	0	\$0.0	1	\$0.1
NYC Housing Authority	295	\$99.5	248	\$73.2
Urban Development Corporation	102	\$68.0	7	\$3.4
NYS Power Authority	3	\$2.5	2	\$0.0
Battery Park City Authority	2,334	\$117.2	0	\$0.0
World Trade Center, Port Authority	1	\$88.3	0	\$0.0
Teleport, Port Authority	0	\$0.0	0	\$0.0
Trust for Cultural Resources	249	\$4.8	0	\$0.0
TOTAL PUBLIC AGENCIES	<u>3,238</u>	<u>\$429.0</u>	<u>317</u>	<u>\$80.3</u>

Note: Totals may not add due to rounding.

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

Table 6
(continued)

<u>BROOKLYN</u>		<u>QUEENS</u>		<u>STATEN ISLAND</u>	
<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>	<u>Number of</u> <u>Exemptions</u>	<u>Gross Tax</u> <u>Expenditure</u>
146	\$15.6	196	\$20.0	6	\$0.3
61	\$4.1	21	\$0.6	3	\$0.0
466	\$86.9	433	\$23.1	15	\$5.2
8	\$3.0	1	\$0.0	1	\$2.4
0	\$0.0	3	\$33.0	0	\$0.0
0	\$0.0	0	\$0.0	0	\$0.0
0	\$0.0	0	\$0.0	0	\$0.0
0	\$0.0	0	\$0.0	5	\$2.2
0	\$0.0	0	\$0.0	0	\$0.0
<u>681</u>	<u>\$109.7</u>	<u>654</u>	<u>\$76.7</u>	<u>30</u>	<u>\$10.2</u>

Real Property Tax

PUBLIC AGENCIES

Industrial Development Agency (IDA)

Citation

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

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Net Tax Expenditure (after PILOTs)

\$47.2 million

Economic Development Corporation (EDC)

Citation

NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

\$3.4 million

Real Property Tax

New York City Housing Authority (NYCHA)

Citation

NYS Public Housing Law; Article 3, Section 52

Policy Objective

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

Description

As of January 1, 1997, the New York City Housing Authority operated 341 developments with more than 181,000 apartments. An additional 71,826 apartments are in its leasing program. These 252,826 units house approximately 620,000 persons.

Except for New York State assisted projects, NYCHA property is exempt from direct taxation. City aided projects are exempt for a period of 50 years. Federally aided projects may be exempt for up to 60 years. However, by law, the City may require payments-in-lieu-of-taxes (PILOTs) from NYCHA projects. The fixed annual PILOT for NYCHA's City funded projects is \$109,000. For the Federally aided projects, NYCHA pays a PILOT based on net routine operating expenses which may vary annually. For calendar 1996, PILOTs for the federally aided projects were \$18 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 1997, there are 1,336 residential and 121 commercial exemptions that affect 193,901 housing units and have an exempt assessed value of \$2.6 billion. NYCHA benefits are distributed throughout the five boroughs. Manhattan and Brooklyn housing units have the greatest proportion of NYCHA exempt value. Rental properties comprise 99 percent of NYCHA exemptions; therefore, a distribution by housing type is not provided.

NYCHA provided data for more than 173,400 households living in public housing as of June 1, 1996. Based on this data, the distribution of households is as follows:

New York City Housing Authority (NYCHA) - cont'd

<u>Household Income Range</u>	<u>Number of Households</u>	<u>Percent of Total Households</u>
\$0 - 10,000	99,035	57.1%
\$10,000 - 12,499	18,337	10.6%
\$12,500 - 14,999	11,068	6.4%
\$15,000 - 19,999	14,646	8.4%
\$20,000 - 24,999	11,275	6.5%
\$25,000 - 29,999	7,410	4.3%
\$30,000 - 34,999	4,243	2.4%
\$35,000 - 39,999	2,563	1.5%
\$40,000 - 44,999	1,492	0.9%
\$45,000 - 49,999	1,087	0.6%
\$50,000 and over	<u>2,262</u>	<u>1.3%</u>
TOTAL REPORTING INCOME	173,418	100.00%

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

Net Tax Expenditure (after PILOTs)

\$264.0 million

Real Property Tax

Urban Development Corporation (UDC)

Citation

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

Policy Objective

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

Description

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

The UDC exemption does not contain a sunset provision.

Distributional Information

In FY 1997, there are 16 residential and 103 commercial exemptions under this program. The residential properties contain 1,120 housing units and have an exempt assessed value of \$47.3 million. The exempt assessed value for the commercial properties is \$699.3 million. The residential component of the UDC exemption consists of rentals in Manhattan and co-ops in Brooklyn and Manhattan.

Urban Development Corporation (UDC) - cont'd

	<u>Percent of Total Units</u>	<u>Percent of Exempt Assessed Value</u>
1-3 Family	0.00%	0.00%
Condos	0.00%	0.00%
Co-ops	44.64%	34.66%
Rentals	55.36%	65.34%
Mixed Use	<u>0.00%</u>	<u>0.00%</u>
	100.00%	100.00%

Net Tax Expenditure (after PILOTs)

\$76.9 million

Real Property Tax

New York Power Authority

Citation

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

Policy Objective

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

Description

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

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

Net Tax Expenditure (after PILOTs)

\$35.5 million

Battery Park City Authority (BPCA)

Citation

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

Policy Objective

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

Description

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

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

The enabling legislation does not include a sunset provision.

Distributional Information

In FY 1997, there are 2,296 residential exemptions with an exempt value \$244.2 million providing tax relief for 2,293 condominiums and 2,249 rental apartments. Similarly, there are 38 commercial exemptions with an exempt value of \$879.7 million.

Net Tax Expenditure (after PILOTs)

\$87.2 million

Real Property Tax

World Trade Center, Port Authority of NY and NJ

Citation

NYS Unconsolidated Laws; Section 6601
NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

To encourage world trade and economic development in the New York - New Jersey region.

Description

The World Trade Center (WTC), owned and operated by the Port Authority of New York and New Jersey, is a center for national and international trade. It includes facilities for customs clearance, shipping management, financing, insurance, commodities trading, governmental functions, and the related support services.

Although exempt from taxation, the WTC makes a payment-in-lieu-of-tax (PILOT) to the City. The PILOT is based on the rental of private space in the WTC multiplied by a fixed price per square foot. The PILOT is adjusted to reflect assessment increases of comparable office building in the financial district and tax rate changes.

The enabling legislation which authorized the Port Authority to proceed with the World Trade Center contains no sunset provisions.

Net Tax Expenditure (after PILOTs)

\$64.0 million

Teleport Center, Port Authority of NY and NJ

Citation

NYS Real Property Tax Law; Article 4, Section 412

Policy Objective

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

Description

The Teleport Center, located on land owned by the Port Authority of New York and New Jersey, is a joint venture between the Authority, Merrill Lynch, and Western Union, that develops and utilizes the latest technology in world wide telecommunications. The Center provides fiber optic links with the participating companies' Manhattan offices.

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

Net Tax Expenditure (after PILOTs)

\$1.1 million

Real Property Tax

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

Citation

NYS Gen. Municipal Law; Articles 13-E and 13-F

Policy Objective

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

Description

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

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

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

Tax Expenditure

\$4.8 million

PART III

BUSINESS INCOME AND EXCISE TAX EXPENDITURES

Overview

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

New York City tax laws for the business income and excise taxes contain 25 provisions granting tax preferences that can be defined as tax expenditures. Data exist to estimate the value of 14 of these tax expenditures. The estimates are stated on a tax year rather than basis New York City fiscal year basis. When available, information is provided on the number of businesses benefitting from a tax expenditure program.

In Tax Year 1995, the 14 programs totaled \$359 million. Certain tax benefits are explicitly designed to foster economic development, particularly in Manhattan north of 96th Street and in the other boroughs. Other tax expenditures, while created for economic development purposes, are also intended to reflect the unique economic activity in which certain industries are engaged. For example, there are special rules for allocating net income for the broadcasting, publishing and mutual fund industries. Still other tax expenditures are created for social objectives such as to assist the dramatic arts or to promote certain types of scientific research.

Business Income and Excise Tax

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 1995 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 1995

Program	(\$ Millions) Amount
<u>Quantifiable</u>	
Insurance Corporation Non-Taxation	155
International Banking Facility	73
Foreign Bank Alternative Tax on Capital Stock	36
Commercial Rent Tax Special Reduction	27
Energy Costs Savings Program Credit	24
Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital	16
Business and Investment Capital Tax Limitation	13
Special Allocation Rule: RIC Management Fees	7
Relocation and Employment Assistance Program	6
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	359
<u>Not Quantifiable</u>	
Air Pollution Control Facilities Deduction	
Credit Line Mortgages	
Owner, Lessee or Fiduciary that Holds, Leases or Manages Real Property	
Purchase and Sale of Property or Stock Option Contracts	
for Taxpayer's Own Account	
Real Estate Investment Trusts	
Real Estate Mortgage Investment Conduits	
Regulated Investment Companies	
Special Allocation Rules:	
- Credit Card Interest	
- 80/20 Allocation Rule for Security/Commodity Brokers	
- Newspaper and Periodical Publishers' Advertising Sales Receipts	
- Radio/TV Commercial Receipts and Motion Picture Royalties	

* = Less than 1 million.

Business Income and Excise Tax

Insurance Corporation Non-taxation

Citation

1974 New York Laws, Chapter 649, Section 11

Policy Objective

To promote the New York City insurance industry.

Description

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

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

Tax Affected

General Corporation Tax

Tax Expenditure

\$155 million

International Banking Facility Deduction

Citation

NYC Administrative Code Section 11-641(f)

Policy Objective

To promote international banking activities in New York City.

Description

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

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

\$73 million

Number of Beneficiaries

82 banking corporations

Business Income and Excise Tax

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

\$36 million

Number of Beneficiaries

207 banking corporations

Commercial Rent Tax Special Reduction

Citation

NYC Administrative Code Section 11-704.h(1)

Policy Objective

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

Description

The Commercial Rent Tax is applied to aggregate base rents for most business tenants. Prior to September 1, 1995, a special partial exemption through a reduction in amount of rent subject to tax was given to taxable premises located north of 96th Street in Manhattan and in the Bronx, Brooklyn, Queens and Staten Island. Taxable base rent for such premises was reduced as follows:

Beginning January 1, 1986 ending May 31, 1987	by 10%
Beginning June 1, 1987 ending May 31, 1989	by 20%
Beginning on or after June 1, 1989	by 30%

Effective September 1, 1995, the Commercial Rent Tax has been eliminated in Manhattan north of 96th street and in the other boroughs.

Tax Affected

Commercial Rent Tax

Tax Expenditure

\$27 million

Number of Beneficiaries

16,700 companies

Business Income and Excise Tax

Energy Costs Savings Program Credit (ECSP)

Citation

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

Policy Objective

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

Description

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

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

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

Legislation enacted in 1995 expands this benefit to include certain eligible businesses in lower Manhattan (see Commercial Revitalization Program write-up on pages 39-42).

Certificates of eligibility must be obtained from the City before July 1, 1999 to participate in this program.

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

Taxes Affected

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

Tax Expenditure

\$24 million

Number of Beneficiaries

556 companies

Business Income and Excise Tax

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

\$16 million

Number of Beneficiaries

5,400 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 which have low taxable income but large net worth.

Description

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

Tax Affected

General Corporation Tax

Tax Expenditure

\$13 million

Number of Beneficiaries

26 corporations

Business Income and Excise Tax

Special Allocation Rule: RIC Management Fees

Citation

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

Policy Objective

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

Description

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

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

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

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

Tax Affected

General Corporation Tax

Tax Expenditure

\$7 million

Relocation and Employment

Assistance Program (REAP)

Citation

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

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

As part of REAP, eligible employers who are tenants also receive a deduction from their base rent for purposes of the commercial rent tax. For periods after September 1, 1995, this benefit no longer applies as the Commercial Rent Tax has been eliminated for businesses located above 96th Street in Manhattan and in the other boroughs.

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

Taxes Affected

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

Tax Expenditure

\$6 million

Business Income and Excise Tax

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

Number of Beneficiaries

37 companies with 10,580 eligible employees

Additional Information

The tax expenditure estimate for REAP provided above is based on a detailed survey of REAP-approved employees actually relocated by the end of calendar year 1995. (For REAP approval, applicants must have begun relocation to an eligible site but have three years to complete the move.) It is worth noting that if the remaining REAP-approved jobs and those pending-approval (most of which are expected to receive approval) relocate and receive REAP tax benefits, the cost of the program could escalate to approximately \$22 million annually. The table presented below provides information on the total population of REAP applicants.

RELOCATION AND EMPLOYMENT ASSISTANCE PROGRAM

INDUSTRY	Firms	%	Employees		Total	%
			Pending	Approved		
MANUFAC.	50	53.2%	1,237	3,286	4,523	12.3%
CONSTRUC.	3	3.2%	0	158	158	0.4%
TRANS.&P.U.	3	3.2%	85	1,822	1,967	5.4%
TRADE	18	19.1%	270	853	1,123	3.1%
FIRE	16	17.0%	6,187	21,112	27,299	74.3%
SERVICE	4	4.3%	0	1,650	1,650	4.5%
TOTAL	94	100.0%	7,779	28,941	36,720	100.0%

Status of applications filed through 12/31/96

School Bus Operation Deduction

Citation

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

Policy Objective

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

Description

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

Tax Affected

General Corporation Tax

Tax Expenditure

\$2 million

Business Income and Excise Tax

Dramatic or Musical Arts Performance Exemption

Citation

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

Policy Objective

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

Description

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

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

Tax Affected

Commercial Rent Tax

Tax Expenditure

Less than \$1 million

Employment Opportunity Relocation Costs Credit (EORC)

Citation

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

Policy Objective

To promote employment in New York City.

Description

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

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than \$1 million

Business Income and Excise Tax

Manufacturing and Research & Development Property Depreciation

Citation

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

Policy Objective

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

Description

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Less than \$1 million

Real Estate Tax Escalation Credit (RETE)

Citation

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

Policy Objective

To encourage businesses to relocate to New York City.

Description

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

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

Business Income and Excise Tax

Air Pollution Control Facilities Deduction

Citation

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

Policy Objective

To improve the quality of air in New York City.

Description

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

Taxes Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Credit Line Mortgages

Citation

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

Policy Objective

To reduce credit costs for small homeowners.

Description

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

Prior to 1996, this benefit is only available in the case of real property principally improved or to be improved by a one-to-six family, owner-occupied residence. Legislation enacted in 1996 extends this benefit to all 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

Business Income and Excise Tax

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

Citation

NYC Administrative Code Section 11-502(d)

Policy Objective

To exempt certain revenue-generating activities from business taxation.

Description

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

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

Legislation enacted in 1996 (effective for tax years beginning on or after January 1, 1996) allows an owner of real property, a lessee or a fiduciary who operates a garage in a building exempt from the UBT to receive an exemption for income received from building tenants who rent parking spaces in the building's public garage on a monthly or longer-term basis. Income from renting parking spaces to the public or to building tenants on a short-term basis continues to be subject to tax.

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

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

Citation

NYC Administrative Code Section 11-502(c)

Policy Objective

To exempt certain revenue-generating activities from business taxation.

Description

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

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

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

Tax Affected

Unincorporated Business Tax

Tax Expenditure

Not available

Business Income and Excise Tax

Real Estate Investment Trusts (REITS)

Citation

NYC Administrative Code Section 11-603.7

Policy Objective

To promote REITs as investment vehicles.

Description

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

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

Legislation enacted in 1994 provides eligible REITs tax relief against the NYC Real Property Transfer Tax (RPTT). The measure, signed into law on June 9, is intended to facilitate the inclusion of NYC properties in REITs by providing a 50 percent RPTT rate reduction during a two-year period for qualifying transfers of property made in connection with the formation of a REIT.

Legislation enacted in 1996 makes the above benefit permanent and extends the benefit to certain transfers to preexisting REITs for a three-year period.

Tax Affected

General Corporation Tax

Tax Expenditure

Not available

Real Estate Mortgage Investment Conduits (REMICS)

Citation

NYC Administrative Code Section 11-122

Policy Objective

To promote REMICs as investment vehicles.

Description

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

Taxes Affected

Banking Corporation Tax
General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Business Income and Excise Tax

Regulated Investment Companies (RICS)

Citation

NYC Administrative Code Section 11-603.8

Policy Objective

To promote RICs as investment vehicles.

Description

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

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

Tax Affected

General Corporation Tax

Tax Expenditure

Not available

Special Allocation Rule: Credit Card Interest

Citation

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

Policy Objective

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

Description

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

Tax Affected

Banking Corporation Tax

Tax Expenditure

Not available

Business Income and Excise Tax

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

Citation

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

Policy Objective

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

Description

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

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

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 Section 11-604.3(a)(2)(B)

Policy Objective

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

Description

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

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

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

Business Income and Excise Tax

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

Citation

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

Policy Objective

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

Description

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

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

Tax Affected

General Corporation Tax
Unincorporated Business Tax

Tax Expenditure

Not available

PART IV

DETAILED REVIEW OF SELECTED TAX EXPENDITURE PROGRAMS

This section provides a detailed examination of the economic and social impact of selected tax expenditure programs as required by the City Charter. This year's report reviews recent changes in New York City tax law affecting tax expenditure related to certain investment and real estate activities conducted in the City.

UBT Tax Expenditures Items

RECENT AMENDMENTS TO BUSINESS TAX EXPENDITURES: UNINCORPORATED BUSINESS TAX (UBT) SELF-TRADING & REAL ESTATE OWNERSHIP/OPERATOR EXEMPTIONS

Overview

In 1996, the New York State Legislature adopted a number of measures proposed by New York City that provided small business relief from the Unincorporated Business Tax (UBT) and also reformed certain UBT tax expenditures. The legislation was the product of a cooperative undertaking by the City and representatives of affected industries and professional groups to make the tax more equitable and to help encourage additional investment in the City.

The purpose of the 1996 amendments was to clarify and liberalize the application of the tax expenditures relating to the "self-trading" exemption and the exemption for the ownership and operation of real estate. The effort to reform the UBT in these areas began in 1994 with legislation that included a number of limited reforms and a mandate to convene a working group to address other related issues.¹

The following sections describe the 1994 and 1996 initiatives.

The 1994 Legislation (Chapter 485 of the Laws of 1994)

The 1994 legislation was intended to give firms and individuals clearer standards for determining eligibility for the self-trading and real estate exemptions and to provide protections against loss of the exemptions as a result of carrying on incidental business activities.

Investment Activities

As indicated in Part III of this report, the City's tax code provides that individuals and unincorporated entities that purchase and sell property for their own account (the "self-trading exemption") are not subject to the UBT. However, if the individual or entity is also engaged in other business activities, those activities may "taint" the self-trading activity, causing the loss of the exemption.

¹ Data on the cost of the self-trading and real estate ownership tax expenditure programs are not available. Department of Finance information, however, does indicate that numerous businesses and/or investors may qualify for these exemptions. In tax year 1994, the latest complete year for which filing information is available, more than 2,700 unincorporated business tax filers engaged in trading activity and nearly 11,000 filers engaged in real estate activity owed no taxes. Some of these filers may have been engaged in taxable activity but incurred losses that year or qualified for the UBT small business credit. It is likely, though, that a large number qualified for the self-trading or real estate ownership tax expenditure programs. Of course, additional partnerships and proprietorships that did not file an unincorporated business tax return in 1994 may have also qualified for the benefits.

Prior to the 1994 legislation, even a minor amount of income from other business activities could have tainted the self-trading income. The 1994 amendment provided a degree of protection from tainting due to income from incidental business activities by creating a "safe harbor" that preserves the exemption so long as a firm's or individual's gross receipts from the conduct of an unincorporated business in the City do not exceed \$25,000. If a firm's or individual's receipts from a business carried on in the City exceed this threshold, the entity is not eligible for the self-trading exemption.

The 1994 legislation was also designed to reduce the tax that would be owed as a result of losing the self-trading exemption by conforming the tax treatment of investment income to the treatment under the City's general corporation tax. The legislation prescribed a new set of rules for allocating income from "investment capital" to the City, which for many taxpayers results in a substantially lower allocation of such income to the City and a much lower tax than under prior law.

Real Estate Activities

The 1994 amendments also addressed the UBT exemption for real estate owners exclusively engaged in holding, leasing or managing their real property. Previously, if the owner was also engaged in any other business activity, the latter activity would taint the real estate activities and make them subject to the UBT.

The new law preserves the existing exemption for real estate activities even if other business activities are also carried on by the owner. In addition, the amendments extended the real estate exemption to activities carried on by the owner in the building that are considered incidental to holding, leasing and managing real property. This includes, for example, a garage, restaurant, laundry or health club, that is conducted solely for the benefit of tenants and is not available to the general public.

Mandate to Form Working Group

As previously indicated, the 1994 legislation also mandated that the Commissioner of Finance convene a public/private sector working group to examine a number of related issues that were not fully dealt with at the time.

With one exception, the language in the original 1966 statute governing the self-trading exemption had never been updated as to the types of investment vehicles eligible for the exemption and, as a result, did not include more modern investment instruments. In addition, ambiguities existed under the law as to whether certain types of income qualified for the self-trading exemption. Finally, there was a concern that the \$25,000 threshold test was still too restrictive and would discourage investment in City enterprises.

With respect to the real estate exemption, the 1994 amendments did not fully resolve the issue of incidental activities in a building that are not solely for the benefit of tenants.

The working group was convened in October 1994 and several subcommittees were formed to consider these issues. Under the statute, the group was to take into account economic development, tax administration and other goals of tax policy, and to consider alternatives to existing law that would reduce disincentives to investment in City businesses.

UBT Tax Expenditures Items

Recommendations of the Working Group That Were Enacted (Chapter 128 of the Laws of 1996)

Expansion of Self-Trading Exemption

The working group developed a new list of the types of investment vehicles that are used in today's markets. Under previous law, exempt self-trading activities were limited to the purchase and sale of property and the purchase, writing and sale of stock options. Chapter 128 added a definition of "property" that includes stocks and securities as well as notional principal contracts, foreign currencies, publicly-traded commodities and derivative financial instruments. This last category includes options, forward or future contracts and other similar instruments.

The 1996 law also specifically excluded certain types of securities from the new definition of property for purposes of the self-trading exemption. Securities which do not qualify as investment capital as defined in the rules governing the general corporation tax as well as investments in unincorporated businesses do not qualify as property. In addition, property held by dealers was also excluded.

Finally, to better reflect the types of transactions commonly engaged in by investors, the legislation broadened the self-trading definition to include terms such as "assumption," "offset" and "assignment," as well as the original language of "purchase and sale of property."

Partial Exemption for Investors

The working group also developed new rules to address a major concern of the investment community in the application of the self-trading exemption. Although the 1994 legislation added the "\$25,000 test" for determining whether the exemption will be lost due to the receipt of business income, the tainting rule was still considered a major impediment to investing in City enterprises. The private sector believed that an investment company largely engaged in exempt activities would not want to jeopardize the exemption by investing in entities doing business in the City. Even if the investment company was not directly engaged in the activities of the City business, under previous law the investment could have resulted in the tainting of the firm's exempt self-trading activities.

The 1996 law provided more flexibility in the self-trading exemption in order to eliminate disincentives for investing in City businesses or nonqualifying property. Specifically, the legislation added a new test for determining if an investor qualifies for the self-trading exemption, referred to as the "primarily engaged" test. If an unincorporated entity is primarily engaged in activities that qualify for the self-trading exemption, the investment in unincorporated businesses in the City or in nonqualifying property would not result in the loss of the exemption.

An unincorporated entity is considered to be "primarily engaged" in self-trading activity if at least 90 percent of its assets is represented by assets qualifying for the self-trading exemption or assets which represent passive investments in other unincorporated entities. For this purpose, an "investor" in an unincorporated entity is one who is not a general partner and is not involved in managing the day-to-day business of the entity. An investor also includes one who has an interest in an unincorporated entity that itself meets the 90 percent test.

Real Estate Activities

As previously noted, the 1994 changes with respect to the UBT real estate ownership exemption extended the exemption to incidental services provided to tenants by the landlord, such as the operation of garages in the building, if the service is not available to the public. The real estate industry believed that a partial exemption should also apply to parking fees received from building tenants who occupied space in the building's garage even though the service is also available to the public.

Under the 1996 amendments, if a landlord also operates a garage, parking lot or other similar facility in the building that is open or available to the general public, this activity will be subject to the UBT. However, the provision of such services to tenants of the building on a monthly or longer-term basis will not be considered a business. As a result, the income from such tenants will be exempt under the UBT along with the income from the operation of the building.

Effective Date

The amendments made to UBT law by Chapter 128 are generally effective January 1, 1996 and applicable to taxable years beginning on or after that date.

PART V

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

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

Sales Tax Expenditures

The Sales Tax section contains the following information. First, a list is provided of all City sales tax expenditures, as derived from the New York State Department of Taxation and Finance, Tax Expenditure Report, 1997-1998 (February 1997). Second, revenue estimates are provided for sales tax expenditures for which the Department of Finance has data. Finally, a table is provided comparing New York City sales tax policy regarding the exemption of services with the policies of major states. Data for this table were excerpted from a Federation of Tax Administrators (FTA) analysis of the issue.

Personal Income Tax Expenditure

The Personal Income Tax section provides a list of tax expenditures based on 1994 law, and two tables showing components of income and modifications to income of New York City resident filers in 1994. These tables are derived from a statistical sample of 1994 Personal Income Tax returns created by the New York State Department of Taxation and Finance.

Part V: Sales Tax Expenditures

NEW YORK CITY SALES TAX EXPENDITURES

New York City generally imposes the sales and use tax on the same products and services to which the statewide sales and use tax applies. The following list identifies the sales tax expenditures common to both the State and the City unless otherwise noted. This list was derived from the New York State Department of Taxation and Finance, Tax Expenditure Report 1997-1998, (February 1997).

Services

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

Food

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

Medical

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

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

Sales Tax

Energy

- Sales of energy sources for residential purposes ¹
- Sales of fuel, gas, electricity, refrigeration and steam for particular uses ²

Transportation

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

Communication

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

Industry

- Tools and supplies used in production
- Farm production
- Research and development property
- Machinery and equipment used in production
- Wrapping and packaging materials
- Commercial fishing vessels

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

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

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
- Certain store coupons
- Excise taxes imposed on the consumer
- Property sold by morticians
- United States and New York State flags
- Garage sales at private residences
- Portion of receipts from sales of new mobile homes
- Sales of used mobile homes
- Registered race horses
- Racehorses purchased through claiming races
- Racehorses purchased outside the state
- Training and maintaining racehorses
- Property sold to contractor for capital improvements or repairs for exempt organizations
- Property donated by manufacturer to tax exempt organization
- Sales and use taxes paid to other states
- Precious metal bullion and coins
- Computer software transferred to affiliated corporations
- Services to computer software
- Self-use of computer software by its author
- Promotional materials mailed out of state
- U.S. postage used in the distribution of promotional materials
- Clothing and footwear ²

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

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.

² For the week of January 18 to 24, 1997 clothing and footwear under \$500 were exempt from sales taxation.

Sales Tax

Exempt Organizations, continued

- Indian nations and members of nations residing in New York
- Purchases on U.S. military bases
- Non-profit health maintenance organizations
- Non-profit medical expense indemnity or
hospital service corporations
- Rural electric cooperatives
- Municipal trash removal services

Exempt Admission Charges

- Certain admission charges
- Events given by charitable organizations, veterans' posts,
and indian nations
- Certain symphony orchestras and opera companies
- National guard organization events
- Municipal police and fire department events
- Athletic games or exhibitions where proceeds go exclusively
to elementary or secondary schools
- Carnivals, rodeos and circuses for charitable organizations
- Agricultural fairs, historic sites, garden sites,
historic houses and shrines

Credits

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

¹ The City did not grant this sales tax credit.

Table 8

**TAX EXPENDITURE ESTIMATES FOR SELECTED EXEMPTIONS
FROM THE SALES TAX BASE ¹**

Tax Year 1995

	(\$ Million)
Program	Amount
Interstate and International Telephone and Telegraph	138
Newspapers and Periodicals	36
Aviation Fuel Sold to Airlines	33
Water Delivered Through Mains or Pipes	30
Cable Television	22
Production-Related Machinery, Equipment, Parts, Tools, Supplies and Services	22
Airline Food and Drink for In-Flight Consumption	6
Electricity Used in Manufacturing	3

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

Sales Tax

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

\$138 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

\$36 million

Data Sources

Audit Bureau of Circulation

Aviation Fuel Sold to Airlines

Citation

NYS Tax Law Section 1115(a)(9)

Description

Aviation fuel sold to airlines is tax exempt.

Estimate

\$33 million

Data Source

Port Authority of New York and New Jersey

Water Delivered Through Mains or Pipes

Citation

NYS Tax Law Section 1115(a)(2)

Description

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

Estimate

\$30 million

Data Source

NYC Department of Environmental Protection

Sales Tax

Cable Television Service

Citation

NYS Tax Law Section 1105(c)(9)

Description

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

Estimate

\$22 million

Source

New York State Department of Public Service

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

Citation

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

Description

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

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

Tax Expenditure

\$22 million

Data Source

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

\$6 million

Data Sources

Port Authority of NY and NJ
Air Transport World

Electricity Used in Manufacturing

Citation

NYC Administrative Code Sections 11-604.15,
11-604.17, 11-604.17-a and 11-643.7

Description

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

Estimate

\$3 million

Data Sources

NYC Department of Finance

SALES TAXATION OF SERVICES

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

Sales Tax

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								<i>Total No. of Taxing States</i>
	NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	
Admissions and Amusements									
Admission to cultural events	Tax	Tax	--	--	Tax	--	Tax	--	31
Billiard parlors	--	Tax	--	--	Tax	--	Tax	--	25
Bowling alleys	--	Tax	--	--	Tax	--	Tax	--	27
Cable TV services	--	Tax	--	--	Tax	--	Tax	--	24
Pari-mutuel racing events	--	Tax	--	--	Tax	--	Tax	--	27
Pinball and other mechanical amusements	--	Tax	--	--	Tax	--	Tax	--	22
Automotive road and towing services									
	Tax	--	--	Tax	--	--	--	--	15
Business Services									
Advertising agency fees	--	Tax	--	--	--	--	--	--	8
Advertising time or space sales:									
Billboards	--	--	--	--	--	--	--	--	4
Radio and television, local advertising	--	--	--	--	--	--	--	--	4
Bail bond fees	--	--	--	--	--	--	--	--	5
Check and debt collection	--	--	--	Tax	--	--	Tax	--	8
Commercial art and graphic design	Tax	Tax	--	Tax	--	--	Tax	--	20
Commercial linen supply	--	--	--	Tax	--	--	Tax	--	33
Employment agencies	--	Tax	--	Tax	--	--	--	--	9
Lobbying and consulting	--	Tax	--	Tax	--	--	--	--	7
Marketing	--	--	--	--	--	--	--	--	6
Packing and crating	--	--	--	--	--	--	--	--	8
Process server fees	--	--	--	--	--	--	--	--	6
Public relations, management consulting	--	Tax	--	--	--	--	--	--	7
Secretarial and/or court reporting services	--	Tax	--	Tax	--	--	--	--	9
Sign construction and installation	--	Tax	Tax	Tax	--	--	--	--	21
Telemarketing services on contract	--	--	--	--	--	--	--	--	6
Temporary help agencies	--	Tax	--	Tax	--	--	--	--	10
Test laboratories (excluding medical)	--	--	--	--	--	--	--	--	8

Data for this table were excerpted from FTA Research Report No. 143, Sales Taxation of Services: An Update (April 1994), with updates as of June 30, 1996 of the sales tax changes in the states enumerated above.

Tax = taxed; -- = exempt

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

Sales Tax

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								Total No. of Taxing States
	NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	
Computer Services									
Mainframe access and processing	--	Tax	--	Tax	Tax	--	Tax	--	11
Software - custom programs - material	--	Tax	--	Tax	Tax	--	Tax	--	28
Software - custom programs - services	--	Tax	--	Tax	--	--	Tax	--	15
Construction									
Construction services	--	Tax	--	--	--	--	Tax	--	11
Gross income of contractors	--	Tax	--	--	--	--	Tax	--	11
Water well drilling	--	--	--	--	--	--	--	--	9
Finance, Insurance and Real Estate									
Bank service charges	--	--	--	--	--	--	--	--	3
Insurance services	--	--	--	--	--	--	Tax	--	6
Investment counseling	--	--	--	--	--	--	--	--	6
Loan broker fees	--	--	--	--	--	--	--	--	6
Property sales agents	--	--	--	--	--	--	--	--	4
Real estate management fees	--	--	--	--	--	--	--	--	6
Real estate title abstract services	--	--	--	--	--	--	--	--	6
Industrial and Mining Services									
Metal, non-metal and coal mining	--	--	--	--	--	--	--	--	6
Oil field services	--	--	--	--	--	--	Tax	--	10
Seismograph and geophysical services	--	--	--	--	--	--	--	--	7
Typesetting services	--	Tax	--	--	--	Tax	Tax	--	18
Leases and Rentals									
Chartered flights (with pilots)	--	--	Tax	--	--	Tax	--	--	10
Trailer parks - overnight	--	--	--	--	Tax	Tax	--	--	27
Packing and crating	--	--	--	--	--	--	--	--	7
Personal services									
Dating services	--	Tax	--	--	--	--	Tax	--	10
Debt counseling	--	Tax	--	--	--	--	--	--	7
Diaper service	--	--	--	--	--	--	Tax	--	23
Fishing and hunting guide services	--	--	--	--	--	--	--	--	9

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								<i>Total No. of Taxing States</i>
	NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	
Personal Services, continued									
Garment altering and repairing	--	Tax	--	--	Tax	--	Tax	--	19
Gift and package wrapping services	--	--	--	Tax	Tax	Tax	Tax	--	18
Income from funeral services	--	--	--	--	--	--	--	--	15
Laundry and dry cleaning, coin operated	--	--	--	--	--	--	--	--	8
Laundry and dry cleaning, non-coin	--	--	--	Tax	--	--	Tax	--	21
Personal instruction (golf,dance,tennis)	--	Tax	--	--	--	--	--	--	7
Shoe repair	--	Tax	--	--	Tax	--	Tax	--	21
Tax return preparation	--	Tax	--	--	--	--	--	--	7
Water softening and conditioning	--	--	--	Tax	--	--	--	--	14
Professional Services									
Accounting and bookkeeping	--	--	--	--	--	--	--	--	5
Attorneys	--	--	--	--	--	--	--	--	5
Dentists	--	--	--	--	--	--	--	--	4
Engineers	--	--	--	--	--	--	--	--	5
Land surveying	--	--	--	--	--	--	Tax	--	7
Medical test laboratories	--	--	--	--	--	--	--	--	4
Nursing services out-of-hospital	--	--	--	--	--	--	--	--	4
Physicians	--	--	--	--	--	--	--	--	4
Repair Services									
Labor repairs to comm'l fishing vessels	--	Tax	--	Tax	Tax	--	--	--	13
Labor repairs to interstate vessels	--	Tax	--	Tax	Tax	--	--	--	12
Travel agent services	--	--	--	--	--	--	--	--	3
Utilities - Industrial									
Interstate telephone and telegraph	Tax	Tax	Tax	Tax	Tax	--	Tax	Tax	20
Water	--	--	--	--	--	--	--	--	20
Utilities - Residential									
Interstate telephone and telegraph	Tax	Tax	Tax	Tax	--	--	Tax	Tax	19
Water	--	--	--	--	--	--	--	--	12

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

Sales Tax

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

SERVICES EXEMPT FROM NYC SALES TAX	Sales Tax in Selected States								<i>Total No. of Taxing States</i>
	NJ 6%	CT 6%	MA 5%	PA 6%	FL 6%	CA 6%	TX 6.25%	IL 6.25%	
Utility and Transportation									
Income from intrastate transportation	--	--	--	--	--	--	--	--	10
Income from taxi operations	--	--	--	--	--	--	--	--	7
Interstate air courier (billed in-state)	--	--	--	--	--	--	--	--	1
Intrastate courier service	--	--	--	--	--	--	--	--	6
Local intra-city buses	--	--	--	--	--	--	--	--	5
Marina towing	--	--	--	--	--	--	--	--	7
Veterinary Services	--	--	--	--	--	--	--	--	4

Part V: Personal Income Tax Expenditures

Personal Income Tax

NEW YORK CITY PERSONAL INCOME TAX

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

Federal Exclusions to Income

Tax Year 1994

- IRA and Keogh Contributions
- Income Earned Abroad by U.S. Citizens
- Limited Exception to Passive Loss Rules on Rental Real Estate
- Capital Gains on Home Sales for Persons Over Age 55 and Deferral for Reinvesting
- Scholarship and Fellowship Income
- Employee Meals and Lodging
- Public Assistance Benefits
- Veterans' Benefits
- Employer Contributions for Medical Insurance and Care and Long Term Care Insurance
- Employer Contributions for Employee Pensions
- Workers' Compensation Benefits
- Employer-Provided Education Assistance
- Employer-Provided Child Care
- Certain Employer-Provided Transportation Benefits
- Benefits and Allowances to Armed Forces Personnel
- Accelerated Death Benefits
- Contributions to Medical Savings Accounts
- Self-Employed Persons' Health and Long Term Care Insurance
- Employer-Provided Adoption Assistance
- Employer-Paid Premiums on Life and Accident Disability Insurance
- Interest on Life Insurance Policy and Annuity Cash Value
- Interest on Qualified New York State and Local Bonds
- Expensing of Exploration and Development Costs of Oil and Gas
- MACRS/ACRS Depreciation
- Amortization of Business Start-Up Costs
- Capital Gains at Death
- Farm Income Stabilization: Expensing of Capital Outlays
- Capital Asset Treatment of Timber Income, Iron Ore and Coal Royalties
- Expensing of R&D Costs
- Social Security and Tier I Railroad Retirement Benefits (Partial Exclusion)
- Capital Gains from Small Business Stock
- Expensing up to \$18,000 on Certain Depreciable Business Property
- Deferred Tax on Installment Sales

Components of Adjusted Gross Income and Summary of Deductions and Credits

The data presented in this section regarding the 1994 New York City Personal Income Tax (PIT) is based on a statistical sample of approximately 32,000 New York City personal income tax returns prepared by the New York State Department of Taxation and Finance. The total number of New York City resident returns filed was nearly 2.7 million.

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

City PIT tax rates are set independently and may be used to modify the tax liability of particular income groups. The New York City Household Credit is a City-specific tax expenditure that reduced tax liability by \$19.8 million in 1994.

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

New York State adjustments to federal income, such as the pension exclusion, U.S. government bond interest, and state and local tax refunds, increased Federal AGI by less than one percent, from \$99 billion to \$99.2 billion. Of the \$21.7 billion in deductions applied against New York AGI, approximately 65 percent was attributable to the standard deduction. Dependent exemptions totaling \$1.7 billion brought taxable income to \$75.8 billion. The \$2.9 billion tax liability attributable to this taxable income reflects an overall average tax rate of 3.8 percent.

Personal Income Tax

Table 9

NEW YORK CITY PERSONAL INCOME TAX COMPONENTS OF ADJUSTED GROSS INCOME (AGI) TAX YEAR 1994 (\$ Millions)

INCOME	
Wages and Salaries	78,815
Dividend and Interest	8,466
Business Income	4,549
Capital Gains	4,907
Social Security, Pension, IRA	6,634
Other Income ¹	(3,297)
Federal Adjustments ²	(1,071)
FEDERAL AGI	99,004
NY ADDITIONS	
State and Local Bond Interest ³	184
Other Additions ⁴	1,635
TOTAL ADDITIONS ADJUSTMENTS	1,818
NY SUBTRACTIONS	
Pension Exclusion ⁵	(3,917)
US Government Bond Interest	(1,338)
State and Local Tax Refunds	(742)
Taxable Social Security Benefits	(1,241)
Other Subtractions	(1,360)
UNUSED SUBTRACTION ADJUSTMENTS	(7,011)
TOTAL SUBTRACTION ADJUSTMENTS ⁶	(1,587)
NY STATE AGI	99,235

Table 9
(continued)

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, alimony paid, moving expenses (incurred after 1993) and one-half of self-employment tax.

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

⁴ Includes public employee retirement contributions and miscellaneous adjustments.

⁵ Also includes pensions of NYS and local governments and the federal government.

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

Personal Income Tax

Table 10

**NEW YORK CITY PERSONAL INCOME TAX
SUMMARY OF DEDUCTIONS AND CREDITS
TAX YEAR 1994
(\$ Millions)**

DEDUCTIONS

ITEMIZED DEDUCTIONS

Taxes Paid	5,287
Interest Paid	3,610
Contributions	2,122
Medical expenses	784
Job and Employee Expenses ¹	1,432
Other Miscellaneous Expenses ²	205
Federal High-Income Limitation ³	(476)

TOTAL FEDERAL ITEMIZED DEDUCTIONS 12,965

NY ADJUSTMENTS

State and Local Income Taxes	(4,206)
NYS Addition Adjustments ⁴	4
State High-Income Limitation ⁵	(894)

TOTAL ITEMIZED DEDUCTIONS 7,869

TOTAL STANDARD DEDUCTION 15,838

UNUSED DEDUCTIONS ⁶ (1,984)

TOTAL DEDUCTIONS APPLIED 21,723

EXEMPTIONS

TOTAL EXEMPTIONS 1,863

TOTAL EXEMPTIONS APPLIED 1,665

TAXABLE INCOME 75,847

NYC RESIDENT TAX 2,865

NYC Household Credit (20)

Other Taxes ⁷ 12

TOTAL NYC TAX LIABILITY 2,856

Table 10
(continued)

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

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

³ The Federal high-income limitation reduces itemized deductions for filers with Federal AGI exceeding \$111,800 in tax year 1994.

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

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

⁶ Represent the amount by which the allowable deductions exceed NY AGI.

⁷ Includes the New York City minimum tax.

Personal Income Tax

Personal Income Tax Household Credit

Citation

NYC Administrative Code Article 30, Section 1310

Policy Objective

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

Description

New York City taxpayers with federal adjusted gross income below specified levels may claim the household credit. The amount of the credit varies according to filing status, federal adjusted gross income and the number of persons in the household. In tax year 1994, the credit was available to single taxpayers with federal adjusted gross income not greater than \$10,000 and other filing types with adjusted gross income not greater than \$20,000. The credit amount decreases as income increases and in 1994 ranged from \$15 to \$10 for single filers and from \$50 to \$15 per household member for all other filers. The household credit is not refundable.

Distributional Information

In 1994, 422,455 New York City households claimed the household credit - 47 percent of these households were headed by single parents, 27 percent were married couples and 25 percent were single individuals. The household credit reduced the 1994 tax liability of New York City taxpayers by \$19.8 million. Of the 2.7 million New York City returns filed in 1994, nearly 16 percent claimed the household credit. The household credit reduced the City tax liability of roughly 160,700 low-income taxpayers to zero. The average benefit was \$47 per household, with the majority of the beneficiaries (64 percent) having income below \$15,000.

Personal Income Tax

Personal Income Tax Household Credit - cont'd

Household Income Range	Number of Households	Percent of all Households in Income Range	Total Value of Credit (000s)	Average Value
Under \$5,000	442	0.2%	\$18.6	\$42
\$5,000 - 10,000	137,313	41.2%	\$1,879.5	\$14
\$10,000 - 15,000	134,630	43.1%	\$9,836.2	\$73
\$15,000 - 20,000	150,069	52.7%	\$8,040.8	\$54
Total	422,455	15.6%	\$19,775.1	\$47

Tax Expenditure

\$ 19.8 million

PART VI

SUMMARY OF AUDITS AND EVALUATIONS OF NEW YORK CITY TAX EXPENDITURES

Introduction

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

Audits and Evaluations

New York City Economic Development Corporation, Local Law 69 Report, January 31, 1996

Summary

Local Law 69 (LL69) was approved by the Mayor on August 17, 1993 and requires the Economic Development Corporation (EDC) to submit an annual report to the City Council on certain projects undertaken by EDC for the purpose of job creation and retention. The report is mandated to contain:

- Descriptive data on selected EDC projects for seven years following the year in which assistance was first provided;
- Calculation of the amount of City assistance (City Costs) provided to businesses involved in these projects; and
- Estimates of the amount of retained or additional tax revenues generated (City Benefits) by the projects.

The general purpose of LL69 is to provide the City Council with a rough criterion to measure how successful EDC's economic development initiatives have been.

Tax incentives are the major element in the calculation of City Costs and are comprised of a combination of as-of-right and discretionary programs. As-of-right assistance is available as a matter of law to any eligible tenant, borrower, or purchaser. Included here are the Industrial and Commercial Incentive Program (ICIP), the Commercial Rent Tax (CRT) special reduction program, and the Relocation Employment Assistance Program (REAP). Discretionary assistance must be specifically applied for and is subject to approval by the agency or jurisdiction. This category includes Payments in Lieu of Taxes (PILOTs), the Mortgage Recording Tax (MRT) waiver, and Sales Tax exemptions. Reductions, abatements in or exemptions from each of these taxes provide eligible businesses with incentives to relocate to New York, remain here or continue to grow.

City Benefits calculations include: *Company Direct Impacts* or tax revenues generated directly by the company receiving assistance, e.g., business income, real property, sales and employee personal income; *Indirect Impacts* or taxes generated directly by various vendors, suppliers and service organizations that provides essential goods and services that the company receiving City assistance requires; and *Induced Impacts* or household spending of those residents whose employment depends directly or indirectly on the company receiving assistance, which consists of food, clothing, shelter, child care and other expenses related to living in the City.

The Regional Input-Output Modeling System (RIMS II) model developed by the United States Department of Commerce's Bureau of Economic Analysis for EDC was used to estimate the macroeconomic impact of EDC development projects. Input-output analysis is an accounting framework that shows the inter-relationships between sectors of the economy and reveals how various parts relate to each other and to the whole. Input-output analysis essentially quantifies the extent to which a given sector contributes to keeping dollars circulating within the economy.

This report provides data collected on 277 individual EDC projects. The underlying working assumption for the LL69 analysis is that the LL69 companies would have left New York City, delayed or abandoned plans to expand, open or relocate in New York City or, closed shop if it were not for the intervention of EDC. Based on this assumption, the LL69 analysis reveals that EDC's economic initiatives associated with qualifying projects are projected to cost the City \$452 million for the analysis period FY 1988 to FY 2002, but return to the City \$4.1 billion in City Benefits over the same period. Thus, the Net Benefit to the City is projected to be nearly \$3.7 billion. Further, the 277 LL69 projects involve the projected retention of 58,064 jobs and the projected creation of 9,256 jobs through the FY 2002 projected reporting period.

Audits and Evaluations

New York City Department of Finance, Annual Report to the City Council on the Industrial and Commercial Incentive Program, April, 1994

Summary

The Industrial and Commercial Incentive Program (ICIP) was created on November 5, 1984 to stimulate economic development, particularly in economically depressed areas outside Manhattan's central business district. Specifically, the program offers property tax exemptions or permits the deferral of tax liability to encourage new construction or the modernization of existing industrial and commercial structures. The ICIP operates on an "as-of-right" basis, granting benefits to any projects meeting the eligibility and administrative requirements. By utilizing this "as-of-right" philosophy, the ICIP replaced the discretionary exemptions that were granted on a case-by-case basis by a previous program, the Industrial and Commercial Incentive Board (ICIB).

Although ICIP's authority expired on June 30, 1992, legislation has allowed the City of New York to restructure the program and to extend its life to June 30, 1999. Increased benefits will accrue to economically distressed neighborhoods in Brooklyn, Queens, the Bronx, Staten Island, and in Manhattan north of 96th Street. Additionally, the newly designed ICIP encourages the renovation of aging office buildings in lower and midtown Manhattan.

In fiscal 1993, the last year of the original structure of the ICIP, the program included 1,513 projects either receiving or eligible for exemption from real estate taxes, an increase of more than 160 projects from the previous fiscal year. There were 1,103 projects Citywide receiving benefits totalling \$125 million, and an additional 410 projects which carry no exempt value but which are eligible for the benefit. The vast majority of the projects, 94 percent, are located outside Manhattan, although the benefits provided for these areas total only \$63 million. As of March 31, 1993 there were also 1,388 preliminary applications for ICIP benefits on file with the Department.

In 1993, one third of the projects receiving ICIP exemptions were for rehabilitation and alteration of existing structures, accounting for \$14 million in exempt dollars. Additionally, over 80 percent of all ICIP projects have construction costs of less than \$1 million. Forty-nine percent of the benefits granted in 1993, or \$61.2 million, were for projects located in deferral areas such as Manhattan and under the provisions of the ICIP program will be repaid to the City. Businesses participating in the ICIP program are expected to generate 99,860 jobs Citywide when the projects are completed.

PART VII

DESCRIPTIONS OF MAJOR NEW YORK CITY TAXES

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

Banking Corporation Tax

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

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

- (1) 9 percent of the entire net income allocated to the City;
- (2) 3 percent of alternative entire net income allocated to the City;
- (3) one-tenth of a mill on each dollar of taxable assets allocated to New York City (except that alien banking corporations calculate a tax at the rate of 2.6 mills per dollar of issued capital stock allocated to the City);
- (4) \$125 minimum tax.

Commercial Rent Tax

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

Effective September 1, 1995, the commercial rent tax was eliminated in Manhattan north of 96th street and in the other boroughs. In addition, the taxable threshold was increased to annual rent or annualized rent for part-year filers of \$40,000. Tenants with rents below this level are exempt from the tax. In addition, a sliding-scale credit was established for tenants with annual taxable rents between \$40,000 and \$59,999. Effective for tax years beginning on or after June 1, 1996, the effective tax rate of the Commercial Rent Tax has been reduced to 4.5 percent.

Major New York City Taxes

General Corporation Tax

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

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

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

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

Mortgage Recording Tax

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

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

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

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

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

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

Personal Income Tax and Non-Resident Earnings Tax

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

The personal income tax rates imposed on every resident of New York City for 1997 range from 2.96 percent to 4.46 percent.

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

Real Property Tax

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

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

New York City assesses properties at a uniform percentage of market value within each class of real property, applying class specific tax rates to determine tax liability. For FY 1997 the real property tax rates are as follows:

- (1) For Class 1, the tax rate is \$10.785 per \$100 of assessed value.
- (2) For Class 2, the tax rate is \$11.056 per \$100 of assessed value.
- (3) For Class 3, the tax rate is \$7.840 per \$100 of assessed value.
- (4) For Class 4, the tax rate is \$10.252 per \$100 of assessed value.

Major New York City Taxes

Real Property Transfer Tax

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

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

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

For properties other than the residential properties referred to above:

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

Sales Tax

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

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

Unincorporated Business Tax

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

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

Utility Tax

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

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

Major New York City Taxes

Recent NYC Tax Program Legislation

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

Commercial Rent Tax Reduction (CRT)

Citation: NYC Local Law 57 of 1995

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

Commercial Revitalization Program

Citation: Chapter 4, NYS Laws of 1995

Designed to stimulate economic development in lower Manhattan and elsewhere in the City, this program provides an array of tax benefits for eligible commercial tenants and for residential and mixed-use building conversions. The program is described in detail on pages 39-42 of this report.

Industrial and Commercial Incentive Program (ICIP) Revisions

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

Various enhancements were provided under the ICIP program, including the extension of the benefit for building renovations in certain areas of midtown Manhattan and the adoption of a benefit for the construction of "smart buildings" in Manhattan below 96th street. These enhancements are described in more detail on pages 32-33 of this report.

Interior Decorating Sales Tax

Citation: Chapters 297 and 298, NYS Laws of 1995

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

Business Tax Reform

Citation: Chapter 625 of NYS Laws of 1996

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

Cooperative/Condominium Property Tax Relief

Citation: Chapter 273 of NYS Laws of 1996

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

Credit Line Mortgages

Citation: Chapters 489 and 490 of NYS Laws 1996

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

Lessee's Parking Tax Exemption

Citation: NYC Local Law 74 of 1996

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

Major New York City Taxes

Sales Tax Exemption: Production Items

Citation: Chapter 366 of NYS Laws of 1996

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

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

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

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

Unincorporated Business Tax (UBT) Relief/Reform

Citation: Chapter 128 of NYS Laws of 1996

In an effort to reduce the burden of the UBT on small firms, the UBT credit has been increased so that, effective for tax years beginning after 1996, taxpayers with liability up to \$1,000 will receive full tax relief and those with liabilities between \$1,001 and \$2,000 will receive partial relief. In addition, various provisions of the UBT have been reformed to ease administration of the tax, create greater conformity between the UBT and the City's general corporation tax (GCT) and promote local economic development.

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 1997

APPENDIX I

NEW YORK CITY CHARTER SECTION 240

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

- a. a listing of all exclusions, exemptions, abatements, credits or other benefits allowed against city tax liability, against the base or the rate of, or the amount due pursuant to, each city tax, provided however that such listing need not include any benefits which are applicable without any city action to such city tax because they are available in regard to a federal or state tax on which such city tax is based; and
- b. a description of each tax benefit included in such listing, providing the following information:
 1. the legal authority for such tax benefit;
 2. the objectives of, and eligibility requirements for, such tax benefit;
 3. such data and supporting documentation as are available and meaningful regarding the number and kind of taxpayers using benefits pursuant to such tax benefit and the total amount of benefits used pursuant to such tax benefit, by taxable and/or fiscal year;
 4. for each tax benefit pursuant to which a taxpayer is allowed to claim benefits in one year and carry them over for use in one or more later years, the number and kind of taxpayers carrying forward benefits pursuant to such tax benefit and the total amount of benefits carried forward, by taxable and/or fiscal year;
 5. for nineteen hundred ninety and each year thereafter for which the information required by paragraphs three and four are not available, the reasons therefor, the steps being taken to provide such information as soon as possible, and the first year for which such information will be available;
 6. such data and supporting documentation as are available and meaningful regarding the economic and social impact and other consequences of such tax benefit; and
 7. a listing and summary of all evaluations and audits of such tax benefit issued during the previous two years.

APPENDIX II

CALCULATION OF AVERAGE NEW YORK CITY TAXES PER WORKER

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

The estimate of average City taxes per worker is the sum, by sector, of average business taxes per worker and average individual taxes per worker. Employment data are for calendar year 1995 and tax data are for tax year 1995, which roughly corresponds to calendar year 1995.

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

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

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

Appendices

Calculation of Average Taxes per Worker

<u>Industry Sector</u>	<u>Non-Property Taxes Average per worker</u>	<u>All Taxes Average per worker</u>
FIRE	\$5,116	\$6,390
Services	2,023	2,587
Manufacturing	2,438	3,053
Wholesale Trade	2,519	2,768
Transport & Public Utilities	2,031	2,057
Construction	1,967	1,972
Retail Trade	1,334	1,943
Government	1,198	1,395
Private	2,530	3,146
ALL INDUSTRIES	\$2,317	\$2,866

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

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

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

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

2. Personal Income Tax (PIT)

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

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

3. Sales Tax (STX)

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

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

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

4. Commercial Rent Tax

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

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

5. Real Property Tax

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

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

Appendices

6. Utility Tax (UTX)

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

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

APPENDIX III
NYC TAXES DIRECTLY RELATED TO CITY EMPLOYMENT
BY INDUSTRY SECTOR
TAX YEAR 1995

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

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

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

Appendices

NYC Taxes Directly Related to City Employment ¹ By One-Digit Industry Sector Tax Year 1995 ²

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
	All Industries	9,288.9	\$2,865.51		
	Private	8,563.7	\$3,146.45		
1	FIRE	2,997.2	\$6,389.61	1	3
2	Services	2,952.3	\$2,587.25	6	1
3	Government	725.2	\$1,394.80	10	2
4	Retail Trade	695.6	\$1,942.84	9	4
5	Nondurable Manufacturing	631.1	\$3,096.86	3	5
6	Wholesale Trade	504.7	\$2,767.55	5	7
7	Transport & Public Utilities	407.1	\$2,057.22	7	6
8	Durable Manufacturing	197.3	\$2,919.41	4	9
9	Construction	171.9	\$1,971.62	8	8
10	Agriculture, Forestry, Fisheries	3.5	\$1,136.75	11	10
11	Mining	1.5	\$5,364.80	2	11

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

² See Appendix II for discussion of methodology.

**NYC Taxes Directly Related to City Employment
By Two-Digit Industry Sector
Tax Year 1995**

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
1	Security & Commodities	1,170,411,688	\$8,102.20	4	5
2	Depository Institutions	936,064,262	\$7,467.43	5	6
3	Business Services	622,649,356	\$2,817.18	26	3
4	Medical & Other Health Services	590,144,479	\$1,954.58	48	2
5	Local Government	546,911,101	\$1,340.05	61	1
6	Legal Services	406,817,168	\$5,955.02	7	15
7	Real Estate	334,929,149	\$3,389.87	19	9
8	Engineering, Accounting & Related	310,221,480	\$3,396.26	18	11
9	Nondurable Wholesale Trade	285,073,320	\$2,713.61	29	8
10	Real Estate	278,295,476	\$3,762.27	14	14
11	Holding & Other Investments	232,455,815	\$14,723.58	3	40
12	Durable Wholesale Trade	219,593,038	\$2,840.86	25	12
13	Communications	183,565,084	\$3,117.83	22	19
14	Social Services	172,476,149	\$1,168.51	64	4
15	Eating & Drinking Places	166,561,592	\$1,333.00	59	7
16	Miscellaneous Retail	165,982,849	\$2,806.18	27	18
17	Apparel	162,281,959	\$2,187.27	41	13
18	Insurance Carriers	160,239,632	\$3,028.59	23	21
19	Hotels	144,281,982	\$4,337.87	10	28
20	Educational Services	143,444,797	\$1,527.60	55	10
21	Amusement & Recreation	127,646,558	\$3,371.27	20	25
22	Motion Pictures	116,329,534	\$3,864.00	13	30
23	Special Trade Contractors	111,462,347	\$1,829.05	51	17
24	Federal Government	110,689,780	\$1,669.33	60	16
25	Insurance Agents	108,941,707	\$4,490.40	9	32
26	Apparel & Accessories	107,946,996	\$2,508.30	34	23
27	Food Stores	79,078,163	\$1,404.93	56	20
28	General Merchandise	71,428,020	\$2,039.23	45	27
29	Chemicals & Allied Products	71,129,272	\$5,039.27	8	43
30	State Government	70,925,169	\$1,559.65	63	22
31	Membership Organizations	69,755,802	\$1,869.43	50	26
32	Air Transportation	68,426,650	\$1,621.48	54	24
33	Electrical Equipment	58,119,316	\$4,039.15	11	42
34	Nondepository Institutions	53,847,807	\$7,173.01	6	51
35	Miscellaneous Manufacturing Industries	53,200,103	\$2,398.99	36	33

Appendices

NYC Taxes Directly Related to City Employment By Two-Digit Industry Sector Tax Year 1995

Rank	Sector	Total Taxes	Taxes per Worker	TPW Rank	Employment Rank
36	Automotive Repair & Garages	46,014,119	\$2,258.92	39	36
37	Personal Services	44,045,411	\$1,628.00	53	31
38	Auto Dealers & Gas Stations	42,666,156	\$3,328.87	21	45
39	Electric, Gas & Sanitary	42,654,899	\$2,146.37	43	37
40	General Building Contractors	42,199,718	\$2,370.77	37	39
41	Food & Kindered Products	41,964,930	\$2,789.48	28	41
42	Motor Freight & Warehousing	41,677,804	\$1,369.99	57	29
43	Furniture Homefurnishings	37,621,272	\$2,030.40	46	38
44	Transportation Services	34,447,627	\$1,663.17	52	34
45	Textile Mill Products	26,145,056	\$2,320.09	38	46
46	Local & Suburban Transit	25,499,840	\$1,239.00	62	35
47	Fabricated Metal Products	24,522,513	\$2,547.00	32	47
48	Building Materials	24,324,724	\$2,951.67	24	50
49	Miscellaneous Repair Services	22,277,084	\$3,418.83	17	53
50	Paper & Allied Products	18,378,780	\$2,515.23	33	52
51	General Contractors other than Bldgs	18,216,276	\$2,152.97	42	49
52	Instruments, Photo & Optical Goods	14,627,247	\$3,976.96	12	58
53	Tobacco Products	14,359,955	\$15,557.91	2	64
54	Industrial & Commercial Machinery	14,356,334	\$2,586.26	31	54
55	Private Households	11,617,180	\$832.24	65	44
56	Museums, Art Galleries & Gardens	11,432,028	\$1,343.84	58	48
57	Water Transportation	10,705,882	\$2,054.48	44	55
58	Furniture & Fixtures	9,129,404	\$2,222.89	40	56
59	Transportation Equipment	7,646,389	\$3,686.78	16	62
60	Rubber & Miscellaneous Plastics	7,468,109	\$1,886.84	49	57
61	Leather & Leather Products	7,077,758	\$2,421.40	35	59
62	Stone, Clay & Glass	5,745,884	\$2,700.13	30	61
63	Lumber & Wood	5,193,134	\$2,024.61	47	60
64	Primary Metal Industries	4,735,746	\$3,705.59	15	63
65	Petroleum Refining	3,999,396	\$47,611.85	1	65

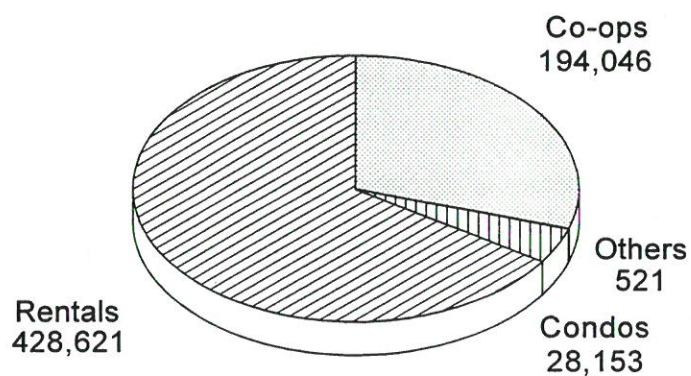
APPENDIX IV

REAL PROPERTY TAX EXPENDITURE STATISTICAL SUPPLEMENT FY 1997

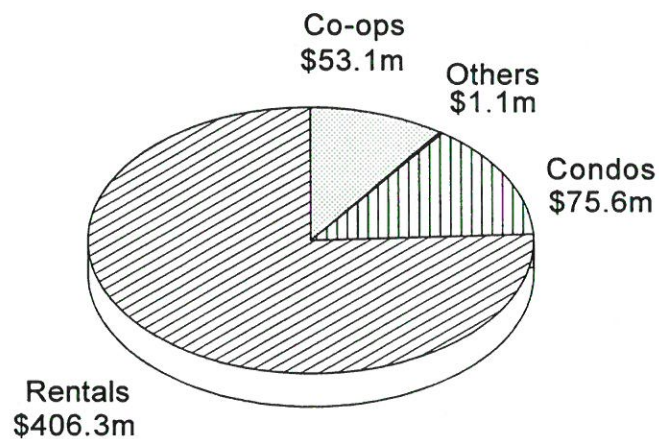
Included in the statistical appendix of this year's annual report is a distribution of residential property tax expenditures. This appendix provides information on the number of housing units, the exempt assessed value, and the taxable assessed value for the City's various residential tax expenditure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

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

Distribution by Housing Type J-51 Program Distribution of Housing Units



Distribution of Exempt Value



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

Program: J-51

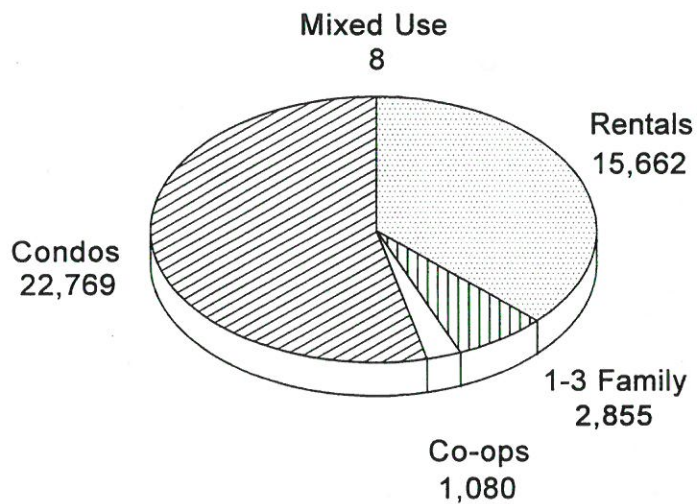
		(\$ Millions)					
		Citywide	Manhattan	Bronx	Brooklyn	Queens	Staten Island
1-3 Family	Total Units	405	55	35	288	24	3
	Exemption Units	232	39	23	161	6	3
	Abatement Only Units	173	16	12	127	18	0
	Exempt Assessed Value	\$0.6	\$0.1	\$0.0	\$0.4	\$0.0	\$0.0
	Taxable Assessed Value	\$1.8	\$0.3	\$0.1	\$1.2	\$0.2	\$0.0
	Total Abatement	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0
Condos	Total Units	28,153	9,094	10,662	3,694	4,224	479
	Exemption Units	5,810	2,274	125	2,354	812	245
	Abatement Only Units	22,343	6,820	10,537	1,340	3,412	234
	Exempt Assessed Value	\$75.6	\$33.1	\$1.6	\$34.2	\$4.1	\$2.6
	Taxable Assessed Value	\$754.5	\$569.3	\$65.5	\$36.0	\$78.5	\$5.2
	Total Abatement	\$7.5	\$3.9	\$0.4	\$1.7	\$1.3	\$0.2
Cooperatives	Total Units	194,046	54,448	19,405	42,866	76,384	943
	Exemption Units	14,022	2,390	6,059	3,019	2,426	128
	Abatement Only Units	180,024	52,058	13,346	39,847	73,958	815
	Exempt Assessed Value	\$53.1	\$20.2	\$2.9	\$23.5	\$6.1	\$0.4
	Taxable Assessed Value	\$2,894.7	\$1,167.0	\$253.5	\$497.4	\$964.0	\$12.9
	Total Abatement	\$26.2	\$7.8	\$2.1	\$7.3	\$9.0	\$0.1
Condoms ¹	Total Units	47	47	0	0	0	0
	Exemption Units	47	47	0	0	0	0
	Abatement Only Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.4	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$2.5	\$2.5	\$0.0	\$0.0	\$0.0	\$0.0
	Total Abatement	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Total Units	428,621	117,276	112,512	115,038	81,264	2,531
	Exemption Units	89,243	14,675	51,066	17,645	5,596	261
	Abatement Only Units	339,378	102,601	61,446	97,393	75,668	2,270
	Exempt Assessed Value	\$406.3	\$111.7	\$191.6	\$88.6	\$14.0	\$0.4
	Taxable Assessed Value	\$4,141.4	\$1,605.2	\$676.2	\$956.2	\$881.6	\$22.3
	Total Abatement	\$71.4	\$20.0	\$19.8	\$20.6	\$10.8	\$0.2
Mixed Use ²	Total Units	69	3	6	58	2	0
	Exemption Units	22	0	0	22	0	0
	Abatement Only Units	47	3	6	36	2	0
	Exempt Assessed Value	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0
	Taxable Assessed Value	\$0.7	\$0.1	\$0.3	\$0.3	\$0.0	\$0.0
	Total Abatement	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Total Units	651,341	180,923	142,620	161,944	161,898	3,956
	Exemption Units	109,376	19,425	57,273	23,201	8,840	637
	Abatement Only Units	541,965	161,498	85,347	138,743	153,058	3,319
	Exempt Assessed Value	\$536.0	\$165.5	\$196.1	\$146.8	\$24.2	\$3.4
	Taxable Assessed Value	\$7,795.7	\$3,344.3	\$995.5	\$1,491.1	\$1,924.4	\$40.4
	Total Abatement	\$105.3	\$31.7	\$22.3	\$29.7	\$21.1	\$0.5
Number of Properties With Unit Data		40,812	12,915	13,310	7,762	6,305	520
Number of Properties Without Unit Data		3	1	1	1	0	0

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

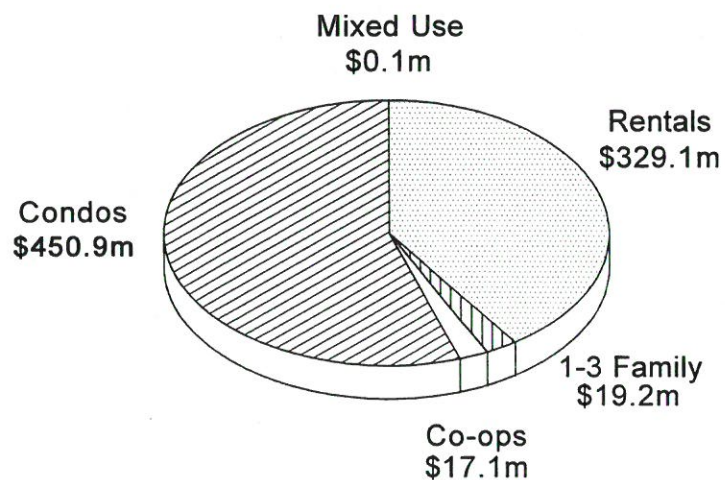
² Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type 421-A Program

Distribution of Housing Units



Distribution of Exempt Value



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

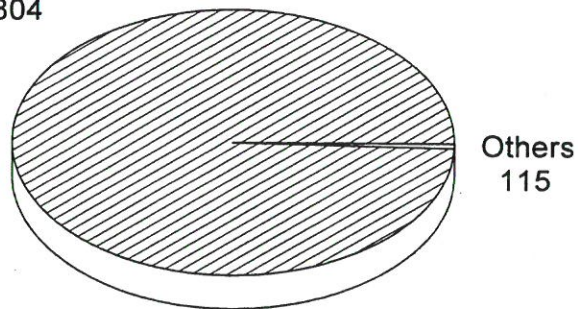
Program: <u>421-A Exemption</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	2,855	0	1,029	1,041	780	5
	Exempt Assessed Value	\$19.2	\$0.0	\$6.3	\$7.4	\$5.4	\$0.1
	Taxable Assessed Value	\$6.4	\$0.0	\$1.4	\$3.2	\$1.7	\$0.0
Condos	Number of Units	22,769	11,604	666	2,837	4,670	2,992
	Exempt Assessed Value	\$450.9	\$281.7	\$14.5	\$50.5	\$81.1	\$23.2
	Taxable Assessed Value	\$576.1	\$527.3	\$2.0	\$9.7	\$27.7	\$9.5
Cooperatives	Number of Units	1,080	678	110	292	0	0
	Exempt Assessed Value	\$17.1	\$13.7	\$1.2	\$2.2	\$0.0	\$0.0
	Taxable Assessed Value	\$26.5	\$21.8	\$1.8	\$2.9	\$0.0	\$0.0
Rentals	Number of Units	15,662	11,352	400	666	2,995	249
	Exempt Assessed Value	\$329.1	\$238.2	\$8.4	\$17.8	\$59.6	\$5.2
	Taxable Assessed Value	\$365.9	\$357.2	\$0.8	\$0.9	\$6.9	\$0.1
Mixed Use ¹	Number of Units	8	0	0	4	4	0
	Exempt Assessed Value	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0	\$0.0
All	Number of Units	42,374	23,634	2,205	4,840	8,449	3,246
	Exempt Assessed Value	\$816.3	\$533.5	\$30.3	\$77.9	\$146.1	\$28.4
	Taxable Assessed Value	\$975.0	\$906.2	\$6.1	\$16.7	\$36.2	\$9.6
Number of Properties With Unit Data		23,954	11,522	1,037	3,242	5,190	2,963
Number of Properties Without Unit Data		3,227	1,071	336	962	500	358

¹ Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type 421-B Program

Distribution of Housing Units

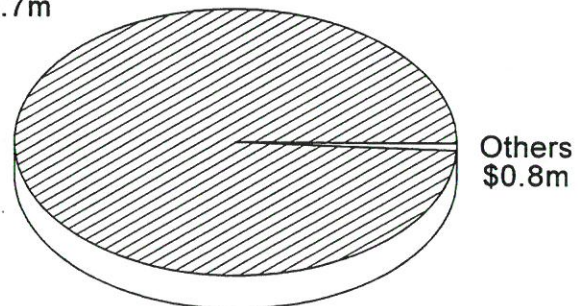
1-3 Family
19,804



Others
115

Distribution of Exempt Value

1-3 Family
\$90.7m



Others
\$0.8m

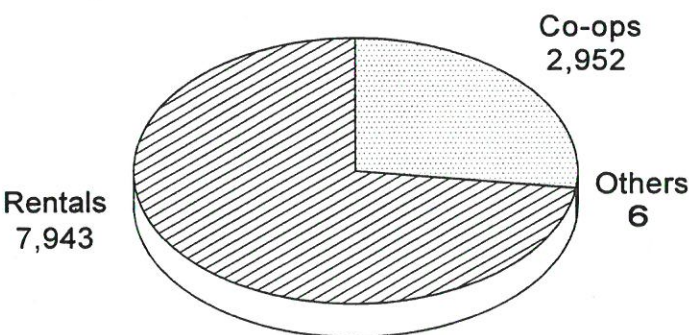
**Distribution of Exemptions
By Borough and Property Type**

Program: <u>421-B Exemption</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	19,804	22	2,472	2,289	3,922	11,099
	Exempt Assessed Value	\$90.7	\$0.2	\$8.4	\$9.9	\$7.0	\$65.3
	Taxable Assessed Value	\$145.6	\$0.8	\$10.4	\$17.4	\$31.9	\$85.1
Condos	Number of Units	37	12	0	8	17	0
	Exempt Assessed Value	\$0.4	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0
	Taxable Assessed Value	\$0.4	\$0.1	\$0.0	\$0.2	\$0.1	\$0.0
Cooperatives	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	67	12	0	7	48	0
	Exempt Assessed Value	\$0.2	\$0.1	\$0.0	\$0.0	\$0.1	\$0.0
	Taxable Assessed Value	\$0.6	\$0.1	\$0.0	\$0.1	\$0.4	\$0.0
Mixed Use ¹	Number of Units	11	0	0	8	0	3
	Exempt Assessed Value	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2
	Taxable Assessed Value	\$0.3	\$0.0	\$0.0	\$0.1	\$0.0	\$0.2
All	Number of Units	19,919	46	2,472	2,312	3,987	11,102
	Exempt Assessed Value	\$91.5	\$0.4	\$8.4	\$10.1	\$7.1	\$65.5
	Taxable Assessed Value	\$146.8	\$1.0	\$10.4	\$17.8	\$32.4	\$85.2
Number of Properties							
With Unit Data		13,424	28	1,399	1,416	925	9,656
Number of Properties							
Without Unit Data		390	2	1	14	0	373

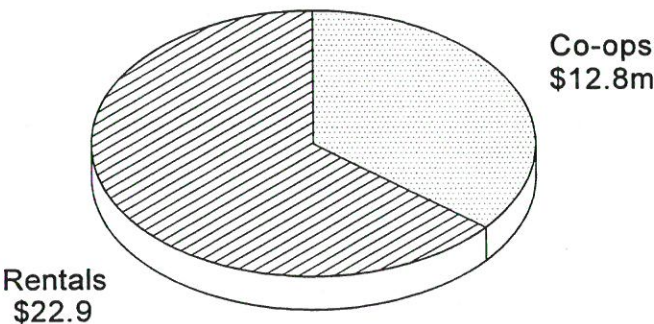
¹ Mixed Used properties include structures that combine residential with retail or office uses.

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

Distribution of Housing Units



Distribution of Exempt Value



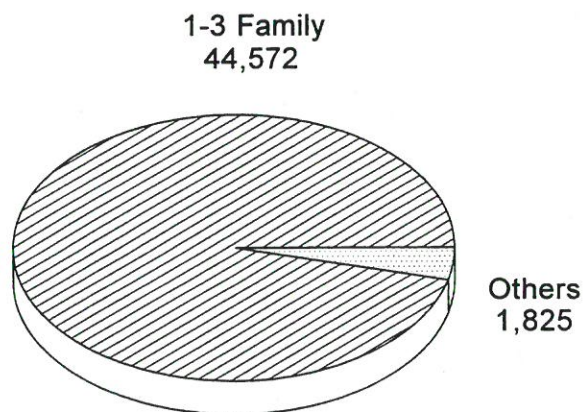
**Distribution of Exemptions
By Borough and Property Type**

Program: <u>HPD Division of Alternative Management Programs (DAMP)</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	6	6	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	2,952	1,793	538	621	0	0
	Exempt Assessed Value	\$12.8	\$9.6	\$1.4	\$1.9	\$0.0	\$0.0
	Taxable Assessed Value	\$14.8	\$9.3	\$2.5	\$3.0	\$0.0	\$0.0
Rentals	Number of Units	7,943	3,419	2,522	1,940	62	0
	Exempt Assessed Value	\$22.9	\$14.2	\$5.0	\$3.6	\$0.2	\$0.0
	Taxable Assessed Value	\$37.9	\$17.0	\$11.5	\$9.1	\$0.3	\$0.0
Mixed Use ¹	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	10,901	5,218	3,060	2,561	62	0
	Exempt Assessed Value	\$35.8	\$23.8	\$6.4	\$5.4	\$0.2	\$0.0
	Taxable Assessed Value	\$52.7	\$26.3	\$14.0	\$12.1	\$0.3	\$0.0
Number of Properties With Unit Data		495	251	106	134	4	0
Number of Properties Without Unit Data		0	0	0	0	0	0

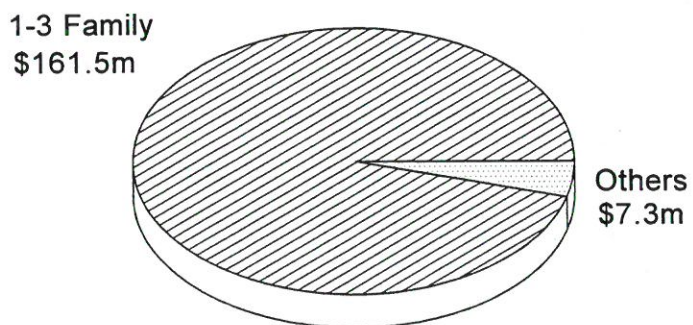
¹ Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type Senior Citizen Homeowner Exemption

Distribution of Housing Units



Distribution of Exempt Value



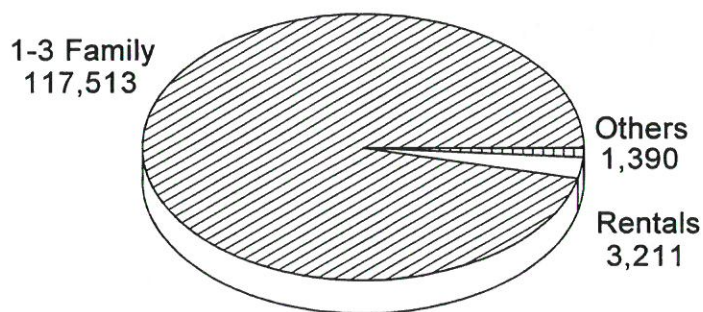
**Distribution of Exemptions
By Borough and Property Type**

Program: <u>Senior Citizen</u> <u>Homeowner Exemption</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	44,572	85	5,608	14,246	20,641	3,992
	Exempt Assessed Value	\$161.5	\$0.4	\$16.5	\$47.3	\$80.3	\$17.1
	Taxable Assessed Value	\$217.0	\$0.4	\$25.3	\$55.3	\$115.1	\$20.8
Condos	Number of Units	688	376	118	12	117	65
	Exempt Assessed Value	\$2.1	\$0.5	\$0.3	\$0.1	\$0.8	\$0.4
	Taxable Assessed Value	\$107.3	\$98.4	\$0.3	\$0.1	\$8.0	\$0.5
Cooperatives	Number of Units	750	195	32	126	392	5
	Exempt Assessed Value	\$4.3	\$1.6	\$0.1	\$0.6	\$2.0	\$0.0
	Taxable Assessed Value	\$1,006.8	\$441.1	\$42.6	\$109.7	\$409.2	\$4.1
Rentals	Number of Units	297	24	21	99	43	110
	Exempt Assessed Value	\$0.5	\$0.0	\$0.0	\$0.3	\$0.1	\$0.0
	Taxable Assessed Value	\$1.6	\$0.0	\$0.0	\$0.3	\$0.1	\$1.1
Mixed Use ¹	Number of Units	90	0	9	7	60	14
	Exempt Assessed Value	\$0.4	\$0.0	\$0.0	\$0.0	\$0.3	\$0.1
	Taxable Assessed Value	\$0.4	\$0.0	\$0.0	\$0.0	\$0.3	\$0.1
All	Number of Units	46,397	680	5,788	14,490	21,253	4,186
	Exempt Assessed Value	\$168.8	\$2.5	\$17.0	\$48.3	\$83.4	\$17.5
	Taxable Assessed Value	\$1,333.1	\$540.0	\$68.3	165.4	\$532.9	\$26.5
Number of Properties With Unit Data		28,264	205	3,187	7,952	13,583	3,337
Number of Properties Without Unit Data		27	0	2	0	5	20

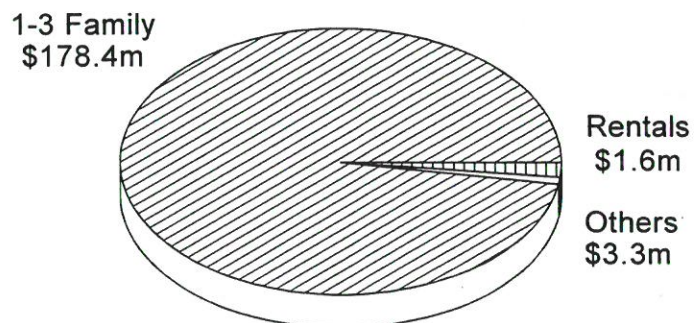
¹ Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type Veterans' Exemption

Distribution of Housing Units



Distribution of Exempt Value



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

Program: Veteran's Exemption

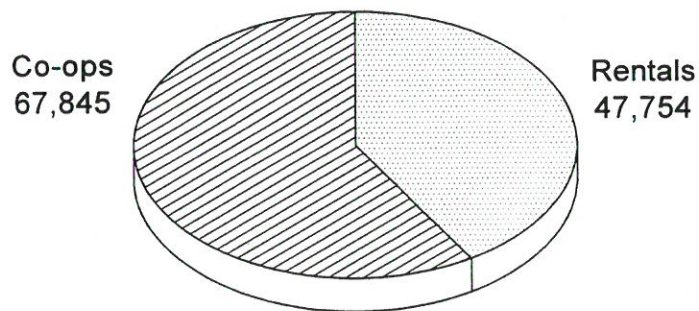
(\$ Millions)

		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	117,513	297	13,441	30,078	54,301	19,396
	Exempt Assessed Value	\$178.4	\$0.4	\$14.5	\$43.4	\$81.1	\$39.0
	Taxable Assessed Value	\$970.7	8.1	98.2	212.9	476.8	174.7
Condos	Number of Units	703	121	65	10	314	193
	Exempt Assessed Value	\$2.1	\$0.3	\$0.1	\$0.0	\$1.0	\$0.6
	Taxable Assessed Value	\$13.3	5.3	0.4	0.1	5.1	2.3
Cooperatives	Number of Units	17	7	0	0	10	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.4	0.2	0.0	0.0	0.1	0.0
Rentals	Number of Units	3,211	378	308	1,612	700	213
	Exempt Assessed Value	\$1.6	\$0.2	\$0.2	\$0.8	\$0.3	\$0.1
	Taxable Assessed Value	\$23.8	6.7	1.8	9.3	4.3	1.6
Mixed Use ¹	Number of Units	670	20	49	324	204	73
	Exempt Assessed Value	\$1.2	\$0.0	\$0.1	\$0.5	\$0.4	\$0.2
	Taxable Assessed Value	\$8.3	1.3	0.4	3.2	2.6	0.9
All	Number of Units	122,114	823	13,863	32,024	55,529	19,875
	Exempt Assessed Value	\$183.2	\$0.9	\$14.9	\$44.8	\$82.9	\$39.8
	Taxable Assessed Value	\$1,016.5	21.6	100.9	225.5	489.0	179.5
Number of Properties							
With Unit Data		74,591	343	6,185	18,377	33,629	16,057
Number of Properties							
Without Unit Data		219	5	9	9	68	128

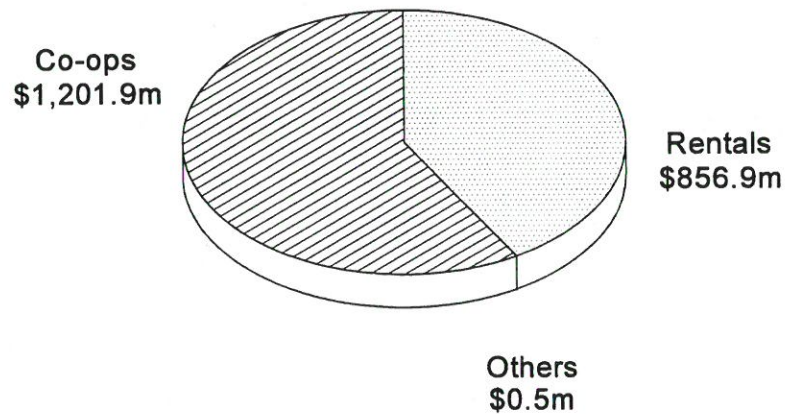
¹ Mixed Used properties include structures that combine residential with retail or office uses.

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

Distribution of Housing Units



Distribution of Exempt Value



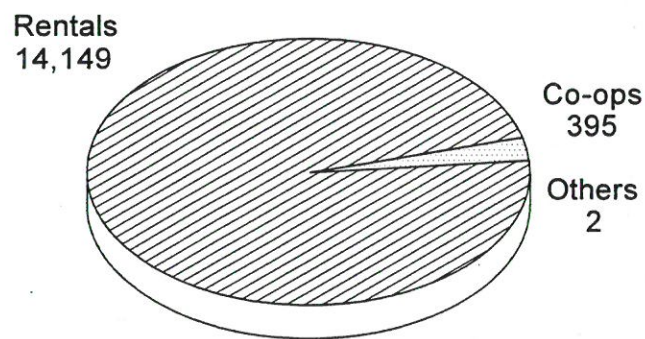
**Distribution of Exemptions
By Borough and Property Type**

Program: <u>Limited Profit Housing</u> <u>(Mitchell-Lama)</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	67,845	19,290	23,941	13,394	11,220	0
	Exempt Assessed Value	\$1,201.9	\$468.3	\$343.8	\$229.0	\$160.9	\$0.0
	Taxable Assessed Value	\$11.1	\$1.7	\$2.2	\$7.2	\$0.0	\$0.0
Rentals	Number of Units	47,754	13,847	12,810	15,102	5,005	990
	Exempt Assessed Value	\$856.9	\$396.8	\$155.5	\$233.4	\$55.9	\$15.2
	Taxable Assessed Value	\$0.4	\$0.0	\$0.0	\$0.1	\$0.3	\$0.0
Mixed Use ¹	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.5	\$0.0	\$0.2	\$0.1	\$0.2	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	115,599	33,137	36,751	28,496	16,225	990
	Exempt Assessed Value	\$2,059.3	\$865.1	\$499.4	\$462.6	\$217.0	\$15.2
	Taxable Assessed Value	\$11.6	\$1.7	\$2.2	\$7.3	\$0.3	\$0.0
Number of Properties							
With Unit Data		294	93	79	87	33	2
Number of Properties							
Without Unit Data		34	0	5	9	17	3

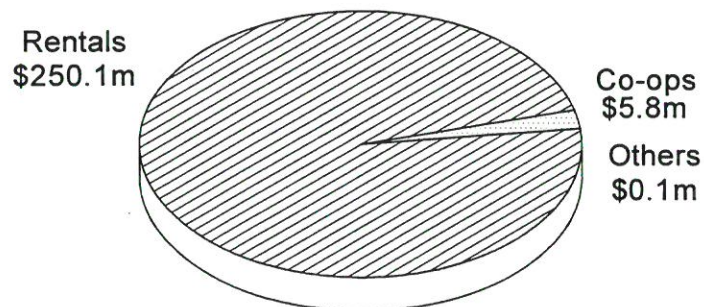
¹ Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type Housing Development Fund Companies (HDFC)

Distribution of Housing Units



Distribution of Exempt Value



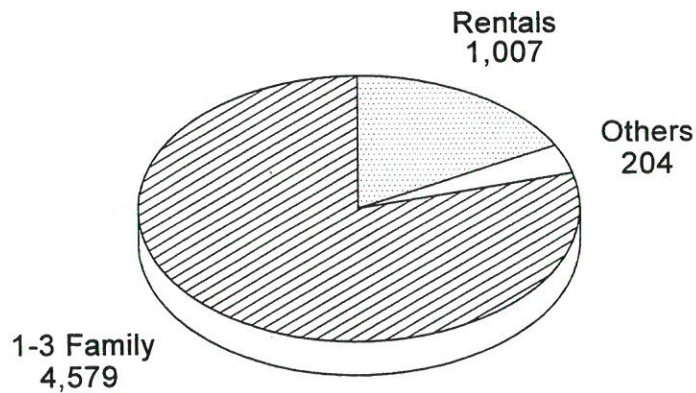
**Distribution of Exemptions
By Borough and Property Type**

Program: <u>Housing Development</u> <u>Fund Corporation (HDFC)</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	395	329	0	66	0	0
	Exempt Assessed Value	\$5.8	\$4.7	\$0.0	\$1.1	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	14,149	3,897	4,287	4,454	1,339	172
	Exempt Assessed Value	\$250.1	\$88.1	\$63.6	\$70.2	\$24.2	\$4.0
	Taxable Assessed Value	\$2.8	\$0.0	\$2.5	\$0.2	\$0.1	\$0.0
Mixed Use ¹	Number of Units	2	0	0	2	0	0
	Exempt Assessed Value	\$0.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	14,546	4,226	4,287	4,522	1,339	172
	Exempt Assessed Value	\$255.9	\$92.8	\$63.6	\$71.3	\$24.2	\$4.0
	Taxable Assessed Value	\$2.8	\$0.0	\$2.5	\$0.2	\$0.1	\$0.0
Number of Properties							
With Unit Data		163	53	48	50	10	2
Number of Properties							
Without Unit Data		26	4	3	18	1	0

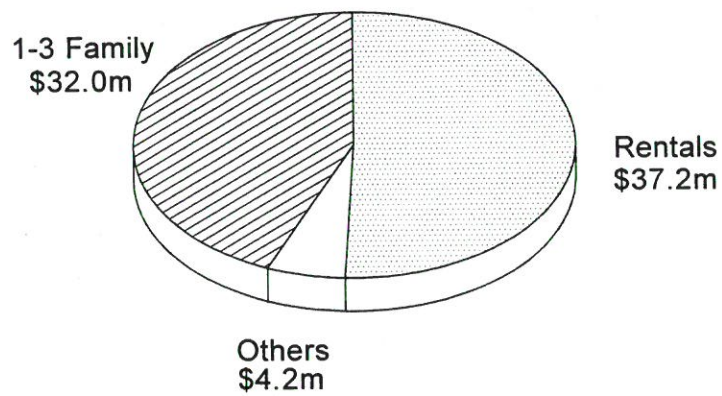
¹ Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type Urban Development Action Area Projects

Distribution of Housing Units



Distribution of Exempt Value



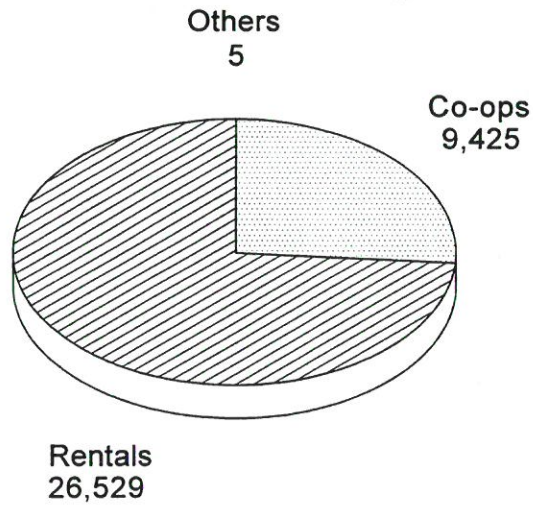
**Distribution of Exemptions
By Borough and Property Type**

Program: <u>Urban Development Action Area Projects (UDAAP)</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	4,579	8	573	3,527	466	5
	Exempt Assessed Value	\$32.0	\$0.1	\$4.9	\$23.6	\$3.3	\$0.0
	Taxable Assessed Value	\$9.3	\$0.0	\$0.6	\$7.6	\$1.1	\$0.0
Condos	Number of Units	199	138	60	0	1	0
	Exempt Assessed Value	\$4.1	\$2.2	\$1.6	\$0.0	\$0.3	\$0.0
	Taxable Assessed Value	\$1.6	\$1.3	\$0.2	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	1,007	788	0	219	0	0
	Exempt Assessed Value	\$37.2	\$36.5	\$0.0	\$0.7	\$0.0	\$0.0
	Taxable Assessed Value	\$10.0	\$9.8	\$0.0	\$0.3	\$0.0	\$0.0
Mixed Use ¹	Number of Units	5	0	0	5	0	0
	Exempt Assessed Value	\$0.1	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	5,790	934	633	3,751	467	5
	Exempt Assessed Value	\$73.3	\$38.8	\$6.5	\$24.3	\$3.7	\$0.0
	Taxable Assessed Value	\$20.9	\$11.1	\$0.8	\$7.9	\$1.1	\$0.0
Number of Properties With Unit Data		4,070	149	460	3,177	279	5
Number of Properties Without Unit Data		316	0	231	14	71	0

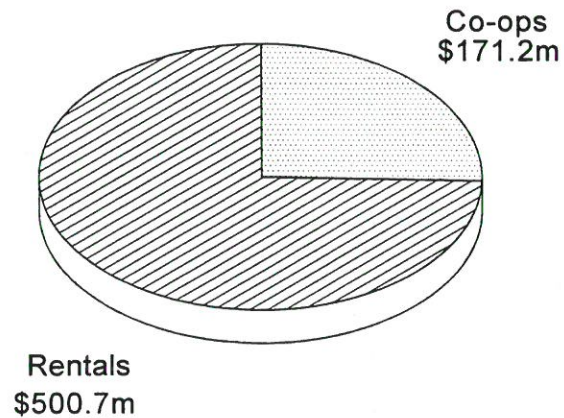
¹ Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type "Other Residential" Exemptions

Distribution of Housing Units



Distribution of Exempt Value



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

Program: "Other Residential"¹

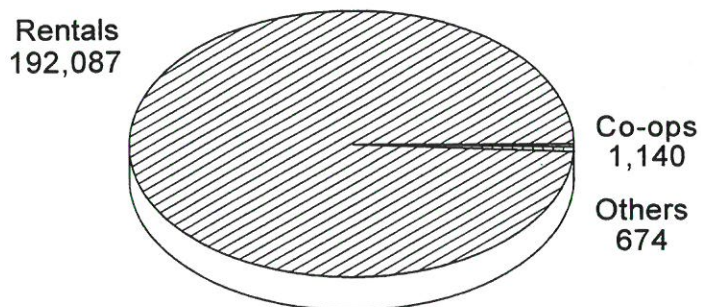
		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	5	0	1	4	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	9,425	5,773	407	3,245	0	0
	Exempt Assessed Value	\$171.2	\$111.1	\$6.6	\$53.5	\$0.0	\$0.0
	Taxable Assessed Value	\$24.2	\$23.3	\$0.9	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	26,529	8,301	8,857	6,851	2,275	245
	Exempt Assessed Value	\$500.7	\$189.3	\$162.3	\$109.6	\$34.1	\$5.4
	Taxable Assessed Value	\$1.0	\$0.0	\$0.8	\$0.2	\$0.0	\$0.0
Mixed Use ²	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	35,959	14,074	9,265	10,100	2,275	245
	Exempt Assessed Value	\$672.0	\$300.4	\$168.9	\$163.1	\$34.1	\$5.4
	Taxable Assessed Value	\$25.2	\$23.3	\$1.7	\$0.2	\$0.0	\$0.0
Number of Properties							
With Unit Data		414	102	153	139	12	8
Number of Properties							
Without Unit Data		12	0	9	3	0	0

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

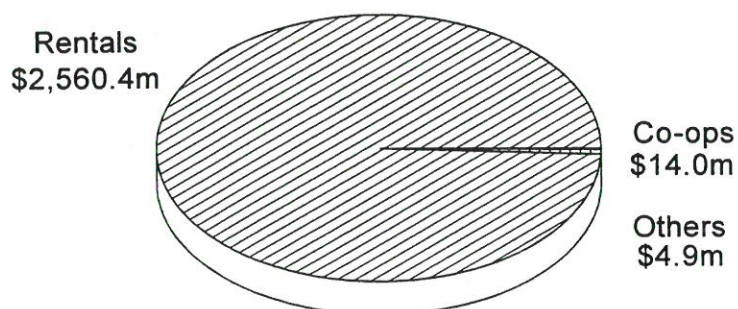
² Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type New York City Housing Authority

Distribution of Housing Units



Distribution of Exempt Value



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

Program: New York City Housing Authority

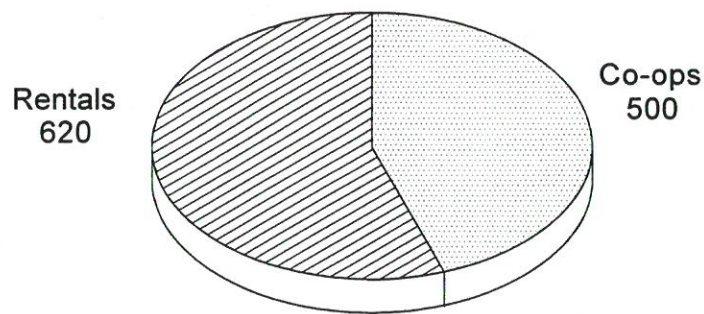
(\$ Millions)

		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	674	0	8	241	425	0
	Exempt Assessed Value	\$4.6	\$0.0	\$0.1	\$1.3	\$3.3	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	1,140	317	307	300	216	0
	Exempt Assessed Value	\$14.0	\$0.1	\$5.3	\$6.5	\$2.1	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	192,087	61,455	47,381	61,477	17,442	4,332
	Exempt Assessed Value	\$2,560.4	\$897.9	\$653.4	\$764.3	\$197.8	\$46.9
	Taxable Assessed Value	\$25.2	\$13.6	\$5.8	\$5.5	\$0.0	\$0.2
Mixed Use ¹	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.3	\$0.1	\$0.1	\$0.1	\$0.1	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	193,901	61,772	47,696	62,018	18,083	4,332
	Exempt Assessed Value	\$2,579.4	\$898.1	\$658.9	\$772.2	\$203.3	\$46.9
	Taxable Assessed Value	\$25.2	\$13.6	\$5.8	\$5.5	\$0.0	\$0.2
Number of Properties							
	With Unit Data	1,272	259	209	371	420	13
Number of Properties							
	Without Unit Data	64	13	21	21	9	0

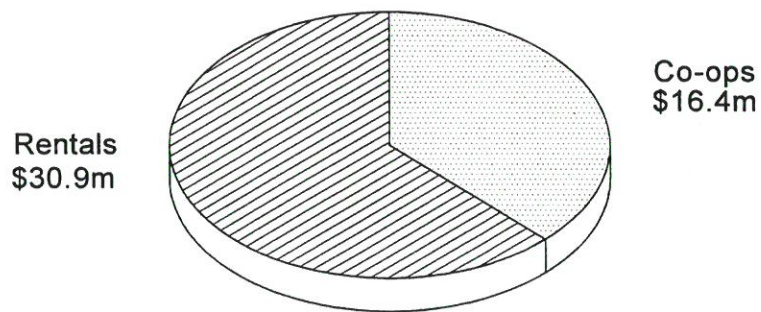
¹ Mixed Used properties include structures that combine residential with retail or office uses.

Distribution by Housing Type Urban Development Corporation (UDC)

Distribution of Housing Units



Distribution of Exempt Value



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

Program: <u>Urban Development Corporation</u>		(\$ Millions)					
		<u>Citywide</u>	<u>Manhattan</u>	<u>Bronx</u>	<u>Brooklyn</u>	<u>Queens</u>	<u>Staten Island</u>
1-3 Family	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Condos	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cooperatives	Number of Units	500	225	0	275	0	0
	Exempt Assessed Value	\$16.4	\$7.4	\$0.0	\$9.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Rentals	Number of Units	620	620	0	0	0	0
	Exempt Assessed Value	\$30.9	\$30.9	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Mixed Use ¹	Number of Units	0	0	0	0	0	0
	Exempt Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All	Number of Units	1,120	845	0	275	0	0
	Exempt Assessed Value	\$47.3	\$38.4	\$0.0	\$9.0	\$0.0	\$0.0
	Taxable Assessed Value	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Number of Properties							
	With Unit Data	16	15	0	1	0	0
Number of Properties							
	Without Unit Data	0	0	0	0	0	0

¹ Mixed Used properties include structures that combine residential with retail or office uses.

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INDEX TO TAX EXPENDITURE DESCRIPTIONS

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

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

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