

TAX REVENUE FORECASTING DOCUMENTATION

Financial Plan Fiscal Years 2015–2019

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To Our Readers:

Thank you for your interest in the Mayor's Office of Management and Budget's (OMB) Tax Revenue Forecasting Documentation report for Financial Plan Fiscal Years 2015-2019.

This report describes how OMB economists evaluate tax trends, and analyze economic data, in order to forecast the amount of tax revenue the City will collect on an annual basis. The Mayor and City Council use this revenue assessment to determine the amount of City funds that are available to invest in critical public needs, including public safety, education, social services, and infrastructure projects. Tax revenues are also used to fund reserves that will help the City manage through difficult times.

By properly estimating available resources, the tax revenue forecast allows the City to serve as a good steward of our resources, protect our long-term fiscal health, and better serve New Yorkers across every borough.

**TAX REVENUE
FORECASTING DOCUMENTATION
FINANCIAL PLAN**
Fiscal Years 2015–2019

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INTRODUCTION

As mandated by the New York City Charter, this report documents the forecasting methodology for each tax revenue source which represents five percent or more of total New York City tax revenue. The taxes which meet this requirement are the real property, personal income, sales, general corporation taxes, and the NYC corporation tax. Beginning 2007, non-charter mandated taxes have been included in this report.

Although this document focuses on structured approaches, this does not signify that developing the tax forecasts is purely a mechanical process. The methodologies described in this report are the tools used to develop the forecast. The results which these models produce are supplemented by information derived from analysis of tax collections as well as judgments concerning many factors, both economic and behavioral.

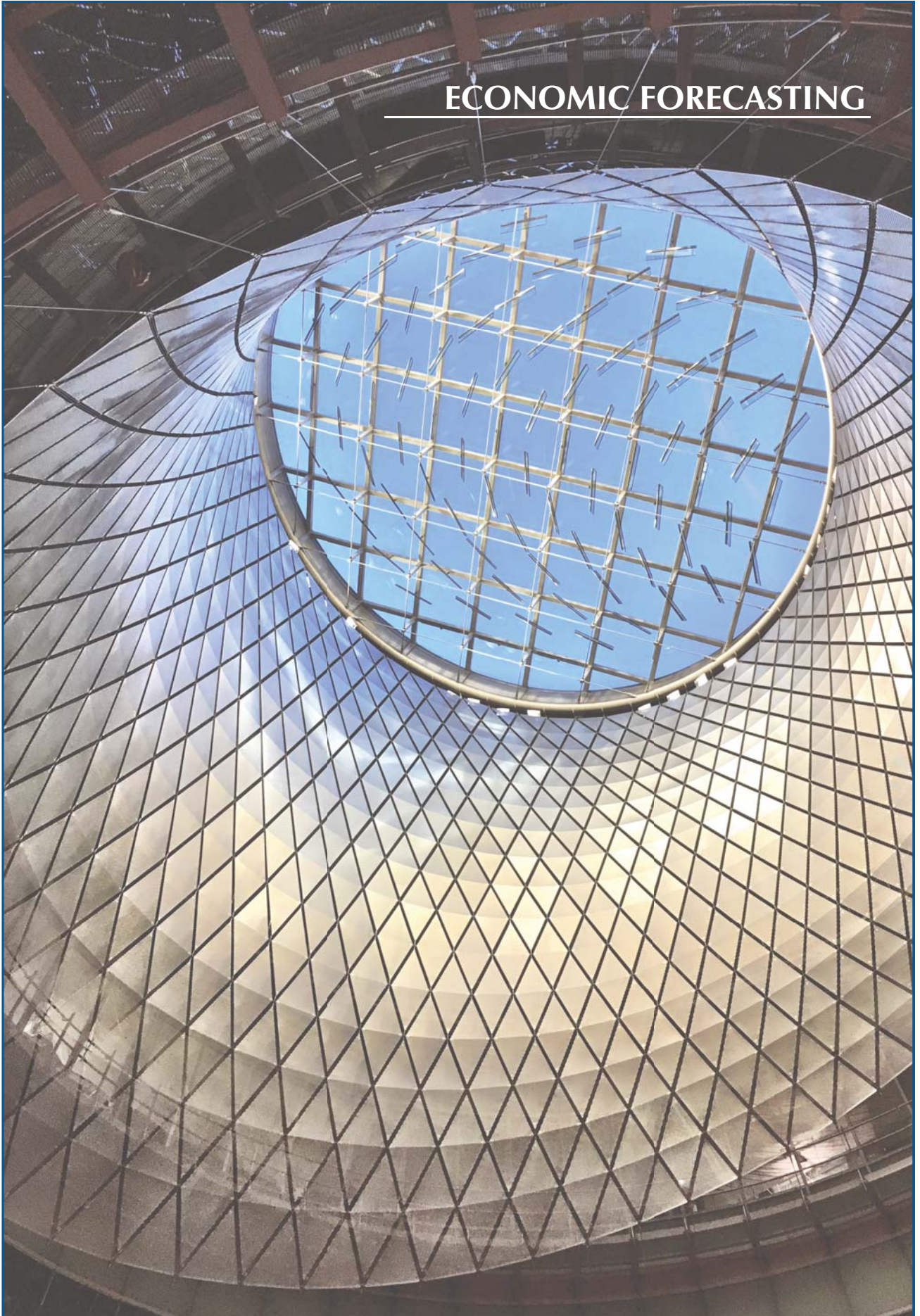
Tax Revenue Forecast - June 2016 Plan

(\$ in Millions)

Taxes	Fiscal Year			
	2014 (Actuals)	Share	2015 (Forecast)	Share
Real Estate-Related Taxes:				
Real Property	\$21,317	41.0%	\$22,913	42.6%
Commercial Rent	735	1.4	780	1.5
Real Property Transfer	1,765	3.4	1,696	3.2
Mortgage Recording	1,155	2.2	1,227	2.3
Income-Based Taxes:				
Personal Income	10,629	20.5	10,803	20.1
General Corporation	2,873	5.5	3,598	6.7
Banking Corporation	1,214	2.3	306	0.6
Unincorporated Business	1,962	3.8	2,057	3.8
Consumption and Use Taxes:				
Sales and Use	6,742	13.0	6,948	12.9
Utility	384	0.7	360	0.7
Cigarette	50	0.1	45	0.1
Hotel	556	1.1	570	1.1
All Other	592	1.1	611	1.1
Subtotal*	\$49,975	96.2%	\$51,915	96.5%
Tax Audit Revenue	1,132	2.2	1,060	2.0
STAR Aid	835	1.6	814	1.5
Total*	\$51,942	100.0%	\$53,789	100.0%

*Total may not add due to rounding.

ECONOMIC FORECASTING



ECONOMIC FORECASTING

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ECONOMIC FORECASTING

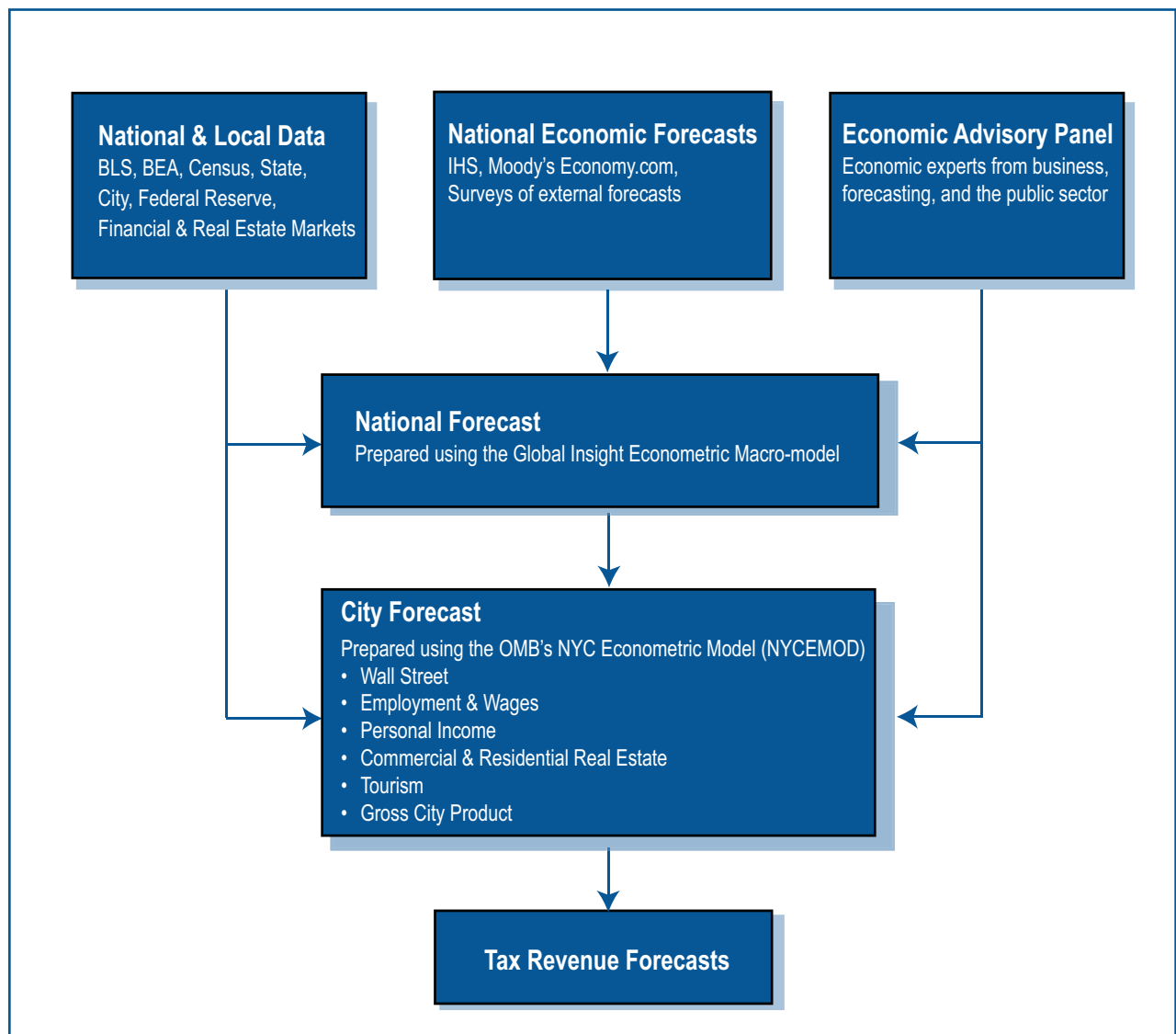
OVERVIEW

This section explains the fundamental methods used by OMB to forecast the New York City economy. The economic forecast for the City is then used as part of the tax revenue estimation process. In the most basic terms, the City's forecast uses local and national data incorporated into dynamic econometric models, along with feedback from a panel of outside experts (Figure 1). The main econometric component of the forecast consists of two structural statistical models. The first is a national econometric model developed by an outside macroeconomic consultant, IHS Markit, Ltd., which is a descendant of Data Resources Inc. and Wharton Econometrics. The second is a model

of the NYC economy developed internally by OMB.

The first step in the forecasting process involves the preparation of a national forecast, using the econometric macro-model built by IHS Markit. IHS produces a forecast of the national economy based on assumptions regarding aggregate behavior and other indicators, such as the path of monetary policy, oil prices, and corporate earnings. OMB analyzes and modifies those assumptions if necessary based on information from other sources; i.e. Moody's Analytics, financial and futures markets, the Energy Information Administration, the Federal Reserve and other outside government agencies.

Figure 1. Forecasting Process



To augment the many sources of assumptions, OMB convenes its Panel of Economic Advisers twice a year – in December before the Financial Plan and in March before the Executive Budget. Members of the Panel include economists and forecasters representing the major sectors of the economy including banking, commercial and residential real estate, and tourism. The Panel members present their opinions and projections on both the U.S. and New York City economies, as well as any specific economic factors that might influence the forecast. The main U.S. forecast assumptions are finalized after this Panel meeting. A baseline U.S. macroeconomic forecast is then produced by OMB using the IHS Markit macroeconometric simulation software. The major indicators of the U.S. forecast are then compared with the latest forecast released by other noteworthy organizations including the Federal Reserve, the Federal OMB, the Congressional Budget Office, the Blue Chip Consensus Forecast, and other outside forecasters.

NEW YORK CITY FORECAST

A forecast of the New York City economy is produced using OMB's internal New York City Economic Model (NYCEMOD). Exogenous inputs for NYCEMOD consist of OMB's forecast of the major U.S. indicators based on the IHS Markit macro-model, other forecast providers (such as Moody's Analytics), and the Economic Advisory Panel. The equations in NYCEMOD produce forecasts for the major sectors of the NYC economy, including Wall Street profits, employment and wages, personal income, commercial & residential real estate, tourism, and Gross City Product. More details of each NYCEMOD sector are discussed below.

Certain adjustments to the City model are part of the forecasting process. One of the most difficult sectors to project is Wall Street's financial performance. OMB utilizes a combination of econometric techniques and the latest analysis from industry experts in arriving at the final forecast for NYSE member-firm profits. In addition, the latest estimates of New York City wage earnings are calibrated with the data on New York City personal income tax withholding, which are more current and provide a good proxy of wage earnings. The final forecast of New York City economic indicators is produced after all these forecast assumptions are incorporated into NYCEMOD and the overall output is reviewed for consistency.

NYCEMOD

New York City's Economic Model (NYCEMOD) is a structural econometric model that forecasts a number of key variables. These variables serve as inputs for the tax revenue forecast. NYCEMOD consists of over 100 equations and identities describing Wall Street, labor markets, wages, personal income, commercial & residential real estate markets, tourism and Gross City Product. NYCEMOD's base frequency is quarterly and most of the relationships are estimated over a historical span from 1990 to the latest available data. The start date is determined by the availability of industry-level data classified using the North American Industry Classification System. Stochastic equations are periodically re-estimated and the model is solved to generate a four-year projection of the NYC economy. Figure 2 shows the logical relationships in the model. Each of the major blocks is described in more detail below, including general equation structure and data sources.

WALL STREET

Due to the changing nature of financial markets, it is inherently difficult to forecast the performance of the financial sector – which provides a disproportionately large share of the City's income. The securities sector alone, while only four percent of the employment in the City, accounts for 19 percent of the City's annual wage earnings. While vitally important to forecast, it is impractical to rely on the output of the econometric model alone.

Because of this sector's complexity, it is necessary to augment the model's results by using a number of quantitative techniques and judgments to better reflect Wall Street behavior at different time horizons. As a proxy for Wall Street activity, OMB tracks and analyzes the performance of New York Stock Exchange (NYSE) member firms. Aggregate statistics of the firms' performance are reported by the NYSE on a quarterly basis, usually two months after the close of a calendar quarter. A general proxy used to summarize the overall performance of these firms is referred to as NYSE member-firm profits.

For the immediate forecast quarter, OMB monitors the advance earnings reports of the large NYC banks. These firms release their quarterly reports soon after their fiscal quarters conclude, providing an early picture of financial activity for the industry as a whole. Forecasting earnings over longer horizons

relies on a consensus view driven by several separate methods. The first is derived from an assessment of the individual revenue lines and major expense items. The revenue lines including trading, commission, underwriting, investment, margin interest, other revenue related to securities, fees and other revenue are forecasted separately. A consensus forecast of the S&P 500 is used in many of the estimates, but trend analysis and interest rate spreads are also used where appropriate. On the expense side, compensation and interest expense are broken out and estimated separately from other expenses.

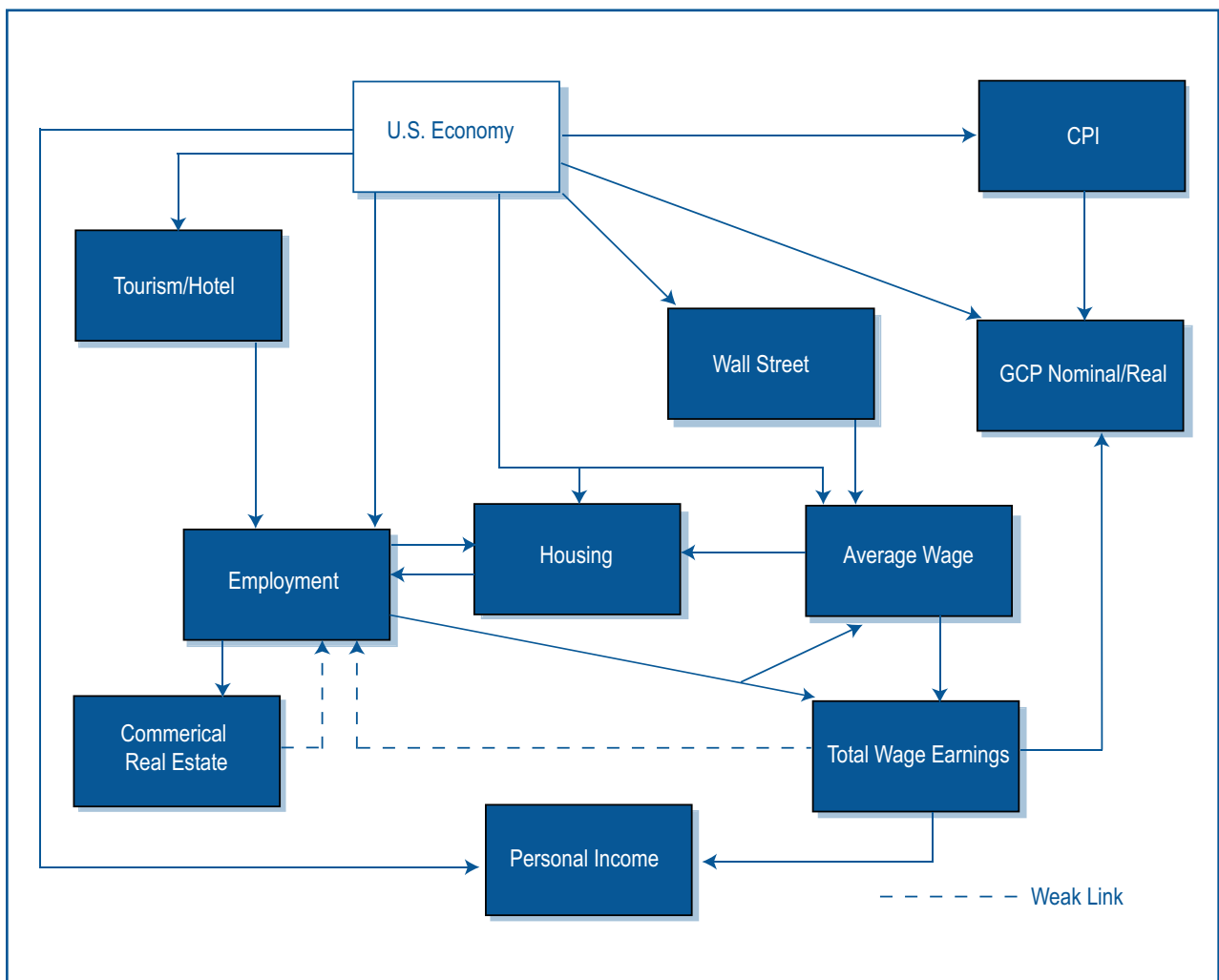
NYSE profits are used as an explanatory variable in NYCEMOD to help predict many of the local variables – both directly, through the securities sector employment and wages, and indirectly through other labor sectors, the commercial office market, and the local housing market.

EMPLOYMENT

NYCEMOD forecasts major employment sectors of the City’s economy. The model classifies the different sectors into either export industries, local industries or a combination of the two. Export sectors are defined by their ability to generate external flow of funds into the City. For example, the City’s primary export sector is finance. On the other hand, the goods and services produced by the local sectors are consumed mostly by City residents. Construction, for example, is often considered a local industry. Because of New York City’s standing as a global city, many industries both export their goods and services outside the City while also servicing local needs (Figure 3).

The source of the employment data is the Current Employment Statistics (CES) provided by the New York State Department of Labor. OMB applies the Census X12 statistical method to seasonally adjust the raw data. The core employment equations in

Figure 2. NYCEMOD Flow Chart



NYCEMOD utilize the seasonally adjusted data.

The model forecasts the first difference of the cyclical sectors, while the non-cyclical sectors are forecast in levels. First differencing accounts for stochastic trends in the employment data. An equation estimated for an employment sector has three types of regressors:

$$\text{CES Sector Employment} = F(\text{Macro Variables, Sector Specific Variables, Dummy Variables})$$

CES aggregates are determined as identities that sum over the component sectors. For instance, private employment would be the summation of all sectors with the exception of government.

Figure 3

Employment Sector	
Finance & Insurance	Export
Real Estate	Local
Professional & Business Services	Mixed
Leisure & Hospitality	Export
Information	Export
Transportation & Utilities	Local
Wholesale Trade	Mixed
Retail trade	Mixed
Construction	Local
Manufacturing	Export
Other Services	Local
Health	Local
Education	Local
Government	Local

WAGES

NYCEMOD forecasts the mean wage for the employment sectors listed in Figure 3. The source of the wage data is the Quarterly Census of Employment and Wages (QCEW), published by the U.S. Bureau of Labor Statistics, which is not seasonally adjusted. Similar to the employment variables, regressors used in the wage equations can be categorized into national (exogenous) variables and sector-specific influences, which are exogenous for estimation purposes, but may be endogenously determined in the forecast period as a result of the model solution. The explanatory variables include U.S. wage and employment data from IHS Markit macro-model and local inputs, including seasonally adjusted CES employment data. Most of the equations are in log form.

An equation estimated for mean wages takes the form:

$$\text{Sector QCEW Mean Wage} = F(\text{National Variables, Local Employment Variables, Seasonal Dummy Variables})$$

National wage effects capture the impact of overall macroeconomic growth on local wages. Local employment effects include the relative size of employment in the sector and labor market conditions. The one exception to this wage specification pattern is the securities sector. Wages in this sector are determined by Wall Street performance.

Total sector wage earnings (not seasonally adjusted) are calculated as the product of QCEW mean wage and QCEW employment.

$$\text{Sector wage earnings} = (\text{QCEW Sector Employment}) \times (\text{QCEW Mean Wage})$$

Since the model forecasts CES employment, it is necessary to estimate QCEW employment data based on the CES data. This occurs by applying the year-over-year growth rates from the forecast of a CES sector to its corresponding QCEW sector.

PERSONAL INCOME

NYCEMOD forecasts the City's total personal income and its components. Historical data is provided by BEA at a county level but is only available at an annual frequency with significant lags. Figures are released in November for the year ending 11 months prior. The seven components of personal income (with 2014 values) as defined by BEA are shown in Figure 4.

Because the base frequency of NYCEMOD is quarterly, it is necessary to interpolate higher frequency data from the annual data release. This is accomplished by applying the quarterly pattern for New York State personal income variables to the corresponding City variables. Historical data run from 1975 through 2014, the latest available observation.

Each component of personal income is forecasted separately, using both local and macro variables as drivers. By far the most important of these items is wage and salary disbursements, forecasts of which are driven by the local employment and wage forecasts. Other components are related to a combination of local and/or national factors. For example, NYC dividends,

interest, and rent are a function of U.S. dividend payments to individuals, U.S. personal interest income, and U.S. personal rental income (with a capital consumption adjustment). Linking to components of national personal income has the advantage that the data is available at a higher frequency. For the most recent two-year history, the local values are back-cast using the historical U.S. data. Going forward, forecast values of these national factors are taken from the Global Insight macro-model output.

COMMERCIAL REAL ESTATE

The commercial real estate market is a vital component of the City's economy. There are approximately 400 million square feet of inventory in Manhattan, the City's central business district, making it the largest office market in the country. Within the commercial office market, NYCEMOD includes equations on Asking Rents, Vacancy Rates, Occupied Inventory, and Total Inventory for both the Primary (Class A) and Secondary (Class B) markets. The Class A market is broken down geographically into Midtown and Downtown.

The source of the office market data is the commercial real estate firm, Cushman & Wakefield. Most of the variables listed above span the time period from 1986 to the present. The original data are monthly and then compiled quarterly using the last month of the quarter.

The commercial real estate market equations constitute a relatively autonomous block within the overall NYCEMOD. The main linkage from NYCEMOD to the real estate block is office-using employment, which is forecast by NYCEMOD. Office-using employment is defined as financial activities, professional & business services, and information. Within the real estate block, most of the values are determined endogenously. The main

exception is office inventory, the path of which is set outside the model. Because new commercial buildings take approximately three years to complete from start, it is possible to generate a reliable forecast of inventory by simply tracking new developments in the pipeline.

The general structure of the commercial real estate model is:

$$\begin{aligned} \text{Inventory} &= F(\text{Future Development}) \\ \text{Occupied Inventory} &= F(\text{Office-Using Employment}) \\ \text{Asking Rents}^1 &= F(\text{Vacancy Rates}) \\ \text{Vacancy Rates} &= (\text{Inventory} - \text{Occupied Inventory})/\text{Inventory} \end{aligned}$$

There are further geographical relationships. The Midtown Primary market is assumed to be the central market. Therefore, Downtown conditions are partly derived from their relationship to Midtown. For example, Downtown occupancy has been estimated to increase if the gap in asking rents between Midtown and Downtown increases.

RESIDENTIAL REAL ESTATE

The residential real estate section was added to NYCEMOD in 2007. Previously, this economic sector was forecast separately from the main model. However, with an increase in the availability and frequency of relevant data, it became possible to incorporate a basic analysis into the model. Three components of the residential real estate markets are tracked within NYCEMOD: transaction volume (sales), transaction prices, and new construction.

Transaction volumes and prices are estimated for both Class 1 (1-3 family homes) and Class 2 (co-op and condo) properties. Historical data are compiled quarterly using transaction data provided by the NYC Department of Finance.² Transaction volume measures the number of sales per quarter and

Figure 4

NYC Personal Income and Components	2014 Values (\$ in Billions)
Unadjusted Personal Income	\$681.9
Wage and Salary Disbursements	352.1
Personal Current Transfer Receipts	88.7
Proprietors Income	61.4
Supplements to Wages and Salaries	73.5
Dividends, Interest and Rent	106.3
Less	
Adjustment For Residence	126.0
Contributions For Government Social Insurance	48.7

¹ Asking Rents are only based on the asking rate for available, unleased space.

transaction price represents the average price of those sales. The product of these two gives the total gross quarterly value of residential sales.

The basic framework of the residential market is given by the following equations:

Price of Single-Family Homes = F(S&P/Case-Shiller Single Family Index)

Price of Co-op = F(Single-Family Price)

Price of Condo = F(S&P/Case-Shiller Condo Values Index)

Sales of Single-Family Homes = F(U.S. Single-Family Homes Sales, NY Affordability Index³)

Sales of Co-ops = F(Sales of 1-3 Family homes, NYC Personal Income)

Sales of Condos = F(NYC Housing Permits, Trade-Weighted Exchange Rate, S&P500 Index)

Permits = F(U.S. Housing Starts, NYC Employment, Interest Rates)

Completions = F(Permits)

TOURISM

A section of NYCEMOD is dedicated to forecasting hotel activity. The two key indicators useful for measuring growth in the industry are hotel occupancy rates and the hotel room rates.

Historical data for hotel occupancy rates and hotel room rates are supplied by PKF Consulting, which obtains industry data through monthly surveys of NYC hotels. Hotel occupancy rates come from a questionnaire directed at hotel managers who are asked to report average monthly vacancy rates and the average monthly room rate. The City average room rate is the mean pre-tax rate across all surveyed establishments. These two data series date back to 1980.⁴

The tourism industry is primarily an export sector. As a result, behavior is mainly driven by the performance of the U.S. and international economies. To capture these relationships occupancy rates are modeled as a function of real U.S. disposable income, a trade-weighted exchange rate, and local business

activity. Room rates are then determined as a function of contemporaneous occupancy rates.

The inventory of hotel rooms is not forecast within NYCEMOD. Similar to projections of office building inventory, there is sufficient information outside of the model to estimate the number of new hotel rooms in the development pipeline. Price Waterhouse Coopers' lodging reports are an important source of data. Industry contacts and media reports are also used to track additions to inventory.

GROSS CITY PRODUCT

Gross City Product (GCP) is estimated on an annual basis using the wage earnings forecast generated by NYCEMOD. NYC real gross city product is determined as a share-down of U.S. GDP. The magnitude of the share proportion varies over time and is determined as the ratio of adjusted NYC wage earnings to U.S. wage earnings. OMB makes accrual adjustments to wages in order to attribute bonus sector payments to the year in which the bonus was earned. This is particularly important for the securities sector, where bonuses are often paid in the first quarter of the calendar year based on performance in the previous year.

² Administrative data provided by the NYC Department of Finance is processed before it is used for analytical purposes. This includes removing non-arms length transfers and consolidating multiple records of the same transaction. This process is frequently revised, as new information is provided, and due to corrections, amendments, and other administrative procedures, data may not stabilize for up to a year after the quarter closes.

³ NY affordability is defined as the ratio: $(1/3 * \text{NYC wage}) / (\text{Mortgage payments for an average priced home})$. Higher values correspond to more affordable housing.

⁴ The survey responses, which are averaged to create the series, are not weighted to reflect the number of rooms in each hotel that responds. The survey is comprehensive, however, with completed responses covering 35,000-45,000 rooms across a variety of hotels.

A photograph of Philadelphia City Hall with a variety of colorful tulips in the foreground. The tulips are in shades of purple, orange, yellow, and pink. The City Hall building is a large, classical-style structure with a prominent dome and columns. In the background, modern skyscrapers are visible under a clear blue sky. A tree with white blossoms is on the left side of the frame.

CHARTER MANDATED TAXES

Real Property Tax
Personal Income Tax
Sales Tax
General Corporation Tax
Business Corporation Tax

REAL PROPERTY TAX

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REAL PROPERTY TAX

OVERVIEW

The real property tax is the largest single source of City tax revenue, accounting for 41.0 percent of New York City tax revenue in 2015, or \$21,317 million.

The property tax is levied on properties' taxable billable assessed value at an average tax rate of 12.283 percent. The individual class tax rates are determined annually by the City Council at the adoption of the budget for the new fiscal year. For 2017, the class tax rates are as follows: Class 1 – 19.991 percent; Class 2 – 12.892 percent; Class 3 10.934 percent; and Class 4 – 10.574 percent. The assessment of real property tax in the City is governed by the provisions of the New York State Real Property Tax Law (NYSRPTL), the City Charter and the City Administrative Code. The New York City Department of Finance (DOF) administers the real property tax, determines the market value of all real properties in the City, and collects the property taxes levied.

State law requires DOF to assign every property to one of four real property tax classes. Class 1 consists of one-, two- and three-family residential properties and small condominiums. Class 2 consists of all other residential properties, including rentals and multi-family cooperatives and condominiums. Class 3 consists of utility real properties. Class 4 consists of all other real properties, such as office buildings, factories, stores and vacant lands.

Table 1

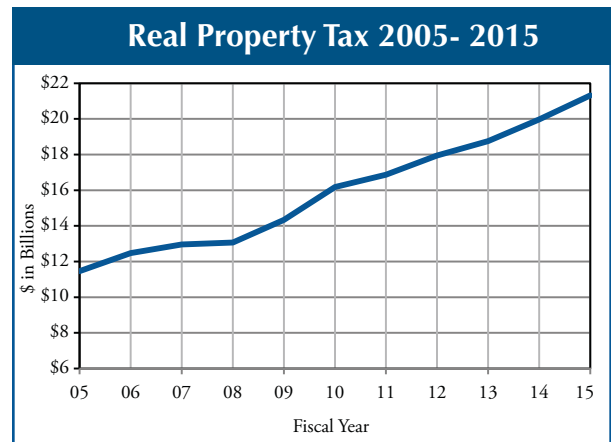
Distribution of Real Property (By Class)		
	Parcels*	% Share
Class 1	698,927	66.11%
Class 2	260,779	24.67%
Class 3	294	0.03%
Class 4	97,177	9.19%
Citywide	1,057,177	100.00%

*FY 2017 final roll

PROPERTY TAX SUMMARY

The Property Division of DOF annually estimates the full market value of each parcel of real property. Once the full market value of the property

Chart 1



is determined, the actual assessed value of the property is derived by multiplying full market value by an assessment ratio. The assessment ratio for each class is established by State law, which requires all properties in each class to be assessed at the same percentage of full market value. Tax Class 1 is assessed at six percent of full market value and Tax Classes 2, 3 and 4 are assessed at 45 percent of full market value.

The actual assessed value of Class 1 or small Class 2¹ (10 units or less) properties is then adjusted to account for the assessment caps. The actual assessed value of large Class 2² (more than 10 units) or Class 4 properties is similarly adjusted to account for the phase-in requirements from prior years to yield the billable assessed value. All or a portion of the billable assessed value of a property may be eligible for exemption from taxation. Billable assessed value less exemptions yields taxable billable assessed value. There are no assessment caps or phase-in requirements for Class 3 properties.

The citywide taxable billable assessed value multiplied by the average tax rate yields total tax levy.

The Class share is the share of the total tax levy that is borne by each tax class and is regulated by the provisions of the NYSRPTL. Each tax class' share of the total tax levy is updated annually to reflect relative full market value changes among the four tax classes, as well as physical changes including new construction, demolition of properties, alterations, and changes in taxable status and reclassification of properties.

Once each class tax levy is set using class share, the tax rate for each tax class is then determined by dividing the levy for such tax class by the taxable billable assessed value of that tax class. The tax rates

¹Small Class 2 (10 units or less) includes rental, cooperative and condominium parcels that belong to buildings with 10 units or less.

²Large Class 2 (more than 10 units) includes rental, cooperative and condominium parcels that belong to buildings with more than 10 units.

Table 2

The Real Property Tax Calendar

- Market value survey and class equalization rates are published in December. (New York State Office of Real Property Tax Services, ORPTS)
- Tentative assessment roll is released in mid-January. (DOF)
- Taxpayers wishing to protest this assessment may do so by applying to the Tax Commission for a hearing.
- Calculating estimated class shares (Current Base Proportions) updates each class' share of the levy for changes in market value in April.
- The final assessment roll is released in late May. (DOF)
- Calculating final class shares (Adjusted Base Proportions) updates the class shares for physical changes in late May, after release of the final roll. (ORPTS)
- The final tax rates are set at budget adoption in June. (City Council)

are determined annually by the City Council at the adoption of the budget for the new fiscal year. The practice in recent years has been that the City Council holds the average tax rate constant, allowing the individual tax rates to fluctuate.

Some portion of the tax levy is uncollectible each year due to delinquency, cancellation of tax liability and tax abatements. The uncollectible taxes are forecast and reserved against the levy. The tax levy less the reserve for uncollected taxes yields the annual property tax revenue.

FORECASTING METHODOLOGY

The property tax revenue forecast starts with a forecast of taxable billable assessed value. Then, the total taxable billable assessed value is multiplied by the current average tax rate to yield the total tax levy. Next, the reserve for uncollectible taxes is forecast, which allows the calculation of total tax revenue (the total levy less the reserve). The total revenue is then distributed into a monthly cash flow model.

See Chart 2 for a summary of the Real Property Tax Revenue Estimating Procedure.

Taxable Billable Assessed Value Forecasting

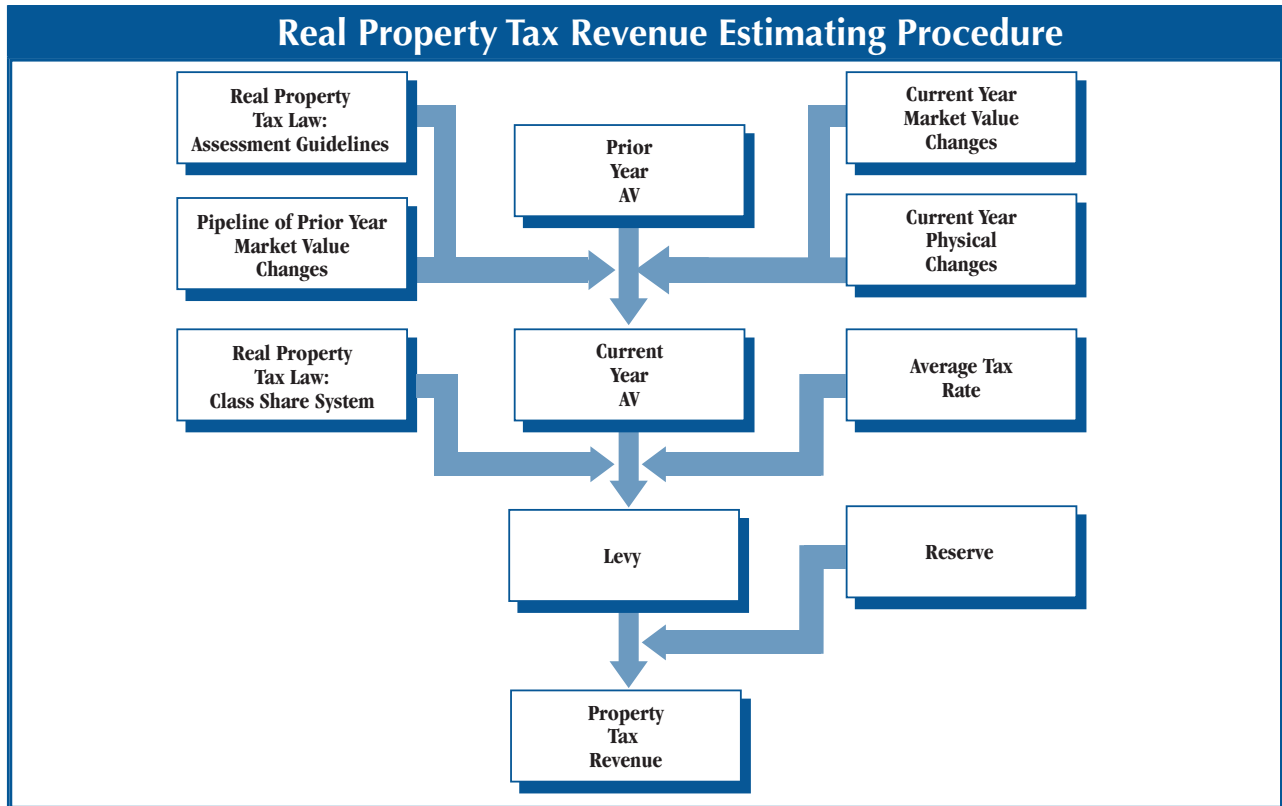
The taxable billable assessed value forecast begins with the determination of market value. Class 1 and Class 2A (four to six unit rentals) properties are valued based on sales of comparable properties. All other Class 2 and Class 4 properties are valued based on the income capitalization approach. Class 3 properties are valued based on the Reproduction Cost New Less Depreciation (RCNLD) method. Once the market value is determined, the actual assessed value is calculated by multiplying the market value by the class assessment ratio.

The law also established an assessment cap to restrict annual actual assessed value increases for Class 1 and small Class 2 (10 units or less) properties if the increases result from appreciation of the property value based on the market condition. These increases are capped at six percent per year and 20 percent over five years for Class 1 properties and eight percent per year and 30 percent over five years for small Class 2 properties. For large Class 2 (more than 10 units) and Class 4 properties, in addition to actual assessed value, an interim value called transitional assessed value is calculated. Actual assessed value changes (both increases and decreases) resulting from appreciation and depreciation of the property value based on the market condition are phased in over five years and incorporated into transitional assessed value. There are no assessment caps or phase-in requirements for Class 3 properties.

Billable assessed value is the lower of actual assessed value or transitional assessed value when a transitional assessed value for the property is generated. For properties with no transitional assessed value, the billable assessed value and the actual assessed value are the same. The taxable billable assessed value, upon which tax liability is based, is the billable assessed value less any portion of the assessed value that is exempt from taxation.

The taxable billable assessed value forecast is based on four components: (1) changes in assessed value due to physical changes; (2) changes in assessed value due to equalization (value appreciation/depreciation) in the current year, which are subjected to assessment caps or phase-ins; (3) phase-ins from prior year equalization changes into the current year transitional assessed value for large Class 2 and all of Class 4 properties – the “pipeline”; and (4) changes in assessed value due to new exemptions granted and the reduction or removal of existing exemptions. DOF takes into account legislative

Chart 2



and administrative changes when reviewing these four components for each class. Increases in assessments due to physical changes are generally not subject to any limitations or phase-in requirement. However, the assessment ratio for market value changes due to physical additions and improvements for small Class 2 properties is limited to 15 percent instead of 45 percent. This limitation does not apply to newly constructed buildings and properties that change their tax class from small Class 2 to large Class 2 as a result of improvements or additions.

The taxable billable assessed values for the four classes are totaled to provide the citywide taxable billable assessed value. The total citywide taxable billable assessed value is then multiplied by the current average tax rate of 12.283 percent to yield the property tax levy.

$$\text{Property Tax Levy} = \text{Total Billable Assessed Value} \times \text{Average Tax Rate}$$

Class 1 properties' market values are valued based on sales data of comparable properties. The Class 1 actual assessed value is calculated by multiplying the market value by the six percent assessment ratio. The actual assessed value growth for Class 1 properties due to equalization (price appreciation or depreciation based on the market condition) change is limited by law to six percent a year and 20 percent over five

years. For smaller Class 2 properties, actual assessed value increases due to equalization are limited to eight percent a year and 30 percent over five years. The assessment caps play a major role in the overall growth of the actual assessed value. For example, if a property's value grows beyond the cap, the excess growth is foregone due to the cap. Because of this limitation, many properties' billable assessed value growth is restrained.

Large Class 2 properties are valued as income-producing properties. The Class 2 actual assessed value is calculated by multiplying the market value by the 45 percent assessment ratio. The actual assessed value forecast for Class 2 properties is guided by the outlook of rental buildings' income. NYSRPTL Section 581 mandates that the assessments of residential cooperatives and condominiums market values, which are generally not income-producing properties, be based on the value of comparable rental buildings, rather than on a cooperative or condominium unit's sale price. Older properties tend to have comparable rentals which are typically subject to rent control laws while newer properties tend to have comparable rentals which are typically market rate rentals. Therefore, assumptions about incomes of market rate apartment buildings and the allowable rent increases for rent-stabilized units, set by the Rent

Guidelines Board, drive the forecast for Class 2 actual assessed values.

Class 3 properties are unique in that three utility companies comprise the vast majority of the class tax base. Utility properties are classified as special franchise properties (easements and rights of way), Real Estate Utility Corporations (REUC - plant and equipment), or other Class 3 properties. The valuation of special franchise utility properties is done by the New York State Office of Real Property Tax Services (ORPTS). In appraising the full value of these properties, ORPTS uses the inventory information reported by the utility companies to value the properties using the Replacement Cost New Less Depreciation (RCNLD) method. The rest of Class 3 properties are valued by DOF using a similar approach. The final actual assessed value is determined by DOF by multiplying the ORPTS certified full market value by the assessment ratio of 45.0 percent for Class 3.

Class 4 properties are valued as income-producing properties. The starting point for the market valuation is the net operating income data from income and expense statements filed by the property owners annually with DOF. For example, the taxpayers filed the income and expense data for the calendar year 2014 in calendar year 2015, which was used for valuing Class 4 properties as of January 5th 2016, the valuation date for the fiscal year 2017 roll. The income data is then adjusted for changes in economic conditions such as vacancy rates and building conditions since the last filing date. Finally, the market value is derived by capitalizing the net income using the income capitalization method.

Reserve Forecasting

The next step in forecasting property tax revenue is the forecast of reserve for uncollectible taxes. The initial levy adjusted for the reserve produces the total revenue forecast. The reserve represents the portion of the tax levy which remains uncollected from the current year levy for a variety of reasons. Delinquency, arising from the failure of taxpayers to pay their taxes in full by year end, is accounted for in the reserve. Statutory abatement programs, which lower the amount of levied tax (e.g. the co-op/condo abatement, the SCRIE and J-51 programs), are also accounted for in the reserve. Reductions in tax levy due to the Tax Commission and Law Department actions are reflected in the refunds and cancellations components of the reserve. The forecasts for refunds and cancellations are based on an estimate of the number of outstanding petitions as well as the average

amount of estimated reductions that are expected to be granted in assessed values for those properties in dispute.

The reserve also allows the City to account for shelter rent and exempt property restored to the tax roll after the final roll is published. Both of these are positive offsets to property tax revenue, which are unaccounted for in the initial tax levy. In addition, collections from prior years' levies are also estimated and included in the reserve as a positive offset.

After the reserve is estimated, it is subtracted from the total levy to yield the tax revenue.

$$\text{Tax Revenue} = \text{Tax Levy} - \text{Reserve for Uncollectibles}$$

Cash Plan Approach

The cash plan approach is a monthly forecast of total fiscal year revenue or anticipated tax receipts. It provides a measure for monitoring monthly collections to determine whether actual tax receipts meet planned revenue. A separate cash plan is made for each of the four quarterly billing periods, for prior year collections, refunds and the lien sale.

A revenue shortfall or surplus against the monthly cash plan may signal a temporary payment pattern shift or an incorrect estimate of the reserve component as the real property tax levy is a fixed amount set at the beginning of each fiscal year. If it is determined that this variance will not be resolved in the current fiscal year, adjustments to the reserve forecast are made at budget modifications, resulting in a change in revenue.

At the beginning of the fiscal year, a quarterly payment schedule for taxpayers is determined based on the amount of actual assessed value that falls into the semi-annual or quarterly payment schedules. If a parcel's actual assessed value is greater than \$250,000, the real property tax is payable semi-annually in July and January. If the parcel's actual assessed value is \$250,000 or less, the real property tax is payable quarterly in July, October, January and April. The threshold of billable assessed value was increased from \$80,000 to \$250,000 in 2009 in order to allow more homeowners to pay the real property tax quarterly. Once the breakdown by billing schedule is set, a monthly cash plan is made for the upcoming fiscal year using historical data on the percentage of total collections received in each month. Other factors, which affect the timing of collections such as administrative and legislative changes, are also

considered in finalizing the monthly cash plan.

The historical monthly patterns for prior year collections (PYCs) and refunds are also taken into consideration. For PYCs and refunds, however, July and August receipts are accrued back to the prior fiscal year. Therefore, the current year cash plan reflects the 12-month period from September through August.

TAX DETAIL

Tax Base

Tax Class and Assessment Cycle

State law requires that DOF assign every property to one of four tax classes. Class 1 consists of one-, two- and three-family residential properties and small condominiums. Class 2 comprises all other residential properties, including cooperatives, condominiums and multi-family rentals. Class 3 represents utility real properties. Class 4 consists of all other real properties, such as office buildings, factories, stores and vacant lands.

On the fiscal year 2017 final roll, the market values for Class 1 and Class 2 account for 46.6 percent and 24.1 percent, respectively, while Class 3 and Class 4 account for 3.1 percent and 26.2 percent, respectively, of the total market value. Among the residential properties, 36.7 percent of total residential units are Class 1, and the remaining 63.3 percent are Class 2.

The taxable status and billable assessed value of each property in the City are determined on January 5th for the subsequent fiscal year, which begins on July 1st. In mid-January, DOF publishes a tentative assessment roll and taxpayers are notified of their new assessment level. The tentative roll is open for public inspection and examination. Taxpayers can file a protest with DOF or the Tax Commission to correct factual errors relating to their properties' descriptions and market values. Owners of Class 1 properties may file a request to review their property values by March 15th. Other property owners may file a request by March 1st. After its review, DOF incorporates these changes through change-by-notice which are incorporated into the final roll. A change-by-notice must be mailed to the owner ten days before the assessment roll becomes final.

Taxpayers can also file a petition to challenge their properties' actual assessed value to the Tax

Commission.³ The property's actual assessed value may be protested if the underlying property is misclassified, or the underlying market value is alleged to be unlawful, unequal or excessive. The Tax Commission holds hearings on assessments beginning in April. Reductions in actual assessed value, granted by the Tax Commission up to approximately May 20th, are also incorporated into the final roll. A taxpayer who does not wish to accept a Tax Commission decision may begin an Article 7 proceeding (tax certiorari) in New York State Supreme Court. Petitions for review of the assessment with the Tax Commission are only for the current tax year.

Determination of Market Value

For Class 1 properties, the valuation methodology is based on the sales price of comparable properties. Sales price information is obtained from real property transfer tax returns. Physical inspections are conducted periodically and are compared with other information such as building permits (for repairs/renovation), fire reports and exemption applications. Properties are re-inspected at least once every five years. The Department of Finance uses statistical modeling to analyze prices of similar properties (based on factors such as size and location) that were sold in a neighborhood in the prior 3 years.

For Class 2 and Class 4 properties, the primary valuation methodology is the income capitalization approach. This approach requires three variables: income, expenses and a capitalization rate (cap rate), the rate of return an investor would reasonably expect.

To get the Market Value, the Department of Finance uses a statistical model as a tool to find typical income and expenses for properties that are similar (in terms of size, location, number of units and age).

Income and expense statements are required to be filed each year by owners of income-producing properties with an actual assessed value of more than \$40,000. Data from these statements are the starting point for the income capitalization approach to valuation. Income and expenses are adjusted to reflect the lag between reporting and the valuation dates for the assessment roll. When actual data do not exist, data from comparable properties are used for properties such as owner-occupied businesses or newly constructed properties. Other general conditions such as vacancy rates and building conditions are also taken into consideration. Smaller Class 2 buildings are also valued as income-producing properties.

³The Tax Commission is the City of New York's forum for independent administrative review of real property tax assessments set by the Department of Finance.

However, since most of these buildings are not legally required to file a Real Property Income and Expense (RPIE) statement, the valuation approach is the Gross Income Multiplier method (GIM). Department of Finance generates an estimate of typical income per square foot by comparable rental properties. Income for the entire building is generated by multiplying the income per square foot by the building's total square footage. The building's estimated income is then multiplied by a factor to generate the property's market value. For example, a building with income of \$200,000 and subject to a multiplier of 10 would be valued at \$2 million.

The appropriate cap rate is determined based on the analysis of the location, property type and quality of the income stream. DOF employs the "Band of Investment" approach to develop the cap rates. The variables for cap rate calculations are: 1) the mortgage equity ratio – the ratio of the mortgage to the equity for a property; 2) the property's mortgage interest rate; and 3) a rate of return on owner's equity. DOF uses either the Aaa or Baa bond rate on or close to January 5th to estimate the owner's rate of return. In addition, consideration is given to the fact that a property as an asset class is considerably less liquid than a bond, and also the fact that a property unlike a bond requires the expenditure of resources in its management. The following formula illustrates the estimation of the cap rate.

RATE OF RETURN ON OWNER'S EQUITY =
Aaa or Baa Bond Rate + Illiquidity factor
+ Management factor

CAP RATE =
(Mortgage Ratio * Mortgage Rate)
+ (Equity Ratio * Rate of Return on Owner's Equity)

Cooperatives and condominium buildings, which in general are non-income producing properties, are valued based upon the methodology stipulated under Section 581 of the RPTL. This section requires that these properties are to be valued as if they were rental buildings without regard to the sale price of individually owned units. Cooperative and condominium buildings in a number of prime real estate neighborhoods benefit from this valuation method using the comparable income capitalization approach as the net income from many comparable buildings are usually rent regulated, resulting in a suppressed level of income.

Class 3 properties consist of special franchise (the

right to locate, maintain and operate property in the public domain including tangible property such as pipelines, cables and other equipment on, below or over public property and also the intangible right to use the public right of way) and the Real Estate Utility Corporation properties (plant and equipment). The special franchise properties are assessed by SBRPTS using the RCNLD approach while the remaining Class 3 properties are assessed by DOF using a similar approach.

Assessment Ratios and Assessed Value

The property tax rate is levied on taxable billable assessed value that is a proportion of a property's full market value after exemptions. The proportion of full market value upon which the tax is levied is called the assessment ratio. Class 1 properties' assessment ratio is six percent while the assessment ratio for all other classes is 45 percent. Starting in 2006, assessment ratio increases due to physical additions and improvements for small Class 2 (10 units or less) properties are limited to 15 percent (instead of 45 percent). This new limitation does not apply to new buildings or to buildings where the improvements or additions result in large Class 2 (more than 10 units) properties. A property's full market value multiplied by the class assessment ratio yields the property's actual assessed value.

**Actual Assessed Value = Market Value x
Assessment Ratio**

In addition, there are restrictions on the year-over-year increases in actual assessed values due to equalization changes arising from by appreciation of the property values based on the market condition for Class 1 and small Class 2 (10 units or less) properties. Assessments of Class 1 properties may not increase by more than six percent annually and 20 percent over five years. For small Class 2 (10 units or less) properties, assessment increases may not exceed by more than eight percent a year and 30 percent over five years.

The assessment ratios and caps discussed above have limited the impact of market value increases on the taxable billable assessed value for Class 1 and small Class 2 (10 units or less) properties. In 2017, the Class 1 share of total market value is 46.6 percent while its share of total taxable billable assessed value is only 8.8 percent. Similarly, for small Class 2 (10 units or less) properties, their share of the market value is 5.5 percent while their share of the taxable billable

Chart 3

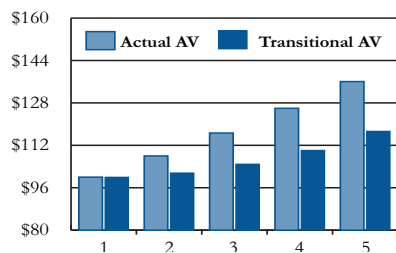
Type of Assessed Value

ACTUAL ASSESSED VALUE - The actual assessed value is the market value multiplied by the assessment ratio for each class.

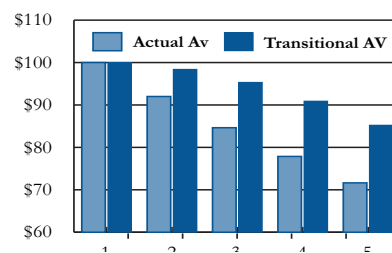
TRANSITIONAL ASSESSED VALUE - By law, increases and decreases in actual assessed values for Classes 2 and 4 must be phased in over a five-year period. The transitional assessed value represents the interim value during the phase-in period.

BILLABLE ASSESSED VALUE - Billable assessed value is the amount on which tax liability is based. The billable assessed value is the lower of actual assessed value or transitional assessed value.

**Billable Assessed Value In An Increasing Market:
Actual AV Lags Transitional AV**



**Billable Assessed Value In A Declining Market:
Transitional AV Lags Actual AV**



assessed value is 4.0 percent. However, assessment changes that result from physical changes made to the property are taxable immediately and are not subject to the assessment cap.

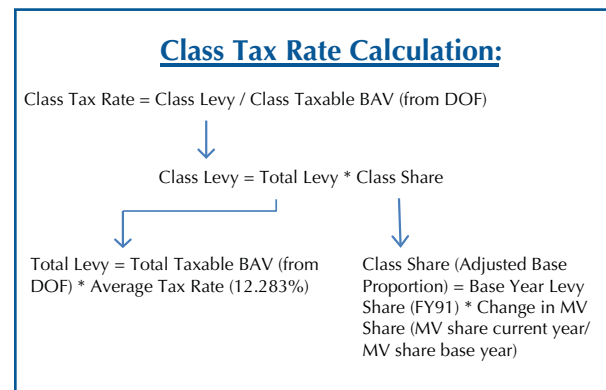
For all large Class 2 (more than 10 units) properties and all Class 4 properties, there are no annual restrictions on assessment increases. DOF calculates two types of assessed values for these properties. One value is actual assessed value, which is simply 45 percent of the full market value and includes all the physical as well as equalization changes recorded for the year. The other value is transitional assessed value which incorporates the assessment changes (increases or decreases) that are phased in over five years. This interim assessed value during the phase-in period includes 20 percent of the assessment changes due to equalization changes from the current year as well as 20 percent of the assessment changes from the previous four years. The billable assessed value in any given year is the lower of the actual assessed value or the transitional assessed value (See Chart 3). However, changes that are the result of physical changes are taxable immediately and are not subject to the phase-in requirement.

There are no statutory limitations on annual assessed value changes in Class 3 properties. See Appendix I: Real Property Tax for summary of assessed value by class.

Tax Levy and Tax Rate Determination

Class Shares and City Discretion

The City Council determines property tax rates annually for each of the four classes of property. Under the provisions of the NYSRPTL, the total levy is apportioned to each of the four classes of property using the “class shares”. Once the class levies are set, the class tax rates are determined annually by dividing the levy for each class by the taxable billable assessed value for the class.



The class shares calculation is authorized by NYSRPTL under the rules promulgated by ORPTS and the methodology has been unchanged since

Chart 4

Calculation of Adjusted Base Proportions		
	Base Year (FY 1990)	FY 2017
Given:	ORPTS: Class Equalization Rate DOF: Assessed Value by Class (FY 90 Roll)	ORPTS: Class Equalization Rate DOF: Assessed Value by Class <i>This calculation uses the rate and AV for the prior year's roll</i>
Derive:	Market Value by Class = AV by Class/ Class Equalization Rate	Market Value by Class = AV by Class/ Class Equalization Rate
Calculate:	Each Class' Market Value as a % of Total Market Value = BASE PERCENTAGE	Each Class' Market Value as a % of Total Market Value = CURRENT PERCENTAGE

For Each Class:

$$\frac{\text{Current \%}}{\text{Base \%}} \times \text{Local Base Proportion (FY91 Share)} = \text{Current Base Proportion}$$

➔

Adjustment for Physical Change

➔

Adjusted Base Proportion (FY17 Class Shares)

1992. Each year, this methodology updates the 1991 class shares for price-related and physical alteration changes in market value for the current year. The final class share is called the adjusted base proportion and is derived after a series of calculations. First, the levy shares by class in 1991 (the local base proportion) are adjusted for the changes in each class' market value share in the current year (the current percent) over the market value shares seen in 1990 (the base percent). The resulting share is called the current base proportion.⁴ This share is then adjusted for the changes in market value due to physical improvement or demolition in the current year to derive the adjusted base proportion. In addition, the current base proportion calculation takes into account the statutory cap of 5.0 percent in the year-over-year change in any one class' share. In a number of years, additional legislation has been sought to lower this cap to 2.0 percent. In 2009 and 2010, the cap was lowered to zero percent. In 2011 and 2012, the cap was set to 2.5 percent. In 2013, the cap was set to 1.5 percent. In 2014, the cap was set to 1.0 percent.

Chart 4 illustrates the methodology used to calculate the class shares. The base year percentages used in all subsequent annual calculations were determined in 1992 by taking the share of each class' market value to the total market value from 1990.

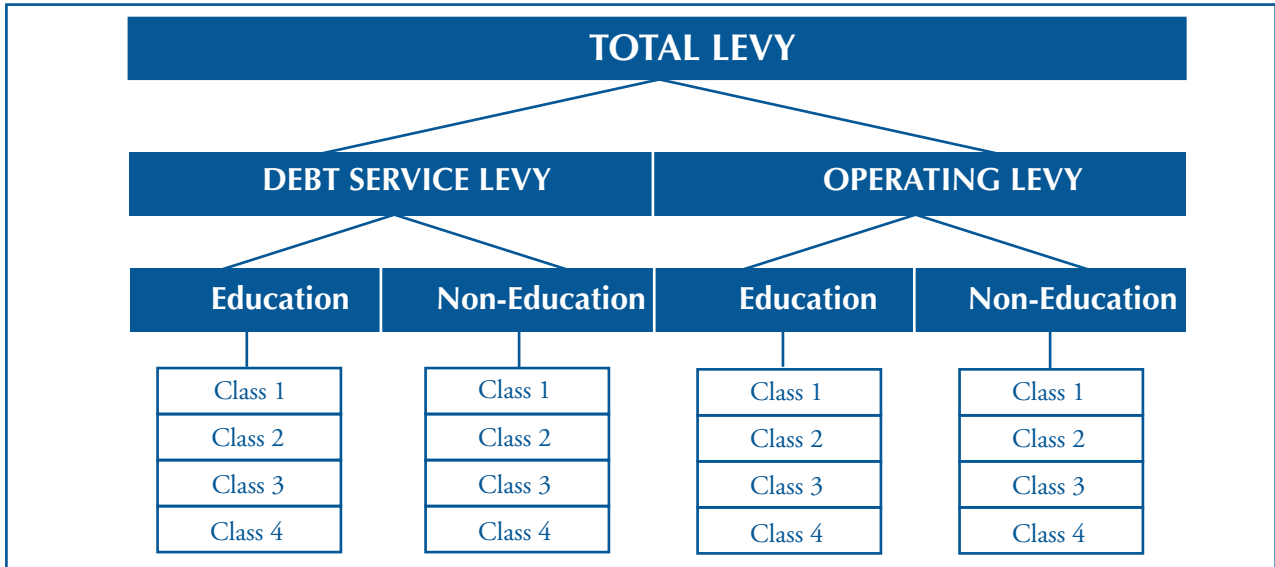
The market value for the base year was calculated by dividing the taxable assessed value from DOF's 1990 final roll by the class equalization rate. ORPTS calculated class equalization rates for this roll are based on the 1986 market value survey. Therefore, the resulting market values reflect 1986 market values in terms of the physical characteristics of the 1990 roll. Each of the class market values derived above was then adjusted to reflect the reclassification of parcels between 1990 and 1991. The resulting market value is used as the base year market value over which future market value growth is determined and is known as the base percentage.

A similar calculation is done each year to derive the current percentage. In the ORPTS's methodology, the market value is determined by dividing the taxable billable assessed value of each class from the prior year's assessment roll (the reference roll) by the class equalization rates for that roll. For example, to determine the FY 2017 current percentage, the 2016 market value is used, which is calculated by the 2016 assessed value by class (fiscal year 2016 roll) and the class equalization rates for that year (ORPTS refers to these as the class equalization rates for the 2015 assessment roll).

The 1991 class shares are designated as the local base proportions. Each year, these class shares are

⁴The current base proportion (CBP) calculation is an interim step in setting class shares, reflecting market value changes from the base year.

Chart 5



updated for market value changes by multiplying them by the ratio of the current percentage to the base percentage for each class, yielding the current base proportion for each class. Since the current base proportion for any class cannot exceed the class' prior year adjusted base proportion by more than 5.0 percent, any excess must be distributed to other classes. The City Council exercises its discretion on how the excess is apportioned among the remaining classes. The last step in updating the current base proportion for market value changes is to normalize the proportions so that the sum of all the class percentages equals 100 percent. Finally, the current base proportion is adjusted for physical alteration and related market value changes (physical changes such as new construction, renovation, additions and demolitions) to arrive at the adjusted base proportion.

Components of the Tax Levy

The property tax levy consists of 16 components. These distinctions are necessary as the property tax is used to finance debt service and operating expenditures, which are subject to specific limitations, and veterans are exempt from the non-education portion of the property tax. The levy is first allocated by tax class as each tax class bears a different tax levy. The class levies are further broken into levies for debt service and for operating (non-debt) purposes. This split is necessary because the amount of real property tax that can be levied for operating purposes is limited by the New York State Constitution. This limit is equal to 2.5 percent of the average full value of taxable assessed value for the current and prior four years (the five-year full value) less payments for City short-term

debt and business improvement district levies (see Table 3). The real property tax is also the primary source of revenue for the General Debt Service Fund. Under the State Constitution, the City's ability to levy a real property tax for the payment of principal and interest on the City's long-term debt is unlimited. There is a limit, however, on the total debt outstanding, including business improvement district debt, which may not exceed 10 percent of the five-year average full value of real property in the City. ORPTS estimates full value as of January 1st for each of the recent five years.

The debt service and operating levies are further broken down into levies for education and non-education purposes. This final split is necessary because under NYSRPTL, veterans receive a partial exemption on their assessed value levied for non-education purposes. Veterans are, however, required to pay the full amount of their levy for education purposes (See Chart 5).

Tax Rate Determination

Each year, the tax fixing resolution (TFR) certifies the City's fiscal year appropriations and sets the property tax revenue and the class tax rates. The target revenue to be raised through the property tax is calculated as the difference between the City's appropriations for all expenses and the Mayor's

FY	Class 1	Class 2	Class 3	Class 4	Avg. Tax Rate
2017	19.991	12.892	10.934	10.574	12.283

**Class Tax Rate = Class Levy/
Class Taxable Billable Assessed Value**

Table 3

Taxing Authority

- The City may levy as much real property tax as necessary to cover debt service expenses.
- The levy to cover operating expenses may not exceed 2.5 percent of the full valuation of taxable real property in the City. The full value used in computing the operating limit is the average of five years of full values - for the current and last four fiscal years less interest on temporary debt and the aggregate amount of the business improvement district charges.

Fiscal Year	5-Yr Avg Full Value	Operating Limit	Actual Operating Levy	Unused Margin	Operating Levy/ Operating Limit
97	\$319,108	\$7,857.3	\$4,933.3	\$2,924.0	62.8
98	309,484	7,599.7	5,934.1	1,665.5	78.1
99	289,497	7,170.3	6,307.7	862.6	88.0
00	293,319	7,268.7	7,223.1	45.5	99.4
01	305,932	7,573.1	7,432.7	140.4	98.1
02	328,672	8,128.1	8,086.0	42.1	99.5
03	359,933	8,925.2	8,694.6	230.6	97.4
04	399,908	9,893.5	9,387.4	506.1	94.9
05	431,152	10,675.8	9,615.0	1,060.5	90.1
06	470,510	11,666.2	11,633.3	32.7	99.7
07	533,355	13,224.5	13,094.4	130.1	99.0
08	601,024	14,949.0	10,462.4	4,486.7	70.0
09	704,189	17,525.7	13,213.6	4,312.1	75.4
10	749,042	18,641.4	16,472.3	2,169.1	88.4
11	762,244	18,898.5	16,418.4	2,480.0	86.9
12	760,967	18,936.0	17,181.1	1,754.9	90.7
13	768,527	19,101.4	16,239.9	2,861.5	85.0
14	791,003	19,601.7	18,782.8	818.9	95.8
15	813,549	20,164.1	17,923.1	2,241.0	88.9
16	851,841	21,130.5	20,761.2	369.4	98.3
17	902,361	22,377.8	22,303.5	74.3	99.7

estimate of all revenues excluding the property tax. Once the target property tax revenue is estimated, the tax levy that is necessary to yield this revenue is calculated by adding back the reserve for uncollectible taxes. The total tax levy is then distributed by class based upon the class shares. The individual class levy is then divided by the taxable billable assessed value of that class to determine the class tax rate.

See Appendix I: Real Property Tax for summary of class tax rates.

Reserve for Uncollectible Taxes

The property tax levy, approved by the City Council each year, includes a reserve for uncollectible taxes. The reserve for uncollectible taxes encompasses three general categories: delinquency, cancellation of tax liability due to reductions in assessed value and tax expenditures for a number of programs providing residential, economic development and individual assistance. In addition, there are significant cash

inflows and outflows affecting the reserve, including refunds of current and past years' overpayments, collections against prior year levies and payments from exempt property restored back to taxable status.

Delinquency, Cancellation and Refunds

The delinquency rate is a measure of the real estate market health. The delinquency rate which was 2.6 percent in 1989 rose to nearly five percent in 1994, due to prolonged weakness in the local real estate markets. With a recovery in the local economy and the real estate market in the late 1990s and the initiation of the property tax lien sale enforcement program in 1996, the delinquency rate declined to 1.4 percent by 2016.

Cancellations represent reductions in assessed value granted by the Tax Commission during the summer hearings after the final assessment roll is released. In addition to remissions from the Tax Commission, which represent most of the value

of cancellations, reductions resulting from court decisions and Law Department settlements are also reflected in the reserve for cancellations. The reserve for refunds covers reimbursement to taxpayers who overpaid their tax liabilities, or whose liabilities were reduced after payment was made.

Tax Expenditures

The City is required to provide real estate tax expenditures by a variety of New York State laws, provisions in the City Charter, the City Administrative Code and underlying agency regulations. Tax expenditures are mainly granted and administered by various City agencies. There are also State programs and public agencies that provide housing and economic development incentives to the local real estate market.

All or a portion of the assessed value of a property may be eligible for exemption from taxation. Typically, government-owned (public) properties are exempt from taxation and include properties owned by the Federal Government, the State of New York, the City of New York, public benefit corporations, the United Nations and foreign governments (if they use such properties as missions to the United Nations or as consulates). Private properties that are exempt from taxation include property owned by non-profit, religious, charitable, educational, medical and cultural organizations.

In addition, a variety of property tax expenditure programs are offered by the City, granting varying degrees of tax exemptions to privately owned properties. These property tax expenditure programs generally fall into the following categories: (1) Residential - incentives for spurring residential construction and renovation; (2) Commercial - promotion of economic development; and (3) Individual assistance - tax relief to classes of individual homeowners or tenants.

Residential: Residential exemptions are intended to encourage rehabilitation of existing housing and new construction or renovation. Program benefits vary based on geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building.

Economic Development: Commercial and industrial exemptions are intended to encourage economic development. Properties assisted by these programs range from hotels, retail space and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. These programs typically provide greater benefits to industrial construction and renovation.

Individual Assistance: Individual assistance programs are intended to reduce taxes for homeowners who are qualified veterans, seniors, or persons with disabilities and provide relief to qualified renters who are seniors or with disabilities.

See Appendix I: Estimated Value of Real Property Tax Exemptions and Abatements 1986-2016.

Administration

The real property tax is administered by DOE, which assesses property values annually, issues bills, collects revenues and conducts enforcement. ORPTS assesses special franchise properties and approves current and adjusted base proportions.

All properties with an actual assessed value of \$250,000 or less (or in the case of cooperatives, the average per unit assessed value of \$250,000 or less) pay quarterly installments. All other properties with an actual assessed value of more than \$250,000 pay semi-annual installments. Quarterly installments are due on July 1st, October 1st, January 1st and April 1st while semi-annual payments are due on July 1st and January 1st.

In addition, quarterly taxpayers are entitled to a 15-day interest-free grace period. Taxpayers are also entitled to an early payment discount. If the entire amount due for the year is prepaid by the July due date (or grace period due date for quarterly payers), they receive a 0.5 percent discount on the full amount of the property tax paid. If the remainder of the full year tax is paid by the October due date, they receive a 0.25 percent discount on the remainder of the full year balance paid. If the remainder of the balance due for the year is paid by the January due date, they receive a 0.125 percent discount on the balance paid.

In addition, the law was amended in 2015 to add a new provision. If the Council doesn't adopt a discount percentage before the statement of account or bill are due to be prepared, then the default discount percentage would be the annualized interest rate on 6 month US treasury bill (as reported by the Board of Governors of the Federal Reserve System in its H.15 report or similar statistical report detailing selected interest rates) on the last business day of April preceding the fiscal year for which the discount rate is being determined), plus seventy five basis points the sum of which shall be divided by four.

Interest is charged to taxpayers on the outstanding amount of property tax and is compounded daily until the payment is received. The interest rate for late payment depends on the assessed value of the property. For properties with an actual assessed value

of less than \$250,000, the interest rate is 6.0 percent (lowered from 9.0 percent effective July 1, 2016) and for all other properties, the interest rate is 18 percent.

Tax Lien Sale

Beginning in 1996, a comprehensive plan to improve real property tax compliance by selling real property tax liens was instituted. Under the lien sale program, the City forgoes future cash flows from the delinquent taxes sold, in exchange for a lump sum payment and a subordinate position in any cash flow that remains after the bond holders are repaid. Currently, all real property taxes, water and sewer charges and other City charges on property become liens on the day they become due and payable. Unpaid tax liens including water and sewer charges can be sold by the City (See Table 4 for Lien Sale Summary).

For Class 1 or Class 2 (residential cooperatives and condominiums only) properties, the tax liens are eligible for sale if the real property tax component of the tax liens has remained unpaid for three years. Other liens such as water and sewer charges are

included in the sale only when a qualifying property tax lien exists. With respect to Class 2 rental, Class 3 and Class 4 properties, the tax liens are eligible for sale if the real property tax component of the tax liens remained unpaid for one year.

Once a tax lien on a property is sold, each lien is levied a mandatory five percent surcharge and accrues interest at the rate of 18 percent per year.

The lien sale program, which was originally set to expire in 1997, was extended in 1997, 1999, 2001, 2004, 2006, 2007, 2010 and 2014. Since its original enactment, the lien law has been amended several times to close various loopholes. The first major amendment was made in 2001. Prior to the amendment, water and sewer liens could not be sold if there was no qualifying real property tax lien on the property on the sale date. Certain taxpayers, after being notified of their property's inclusion in the lien sale, paid only the delinquent property taxes owed, leaving water and sewer charges unpaid. The unpaid water and sewer charges were then removed from the lien sale, since in order for them to be eligible

Table 4

Tax Lien Sale \$ in Millions				
Trust	Collateral	Bond Amount	Gross Proceeds (Incl. Water & Sewer)	Comments
96-1 Sale	\$250.4	\$215.4	\$181.2	Bonds Redeemed
97-1 Sale	126.0	118.4	89.0	Bonds Redeemed
98-1 Sale	103.9	97.6	78.2	Bonds Redeemed
98-2 High LTV Sale	145.0	55.0	32.8	Bonds Redeemed
99-1 Sale	48.3	45.2	29.9	Bonds Redeemed
99-R Sale	142.2	69.7	65.0	Bonds Redeemed
2000-A	243.0	156.8	120.8	Bonds Redeemed
2001-A	161.8	139.1	93.2	Bonds Redeemed
2002-A	117.3	105.6	53.4	Bonds Redeemed
2003-A	164.0	86.0	25.6	Bonds Redeemed
2004-A	54.7	50.0	66.4	Bonds Redeemed
2005-A	57.9	49.8	40.4	Bonds Redeemed
2006-A	35.9	32.8	24.7	Bonds Redeemed
2008-A	78.8	52.3	36.6	Bonds Redeemed
2009-A	90.3	59.3	51.8	Bonds Redeemed
2010-A	102.0	73.4	56.7	Bonds Redeemed
2011-A	112.5	69.7	61.8	Bonds Redeemed
2012-A	86.7	66.7	53.1	Bonds Redeemed
2013-A	140.6	91.4	76.0	Bonds Redeemed
2014-A	126.3	95.5	65.9	Bonds Redeemed
2015-A	90.9	71.8	55.2	
2016-A	79.8	65.0	59.2	

for sale they must be accompanied by a qualifying property tax lien. The 2001 amendment allowed the sale of Class 2 (excluding residential cooperatives and condominiums) and Class 4 water and sewer charges that remained unpaid regardless of whether there was a qualifying real property tax lien remaining on the lien sale date. However, water and sewer liens still could not become eligible for sale on their own if there was no qualifying property tax lien on the property. The lien sale reauthorization effective September 1, 2006, further expanded the City's authority to sell water and sewer liens. The 2006 law allowed water and sewer liens for Class 2 rental and Class 4 properties to become eligible for sale even if there was no qualifying real property lien on the property. In order to be sold, the water and sewer charges have to be delinquent for at least one year and equal or exceed \$1,000 in arrears. The law also restricted the City's authority to sell real property tax liens (for certain senior citizens, disabled and low-income homeowners) and to sell water and sewer liens (for any single-family property in Class 1 and for certain senior citizens, disabled and

low-income homeowners). The new law also extended the initial notification period from 60 days to 90 days. The lien sale reauthorization in 2010 expanded the sale of water and sewer liens by including Class 1 (two to three - family homes only) delinquent water and sewer charges that are at least one year old with a delinquency balance of at least \$2,000. In addition, the law changes allowed the sale of Emergency Repair Program (ERP) charges and Alternative Enforcement Program (AEP) charges that are at least a year old with a delinquency balance of at least \$1,000 on all property classes even if there is no qualifying property tax or water and sewer lien. However, 2- family properties and owner occupied 3- family properties are excluded from the stand alone sale on the basis of ERP/AEP charges only. In order to qualify for a lien sale, these properties must have a qualifying property or water and sewer lien. The amendment also expanded the lien sale to include delinquent property, water and sewer and other municipal charges on Housing Development Fund Corporation (HDFC) rentals, if they are at least two years old with a delinquency

Table 5

Net Tax Lien Sale Revenue				
\$ in Millions				
Fiscal Year	Lien Sale Revenue ¹	Def. Lien Refunded ²	Unused Def. Lien	Net
1996	\$169.1	\$ -	\$ -	\$169.1
1997	51.5	(7.5)	-	44.0
1998	22.5	(0.5)	-	22.0
1999	127.0	(8.4)	-	118.6
2000	73.0	(10.8)	-	62.2
2001	210.9	(15.1)	-	195.8
2002	44.5	(3.9)	-	40.6
2003	22.6	(11.1)	-	11.5
2004	89.9	(5.7)	-	84.2
2005	37.8	(3.0)	-	34.8
2006	83.0	-	10.8	93.8
2007	41.2	(1.0)	-	40.2
2008	35.5	-	-	35.5
2009	34.0	-	-	34.0
2010	35.0	-	4.0	39.0
2011	16.6	(14.2)	-	2.4
2012	84.8	(3.2)	-	81.6
2013	85.5	1.2	-	86.7
2014	92.0	(10.8)	-	81.2
2015	93.0	3.0	-	96
2016	82.0	(2.0)	-	80

1) Including proceeds from the Graveyard Trust.
2) Net of reserve for defective liens.

balance of at least \$5,000. The new lien law also authorized the City to offer pre-sale payment plan agreements to delinquent taxpayers with quarterly or monthly payment terms with duration of up to ten years with no down payment requirement. The 2010 lien law also changed the interest rate charged on the tax liens after they have been sold. For properties with an assessed value of less than \$250,000 the interest rate charged would be 9 percent compounded daily instead of 18 percent. Properties with an assessed value of more than \$250,000 will continue to accrue interest at 18 percent compounded daily (See Table 5 for a Summary of Lien Sale Revenue). The 2010 reauthorization which was set to expire on December 31, 2014, was extended in 2015 by two years to December 31, 2016.

SIGNIFICANT LEGISLATIVE & ADMINISTRATIVE CHANGES

Four Class System

In December 1981, Chapter 1057 of the Laws of 1981, commonly referred to as S.7000-A, amended Article 18 of NYSRPTL, significantly restructuring the tax beginning in 1983. Prior to that time, a single tax rate was applied to all taxable real properties, regardless of type or use.

With the enactment of S.7000-A, real property was classified into four classes: Class 1, consisting of one-, two- and three-family residential properties and small condominiums; Class 2, consisting of all other residential properties, including multi-family cooperatives and condominiums; Class 3, consisting of utility real properties; and Class 4, consisting of all other real properties, such as office buildings, factories, stores, lofts and vacant land.

Assessment Ratios

The Class 1 assessment percentage has varied over time. It was 18 percent of market value in 1983, but dropped over time to eight percent. It further dropped to six percent in 2006. The Class 2 and Class 4 assessment percentage was reduced to 45 percent from 60 percent in 1985. Starting in 2006, assessment ratios for market value increases for Class 2 properties with ten or fewer units is limited to 15 percent (rather than 45 percent) provided that the market value increase is attributable to physical additions and improvements. Class 3 properties are assessed either by DOF or by ORPTS. Prior to 1994,

locally assessed property (plant and equipment, known as Real Estate of Utility Corporations, or REUC) was assessed at 50 percent. Special franchise property (the right to locate, maintain and operate property in the public domain including tangible property like pipelines, cables and other equipment on, below, or over public property, and also the intangible right to use the public right of way) was assessed by ORPTS using the State equalization ratio, which fell from 50 percent to 22 percent in 1993. In 1994, a uniform 45 percent assessment ratio was adopted for all types of Class 3 property.

Assessment Increases, Caps and Phase-ins

The S.7000-A law also established restrictions on annual assessment increases due to equalization increase, which is defined as appreciation of the existing property value based on the market condition. Assessments of Class 1 properties may not increase by more than six percent annually and 20 percent over five years. Beginning in 1994, increases in assessments of small Class 2 properties (10 units or less) due to equalization, are also limited to eight percent a year and 30 percent over five years.

For all other Class 2 and all Class 4 properties there are no annual restrictions on assessment increases. Instead, market value changes are fully reflected in actual assessed value. At the same time, however, DOF calculates an alternative assessed value called transitional assessed value in addition to the actual assessed value. Increases and decreases in value due to the market condition are phased in over five years. Billable assessed value, which is used for tax purposes, is based on the lower of the actual assessed value or the transitional assessed value.

Changes that are the result of physical changes are taxable immediately and are not subject to the assessment cap or the phase-in requirement.

Class shares

As originally enacted, S.7000-A required that the class shares for the 1981 roll be certified as base proportions. These base proportions were to be modified periodically by ORPTS for relative changes in market values among the four classes as well as for physical changes. While the adjustment for physical changes took place each year, the first market value adjustment was not scheduled until 1987. At that time, legislation postponed the implementation of market value changes until calendar year 1989 (for use

in fiscal year 1990). This legislation was also intended to substitute the 1984 class shares for the 1981 base proportions in calculating class shares. However, neither amendment was implemented. Legislation passed in the spring of 1989 amended S.7000-A, changed the mechanics of market value adjustment and further postponed the market value adjustment until 1992 in order to prevent a significant shift in tax burden towards Class 1 taxpayers in fiscal year 1990. Thus, from 1983 to 1991, the City apportioned the tax levy by using the 1981 proportions, as adjusted annually for physical change. Starting in 1992, the 1981 proportions were replaced by the 1991 proportions, which were set to be base proportions. The 1991 proportions have been used as the base proportions to apportion the tax levy to date. During the 1983 to 1991 period, the City Council exercised discretion in setting class shares as long as an increase in each class' share was within 5.0 percent of the previous year's share.

Since 1992, class shares have been adjusted annually for relative changes in market value (subject to a "cap" of 5.0 percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions.

Assessment and Valuation Methodology Changes

Prior to the early 1990s, DOF's assessment policy emphasized the sales approach to establish the estimated market value of Class 4 properties. Properties which were sold during this period were assessed at 45 percent of their sale price regardless of their actual income, and capitalization rates derived from these sales were applied by assessors to the income of unsold properties (the income capitalization approach). During or soon after construction, the cost approach was often used.

With the onset of the 1990-91 recession, fewer sales were available to derive capitalization rates and DOF began to focus less on the sales comparison approach to value properties and instead relied primarily upon the income capitalization approach. The deepening local recession led to large increases in vacancy rates and drops in asking rents. Consequently, the current rent of a building no longer indicated the rents the building would command upon lease renewal. Therefore, actual or contractual rents were increasingly discounted in light of current market rents. This "mark-to-market" technique resulted in significant assessment reductions for buildings where income and expenses were estimated, and tenants were paying above-market

rents. As a result of the reliance on the "mark-to-market" technique, the forecast of actual assessed value relies upon the outlook for net income, which in turn is based on the forecast of asking rents, vacancy rates and building expenses.

From 2009 to 2011, DOF adopted the Gross Income Multiplier (GIM) method to value Class 2 properties (except for four to five family rentals). Under this method, DOF first grouped the properties into deciles based on the gross income per square foot, using the building's income and expense information filed by taxpayers. Separate multipliers were then developed for each of these deciles. The same multiplier was shared by all the parcels that fall into the same income per square foot decile range. The multiplier was then applied to each individual property's gross income to derive its market value. In order to derive the gross income multiplier for each group, DOF employed the income capitalization approach to estimate the market value of all the properties within the decile range. The multiplier was then derived by dividing the market value per square foot by the median income per square foot within the decile range. Under this approach, the GIM increased as the income per square foot went up.

Since 2012, the valuation methodology for Class 2 four-to-five family rental properties has been changed from comparable sales to GIM. The valuation methodology for large Class 2 properties has been changed as well from GIM to income capitalization. DOF continues to use GIM for all other Class 2 properties.

PERSONAL INCOME TAX

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Legislative History	See Appendix II: PIT

PERSONAL INCOME TAX

OVERVIEW

The personal income tax accounted for 20.5 percent of City tax revenue in fiscal year 2015, or \$10,629 million.

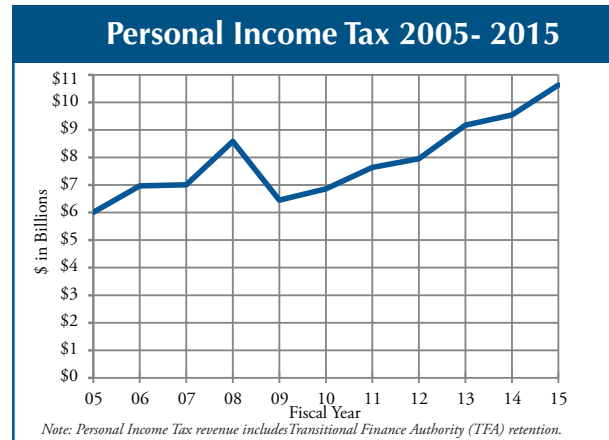
The personal income tax is imposed on the taxable income of NYC residents, estates and trusts. The City has imposed the personal income tax since 1966 under Title 11, Chapter 17 of the City Administrative Code enabled by Article 30, Section 1301 of the State Tax Law. The starting point for determining taxable income is Federal adjusted gross income (AGI). Adjusting the Federal AGI for New York State statutory modifications yields NYS AGI. Taxable income is then derived by subtracting the New York State deduction and exemptions from NYS AGI. Taxpayers may claim either the NYS standard deduction or the NYS itemized deduction. The City tax rates are imposed directly on the NYS taxable income of City residents. Credits are given to City taxpayers against their personal income tax liability.

The City's personal income tax rates and brackets have changed over the years. The top rate for tax year 2015 is 3.876 percent (see Appendix II:PIT). The City's rates are lower than the State's rates (the NYS top rate for tax year 2015 is 8.82 percent). In addition to paying the City tax, City residents are also responsible for Federal and State income taxes. State authorization is required to change the City's rates and brackets. Additionally, NYS legislative approval is required to extend the current rate every two years, though rates are typically extended.

FORECASTING METHODOLOGY

Several data sources and techniques are used to forecast the City personal income tax revenue. Total personal income tax liability on a tax year basis is forecast using a micro-simulation model coupled with the most recent personal income tax study file provided by the NYS Department of Taxation and Finance. Prepayments, the sum of withholding and installment payments, are forecast employing a variety of econometric models. The residual of total liability less prepayments yields a forecast of the settlement payments, or the sum of final returns, refunds, City/State offsets and extension payments. The settlement forecast also reflects an analysis of the historical relationship between the levels of the total settlement

Chart 1



and prepayments. Forecasting personal income tax is not a mechanical process. Other factors affecting tax revenue are considered such as tax law changes, components of income, Federal, State and local tax rates, as well as the respective strengths of the equity and real estate markets (See Chart 2 and Table 1).

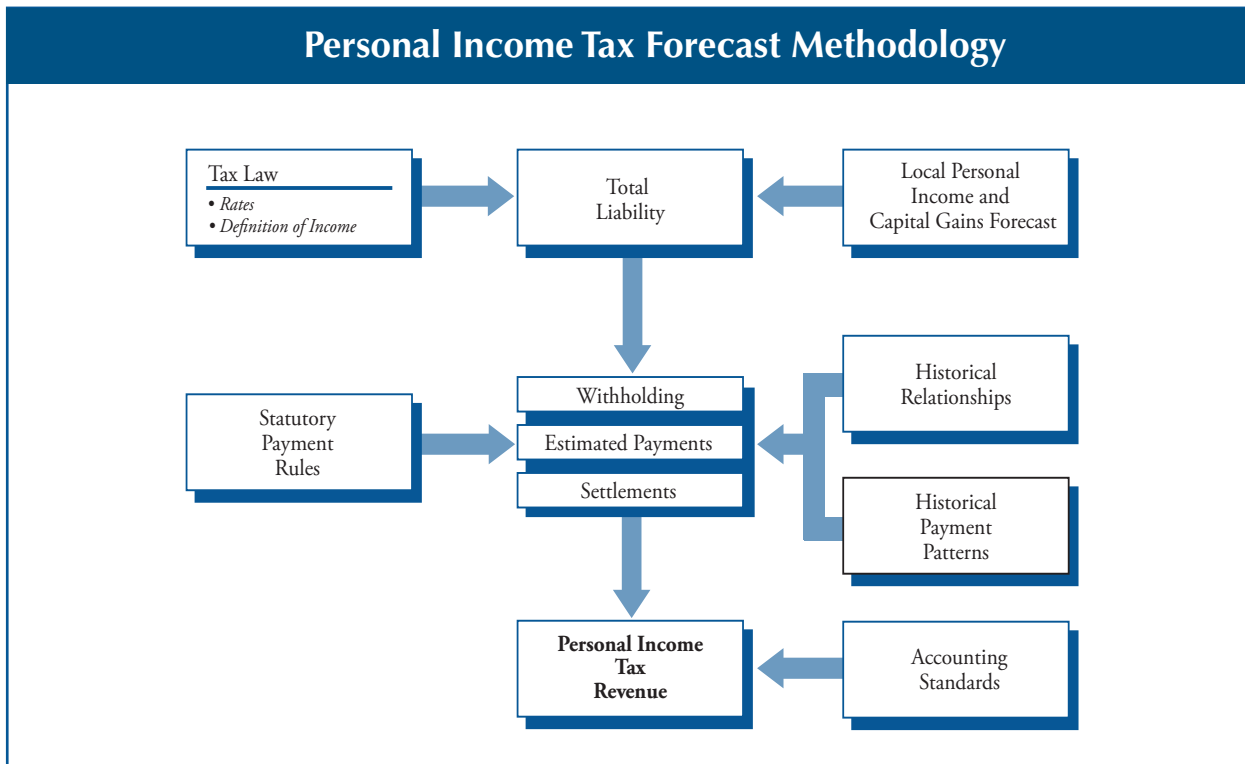
Total Liability

A micro-simulation model is used to forecast total tax liability. This model uses a sample of tax returns provided by the NYS Department of Taxation and Finance (currently tax year 2013) and applies current and future years' tax law, as well as growth assumptions for components of income. The NYS personal income tax study file for tax year 2013 contains a stratified random sample of approximately 775,684 NYS tax returns, of which nearly 395,319 are also NYC filers. Since the NYC tax return for NYC residents is included on the NYS tax return, the study file provides an estimate of the population of NYC taxpayers. The micro-simulation model uses the actual components of income for the estimated population of filers as the base year. Forecasts of the components of income are used to forecast successive tax years. Future year tax liabilities are calculated for all filers using the grown income components and the applicable tax law for those years. Individual liabilities are then aggregated to yield the total City personal income tax liability.

Prepayments

Personal income tax prepayments consist of wage withholding and quarterly installment payments. Prepayments are tax payments due for the period in which income is earned, and made before the final return in April. Withholding refers to the amount

Chart 2



of an employee’s income that an employer withholds from a paycheck and remits directly to NYS (who administers the tax for NYC) as prepayment of the individual’s tax liability for the year. In general, installment payments are quarterly tax payments due on income from sole proprietorship or partnership income. Also, filers who receive significant investment income, a pension, an annuity or any other unearned income from which taxes are not withheld, are also required to make installment payments.

Withholding

Withholding is strongly correlated with total wage earnings. A quarterly equation is used to determine the elasticity between growth in wage earnings and growth in withholding, and that relationship is applied to the wage earnings forecast. The final forecast is adjusted for any withholding table changes (see Appendix II: PIT). The withholding equation is as follows:

$$\text{LOG (WITHHOLDING)} = a + b1 * \log (\text{Wage Earnings})$$

The withholding forecast is also supplemented with a monthly withholding pattern analysis, particularly the change in the daily average collections. This is especially useful during the December through March bonus period when large bonus payments are paid out. Tracking average daily collections makes it possible to estimate base

withholding (withholding on non-bonus wages), so that withholding collections above the base can be attributed to withholding on bonus payments. The base is estimated by examining withholding collections during non-bonus periods, and also by using the economic forecasts of total wages and securities sector wages.

Estimated Payments

Estimated payments (the sum of installment and extension payments) are paid by taxpayers with nonwage income, which includes income from interest, dividends, rent, capital gains realizations, proprietorships, partnerships, subchapter S corporations, and retirement accounts among other components of income. Estimated payments are split into installment and extension payments based on historical shares and examination of the impact of safe harbor rules, which allow taxpayers to estimate their current year tax liability as 110 percent of their prior year’s tax liability. The estimated payments equation is as follows:

$$\begin{aligned} \text{ESTIMATED PAYMENTS} = \\ \text{LOG(ESTIMATED PAYMENTS)} = \\ a + b1 * \log (\text{Proprietor’s Income}) \\ + b2 * \log(\text{Net Capital Gains Realizations}) \\ + b3 * \log(\text{Estimated Payments (1 year lag)}) \end{aligned}$$

Table 1

Forecast Details		
Component	Forecast Methodology	Dependent Variables
Total Liability	Micro-simulation model	NYC Wage Earnings NYC Capital Gains NYC Dividends, Interest & Rental Income NYC Net Business Income NYC Proprietors Income
Withholding (Prepayments)	Econometric Equation	NYC Wage Earnings Maximum NYC PIT Rate
Installments (Prepayments)	Econometric Equation	NYC Capital Gains NYC Dividends, Interest & Rental Income Maximum NYC PIT Rate
Settlement Payment	Total Liability Less Prepayments	N/A

Capital Gains

A significant portion of high-income NYC residents' tax liability is based on capital gains realizations. An econometric equation is used to forecast capital gains realizations. Additionally, the ratio of capital gains to other types of income is monitored to prevent the capital gains forecast from accounting for an unsustainable level of total income. The capital gains equation is as follows.

$$\begin{aligned} \text{LOG (NET GAINS REALIZATIONS)} = & \\ & a + b1 * \log (\text{Value of Corporate Equity Held by} \\ & \quad \text{U.S. Households}) \\ & + b2 * \log (\text{Value of Large Commercial Real Estate} \\ & \quad \text{Transactions in NYC}) \end{aligned}$$

Settlement Payments

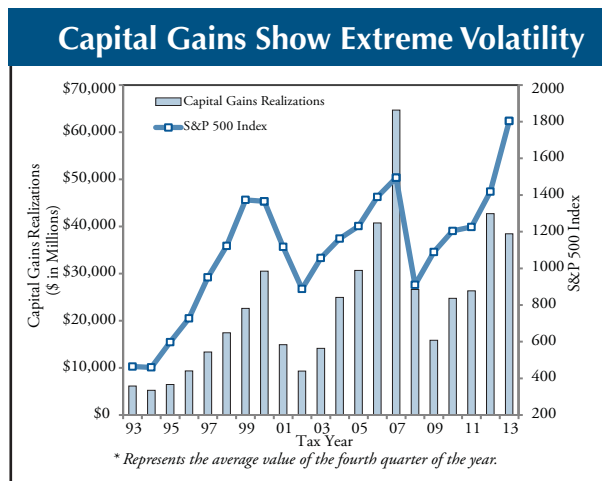
Settlement payments (the sum of extension payments, final returns, refunds, and the State/City offsets) are what taxpayers either owe or get refunded to them after subtracting tax prepayments from total liability on their final return. Settlement payments are forecast based on their correlation with prepayments and economic growth. Historically, total settlement payments have been positive and the growth tends to move parallel with growth in prepayments.

Extension payments are made by certain taxpayers who owe tax and request an extension on their final returns by filing NYS Form IT-370, which extends the due date of a taxpayer's final return (but does not extend the due date of the tax owed) by an additional six months provided that the IT-370 is filed on or before the April 15th filing deadline. If a filer owes tax, and neither a final return nor an extension request

is filed by the April 15th deadline, the filer can incur penalty fees in addition to their liability. When the taxpayer owes tax at the April 15th filing deadline, the taxpayer must make full payment of the properly estimated final return due by this deadline. Therefore, the request for an extension does not lengthen a taxpayer's time to pay. When liability growth is high or accelerating, liability often shifts from installment payments into extension payments. This shift is a result of the 'safe-harbor' rules and many taxpayers' inability to accurately estimate final liability when the final installment payment is due in mid-January. Since extension payments are made primarily by the same taxpayers who make installment payments, an equation forecasts total estimated payments and installment payments. Extension payments are calculated as the residual.

Refunds are paid out to taxpayers who have paid taxes in excess of their total liability. Refunds are the largest component of the settlement payments, and historically have been a consistent percentage of liability year withholding. Final returns on liability are due on the April 15th following a tax year, or October 15th if the filer requests an extension by filing NYS form IT-370 before the April 15th filing deadline. Payments on final returns correct any underpayments made on filers' prepayments or extension payments, and are traditionally a small, consistent percentage of estimated payments. The State/City offsets correct any imbalances in liability distributions between the State and the City made during the administration of the tax. With the implementation of the eMPIRE processing system for processing year 2009, offsets were expected to be reduced from prior years,

Chart 3

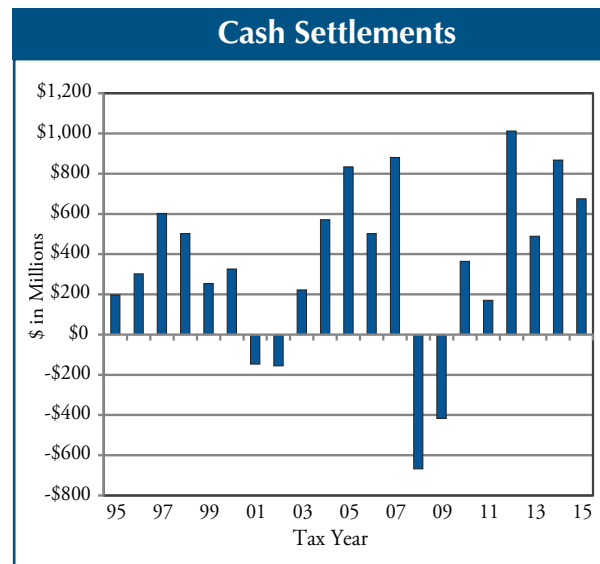


but remain at high levels. While these historical relationships are used as guidelines in developing the forecast, many of the relationships are distorted as a result of the dramatic economic swings seen in recent years, as well as the combined effects of City, State, and Federal tax law changes.

Economic swings can exacerbate trends in settlement payments. In years when taxpayers' liabilities grow faster than their prepayments, settlement payments increase significantly. This explains, in part, the high settlements seen in tax years 2005 through 2007, as well as in tax years 1996 through 2000. Conversely, in years when taxpayers' liabilities fall faster than their prepayments, settlement payments shrink. This phenomenon is recently seen in tax years 2008, 2002, and 2001.

Recent tax law changes that affected settlement payments include the imposition of the temporary personal income tax increase for tax years 2003 through 2005, the reduction in the 14 percent additional tax for tax year 2001, the repeal of the nonresident earnings tax in tax year 1999, and the expiration of the 12.5 percent surcharge after tax year 1998.

Chart 4



Tax Program Estimates

Personal income tax liabilities and prepayments are forecast on a collections basis after layering on the impact of tax programs. Common rate and base estimates are forecast for each component of the personal income tax.

The revenue impact of tax programs are estimated using two different methods: (1) rate-based tax programs are estimated using the micro-simulation model to derive the revenue impact from actual collections and the current economic forecast; and (2) tax credit revenue impacts are estimated using the most recent actual credit costs forecasted using trend growth.

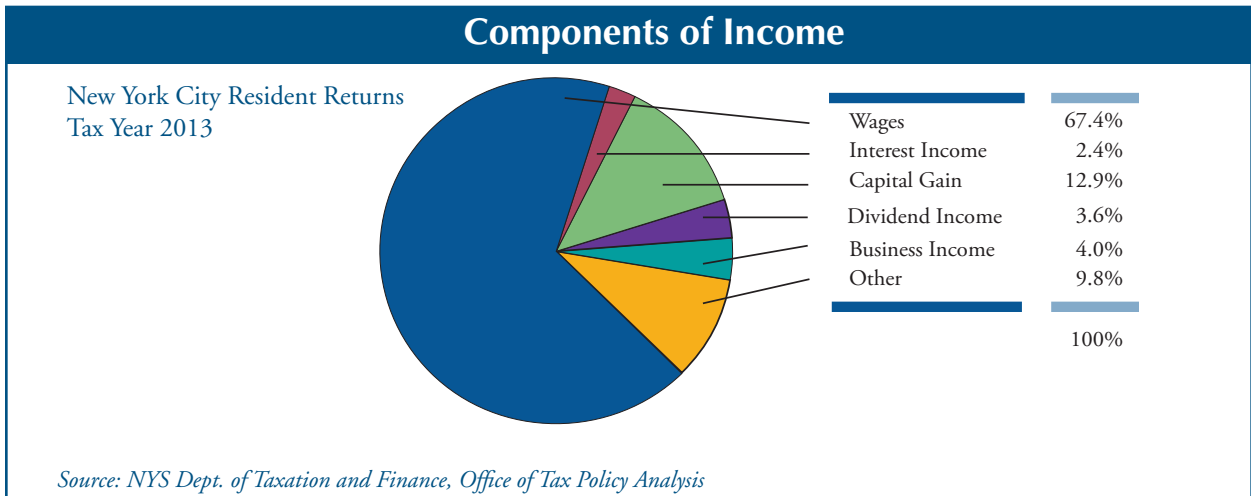
Cash Flow Model

The cash flow model is used to monitor revenue forecasts by comparing actual monthly cash collections for each component against the monthly plan. The variations in actual monthly collections from the cash plan are one of the main determinants of current year revenue modifications.

Monthly Cash Plan

The monthly cash plan for the personal income tax translates annual liabilities into monthly fiscal year collections. A historical average of the monthly share of total collections for each component of the tax is the starting point. Monthly collections by components are also adjusted for non-recurring collections and tax law changes.

Chart 5



Collections Analysis

Collections are monitored regularly for accurate forecasting. Different components of the personal income tax are closely monitored at different times of the year when collections from that component are significant.

Daily withholding: Withholding collections are monitored daily and compared with the same period in the prior year. Tracking daily collections is particularly important during the December-March bonus period in order to determine base withholding and identify bonus payments which are significantly greater than the base withholding amounts. NYC withholding as a share of NYS withholding is also monitored daily to detect any fluctuation in payment patterns or in the composition of income.

Weekly installment payments: Installment payments are tracked weekly during the months of September, December, January, April and June when quarterly payments are due and compared to the same period in the prior years.

Weekly settlement payments: Settlement payments are tracked weekly during the April through June period when the majority of the positive settlement payments are collected (final returns and extension payments), and refunds are paid out.

Final return distribution analysis: Final returns are distributed to NYC by NYS. Effective for processing year 2009 (tax year 2008) and thereafter NYS implemented a system to process personal income tax returns known as the eMPIRE processing. Prior to the implementation of the eMPIRE processing system, some final returns were incorrectly distributed to either NYC or NYS, and then later corrected in offset payments. With eMPIRE processing, final returns are more accurately distributed, yielding smaller offset payments for that component. The City forecasts

final returns based on the City’s historical share of total statewide final returns, as well as collections to date and overpayments or underpayments of final returns made by the State in the prior year.

Transitional Finance Authority (TFA)

Beginning in 1998, with the introduction of the Transitional Finance Authority (TFA), the personal income tax cash flow to the City changed. The TFA gives the City an additional financing vehicle to meet capital commitments beyond the constitutional debt limit. The City personal income tax is forecast prior to TFA retention, and beginning in fiscal year 2010, personal income tax collections in fiscal year close documents are reported before TFA retention. Prior to fiscal year 2010, personal income tax collections in fiscal year close documents were reported after TFA retention, unless otherwise stated.

Debt Service Administration: The TFA has the first claim on the City personal income tax revenue to meet its debt service and administrative costs, and the residual is distributed to the City. There are four debt service retention periods of November, February, May and August. Beginning on the first day of the first month of any retention quarter, personal income tax collections are retained by the TFA, including one-half of the projected debt service for the following quarter. The remainder of the personal income tax collections are distributed to the City. The same procedure is followed in the second month of the retention quarter, and when collections in the second month are not adequate to cover the projected debt service of the following quarter, collections from the third month are retained until the total projected debt service is fully collected. After debt service requirements are met, the TFA retains personal income tax collections to fund its operating expenses and pay its subordinate creditors.

GASB

Beginning in 1994, City taxpayer assessed taxes are recognized on a modified accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22. For budgetary (General Fund) purposes, final returns, refunds, assessments and audits are considered available when collected within sixty days after fiscal year end. Beginning in 2001, these revenues are also recognized on a full accrual basis in the Government-wide statement of activities, as required by GASB Statement No. 33.

TAX DETAIL

Tax Base

The City personal income tax base consisted of 4.0 million tax filers in tax year 2013. The tax base is analyzed and takes into account both in the forecast of personal income tax revenue as well as in the assessment of policy and tax law changes. The tax base information is obtained from the most recent personal income tax study file, a population estimate derived from a large stratified random sample of taxpayers provided by the NYS Department of Taxation and Finance.

Components of Income

Wages are the largest and the most stable share of income. In tax year 2013, wage income was 67.4 percent of total reported income on City tax returns. Capital gains realizations are another major, yet volatile, share of income. In tax year 2013, capital gains realizations accounted for 12.9 percent of income. Other components of income include business income, dividend income and interest income, among others. Interest income, dividend income, and business income accounted for 2.4 percent, 3.6 percent and 4.0 percent, respectively. All other components of income accounted for 9.8 percent of total reported income.

History of Components of Income

Wages have been a fairly consistent share of personal income from tax years 1990 through 2013 ranging between a low of 60.1 percent (tax year 2007) to a high of 85.4 percent (tax year 1994). Income from capital gains realizations, the most volatile source of income, has ranged between 3.7 percent (tax year 1991) to 22.0 percent (tax year 2007). The shares for other components of income are as follows: interest income ranged between 2.3 percent (tax year 2012) to 8.9 percent (tax year 1990); dividend income share varied between 2.3 percent (tax year 2002) and 3.8

percent (tax year 2012); and the net business income share ranged from 3.0 percent (tax year 2000) to 4.4 percent (tax year 2009).

Chart 6

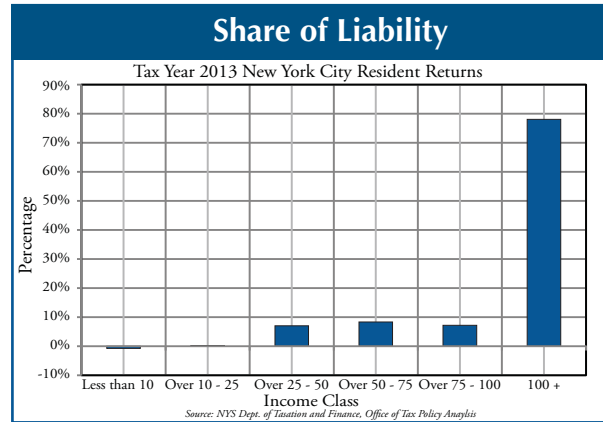
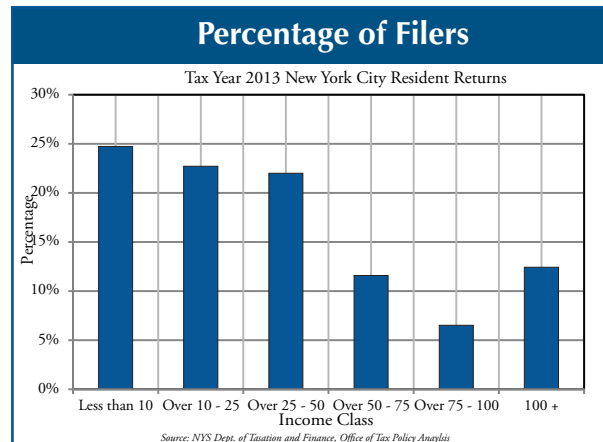


Chart 7



Distribution of Filers

In tax year 2013, there were 4.0 million tax returns filed. The majority of returns were filed by those with adjusted gross income less than \$50,000. Filers with income under \$50,000 accounted for 69 percent of filers but only 6 percent of tax liability. The minority of filers (those with income greater than \$50,000), or 31 percent of filers, paid 94 percent of the total tax liability. Generally, higher income taxpayers earned most of the nonwage income in the City. The one percent of filers reporting income over \$500,000 accounted for 49 percent of tax liability. The 30 percent of filers earning between \$50,000 and \$500,000 accounted for 44 percent of tax liability.

Of the 4.0 million tax returns filed in tax year 2013, 3.9 million were taxable returns. Many filers with small tax liabilities before refundable credits end up owing no tax, or receive a refund, after the refundable credits are claimed.

Calculation of Tax

The starting point for determining taxable income is the Federal AGI. This amount is adjusted for statutory modifications to yield NYS AGI. Taxpayers may claim the New York standard deduction or the itemized deductions (the Federal itemized deduction amount subject to New York modifications). High income taxpayers are subject to percentage reductions in their New York itemized deductions. Finally, taxpayers are allowed a flat exemption amount for each dependent. Taxable income results from subtracting the New York deductions and New York exemptions from the NYS AGI. There are different tax rate schedules for singles (and married taxpayers filing separately), heads of household, and married taxpayers filing jointly. These separate schedules were introduced in 1987. Tax liability for NYC residents is calculated by applying the tax rate table to their taxable income.

Current Tax Rates and Brackets

City personal income tax rates are composed of a graduated tax rate table based on filer type and taxable income bracket, like the NYS and Federal personal income taxes. NYC does not have a rate recapture provision for high-income filers like NYS. Tax liability is calculated by multiplying the filers' taxable income for each bracket by the bracket's respective tax rate, and summing the result. There are five income brackets and corresponding rates for tax year 2015. The combined tax rate of 2.907 percent (base tax of 2.55 percent plus a 14 percent additional tax on the base rate) corresponds to the lowest bracket of each filer type. The highest combined rate for each filer type is 3.876 percent (base tax of 3.4 percent plus a 14 percent additional tax on the base rate). The lowest brackets are \$12,000, \$21,600, and \$14,400 for single, joint, and head of household filers, respectively. The highest bracket is \$500,000 for all filers.

The current City personal income tax combined tax rates for taxable incomes \$500,000 and below were set by law in 2002, consisting of a base rate and a 14 percent additional tax on the base rate. After the expiration of the temporary tax increase at the end of 2005, the legislated 2002 base rates and the 14 percent

additional tax were re-imposed effective January 1, 2006. As part of the New York State 2010-11 Enacted Budget, the STAR tax rate reduction for NYC resident taxpayers with taxable incomes greater than \$500,000 was eliminated. The base rate for these taxpayers was increased from 3.2 percent to 3.4 percent for tax year 2010 and thereafter. The total tax rate for taxable incomes greater than \$500,000 is therefore increased from 3.648 percent to 3.876 percent.

Minimum Income Tax

In addition to the combined tax, taxpayers who make extensive use of tax preferences are liable for a tax of 2.85 percent on their City minimum taxable income.

Withholding Tables

Withholding tables are adjusted to reflect changes made to tax rates, standard deductions and dependent exemptions. There are seven withholding table brackets for tax year 2015, ranging from 1.9 percent to 4.25 percent.

On September 1, 2010, the top withholding rate was increased from 4.0 percent to 4.75 percent, reflecting the expiration of the STAR tax rate reduction for taxable income greater than \$500,000 effective beginning in tax year 2010. The 4.75 percent withholding rate was calculated to collect the full-year liability increase over a four-month period, and was reduced to 4.25 percent on January 1, 2011, as the additional liability is collected over a full liability year.

Retroactive to January 1, 2015, the STAR rate cut for filers with taxable income greater than \$500,000 was eliminated entirely, removing their ability to take advantage of the lower marginal rates for the first \$500,000 of income. This change results in increased collections in withholding as well as estimated payments, but overall is revenue neutral as New York State's reimbursement to New York City for the STAR programs will be reduced by the same amount.

Current NYC Credits

NYC currently has four credits available to qualifying taxpayers to lower their tax payment. These credits are as follows: the earned income tax credit (EITC), the unincorporated business tax (UBT) credit, the NYC household credit and the NYC child

Table 2

NYC Personal Exemptions and Deductions - Tax Year 2013

Filer Type	Exemption	Standard Deduction	Average Itemized Deduction
Single	None	\$7,700	\$19,425
Head of Household	\$1,000 for each dependent	\$10,800	\$20,394
Joint	\$1,000 for each dependent	\$15,400	\$34,212

care credit. While EITC and the child care credits are refundable, the UBT and the household credits are nonrefundable. The UBT credit is designed to reduce tax liability of taxpayers of low, middle and upper middle income brackets based on certain eligibility criteria; the child care, EITC and the household credit, on the other hand, are intended for low-income taxpayers only.

NYC had a STAR credit that was designed to reduce tax liability of taxpayers of low, middle and upper middle income brackets based on certain eligibility criteria, but this was eliminated for tax year 2016. It has been replaced by a New York State STAR credit in the same amount.

The EITC became effective on January 1, 2004. NYC residents are allowed a credit against their City personal income tax liability equal to 5.0 percent of their Federal earned income tax credit for the same tax year. When the City credit is greater than the taxpayer’s liability (net of other allowable credits), the excess is treated as an overpayment and is refunded to the taxpayer. When the taxpayer is a City resident for only part of the tax year, the credit is prorated based on his/her AGI for the period of residence as a share of his/her AGI for the full year (See Table 4).

The child care credit is the most recently enacted credit, effective January 1, 2007. This refundable credit is allowed for child care expenses for children up to the age of four. For taxpayers whose NYS AGI is below \$25,000, the applicable percentage is 75 percent of eligible expenses; this percentage progressively declines to zero for taxpayers with household gross income between \$25,000 and \$30,000. There is no credit for families with income over \$30,000.

Table 3

New York City Credits		
Credit	Type	Effective
Child Care	Refundable	2007
*STAR	Refundable	2008
**Middle Class STAR	Refundable	2007
***Enhanced STAR	Refundable	2006
EITC	Refundable	2004
STAR	Refundable	1998
UBT	Refundable	1997
Household	Refundable	1987
* Replaced Middle Class STAR credit.		
** Replaced enhanced STAR credit.		
*** Replaced original STAR credit.		

Part-Year Resident Tax

When a filer has a change of residential status during the year by moving in or out of the City, the filer is considered a part-year resident for the year. The tax is based on his/her NYS AGI for his/her period of residence, computed as if the year for federal income tax purposes were limited to the period of residence. NYC deductions, exemptions and credits are prorated for part-year residents based on the period of residence in the city.

Nonresident Tax

From 1966 through 1970, a nonresident earnings tax was levied at 0.25 percent on wages and 0.375 percent on net earnings from self-employment. Nonresidents were taxed only on their NYC source income. From 1971 through July 1, 1999 the tax rates were increased to 0.45 percent on wages and 0.65 percent on net earnings from self-employment.

Table 4

NYC Earned Income Tax Credit - Tax Year 2013				
Filer Type	Qualifying Children	Range for Maximum Credit	Cut-off Level	Maximum
Single	None	\$6,350 - \$8,000	\$14,340	\$24
	One	\$9,550 - \$17,550	\$37,870	\$163
	Two	\$13,400 - \$17,550	\$43,038	\$269
	More Than Two	\$13,400 - \$17,550	\$46,227	\$302
Head of Household	None	\$6,350 - \$8,000	\$14,340	\$24
	One	\$9,550 - \$17,550	\$37,870	\$163
	Two	\$13,400 - \$17,550	\$43,038	\$269
	More Than Two	\$13,400 - \$17,550	\$46,227	\$302
Joint	None	\$6,350 - \$13,350	\$19,680	\$24
	One	\$9,550 - \$22,900	\$43,210	\$163
	Two	\$13,400 - \$22,900	\$48,378	\$269
	More Than Two	\$13,400 - \$22,900	\$51,567	\$302

Retroactive to January 1, 1999, the City's nonresident earnings tax was repealed. (See Appendix II:PIT, Legislative History, 1999).

Administration

The NYC personal income tax has been administered by NYS since 1966. The NYS Department of Taxation and Finance is responsible for tax collections. Within that department, the Office of Tax Policy Analysis generates and provides the City with the daily collections, refund reports and other reports. At the end of each month, the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by its components due to the City for that month.

Prepayment Rules

NYC withholding collections are administered by NYS. Employers with withholding of \$15,000 or more in the preceding calendar year are required to file withholding with the State within three business days of the payroll date where total accumulated tax withholding would equal or exceed \$700. For employers that withheld less than \$15,000 during the previous year as well as higher educational institutions and health care providers, the due date is within five business days.

Installment taxpayers can file either on a calendar year basis or on a fiscal year basis. For both types of filers, the payments are due on the fifteenth day of the fourth, sixth, and ninth months of their calendar or fiscal year, and on the first month of the following calendar or fiscal year.

A filer is not required to make an estimated payment when the taxpayer's withholding payments are (a) 90 percent or greater of the total tax due for the year, (b) 100 percent or greater of the total tax liability from the prior year, (c) 110 percent of the taxpayer's prior year liability when the taxpayer's NYS AGI exceeds \$150,000, or (d) the taxpayer expects to owe less than \$300 after credits.

Charges

Each month the State charges the City for the administration of the personal income tax. The charge is based on State expenditures for data entry,

processing of tax returns and taxpayer services, which can be attributed to the City. For fiscal year 2014 the City paid \$80 million in administrative charges.

Final Returns

Due to the implementation of the eMIPRE processing system for processing year 2009 (tax year 2008) and thereafter, all final return payments are allocated based on the taxpayers' zip code. This was designed to improve the accuracy of distributing final returns between NYC and NYS, and reduce the amount of offset payments needed to correctly distribute liability. For tax years prior to 2008, final tax payments on returns were initially distributed to the City based on a percentage of the State pool of final returns. The distribution percentage was based on the City's historical share of total statewide final returns. Adjustments were made for prior distributions, changes to State and City tax laws and the relative rates of economic growth.

State/ City Offsets

Beginning in tax year 2008 (processing year 2009), NYS implemented the eMPIRE processing system, which was designed to more accurately allocate City and State liability throughout the processing year. With the implementation of the eMPIRE processing system, the size of the State/City offsets was expected to be reduced, particularly when final returns are processed. However, they remain at high levels. Final returns have been more accurately distributed under eMPIRE processing, which reduced imbalances in liability between NYC and NYS.

SALES TAX

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SALES TAX

OVERVIEW

The sales tax accounted for 13.0 percent of City tax revenue in fiscal year 2015, or \$6,742 million.

The tax was first enacted in 1934 and is imposed on sales of tangible personal property and certain services. This tax is administered for the City by New York State as authorized by Article 29 Section 1210 of the State tax law. Effective August 1, 2009 the NYC sales tax rate was raised to 4.5 percent from 4.0 percent. The New York State sales tax rate is 4.0 percent and the Metropolitan Commuter Transportation District (MCTD) sales tax rate is 0.375 percent, making the aggregate sales tax rate in the City 8.875 percent. Exemptions include clothing and footwear costing under \$110, food, rent, prescription and non-prescription drugs, textbooks for college students and public transportation. These exemptions are designed to reduce the regressiveness of the tax. Sales tax is also applied to charges for parking, garaging or storing motor vehicles at a rate of 6.0 percent, including an additional 8.0 percent surcharge for the borough of Manhattan, bringing the aggregate parking tax rate in Manhattan to 18.375 percent.

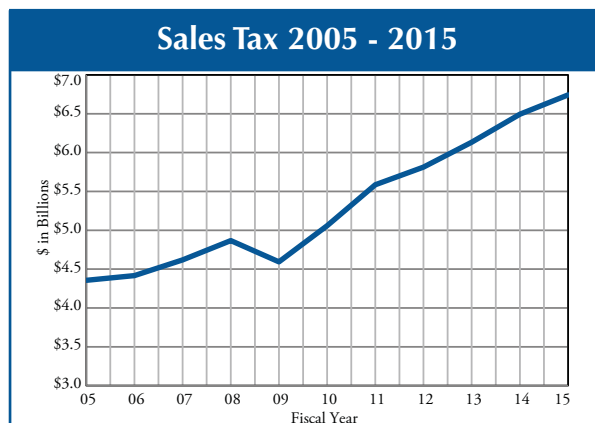
FORECASTING METHODOLOGY

In order to forecast City sales tax revenue, sales tax revenue from general (local) consumption and tourist consumption are split and forecasted separately. This provides a more accurate forecast as local consumption patterns do not always follow tourist consumption patterns.

General Consumption

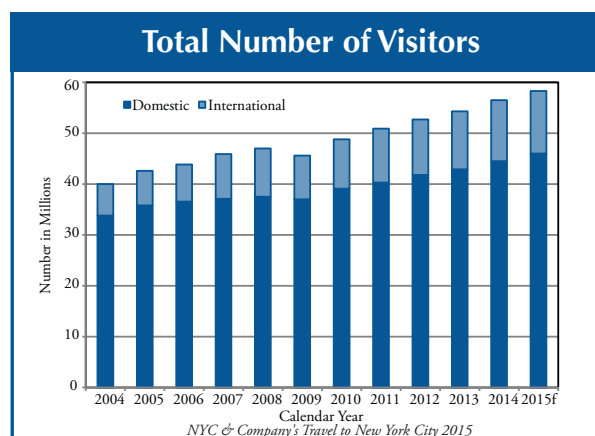
A linear regression model is used to forecast annual sales tax revenue from general consumption. The dependent variable is historical annual sales tax gross collections, adjusted for changes in the tax law. The explanatory variable is the average of City wage earnings coupled with City wage earnings less finance wage earnings. Wage earnings less finance sector wage earnings is included in order to reduce the weight of financial sector wages, a substantial portion of which is spent outside the City. The sales tax revenue equation takes the following form:

Chart 1



Sales Tax Gross Revenue=
 $a + b1*((NYC\ Wage\ Earnings + NYC\ Wage\ Earnings\ Less\ Finance\ Wage\ Earnings)/2)$

Chart 2



Tourist Consumption

The tourist consumption component is based on visitors' spending, which parallels growth in revenue collected from the City's hotel room occupancy tax. This analysis considers international, domestic, business, leisure and day-trip visitor data from NYC & Company publications. Visitor spending is composed of taxable hotel and taxable non-hotel expenditures and reflects travelers who stay overnight as well as day-trippers. Taxable hotel spending includes meals, transportation, shopping and entertainment. (For history of taxes on hotel room occupancy, see Appendix III: Table 4).

These models are intended to provide a structured framework to aid in developing forecasts. Predicting sales tax collections is not a mechanical process, but a process reflecting both modeling and analysis of other factors that affect the tax. The local real estate market,

general business conditions, total taxable sales of durable and nondurable goods, consumer confidence and consumer installment debt are significant factors considered in the forecast process.

Cash Flow Model

Annual sales tax revenue estimates are broken down into a quarterly and a monthly cash flow based on seasonal consumption patterns and historical collection shares. Analysis of collections over an entire quarter has proven more meaningful than a monthly analysis. Monthly data does not always reflect current consumption activity because the majority of vendors who file tax returns file estimated returns during the first two months of the quarter. Furthermore, for the first two months of the quarter, New York State (which administers the sales tax for all localities) distributes the total statewide pool of sales tax revenue to localities based on the share of the statewide sales tax pool the locality received for that same quarter in the prior year. Vendors, when making the final payment in the third month of a sales tax quarter, reconcile their estimated payments with actual liability and pay accordingly. This often results in large swings in payments received in the third month of the quarter. These swings are made more severe as NYS corrects for distribution errors made in the first two months in the third month of each quarter and other errors made in previous quarters.

GASB

The City's cash flow forecast for the sales tax presents sales tax revenue on a modified accrual recognition basis as required by GASB (Government Accounting Standards Board) Statement No. 22. For example, sales tax collections released to the City on September 4th and September 12th are counted as August revenue (see Appendix III: Table 1). For budgetary (General Fund) purposes, such revenues are considered available when collected within sixty days after fiscal year end. Beginning in 2001, these revenues are also recognized on a full accrual basis in the government-wide statement of activities, as required by GASB Statement No. 33.

SALES TAX COMPONENTS

NYC Gross

The NYC gross collections component comprises about 95 percent of sales tax collections and reflects both general consumption and tourist consumption.

Prior Period Adjustments (PPAs)

The State, which administers the NYC sales tax, is not always in possession of full information from all reporting vendors at the end of the filing and payment deadlines. As this information becomes available, it is necessary to adjust the original distribution of revenue among localities, which was previously done through quarterly prior period adjustments. In September 2012, the State moved to a new web-based filing system, allowing adjustments to localities be posted to localities in the month they occur rather than quarterly. PPAs may be positive or negative, depending on whether the previous distribution of tax revenue to the locality is determined to be too large or too small. PPAs can also result from late payments.

Assessments

Assessments include collections from audit activity. They are disaggregated into City audits and State assessments less City audits. The forecast for State assessments is based on the expected rate of growth for the NYC gross component.

Late File Payments

The State, which administers the NYC sales tax, is not always in possession of timely filed returns at the end of each quarter from reporting vendors. When the State receives these returns after the quarterly due date, the cash is accounted for in the month in which it is received and is considered a late filed payment. Previously, late filed payments were reported during the non-peak months (the first two months of the quarter), but the State's switch to a new web-based filing system allowed them to post adjustments to localities in the month they occur rather than quarterly.

Administrative Charges

The State charges localities for administering and collecting the sales tax. The charge to each locality is based on the proportion of the locality's collections to the total pool. The formula is:

$$\text{Locality Administrative Fee} = (\text{Locality Sales Tax Receipt} / \text{Statewide Sales Tax Receipts}) \times \text{Total Administrative Charges}$$

The NYS Department of Taxation and Finance's Bureau of Fiscal Services tally the administrative charges, which include direct and indirect costs such as salaries, fringe benefits, materials, printing and mailing. Direct costs refer to locality-specific charges,

which are charges to localities for special mailings to vendors in the specific locality, and usually relate to legislative changes and/or rate changes. Administrative charges are billed to the localities the last month of the quarter.

In 2015, the charges paid by the City were \$39.1 million.

TAX DETAIL

Tax Base

General Sales Tax Base

The sales tax is applied to sales and rentals of tangible personal property, consumers' utility charges (gas, electricity, refrigeration, steam, and intrastate telephone and telegraph), sales of food and drink by restaurants, taverns, or other eating establishments, admission and amusement charges, dues paid to social and athletic clubs and hotel room rentals. The general sales tax base mirrors the State's base.

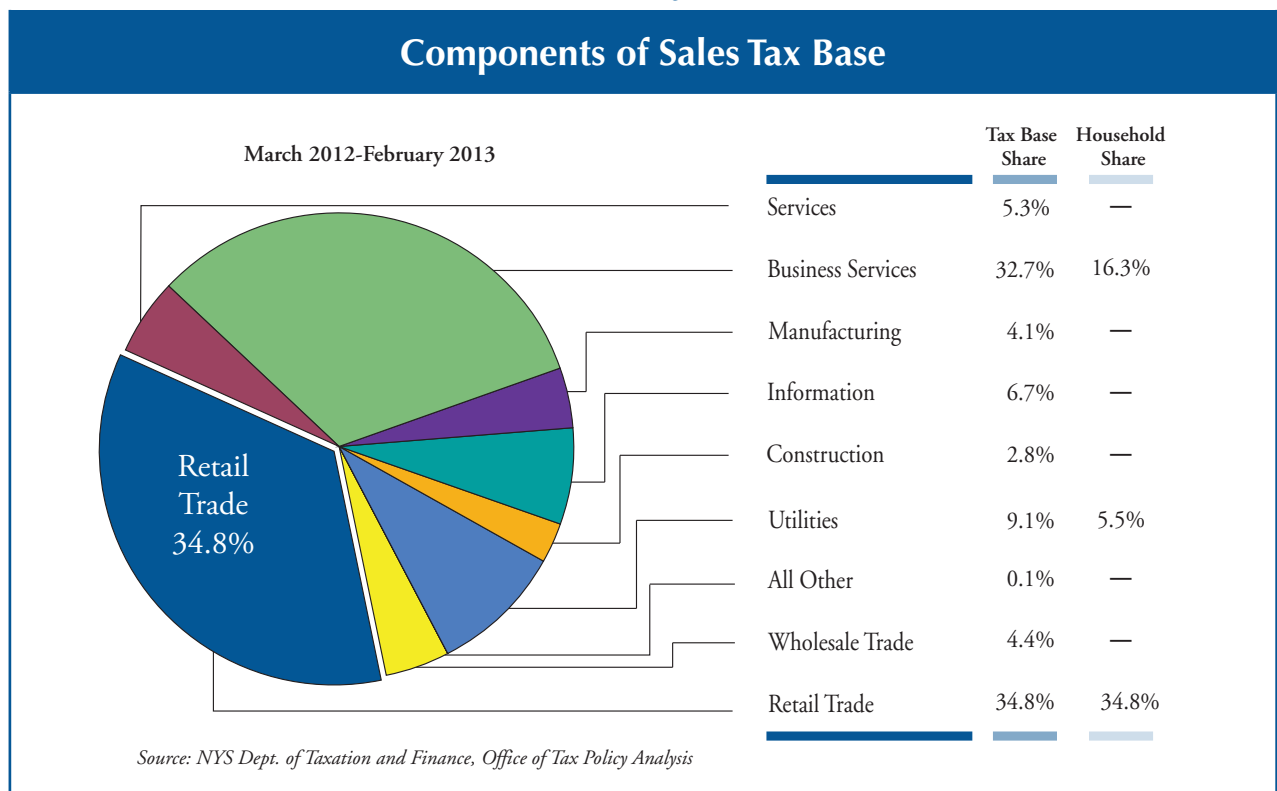
City sales tax collections can be sorted by the type of firm remitting the tax. These components are detailed in Chart 3. Prior to March 2000, the firms remitting sales tax were classified according to SIC (Standard Industrial Classification) codes; now they are classified according to NAIC (North American Industrial

Classification) codes. Retail trade, which includes sales of building materials, general merchandise, restaurant meals and drinks, cars, apparel, furniture, health and personal care, gasoline stations and motor vehicles and parts, represents the largest portion of the sales tax base. Business services is the next largest sector and consists of professional, administrative, healthcare, art, entertainment and recreational, accommodation and food services. The growth of the wholesale trade, construction, communication, and energy sectors continue to increase due to the cyclical nature of the City's economy.

Additional Taxable Items Unique to NYC

In addition to the general sales tax base, the State has given the City the authority to include additional items in its sales tax base apart from the State tax base. These items are taxed at a rate of 4.5 percent. The State reports the revenue from each of these unique taxable items quarterly. The current unique City tax base includes; (1) personal services on beauty, barbering, hair restoring, manicuring, pedicuring, electrolysis, massage and similar services, every sale of services by weight control salons, health salons, gymnasiums, Turkish and sauna baths, and similar establishments; (2) credit services for rating, reporting, adjustments and collection services; and (3) parking, garaging, and storing of vehicles at a

Chart 3



rate of 6.0 percent with an additional 8.0 percent surcharge for the borough of Manhattan (see Table 2). The NYS Legislature must extend the City’s authority to impose a sales tax on credit rating and reporting services every two years. The 6.0 percent parking and garaging City sales tax rate and the additional 8.0 percent surcharge for Manhattan are permanent. The City’s authority to impose sales tax on personal services is permanent; however, the rate at which personal services are taxed, which is set by the City Administrative Code, is not permanent and must be extended every two years.

Calculation of Tax

Tax Rates

Effective August 1, 2009, the NYC sales tax rate was raised to 4.5 percent from 4.0 percent. This brought the aggregate City/State sales tax rate to the current 8.875 percent. This is comprised of the City sales tax rate of 4.5 percent, the State sales tax rate of 4.0 percent, and the Metropolitan Commuter Transportation District (MCTD) sales tax rate of 0.375 percent. (See Table 1).

Effective August 1, 2008, after the expiration of the 4.0 percent Municipal Assistance Corporation (MAC) sales tax, the City was authorized to re-impose the permanent 4.0 percent sales tax. (See Appendix III: Municipal Assistance Corporation).

Table 1

Sales Tax Rates				
	Through 5/31/03	After 5/31/03 ¹	After 5/31/05	After 7/31/09
New York City	4.000%	4.125%	4.000%	4.500%
New York State	4.000%	4.250%	4.000%	4.000%
MCTD*	0.250%	0.250%	0.375%	0.375%
Total	8.250%	8.625%	8.375%	8.875%

*Metropolitan Commuter Transportation District
¹The City’s additional 0.125 percent tax did not take effect until June 4, 2003.

Parking Tax Rates

Sales tax applies to the charges for parking, garaging and storing of motor vehicles. NYC imposes a 6.0 percent tax while the State and the MCTD impose taxes at the rates of 4.0 percent and 0.375 percent, respectively. In addition, an 8.0 percent surcharge applies for the borough of Manhattan. Residents of Manhattan who own and have registered their motor

vehicle to a Manhattan address and park in a long-term rented space are exempt from the 8.0 percent surcharge.

Table 2

Manhattan Parking Tax	
NYS	4.000%
NYC	6.000%
Manhattan Surcharge	8.000%
MCTD	0.375%
Total Parking	18.375%

Exemptions

A variety of exemptions to the sales tax has been enacted over the years to generally make the tax less regressive. Exemptions include clothing and footwear purchases under \$110, food (except certain drinks, candies, and alcoholic beverages), rent, prescription drugs, newspapers and periodicals, textbooks for college students, and public transportation. Exemptions are also allowed for purchases of tangible goods and services intended for resale. The tax does not apply at the time of purchase for resale, but rather at the time the items are sold at retail. Other exemptions include fuel sold to airlines, energy used for research and development, certain promotional materials, Internet access services, and interstate and international telecommunication services.

The City has had a variety of sales tax exemptions for the purchase of clothing and footwear over the years (see Table 3). Currently, the City exempts clothing and footwear costing under \$110. Effective October 1, 2010, the State and MCTD exemption for clothing and footwear costing under \$110 was repealed through March 31, 2011. During that time, the City did not have to reimburse half of the 0.375 percent MCTD tax that was forgone. Beginning April 1, 2011, the State and MCTD exempted clothing and footwear costing under \$55 until March 31, 2012. During that time, the City only reimbursed half of the 0.375 percent MCTD that was forgone for items costing \$55 and over. After March 31, 2012, the State and MCTD reinstated the exemption for clothing and footwear costing under \$110. The City reimbursed half of the 0.375 percent MCTD tax that was forgone on clothing and footwear purchases under \$110 and the State reimbursed the remaining half. (See Appendix III: Legislative History).

Administration

Filing Procedures

New York State and local tax laws provide that the NYS Department of Taxation and Finance administer the sales taxes imposed by both the State and the localities. The State and/or local sales tax is collected from approximately 560,000 registered vendors in New York State; registered vendors in the City are responsible for collecting the sales tax from purchasers at the time of sale. These vendors must file tax returns periodically. The frequency and timing of filing is determined mainly by their level of receipts. Starting with returns filed after January 1, 2012, sales tax vendors are mandated to web file any tax returns or tax documents if they (1) prepare tax documents themselves, without the assistance of a tax professional; (2) use a computer to prepare, document or calculate the required filings, or are subject to the corporation tax e-file mandate; and (3) have broadband Internet access.

Monthly (Part-Quarterly) EFT Filers

The PromptTax program requires certain filers to use electronic funds transfer (EFT) payments. The “part-quarterly” EFT payments are due on the 20th of the month in which the sales occurred. A PromptTax filer is defined as a vendor whose annual sales tax liability is more than \$500,000 or has combined prepayments of sales tax on motor fuel and diesel motor fuel of more than \$5 million per year for the June 1 through May 31 liability period immediately

preceding the previous June 1 through May 31 period. Vendors whose combined total of taxable receipts, rents, and amusement charges are \$300,000 or more in a quarter or distributors of motor fuel and gasoline defined under Article 12-A of the State tax law who have sold a total of 100,000 gallons or more of motor fuel or diesel motor fuel may elect to participate in the PromptTax Program. Vendors required to make monthly EFT payments must continue to file Form ST-810, which is modified to allow the vendor to claim the first two EFT transactions as prepayments in addition to the quarterly “recap”. The Form ST-810 due date is always three business days following the end date of the reporting period. The period end date is always the 22nd of the current month and must include the prior month’s day-23 through the end of that month’s liability in addition to the current month’s day-1 through day-22 liability.

Monthly (Part-Quarterly) Non-EFT Filers

Monthly non-EFT filers are defined as vendors whose combined total of taxable receipts, rents, and amusement charges are \$300,000 or more in a quarter or are distributors of motor fuel and gasoline defined under Article 12-A of the State tax law who have sold a total of 100,000 gallons or more of motor fuel or diesel motor fuel. Monthly filers must file two “part-quarterly” returns and one “recap” return each quarter. The “part-quarterly” return, the New York State and Local Sales and Use Tax Return for Part-Quarterly Filers (Form ST-809), can be based on actual sales data, or may be a “short-form” return in which the tax

Table 3

History of Sales Tax Exemptions on Clothing and Footwear			
	City	State	MCTD
Pre - March 1, 2000	Not Exempt	Not Exempt	Not Exempt
March 1, 2000 - May 31, 2003	Exempt under \$110	Exempt under \$110	Exempt under \$110
June 1, 2003 - August 31, 2005	Not Exempt	Not Exempt	Not Exempt
September 1, 2005 - March 31, 2006	Exempt under \$110	Not Exempt	Not Exempt
April 1, 2006 - August 31, 2009	Exempt under \$110	Exempt under \$110	Exempt under \$110
September 1, 2007 - July 31, 2009	All Exempt	Exempt under \$110	Exempt under \$110
August 1, 2009 - September 30, 2010	Exempt under \$110	Exempt under \$110	Exempt under \$110
October 1, 2010 - March 31, 2011	Exempt under \$110	Not Exempt	Not Exempt
April 1, 2011 - March 31, 2012	Exempt under \$110	Exempt under \$55	Exempt under \$55
April 1, 2012 - Present	Exempt under \$110	Exempt under \$110	Exempt under \$110

Note: Does not include various sales tax free weeks since 1996. Refer to sales tax legislative history for specific dates and applicable rates.

remitted is one-third of the total State and local taxes paid in the comparable quarter of the preceding year, provided that the vendor has been in business for at least one year. The “recap” return, the New York State and Local Sales and Use Tax Return Quarterly for Part-Quarterly Filers (Form ST-810), is filed after the last month of each quarter. Form ST-810 reports actual sales and services by each locality for the entire quarter. The amount of sales tax receipts remitted to the State at this time is calculated by subtracting the amounts paid in the “part-quarterly” months from the amount indicated as due for the quarter in the “recap” report. These vendors file by the 20th of each “part-quarterly” month for collections from the previous month and by the 22nd of the “recap” month.

Quarterly Filers

Quarterly sales tax filers are vendors who have not been notified that they are an annual filer and their taxable receipts were less than \$300,000 during the previous quarter. Most vendors file quarterly when they first register to collect sales tax. Quarterly filers must file the New York State and Local Quarterly Sales and Use Tax Return (Form ST-100). The period end date is always the 22nd day of the current quarter and must include the prior quarter’s day-23 through the end of that quarter’s liability in addition to the current quarter’s day-1 through day-22 liability.

Annual Filers

Annual sales tax filers are vendors who collect \$3,000 or less in sales tax for the twelve-month period beginning March 1 and ending the last day in February. They must file the New York State and Local Annual Sales and Use Tax Return (Form ST-101) by March 20th.

(See Appendix III: Sales Tax, for sales tax return filing dates for the respective activity periods, and the dates on which collections are distributed to the City by the State.)

Sales Tax Distribution

Because a large percentage of monthly sales tax collections for the “part-quarterly” months are comprised of estimated payments paid on “short-form” returns where sales are not broken down by locality, the State estimates the local share for monthly distribution purposes. Revenue is distributed based on the percentage that each locality had of the total sales tax pool in the comparable quarter of the preceding year (the comparable quarter, rather than the comparable

month, is used because the quarter has “recap” information about sales by locality). The distribution for the “recap” month in each quarter is based on actual sales and service information by locality, from both monthly and quarterly filers. This distribution is determined by subtracting the previous estimated distributions of the first two months of the quarter from the quarter totals reported in the “recap” reports.

In order to expedite the monthly distribution of revenue, the State Comptroller makes two distributions to localities. The first distribution or “early draw” is generally made on the 4th (or next business day) of each month and the second distribution or “final draw” is made on the 12th (or next business day) of each month. The “early draw” is comprised of approximately 75 percent of estimated or actual liability filed by vendors due on the 20th of each month. Also distributed on the 4th (or next business day) is 100 percent of EFT liability due from large vendors on the 25th (or the third business day following the 22nd day) of each month.

The “final draw” is made up of the remaining 25 percent of actual or estimated liability. (See Appendix III: Sales Tax Table 1 for an example of a typical monthly distribution).

The months of June and December are, however, exceptions to this pattern. The State makes three distributions of collections due to localities in these months, as some localities are on a cash accounting basis and have fiscal years ending on June 30th or December 31st. The State sales tax law requires that the State make estimated distributions of the first 25 days of sales tax collections, prior to the first day of January and July, for sales tax revenue collected by the State during these months (December and June). This ensures that the bulk of current year cash collections are received by each locality in their current fiscal year. As a result, in December and June distributions on the 29th replace the distributions which otherwise would have been made on the 4th of the following month.

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GENERAL CORPORATION TAX

OVERVIEW

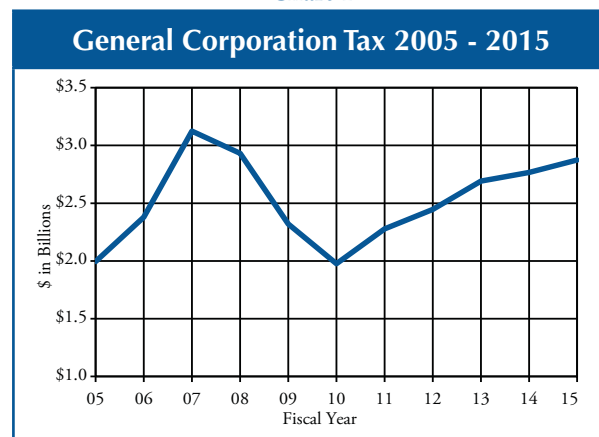
The general corporation tax (GCT) accounted for 5.5 percent of City tax revenue in fiscal year 2015, or \$2,873 million.

For tax years prior to January 1, 2015, the tax is imposed on all corporations, foreign and domestic, for the privilege of doing business, employing capital, owning or leasing property, or maintaining an office in the City. The City has imposed the general corporation tax since July 1, 1966, authorized under Title 11, Chapter 6, Subchapter 2 of the City Administrative Code, enabled by Chapter 722 of the State Laws of 1966. To determine their tax liability, most corporations are required to make three alternative tax calculations, compare these to a minimum tax range (based on gross receipts), and pay the largest amount. The majority of the total general corporation tax liability is paid on the City-allocated entire net income tax base at a rate of 8.85 percent. S corporations, generally pass through entities at the Federal and State levels, are fully taxed under the City's general corporation tax. Banking corporations are subject to the City's banking corporation tax and therefore do not pay the general corporation tax. Insurance firms, nonprofit corporations, and Real Estate Mortgage Investment Conduits (REMICs) are exempt from the general corporation tax. For taxable years beginning on or after January 1, 1998, the general corporation tax also does not apply to an alien corporation where its activities in New York City are limited solely to investing or trading stocks, securities or commodities for its own account. For small corporations, with gross receipts of less than \$250,000, a 100 percent business allocation to the City and no investment or subsidiary capital, only one tax calculation is required to compare against the minimum tax range, with the larger of the two amounts paid.

The New York City Department of Finance (DOF) administers the general corporation tax, but the New York State legislature must authorize most changes to the City's general corporation tax laws, including changes to the tax rate and tax base.

Effective January 1, 2015 C-corporations formerly subject to the General Corporation Tax, will be subject to the new Corporate Tax codified in Subchapter 3-A in Chapter 6 of Title 11 of the Administrative Code of the City of New York. General corporations that are S corporations, or qualified subchapter S subsidiaries under subchapter S of the Internal Revenue Code of 1986

Chart 1



continue to be subject to the General Corporation Tax. See NYC Corporate Tax section for more detail.

GASB

Beginning in 1994, City taxpayer assessed taxes are recognized on a modified accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22. For budgetary (General Fund) purposes, such revenues are considered available when collected within sixty days after the end of the fiscal year. Beginning in 2001, these revenues are also recognized on a full accrual basis in the Government-wide statement of activities, as required by GASB Statement No. 33.

TAX DETAIL

Tax Base

Industrial Mix of Filers and Liability

Details of the industrial mix of filers and liability are lagged by four years. Charts 3 and 4 are based on corporate returns for tax year 2012, the latest completed year for which data is available from DOF. The charts reflect the distribution of corporate tax filers and their liability by industrial sector. In 2012, the service sector (information, professional/technical/managerial and other services) and the finance sector accounted for over half of GCT liability. The service and trade sectors accounted for the largest number of taxpayers, 42.8 percent and 20.8 percent, respectively.

Since 1990, GCT total liability has increased 174 percent from \$972 million in 1990 to \$2,659 million in 2012. A large portion of the growth in liability is a result of growth in the finance sector. The finance sector typically accounts for nearly a quarter of the

Chart 3

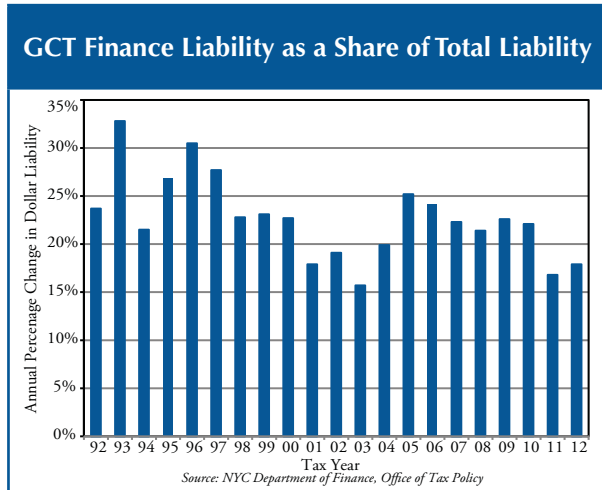
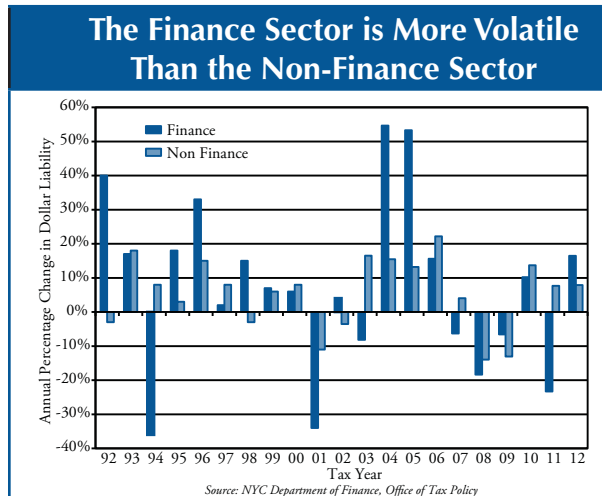


Chart 4

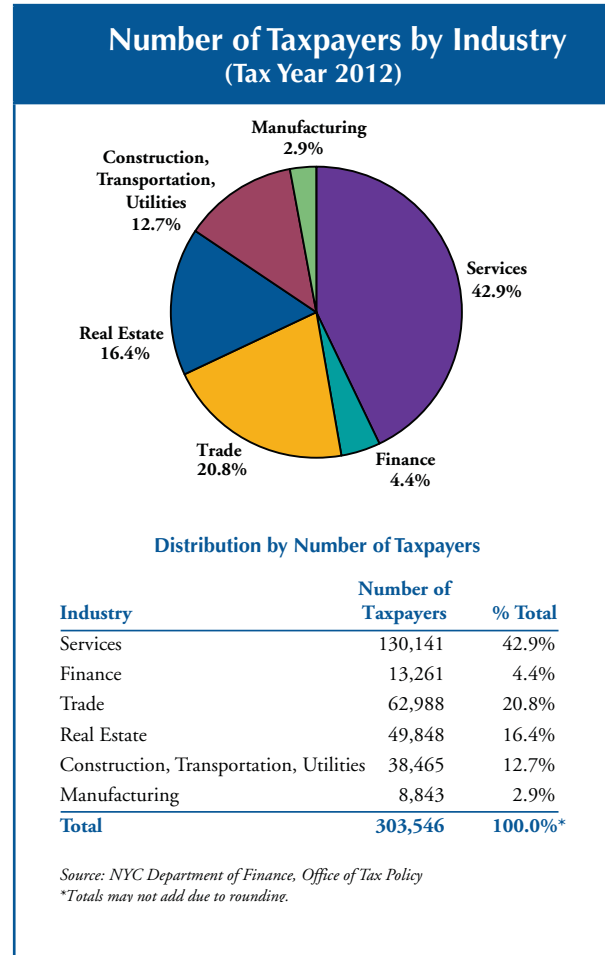


corporate tax liability, even though the sector accounts for a smaller fraction of total corporate tax filers. The disproportionate share of liability-to-filers is also accompanied by a higher degree of volatility than the non-finance sector. This was evident in the disastrous course of events in 2008 which led to the demise of three of the world’s largest investment banks following historic losses on Wall Street. In calendar year 2007, NYSE member firms posted a record loss of \$11.3 billion, only to be surpassed by a larger record loss of \$42.6 billion in calendar year 2008. However, due in large part to aggressive fiscal and monetary actions by the government, NYSE member-firm profitability swiftly rebounded in calendar year 2009 with an all-time record profit of \$61.4 billion.

The total number of firms paying the GCT increased from 203,223 in 1990, to 303,546 in 2012. The non-finance sector has seen stable growth since 1990, but is sensitive to recessions.

However, not all sectors have been growing. Manufacturing firms have been steadily moving out of

Chart 5



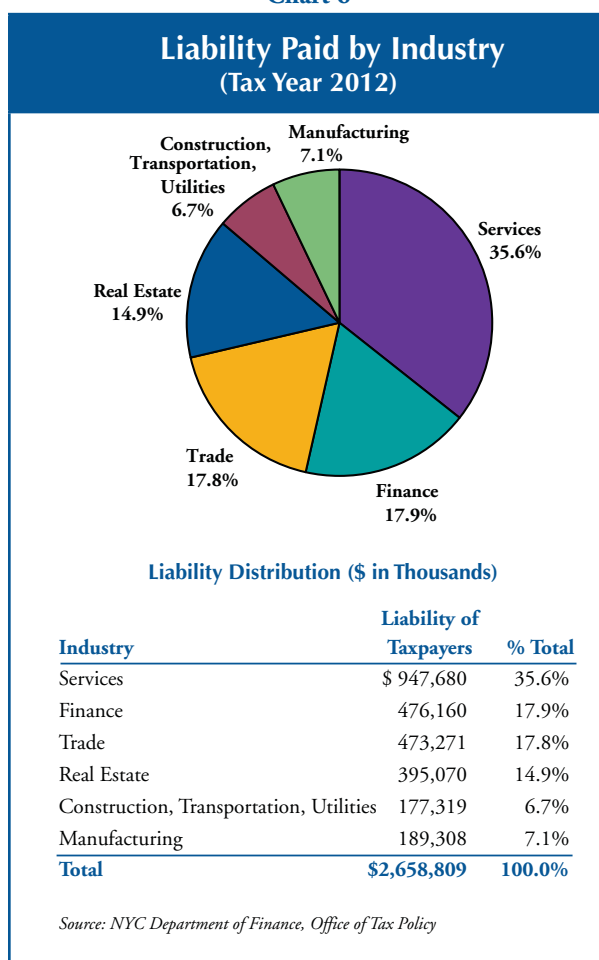
the City. In 1990, 18,115 manufacturing companies accounted for almost 19.4 percent of GCT liability. In 2012, there were 8,843 manufacturing companies in New York City, accounting for 7.1 percent of GCT liability.

Calculation of Tax Liability

Four Alternative Bases

To determine tax liability, most corporations are required to make three alternative calculations and compare these to a minimum tax that ranges from \$25 to \$5,000, based on the taxpayer’s annual receipts allocated to the City. The tax due is the largest of the four amounts. The three alternative tax calculations are: (1) 8.85 percent of the firm’s entire net income allocated to the City; (2) 1.3275 percent of the sum of allocated net income plus compensation paid to all stockholders owning more than 5 percent of the taxpayer’s issued capital stock; and (3) 0.15 percent of the firm’s business and investment capital allocated to the City (see Table 1 for the distribution of taxpayers by tax base). There is an additional tax on subsidiary capital allocated to the City, at the rate of 0.075 percent.

Chart 6



The sum of the liability paid on the highest of the four alternative bases, plus the tax on subsidiary capital, is the firm's total tax liability. For small firms, with gross receipts of \$250,000 or less, 100 percent business

income allocation to the City and no investment or subsidiary capital, the tax due is calculated by applying the 8.85 percent tax rate against the firm's entire net income and comparing that to the minimum tax range of \$25 to \$5,000 (based on gross receipts). The higher of the two calculations is the firm's tax liability.

Entire Net Income Base

The starting point for determining the entire net income base, 90.0 percent of corporate liability in tax year 2012, is Federal taxable income, which must be modified to account for differences between NYC and Federal treatment of various items, including depreciation, tax-exempt interest, and net operating loss deductions. This modified income must be divided between business income and investment income, and then allocated between income derived from NYC activities (allocated net income) and income derived from activities outside the City. Business income is defined as the firm's entire net income less its investment income, which are primarily dividends and interest income from non-subsubsidiary operations.

Prior to January 1, 2009, the allocation formula used by most firms for allocating business income was a three-factor formula and the average of the following ratios: (1) NYC tangible property to total property; (2) NYC receipts to total receipts; and (3) NYC payroll to total payroll. Manufacturing firms were allowed to "double weight" the receipts factor for tax years beginning on July 1, 1996 through December 31, 2010. Since January 1, 2009, the allocation formula for all GCT filers will incorporate a greater share of NYC receipts to total receipts until the City

Table 1

Distribution by Tax Base (Tax Year 2012) (\$ in Thousands)				
Tax Base	Number	% of Total	Liability	% of Total
• Entire Net Income Allocated to the City	9,7638	32.2	\$2,393,130	90.0
• Allocated Net Income + Compensation Paid to All Stockholders Owning More Than 5% of Capital Stock	1,3684	4.5	69,130	2.6
• Alternative Tax on Business and Investment Capital Allocated to the City	19,842	6.5	135,086	5.1
• Fixed Minimum Tax	170,898	56.3	47,270	1.8
• Not Available	1,484	0.5	14,193	0.5
Total*	303,546	100.0	2,658,809	100.0

Source: NYC Department of Finance, Office of Tax Policy
* Totals may not add due to rounding.

conforms to a single sales factor formula for business income allocation, which allocates net income taxable to the City as NYC receipts to total receipts. The new allocation formula is currently being phased-in over a ten-year period that began in tax year 2009 and will be fully effective for tax years beginning after 2017. When fully phased-in, the NYC business income allocation formula will conform to the State's allocation formula for corporations.

Table 2

Geographic Allocation/Single Sales Factor			
	Receipts	Payroll	Property
TY2008	33.3%	33.3%	33.3%
TY2009	40.0%	30.0%	30.0%
TY2010	46.0%	27.0%	27.0%
TY2011	53.0%	23.5%	23.5%
TY2012	60.0%	20.0%	20.0%
TY2013	67.0%	16.5%	16.5%
TY2014	73.0%	13.5%	13.5%
TY2015	80.0%	10.0%	10.0%
TY2016	87.0%	6.5%	6.5%
TY2017	93.0%	3.5%	3.5%
TY2018	100.0%	0.0%	0.0%

Of the firms that paid the general corporation tax in tax year 2012, only 11.8 percent had operations both inside and outside the City and therefore allocated their business income according to the three factor formula. However, these multi-jurisdictional firms paid 66.0 percent of total GCT liability (see Appendix IV: GCT, Table 4). Investment income is allocated according to the amount of capital employed in NYC by the issuing corporation. In addition to the above allocation rules, special allocation rules may apply (see Appendix IV: GCT, Tax Exemptions, Deductions and Credits).

Income-Plus-Compensation Base

The income-plus-compensation base accounted for approximately 2.6 percent of corporate tax liability in tax year 2012. The purpose of this alternative base is to tax firms which lower their taxable income by disguising dividends (which are not deductible) as salaries and other forms of compensation (which are deductible). The starting point for determining this base is NYC allocated net income, to which must be added back the compensation paid to shareholders owning more than 5 percent of the corporation's outstanding stock. After a statutory deduction of \$40,000 is applied against taxable income, the firm applies the 8.85 percent rate to 15

percent of this base (hence the 1.3275 percent effective tax rate for tax years after tax year 2009). Effective on and after January 1, 2007, the net income-plus compensation alternative tax base was reduced in four steps: (1) Firms applied the 8.85 percent rate to 26.25 percent of this base in tax year 2007 (yielding an effective tax rate of 2.323 percent); (2) Firms applied the 8.85 percent rate to 22.5 percent of this tax base in tax year 2008 (yielding an effective tax rate of 1.991 percent); (3) Firms applied the 8.85 percent rate to 18.75 percent of this tax base in tax year 2009 (yielding an effective tax rate of 1.659 percent); and (4) Firms applied 8.85 percent to 15 percent of this tax base for all tax years after tax year 2009 (yielding an effective tax rate of 1.3275 percent).

Tax on Allocated Business and Investment Capital

The alternative tax on allocated business and investment capital accounted for approximately 5.1 percent of corporate tax liability in tax year 2012. This base is designed to tax firms that have low allocated net income, either because of temporary financial difficulties or because of extensive use of tax preferences, such as deductions and net operating loss carry forwards. To determine the tax obligation under this base, a firm must compute the value of its business and investment assets, deduct liabilities against those assets, and if eligible, allocate a portion of the business capital and investment capital to the City using the same allocation formulas described previously. The 0.15 percent rate is then applied. 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. For tax years after 2008, this cap was raised to \$1 million.

Special Allocation Rules

Exceptions in allocation calculation include the following. Credit card interest is allocated based on the domicile of the cardholder. Publishers of newspapers and periodicals may allocate income from their sales of advertising based on the number of newspapers and periodicals delivered to points within New York City. Taxpayers with income from broadcasting radio and television commercials or programs can allocate to the City based on the ratio of the number of listeners/viewers to its total listener/viewer count.

Minimum Tax

The fixed dollar minimum tax for corporations is based on a sliding scale and is dependent on the total receipts allocated to New York City. Starting with a fixed dollar minimum tax of \$25 for corporations with receipts equal to or less than \$100,000, the minimum tax is capped at \$5,000 for corporations with New York City receipts over \$25 million.

Table 3

Minimum Tax	
New York City Receipts	General Corporation Fixed Dollar Minimum Tax
Not more than \$100,000	\$25
More than \$100,000 but not	\$75
More than \$250,000 but not	\$175
More than \$500,000 but not	\$500
More than \$1,000,000 but not	\$1,500
More than \$5,000,000 but not	\$3,500
Over \$25,000,000	\$5,000

Tax on Subsidiary Capital

The additional tax on subsidiary capital (defined as a corporation of which over 50 percent of the outstanding voting stock is owned by the taxpayer) is imposed because entire net income excludes income derived from subsidiary operations. Subsidiary capital is allocated according to the amount of capital employed in New York City and taxed at a rate of 0.075 percent. The tax liability on subsidiary capital is in addition to the highest of the four methods calculated above.

Tax Exemptions, Deductions and Credits

A number of tax exemptions, deductions and credits are available to NYC corporations. Each of the following exemptions, deductions and credits reduce total tax liability (for details see Appendix IV: GCT, Tax Exemptions, Deductions and Credits).

- Insurance Corporation Non-Taxation
- Relocation and Employment Assistance Program (REAP)
- Employment Opportunity Relocation Costs
- Credit (EORC)
- Real Property Tax Escalation Credit
- Energy Cost Savings Program (ECSP – see Non-Charter Mandated Taxes: Utility Tax)
- Nested Credit
- Film Production Credit
- Industrial Business Zone (IBZ) Relocation Tax Credit

- Small Corporation Exemption from Alternative Taxes
- Cooperative Housing Corporation Four-Tenths Mill Tax Rate on Capital
- School Bus Operation Deduction
- Manufacturing and Research & Development Property Depreciation Deduction
- Air Pollution Control Facilities Deduction
- Biotechnology Credit

Tax Treatment of Special Corporations

S Corporations

Under New York City's general corporation tax, S corporations are not taxed differently than C corporations. They are required to make all three alternative tax calculations and compare that to a minimum tax range, based on receipts. However, unlike the City, New York State's corporate franchise tax, levied by Article 9-A of the State tax law, applies different tax treatments to S and C corporations. S corporations for State tax purposes are subject to a minimum tax range of \$25 to \$4,500, based on New York State receipts. Income from the S corporation is then passed-through to shareholders who make tax payments based on their marginal personal income tax rates.

Limited Liability Companies (LLCs)

For City tax purposes, LLCs and LLPs do not pay the general corporation tax. Instead, they pay the unincorporated business tax (see Non-Charter Mandated Taxes: Unincorporated Business Tax).

Regulated Investment Companies (RICs)

A RIC, as defined by Federal tax law, is subject to the GCT. Under the GCT, RICs are not subject to the alternative tax on business and investment capital, but they are subject to the other three tax bases (entire net income, income-plus-compensation, and the minimum tax bases). For City tax purposes, RICs are only taxed on any undistributed income or long-term capital gains. Therefore, to the extent that a RIC passes through its income to shareholders, a RIC pays minimal City general corporation tax.

Real Estate Investment Trusts (REITs)

A REIT, as defined by Federal tax law, is subject to the GCT. Under the GCT, the tax liability of a REIT is determined by utilizing only the net income tax and the minimum tax bases; paying whichever is larger (REITs are not subject to the alternative tax on capital and the income-plus-compensation tax bases). New York City conforms to Federal tax treatment

of REITs, taxing REITs only on any undistributed income or long-term capital gains. Therefore, to the extent that a REIT passes through its income to shareholders, a REIT pays minimal City general corporation tax.

Administration

The general corporation tax is administered by the New York City Department of Finance (DOF). Firms subject to the tax must file according to a payment schedule that conforms to Federal and State filing dates. For firms that have a fiscal year beginning on January 1, a prepayment on current year liability equal to 25 percent of the prior year's liability is due in March. A second installment, or annual declaration of estimated tax, is due in June, and estimated payments, or the third and fourth installments, are made in September and December. A final return for the tax year is then due on March 15th of the following tax year. Firms may file amended declarations of estimated tax at any time to correct or change tax estimates. DOF is also empowered to grant a reasonable extension of time for filing returns when there is good cause for doing so. For annual returns, an automatic six month extension can be granted if the firm files an application for extension, extending their final return due date to September (instead of March) of the following tax year. If eligible, firms can file for an additional six month extension, beyond September to the succeeding March, to complete a final return. This allows firms that have filed two extensions to accurately complete a final return due in March, two years after the completion of a tax year.

BUSINESS CORPORATION TAX

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BUSINESS CORPORATION TAX

Business Corporation Tax Reform:

Part D of Chapter 60 of the Laws of 2015

OVERVIEW

A new Subchapter 3-A is created in Chapter 6 of Title 11 of the Administrative Code of the City of New York to apply for tax years starting on or after January 1, 2015. This new subchapter, also known as the Corporate Tax of 2015 applies to C corporations formerly subject to the General Corporation Tax (“GCT”, Subchapter 2 of Chapter 6 of Title 11 of the NYC Admin. Code), and the Banking Corporation Tax (“BCT”, Subchapter 3 of Chapter 6 of Title 11 of the NYC Admin. Code). The new NYC Corporate Tax does not apply to any corporation that is an S corporation, or a qualified subchapter S subsidiary. S Corporations continue to be subject to tax under the GCT and BCT.

Subchapter 3-A, also known as the NYC Corporate Tax, is modeled on the existing GCT in Subchapter 2, incorporates (with necessary modifications) statutory amendments made to the State’s corporate franchise tax under Article 9-A in the New York State 2014-2015 and 2015-16 enacted budgets.

The new corporate tax includes the following major changes:

- The Banking Corporation Tax and the General Corporation Tax are merged for C-Corporations;
- Combined reporting is adopted for unitary corporations that meet a more than 50 percent stock ownership test, with an election for non-unitary corporations to file a combined return if they meet the ownership test. Corporations that are treated as United States domestic entities or generate business income in the United States are generally eligible for combination;
- The entire net income tax base is replaced with a business income tax base;
- The phase-in of a single receipts apportionment factor from the General Corporation Tax (fully effective for tax years beginning on or after January 1, 2018) is adopted;
- Customer-based sourcing rules apply;
- A one-time election is provided to small and mid-sized taxpayers to continue using property and payroll, in accordance with the formula for 2017, to apportion income in tax years beginning January 1, 2018 and after;
- The separate treatment of subsidiary capital and income is eliminated;
- The former definition of investment capital and investment income is narrowed, exempting both from tax;
- Pre-2015 net operating losses (NOLs) are converted into a prior NOL conversion subtraction pool to stabilize their value for financial accounting purposes;
- The rules for NOLs incurred in tax years beginning on or after January 1, 2015 are simplified;
- A three year carry back for NOLs incurred in tax years beginning on or after January 1, 2015 is allowed;
- The alternative minimum tax base for income plus compensation is repealed;
- The tax on assets for banks is eliminated;
- The maximum tax for the tax on capital base is raised to \$10,000,000 and lowend relief is provided by reducing the computed amount of tax by \$10,000;
- The tax rate is reduced for corporations with less than \$1,000,000 of NYC business income from 8.85 percent to 6.5 percent, and a smaller reduction is applied for corporations with NYC business income between \$1,000,000 and \$1,500,000 or overall business income between \$2,000,000 and \$3,000,000;
- The tax rate for manufacturing corporations with less than \$10,000,000 of NYC business income is reduced from 8.85 percent to 4.425 percent, and a smaller reduction is applied for manufacturing corporations with NYC business income between \$10,000,000 and \$20,000,000 or overall business income between \$20,000,000 and \$40,000,000;
- A 9.0 percent tax rate is applied to major financial corporations (> \$100 billion in assets); and
- The City and taxpayers are permitted to make income allocation adjustments based on New York State income allocation adjustments, under the extended statutes of limitations applicable to federal and New York State changes to income.

The new NYC Corporate Tax (subchapter 3-A) conforms closely to the revised Article 9-A of the tax law. Differences are generally attributable to:

- Tax rates,
- Treatment of S corps,
- Small business,
- Business income allocated to the City rather than

the State,

- Taxation of publicly supervised utilities under the utility tax rather than the corporate tax, and
- Pre-existing tax credits

CORPORATIONS SUBJECT TO TAX

The NYC Corporate Tax merges the taxation of general corporations and banking corporations, which means that C corporations formerly subject to the GCT and BCT will become subject to the new NYC Corporate Tax. The NYC Corporate Tax does not apply to S corporations, insurance corporations, and publicly supervised utilities.

Nexus Standards

The NYC Corporate Tax retains existing nexus standards for the privilege of doing business, employing capital, owning or leasing property, or maintaining an office, as well as the BCT credit card nexus standard of one thousand customers, by mailing address and merchant locations.

Alien corporations not deemed domestic under the Internal Revenue Code with no effectively connected income (ECI) computed pursuant to IRC §882 are not subject to tax. In addition, such alien corporations are excluded from the combined group.¹

FORECASTING METHODOLOGY

Forecast of Annual Tax Liability

The general corporation tax and the banking corporation tax current forecasting methodologies will also be used for the NYC Corporate Tax to forecast the finance and non-finance sector liabilities. Until several years of data become available to analyze which may alter the forecast methodologies, the finance and non-finance annual linear regression models used for the general corporation tax will be applied. The finance linear regression model will now include banking corporation tax liability as well as finance tax liability from general corporations as the dependent variable. The separate liability forecasts are combined, yielding a forecast of total corporation tax liability, which is then

fiscalized and adjusted for tax programs.

TAX DETAIL

Calculation of Tax Liability

Classification of income and expenses

The entire net income base of the GCT is replaced with a business income tax base. The new NYC Corporate Tax only taxes business income, investment income and other exempt income are not taxable.

Business income² equals entire net income (ENI), less investment income and other exempt income.

BUSINESS INCOME =

Entire Net Income – (Investment Income
+ Other Exempt Income)

Business Income

The starting point for the business income base is federal taxable income (FTI) for U.S corporations and effectively connected income, or ECI, for alien corporations not deemed domestic under the IRC. Taxpayers are required to add back treaty benefits to ECI, consistent with the treatment of alien banks under the BCT. The requirement that taxpayers add back the amount of foreign taxes paid is eliminated. Most of the other existing GCT modifications are continued. The exemptions for income from subsidiary capital and 50 percent of dividends from non-subsidiaries are eliminated. The income is re-classified as investment income, other exempt income, or business income.

Entire Net Income

Entire Net Income is defined as total net income from all sources, and is the same as the taxable income which the taxpayer is required to report to the United States Treasury Department for purposes of the Federal income tax imposed by chapter 1 of the Internal Revenue Code (IRC) or which the taxpayer would have been required to report if it had not made an election under subchapter S of chapter 1 of the Internal Revenue Code.

Investment Income

The GCT definition of investment income is narrowed to include only income from stocks of non-unitary corporations held for investment for more than

¹Alien corporations are defined as corporations organized under the laws of a country, or any political subdivision thereof, other than the United States, or organized under the laws of a possession, territory, or commonwealth of the United States.

²Business income includes the following: interest income and gains and losses from debt instruments or other obligations, unless the income cannot be included in allocable business income under the U.S. Constitution; gains and losses from stock of a corporation conducting a unitary business with the taxpayer; dividends and gains and losses from stock held in a non-unitary corporation for one year or less or otherwise not qualifying as investment capital, dividends and gains from stocks that do not qualify as investment income because gross investment income exceeds 8 percent of ENI; and income from cash.

one year and that satisfy the definition of capital asset under section 1221 of the Internal Revenue Code (IRC) at all times during the year, would generate capital gain or loss upon disposition, are clearly identified as held for investment in the same manner required under IRC section 1236(a)(1) (whether or not the taxpayer is a dealer), and, for all stock acquired after January 1, 2015, have never been held for sale to customers. Income that cannot be included in allocable business income under the U.S. Constitution is also investment income. Stock is defined as an interest in a corporation that is treated as equity for federal income tax purposes. Solely for purposes of the definition of investment capital and investment income, if the taxpayer owns or controls, directly or indirectly, less than 20 percent of the voting power of the stock of a corporation, the corporation is presumed to not be conducting a unitary business with the taxpayer. Gross investment income cannot exceed eight percent of the taxpayer's ENI. For more detail see Appendix V: NYC Corporate Tax, Investment Income.

Other Exempt Income

The new "other exempt income" category of income is defined as the sum of exempt controlled foreign corporation (CFC) income and exempt unitary dividends. Exempt CFC income is income received from a controlled foreign corporation that is conducting a unitary business with the taxpayer but is not included in the combined group. Exempt unitary dividends are dividends from unitary corporations not in the combined group because they are: (1) taxable under another tax chapter, (2) alien corporations not deemed domestic with no effectively connected income (ECI), (3) insurance corporations that are not taxable under Subchapter 3-A, or (4) less than 50 percent directly or indirectly owned by the taxpayer.

Attribution of Expenses

Investment income and other exempt income are not taxable, and the deductions for interest expenses attributable to such income are disallowed. If actual interest expense attribution exceeds income, the excess expenses are required to be added back to income. An alternative to computing actual interest expenses disallowed, taxpayers may make a revocable election to reduce investment income and other exempt income by 40 percent. If the election is made, it applies to

both investment income and other exempt income. If the election is revoked, the revocation applies to both investment income and other exempt income. For more detail see Appendix.

Allocation of Business Income

A single receipts factor apportionment methodology is being phased-in on the same schedule as the GCT and will be fully effective for tax years beginning on or after January 1, 2018³. Market-based sourcing rules⁴ (customer based sourcing) determine whether receipts are derived from activity within the City for purposes of the receipts factor. Receipts from sales of electricity are sourced to the delivery location. Net gains (not less than zero) from sales of real property are sourced to the location of the property. Royalties from the use of patents, copyrights, trademarks and similar intangibles are sourced to the City if such intangibles are used within the City. Receipts from digital products are generally sourced to the customer's primary use location of the product. For more detail see Appendix V: NYC Corporate Tax, Allocation of Business Income.

Three Alternative Bases

The business income base is the primary tax base, and the business capital and fixed dollar minimum tax bases are alternative minimum tax bases. The GCT alternative minimum tax on income plus compensation, the BCT alternative entire net income base, the BCT taxable assets base, and the BCT fixed dollar minimum tax are not included in the NYC Corporate Tax. The separate tax on subsidiary capital is repealed.

Business Income Base

Business Income Base Tax Rates.

Type of Business	Rate in Tax Year 2015 and Thereafter
Qualified Manufacturing Corporations	4.425% - 8.85%
Small Businesses	6.5% - 8.85%
Financial Corporations	9%
Remaining Taxpayers	8.85%

* The tax rate for qualified manufacturing corporations phases out between \$10 and \$20 million of allocated business income and \$20 and \$40 million of business income before allocation.
* The tax rate for small businesses phases out between \$1 and \$1.5 million of allocated business income and \$2 and \$3 million of business income before allocation.

For more detail on types of businesses see Appendix.

³See GCT Table 2 for Single Sales Factor Phase-in Schedule.

⁴Market-based sourcing allocates the service revenue to the state in which the benefit of the service is received and will subsequently be used. New York's former sourcing rule allocated service revenue to the state where the taxpayer performed its services. Under market-based sourcing, revenue is allocated to the state where the benefit of the service is received or used. Thus, market-based sourcing allows states to tax out-of-state service providers with customers within the respective state.

Capital Base

Business Income Base Tax Rates.

Type of Business	Rate in Tax Year 2015 and Thereafter
Cooperative Housing Corporations	0.04%
All other corporations	0.15%
Modification: the portion of total business capital directly attributable to stock in a subsidiary that is taxable as a utility within the meaning of the new york city utility tax or would have been taxable as an insurance corporation under the former new york city insurance corporation tax	0.075%

** The maximum tax is \$10,000,000.
A \$10,000 reduction applies to all capital tax calculations (provided that the capital tax cannot be less than \$0).

Fixed Dollar Minimum Tax Base

Fixed Dollar Minimum

New York City Receipts	Fixed Dollar Minimum Tax
Not more than \$100,000	\$25
More than \$100,000 but not over \$250,000	\$75
More than \$250,000 but not over \$500,000	\$175
More than \$500,000 but not over \$1,000,000	\$500
More than \$1,000,000 but not over \$5,000,000	\$1,500
More than \$5,000,000 but not over \$25,000,000	\$3,500
More than \$25,000,000 but not over \$50,000,000	\$5,000
More than \$50,000,000 but not over \$100,000,000	\$10,000
More than \$100,000,000 but not over \$250,000,000	\$20,000
More than \$250,000,000 but not over \$500,000,000	\$50,000
More than \$500,000,000 but not over \$1,000,000,000	\$100,000
More than \$1,000,000,000	\$200,000

A corporation's "New York City receipts" are the same as its New York City receipts for purposes of computing its business allocation percentage. If a return is filed for a period of less than one year, the minimum tax may be reduced.

Sourcing Rules

Former Sourcing Rules

Former sourcing rules continue generally for: sales of tangible personal property; rentals of real and tangible personal property; broker/dealer activities, interest, fees, penalties, service charges, merchant discounts, and credit card fees; services provided to a Regulated Investment Company (RIC); and advertising. For more detail see Appendix V: NYC Corporate Tax, Sourcing Rules.

New Sourcing Rules For Allocating Income From Financial Instruments

Qualified financial instruments (QFIs) are loans (except loans secured by real estate), federal, state

and municipal debt, asset backed securities and other government agency debt, corporate bonds, stock (except stock that is investment capital), partnership interests, physical commodities and other financial instruments not otherwise enumerated in the statute that are marked to market under IRC §475 or §1256. Taxpayers can use one of two sourcing methods for QFIs: use customer-based sourcing for each income stream that does not constitute tax exempt income; or elect to treat all income from QFIs as taxable business income and allocate 8.0 percent of the net income (dividend income, interest income, and net gains), not less than zero, from QFIs to the City. The irrevocable 8.0 percent QFI election must be made on an annual basis on the taxpayer's original, timely filed return (determined with regard to extensions) and applies to all the QFI income of all members of a combined group. Non-qualified financial instruments (non-QFIs) are all financial instruments that do not meet the definition of QFI and the related income is subject to customer-based sourcing. For more detail see Appendix V: NYC Corporate Tax, Sourcing Rules.

Combined Reporting

The NYC Corporate Tax adopts a unitary method for combined reporting. In order to be combined, corporations must: Conduct a unitary business; and meet a more than 50 percent stock ownership test that is based on voting power. This is satisfied when one corporation directly or indirectly owns more than 50 percent of another, or corporations are controlled by a common interest or by related parties through more than 50 percent stock ownership. The substantial intercorporate transactions test is eliminated. The combined group must include all domestic corporations, alien corporations deemed domestic corporations under the IRC (contiguous, stapled, and inverted corporations), alien corporations with ECI, captive REITs and RICs, and combinable captive insurance companies. Taxpayers can also make an irrevocable commonly owned group election that requires combined reporting for a 7 year period. The group must include all unitary and non-unitary corporations that could be taxed under the NYC Corporate Tax and that meet the more than 50 percent stock ownership test. The election must be made when the original return is timely filed (determined with regard to extensions) and may not be revoked during the 7 year period. Upon expiration, the election is automatically renewed for another 7 years unless the group affirmatively declines to renew. If the election is affirmatively declined, a

new election cannot be made for 3 years. Each corporation in the group is deemed to have agreed to treat the income from the non-unitary businesses as if it were from the group's unitary business and any corporation conducting a nonunitary business that is acquired during that period that could be taxed under the NYC Corporate Tax is included in the combined group for the remainder of the election period. For more detail see Appendix V: NYC Corporate Tax, Combined Reporting.

The combined group is generally treated as if it were a single entity. Each taxpayer member of the combined group is liable for the group's whole tax, not just its prorata share of the combined group's tax. The combined group must designate one taxpayer member to be the agent for administrative purposes (e.g., filings, assessments, payments, and waivers). The combined group's tax is the sum of (1) the greater of the tax on combined business income, the tax on combined business capital, or the fixed dollar minimum tax of the agent and (2) the fixed dollar minimum tax for every other taxpayer member of the group. Generally, combined income is computed using the federal intercorporate deferral rules. Credits, prior net operating loss conversion subtractions, and net operating loss deductions can be used by the group, not just the corporation that generated the item, and are applied in computing the combined tax.

Net Operating Losses (NOLs)

Prior Net Operating Loss Conversion (PNOLC) Subtraction

Net operating losses (NOLs) that were incurred before the 2015 tax year are converted into a PNOLC subtraction to stabilize their value for financial accounting purposes. For more detail see Appendix.

Taxpayers have a choice to use 1/10 of the PNOLC subtraction pool in each year for the next 20 years or until it's exhausted, whichever is first, or use 1/2 of the PNOLC subtraction pool in each tax year before the pool is exhausted, within the period beginning January 1, 2015 and ending December 31, 2016. If taxpayers cannot use the entire 1/10 allotment of subtraction in one year, the unused portion is carried forward into future years and added to the amount allowed in subsequent years. Years where the subtraction cannot be used still count in determining the 20 year period, including any tax year after January 1, 2015 that the taxpayer is subject

to Subchapter 2 or 3. If taxpayers choose to deduct 1/2 of the subtraction in the 2015-2016 period, any unused amount is lost after 2016. For more detail see Appendix V: NYC Corporate Tax, Net Operating Loss (NOL).

The PNOLC subtraction is deducted from allocated business income before the net operating loss deduction. Taxpayers only have to use the amount of PNOLC subtraction necessary to bring the tax on business income down to the higher of the tax measured by capital or the fixed dollar minimum tax.

NOL Deduction

The following rules apply to NOLs incurred in tax years beginning on or after January 1, 2015: A taxpayer's NOL deduction (NOLD) in any specific tax year would be the sum of allocated business losses that were incurred in tax years beginning on or after January 1, 2015, less any portion of such losses that were deducted as a NOLD in a prior tax year. The NOLD is no longer limited by the federal NOLD source year or amount. The NOLD is a deduction against allocated business income and is applied after the PNOLC subtraction. Taxpayers only have to use a NOLD in an amount necessary to bring the tax on business income down to the higher of the tax measured by capital or the fixed dollar minimum tax, with excess NOL carried forward. NOLD is not allowed for a NOL sustained during any year in which the corporation generating the loss was not subject to tax under the NYC Corporate Tax. NOLs can be carried back 3 years, provided no NOL earned in 2015 or later can be carried back to a tax year before 2015, and must be carried back to the earliest year first. Taxpayers may make an irrevocable election on the original, timely filed return (determined with regard to extensions) for the year of the loss to relinquish the entire carryback period. NOLs can be carried forward for as many as 20 years and must be carried forward to the earliest year first.

Tax Credits

GCT credits are transitioned into the NYC Corporate Tax, except for obsolete credits. The NYC Corporate Tax provides for the carry forward of credits that were allowed under the GCT in tax years prior to January 1, 2015.

Bank-Specific Provisions

The NYC Corporate Tax eliminates special bank specific provisions. This includes the international banking facilities provisions and the deduction for

interest income from government obligations. In an effort to encourage local lending in the City, four new ENI modifications were created. For more detail see Appendix V: NYC Corporate Tax, Bank-Specific Provisions.

Legacy GCT Provisions That Are Unique to New York City

An entity that would otherwise meet the definition of a corporation but that was subject to the Unincorporated Business Tax (“UBT”) for its taxable year beginning in 1995 and that made an election not to be characterized as a corporation under the GCT, will also not be a corporation the NYC Corporate Tax unless and until it revokes its election. An entity characterized as a partnership for federal income tax purposes is not a corporation. The application of the Corporate Tax is not modified for Domestic International Sales Corporations. For more detail see Appendix V: NYC Corporate Tax, Legacy GCT Provisions That Are Unique to New York City.

Other Unique New York City Provisions

The NYC Corporate Tax specifically defines IRC and partnership with reference to the current IRC. Certain taxpayers that have less than \$50 million of receipts allocated to the City may make a onetime revocable election to continue using a 3 factor formula for income allocation (see Allocation of Business Income page 69). The NYC Corporate Tax does not include an exception to the PNOLC limitations for taxpayers subject to the small business tax rate. The NYC Corporate Tax does not provide for the carryover of net operating losses incurred under the GCT or BCT after January 1, 2015. The statutes of limitations applicable to assessments and refunds in connection with New York State changes of income are revised to permit the City and taxpayers to make income allocation adjustments based on New York State income allocation adjustments. No penalty will apply to a late declaration or underpayment of estimated tax due prior to or on June 15, 2015 under Section 1 of the Act, if the declaration and payment are made in full by the first due date after June 15, 2015 on which an installment of estimated tax is required to be paid, together with all other such declarations and payments then due.

Filing Provisions

Filing Dates, Estimated Tax Payments, and Extensions Of Time To File

The filing dates, estimated tax calculations, and rules regarding requests for additional time to file for the NYC Corporate taxpayers are the same as amended as the filing dates, estimated tax calculations, and rules regarding requests for additional time that apply under the GCT. However, when determining the amounts of the second, third, and fourth estimated tax payments for tax year 2015, the effects of corporate tax reform and changes to the computation should be taken into consideration.

No additions to tax will apply to declarations or payments of estimated tax required to be filed or paid, on or prior to June 15, 2015, if the taxpayer files such declarations and makes such payments no later than the first date after June 15, 2015 on which an installment of estimated tax is required to be paid, together with all other such declarations and payments.

Mandatory First Installment of Estimated Tax For 2015

The mandatory first installment for a tax year beginning on or after January 1, 2015, is paid with the applicable 2014 tax return at the time it is filed or with the applicable extension form if the taxpayer requests an extension of time to file its return. The mandatory first installment must be based on the tax or properly estimated tax shown on its 2014 filing. Law changes that take effect for tax years beginning on or after January 1, 2015, are not required to be taken into consideration for this payment. Any amount a taxpayer paid as a mandatory first installment for the 2015 tax year prior to the enactment of the NYC Corporate Tax will be treated as a mandatory first installment under the NYC Corporate Tax if the taxpayer is a C corporation.



NON-CHARTER MANDATED TAXES

Banking Corporation Tax
Unincorporated Business Tax
Real Property Transfer Tax
Mortgage Recording Tax
Commercial Rent Tax
Utility Tax
Hotel Room Occupancy Tax
Cigarette Tax
Other Taxes

BANKING CORPORATION TAX

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BANKING CORPORATION TAX

OVERVIEW

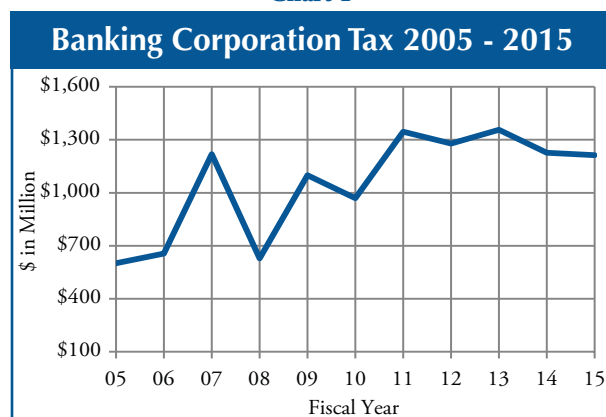
The banking corporation tax accounted for 2.3 percent of City tax revenue in fiscal year 2015, or \$1,214 million.

The City has imposed the banking corporation tax since July 1, 1966, authorized under Title 11, Chapter 6, Subchapter 3 of the City Administrative Code, enabled by Chapter 722 of the State Laws of 1966. For tax years prior to January 1, 2015, corporations subject to the tax include commercial banks, savings banks, savings and loan associations, bank holding companies and foreign banks. The tax is imposed on banking corporations for the privilege of doing business in New York City. To compute their tax liability, a banking corporation is required to make three alternative tax calculations, compare these to a minimum tax of \$125, and pay the largest amount. The majority of the banking corporation tax liability is paid on the City-allocated entire net income tax base at a rate of 9.0 percent.

Banking corporations are defined as follows: (1) corporations or associations that are organized under New York State laws, the laws of any other state or country, or the laws of the United States that are authorized to do a banking business (including commercial banks, savings banks, savings & loan associations, and trust companies); (2) bank holding companies that are included in combined banking corporation tax returns; and (3) corporations owned by a bank or a bank holding company and principally engaged in a business that a bank may legally conduct or a business that is so closely related to banking as to fall under the terms and conditions that allow the business to be taxed as a banking corporation.

The following types of corporations are exempt from the banking corporation tax: (1) trust companies wherein 20 or more savings banks organized under the laws of New York own all capital stock; (2) corporations that are subject to the general corporation tax; (3) Real Estate Mortgage Investment Conduits (REMICs); and (4) corporations that are subject to tax as insurance companies (other than savings and insurance banks) under Article 33 of the New York State Tax Law. The New York City Department of Finance (DOF) administers the banking corporation tax, but the New York State legislature must authorize most changes to the City's banking corporation tax laws, including changes to the tax rate and tax base.

Chart 1



Additionally, the City's banking corporation tax provisions have usually been extended by the State every two years. The last extension was for one year, expiring on December 31, 2010. However, effective January 1, 2011 the City banking corporation tax was made permanent (the State also has made its Banking Corporation Franchise tax permanent).

Effective January 1, 2015 the Banking Corporation Tax is repealed for C-corporations. Banking corporations that are not S corporations or qualified subchapter S subsidiaries as defined by subchapter S of the Internal Revenue Code are required to pay under the new Corporate Tax for tax years beginning on or after January 1, 2015. Banking corporations that are S corporations continue to be subject to the Banking Corporation Tax. See NYC Corporate Tax section for more detail.

FORECASTING METHODOLOGY

GASB

Beginning in 1994, City taxpayer assessed taxes are recognized on a modified accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22. For budgetary (General Fund) purposes, such revenues are considered available when collected within sixty days after the fiscal year ends. Beginning in 2001, these revenues are also recognized on a full accrual basis in the Government-wide statement of activities, as required by GASB Statement No. 33.

TAX DETAIL

Tax Base

Data from a DOF statistical report on banking corporation tax returns for tax year 2012 (the latest year for which data is available) indicates that commercial banks, including clearing house banks, accounted for 47 percent of tax liability in tax year 2012, and over 20 percent of total tax filers (see Charts 2 and 3). The clearinghouse subcategory has a disproportionate share of liability, accounting for 32.6 percent of total banking corporation tax liability in 2012, while comprising only 1.0 percent of total taxpayers in tax year 2012.

Foreign banks accounted for the second largest number of taxpayers, or just under 31 percent of total filers. However, foreign banks accounted for 37.0 percent of total tax liability in tax year 2012. The other banks category forms the largest group of banking corporation tax filers at 38.8 percent of total taxpayers. However, other banks' liabilities are smaller at 13.7 percent of total liability. Thrifts continue to be a constant share of banking corporation tax filers, or 9.2 percent of total tax filers in 2012. Their share of tax liability is a fraction of their 1999 level; from 6.7 percent in 1999 to 2.5 percent in 2012.

Banking corporation tax revenues can be difficult to predict because a small number of taxpayers account for a large percent of the total liability. In tax year

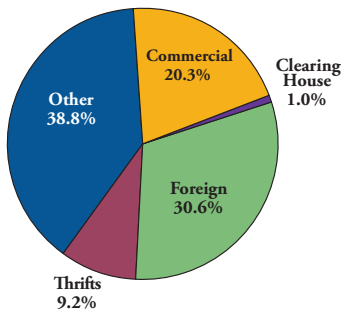
2012, about 23 percent of taxpayers, or 111 banking corporation tax filers that owed more than \$1,000,000 in taxes, accounted for just under 97 percent of the total banking corporation tax liability (numbers above may not total to 100 percent due to rounding. For further detail, see Charts 2 & 3 and Table 1).

Calculation of Tax Liability

Banks make three alternative calculations of tax liability, compare the results to a fixed minimum tax of \$125 and pay the largest amount. The three alternative calculations are: (1) 9.0 percent of the entire net income allocated to the City (Federal taxable income with certain New York City modifications); (2) 3.0 percent of alternative entire net income allocated to the City (the same as entire net income, but adjusted to eliminate the effect of certain tax benefits); and (3) one-tenth of a mill of each dollar of taxable assets located in the City. Ailing thrifts are exempt from this last alternative calculation while foreign banks must calculate this base as 0.26 percent of the face value of issued capital stock allocated to the City for tax years before 2011. Effective for tax years beginning in 2011, the City will require foreign banks to calculate the last alternative calculation similar to domestic firms using taxable assets allocated to NYC as the taxable base (for more information, see Legislative History).

Chart 2

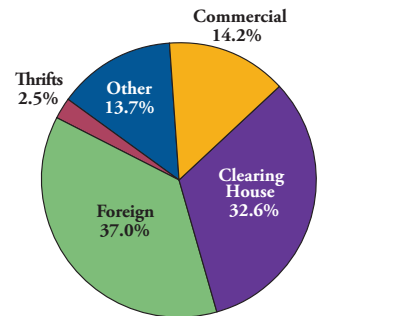
Number of Taxpayers by Bank Sector (Tax year 2012)



Source: NYC Department of Finance, Office of Tax Policy
* Total may not add due to rounding.

Chart 3

Liability Paid by Bank Sector (Tax Year 2012) (\$ in Thousands)



Source: NYC Department of Finance, Office of Tax Policy
* Total may not add due to rounding.

Table 1

Distribution of Filers and Liability (Tax Year 2012)					
(\$ in Thousands)					
Liability Per Taxpayer	Number	% of Total Taxpayers	Liability (\$000)	% of Total Liability	Average Tax Per Filer
< = \$ 50,000	227	46.6%	\$1,867	0.1%	\$8,225
\$ 50,000.01 - \$ 500,000	108	22.2%	22,812	1.4%	\$211,222
\$ 500,000.01 - \$ 1,000,000	41	8.4%	28,382	1.8%	\$692,244
> \$ 1,000,000	111	22.8%	1,542,408	96.7%	\$13,895,568
Total*	487	100.0%	\$1,595,469	100.0%	\$3,276,117

Source: NYC Department of Finance, Office of Tax Policy
**Totals may not add due to rounding*

Administration

The banking corporation tax is administered by the New York City Department of Finance (DOF). Firms subject to the tax must file according to a payment schedule that conforms to Federal and State filing dates. For firms that have a fiscal year beginning on January 1, a prepayment on current year liability equal to 25 percent of the prior year's liability is due in March. A second installment, or annual declaration of estimated tax, is due in June, and estimated payments, or the third and fourth installments, are made in September and December. A final return for the tax year is then due on March 15th of the following tax year. Firms may file amended declarations of estimated tax at any time to correct or change tax estimates. DOF is also empowered to grant a reasonable extension of time for filing returns when there is good cause for doing so. For annual returns, an automatic six month extension can be granted if the firm files an application for extension, extending their final return due date to September (instead of March) of the following tax year. If eligible, firms can file for an additional six months, beyond September to the succeeding March, to complete a final return. This allows firms that have filed two extensions to accurately complete a final return due in March, two years after the completion of a tax year.

LEGISLATIVE HISTORY

On April 1, 2015, the New York State Legislature passed a bill that significantly reformed New York City's corporate income tax system. The legislation repeals the Banking Corporation Tax for C-corporations and requires all corporations and banks that are not S corporations (as defined by subchapter S of the Internal Revenue Code) to pay under the new Business Corporate Tax. These changes were signed into law by

the Governor on April 13, 2015 as Part D of Chapter 60 of the Laws of 2015 and will be effective for tax years beginning on or after January 1, 2015. See NYC Corporate Tax section for more detail.

In 2014 the State of New York passed legislation that simplified the corporate tax structure. The enacted laws will combine New York State Franchise Tax with the New York State Banking Franchise tax. The City of New York has not changed its corporate tax structure to comply with the change.

Effective January 1, 2014, certain transitional provisions set to expire after January 31, 2014, affecting the New York City corporate tax treatment of financial services companies, from the 1999 Federal Gramm-Leach-Bliley Act, have been extended for two more years, to cover tax years 2015 and 2016. However, only corporations that meet the tax statute's definition of "Banking Corporation" will remain subject to the banking corporation tax under the transitional provisions.

Effective January 1, 2011, the City and State's bank taxes are made permanent. The banking corporation tax has been routinely extended since 1985 by the State legislature, on behalf of the City. In addition to recognizing the bank tax as a permanent feature of the City's tax base, the State legislature extended the transitional provisions relating to the enactment and implementation of the federal Gramm-Leach-Bliley Act of 1999. The transitional provisions were extended through December 31, 2014.

For tax years beginning on or after January 1, 2010, the bad debt deduction allowed under the City's banking corporation tax (and the State's Franchise Tax on Banking Corporations) will conform to the less generous Federal deduction for bad debts, as a result, in computing entire net income, it will not be necessary to add back the Federal bad debt deduction

and subtract a city bad debt deduction. The State and City are expected to retroactively extend the banking corporation tax and the transitional provisions.

In an effort to conform to New York State's bank tax laws, New York City enacted a series of amendments to the City's banking corporation tax in June 2009. These amendments include: allowing banking corporations to deduct net operating losses against future taxable income; amend the foreign bank's alternative tax on issued capital stock to conform to an alternative tax on taxable assets located in the City; shifting over a ten-year period to a single sales factor allocation formula from the current three factor allocation formula for companies that provide managerial, administrative or distributive services to a regulated investment company (mutual funds); new combined filing requirements; and taxing credit card companies.

Prior to tax year 2009, New York City did not allow net operating loss (NOL) carry forwards for banking corporations. Beginning in tax year 2009, banks are allowed to carryforward net operating losses against future net income. However, banks cannot carryback losses to the prior two years as firms that file the general corporation tax. Effective tax year 2009, the City began phasing in, over a ten-year period, a single sales factor formula to determine its business allocation to the City from the current three-factor formula (compensation, receipts and deposits) of determining business allocation. The receipts factor will be the allocation percentage for those 65 percent or more owned subsidiaries of banks and bank holding companies. This will only affect banking corporations that substantially provide managerial, administrative or distributive services to regulated investment companies (mutual funds). Banking corporations who own a "captive" regulated investment company (RIC) or a "captive" real estate investment trust (REIT) in New York City are now required to file a combined return with the parent company. The term "captive" means a RIC or REIT is not regularly traded on an established securities market and more than 50 percent of the RIC or REIT is owned directly or indirectly (through subsidiaries) by the taxpayer.

Also enacted in 2009, but effective for tax year 2011 and thereafter, foreign firms will have to calculate their alternative tax base similar to domestic commercial banks, who calculate the alternative tax base by applying one-tenth of a mill for each dollar of taxable assets located in the City. Prior to tax year 2011, a banking corporation organized under the laws of a country other than the United States calculated an alternative tax liability based on issued capital stock.

Additionally, certain corporations with net worth ratios of less than five percent whose taxable assets are composed of 33 percent or more of mortgages will be subject to a lower rate and corporations holding net worth certificates under certain provisions under the Fair Housing Act may not be subject to the taxable assets base. For tax years prior to 2011, foreign banks must calculate this base as 0.26 percent of the value of issued capital stock allocated to the City. Effective in 2011, credit card companies with customers domiciled in New York City are subject to the banking corporation tax regardless of whether the credit card company has any physical presence in the City.

Outside the series of amendments to conform the City's banking corporation tax to the State's banking corporation tax, other amendments were also enacted in 2009 to the City's banking corporation tax. An amendment was made to clarify the definition of a "banking corporation" as it relates to certain bank-owned corporations that hold and manage investment assets. Additionally, certain transitional provisions of the Gramm-Leach-Bliley Act of 1999 that preserved the filing status of firms prior to the Act ("grandfathered corporations") or allowed new firms to elect to be general corporation tax filers ("electing filer") has been amended. The amendment to the transitional provisions lists certain changes to the business of a general corporation tax filer (elected or grandfathered) that will result in the filer becoming subject to the banking corporation tax. Examples of such changes include an acquisition that changes the nature or ownership composition of the business, the corporation is inactive, or the corporation has no wages or receipts allocable to the City.

Effective March 1, 2009, the City's banking corporation tax has been amended to require the add back to income deductions that were allowed on a firm's Federal tax return from paying the Mobility Tax (Metropolitan Commuter Transportation Mobility Tax, Article 23 of the State tax laws). However, the firm can exclude from income any Federal refunds attributed to the Mobility Tax. The net result of these changes increases a banking corporation's tax liability.

Beginning on or after January 1, 2008, the banking corporation tax decoupled from the Federal qualified production activities income (QPAI) deduction. The decoupling also applies to the City's general corporation tax, unincorporated business tax and personal income tax. Effective January 1, 2008, new legislation authorized certain banking corporations that no longer met the definition of a banking corporation to continue paying the banking corporation tax in NYS and NYC

for two years instead of the general corporation tax. This provision, referred to as the Gramm-Leach-Bliley Transitional Provision, is in effect through tax year 2010. Effective in tax year 2009, certain restrictions apply under the transitional provisions to general corporation tax and banking corporation tax filers with substantial changes to the nature of their business.

The Federal Job Creation and Worker Assistance Act of 2002 allowed taxpayers an additional 30 percent depreciation deduction in the first year “qualified property” is placed in service. To avoid a significant loss of revenue, NYC banking corporation tax law was amended to limit the depreciation deductions only to “qualified property” within the New York Liberty Zone (NYLZ) and the Resurgence Zone, and to limit the additional first-year expense deduction for “qualified NYLZ property”. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. The Act allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to \$35,000 for “qualified NYLZ property.” The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 increased the first-year depreciation deduction to 50 percent for property acquired after May 5, 2003 and before January 1, 2005. All of the original eligibility rules that applied to the 2002 deduction apply to the 2003 deduction.

Effective for tax years beginning on or after January 1, 2003, the City’s banking corporation tax allowed deductions for certain royalty payments and interest payments made by a taxpayer to a related member for the use of licenses, trademarks, copyrights or other intangible assets. Under 2013 amendments the deduction of certain royalty payments was eliminated. This amendment is to conform to New York State’s Banking Corporation Franchise Tax.

Effective for tax years beginning on or after January 1, 2002, the definition of a Thrift institution was expanded. Previously, thrifts were defined as financial institutions where by law at least 60 percent of a thrift institution’s assets consisted of cash, government obligations and residential mortgages. The definition was broadened to include community development loans and investments, certain loans indirectly secured by residential real estate, and certain loans to small businesses and farms located in low-income to moderate-income census tracts. Under the law, Thrifts are also eligible for more generous bad debt deductions than commercial banks.

Effective for tax years beginning on or after January 1, 2000, the receipts factor of the income allocation formula of the City’s banking corporation tax was amended to permit receipts from managerial, administrative or distributive services performed for regulated investment companies (mutual funds) to be based on the domicile of a mutual fund’s shareholders.

Effective on January 1, 2000, the City has enacted a transitional provision to prevent a sudden change in the filing status of general corporation tax and banking corporation tax filers after the Federal government’s enactment of the Gramm-Leach-Bliley Act of 1999. For years banks had faced competition from securities firms whose product innovations in debt underwriting, loan syndication and brokerage offerings pressured traditional bank profits from commercial lending and retail saving. In response, banks pushed for reform of the Glass-Steagall Act and sought to expand their ability to underwrite bonds and securities and offer investment services. Even before the repeal of Glass-Steagall, banks were expanding into the securities industry in the U.S. and abroad through the acquisition of securities firms as subsidiaries. Passage of the Gramm-Leach-Bliley Act in November 1999 effectively repealed Glass-Steagall, allowing banks, insurers and securities firms to affiliate under a financial holding company. This reform has leveled the playing field between banks and securities firms. City provisions that are related to the enactment of the Gramm-Leach-Bliley Act of 1999 generally require that certain banking corporations continue to be taxed during each of the transition years under the general corporation tax or the banking corporation tax, whichever applied to that corporation before the repeal of the Glass-Steagall Act. These provisions generally also allow corporations that were formed after 1999, and that are financial subsidiaries of financial holding companies, to elect to be taxed under the general corporation tax or the banking corporation tax in their first year. Once the election is made, it is irrevocable for subsequent transition years. Beginning in tax year 2009, some of the transitional provisions have been amended. The amendment lists certain changes in the business or circumstances of a general corporation tax filer (elected or grandfathered) that will result in the filer becoming subject to the banking corporation tax.

As a result of major revisions to the Federal bad debt deduction guidelines applicable to thrifts passed in tax year 1996, the City and the State decoupled from the Federal guidelines in order to preserve the more tax-friendly old guidelines. By decoupling from the Federal bad debt deduction guidelines, thrifts in New York State and the City avoid an increase in their

City tax liability. The decoupling tax structure has been effective for tax years 1996 through tax year 2009 (For tax years beginning on or after January 1, 2010, the State and City will conform to the federal bad debt deduction. This will affect all banks).

The Federal Omnibus Budget Reconciliation Act of 1993 altered the definition of corporate net income for Federal income tax purposes, the starting point for calculating the City's banking corporation tax. The major provision affecting City banks is a mark-to-market inventory valuation change for securities dealers.

Effective in tax year 1990, the banking corporation tax was amended, changing the deadline for estimated payments to conform to Federal and State schedules. Estimated payments are now due in September and December for banks with a January through December fiscal year. For banks that operate on a different fiscal year schedule, their payment schedules are shifted according to the start of their fiscal year.

Effective in tax year 1987, the banking corporation tax was decoupled from Federal bad debt deduction guidelines. The Federal Tax Reform Act of 1986 required that large commercial banks, those with assets over \$500 million, deduct only actual loan losses when determining taxable income, rather than deducting additions to a loan loss reserve account based on a percentage of loans outstanding. These banks were required to recapture portions of their outstanding loan loss reserves over a four-year period beginning in 1987. Decoupling allowed banks to use the more liberal pre-reform bad debt reserve deductions for State and City tax purposes. For thrifts and mutual savings banks, Federal tax reform retained the percentage-of-taxable income method of deducting bad debts but reduced the excludable percentage from 40 to 8 percent.

In July 1985, State legislation was enacted which restructured the banking corporation tax, effective retroactively to January 1, 1985. Recognizing that the line between bank and non-bank financial institutions had become blurred, the amendments were designed to make the tax more analogous to the general corporation tax. The law lowered the nominal tax rate on allocated entire net income from 13.823 percent (12.134 percent for savings banks) to 9.0 percent for all banking corporations. This rate reduction was coupled with a number of base-broadening provisions. In addition, the separate accounting method of allocating entire net income was replaced by a three-factor allocation formula based on compensation, receipts and deposits. The factors included in the formula, with the exception of deposits, are similar to those used by non-banking

corporations. The adoption of the three-factor allocation formula also provided consistency in the jurisdictional apportionment of income as these same allocation factors were commonly used in other states.

In addition, the 1985 bank tax law established two new alternative bases: alternative entire net income and taxable assets. Alternative entire net income adds back certain deductions allowed in the calculation of entire net income. These deductions are: (1) 17.0 percent of interest from subsidiary capital; (2) 60 percent of dividend income and gains and losses from subsidiary capital; and (3) 22.5 percent of the interest income earned from holding obligations of the United States, NYS and localities within the State. Taxable assets are the average value of total assets reflected on a bank's balance sheet. The 1985 changes maintained the 1978 provisions authorizing an exemption for net income generated from the operation of an international banking facility (IBF). Deposits in an IBF are not subject to reserve requirements or interest rate ceilings, and the IBF is not required to pay FDIC premiums. State law exempts income generated by an IBF from both State and City taxation. These exemptions were designed to enhance the ability of banks to conduct international business in NYC.

The major difference between the State and City banking corporation tax laws is the treatment of foreign banks under the alternative tax base on assets. For banks organized under the laws of another country, NYS imposes the alternative tax on assets, while NYC imposes the alternative tax on capital stock.

UNINCORPORATED BUSINESS TAX

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UNINCORPORATED BUSINESS TAX

OVERVIEW

The unincorporated business tax (UBT) accounted for 3.8 percent of City tax revenue in 2015, or \$1,962 million.

The unincorporated business tax is imposed on the business income of every unincorporated business that is carried on wholly or partly in New York City. The City has imposed the unincorporated business tax since July 1, 1966, authorized under Title 11, Chapter 5 of the City Administrative Code, enabled by Chapter 772 of the State Laws of 1966. The tax is paid in addition to the City's personal income tax. Entities engaged in real estate transactions for their own account, or trading and investing for their own account, are exempt from the tax. The tax rate has been 4.0 percent since its imposition in 1966. The New York City Department of Finance (DOF) administers the unincorporated business tax. Most changes to the City's unincorporated business tax law must be authorized by the New York State legislature, including tax rate and tax base changes.

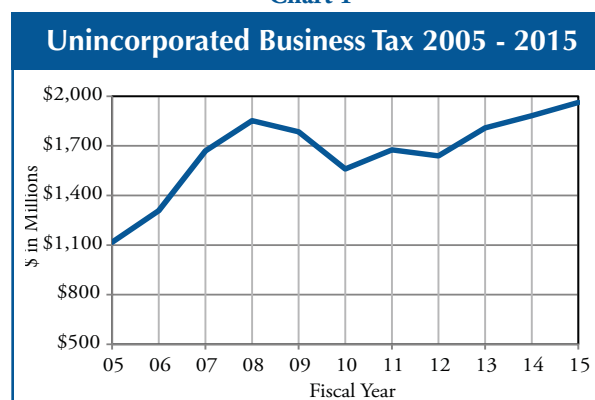
FORECASTING METHODOLOGY

Forecast of Annual Tax Liability

DOF reports annual unincorporated business tax liability on a calendar year basis with a three-year lag, and from these actuals, annual UBT liability is forecast using linear regression models. The regression models forecast separately the liability of the finance and non-finance sectors. The separate sector forecasts are combined and total liability is then fiscalized. Predicting unincorporated business tax collections is not a mechanical process, but involves consideration of both the regression output, trend analysis and other factors affecting the tax. Employment in the finance and non-finance sectors, wages in the finance and non-finance sectors and the activity of the real estate market are significant factors considered in the process.

The approach of disaggregating finance and non-finance taxpayer liabilities and forecasting such liabilities separately has two advantages. First, liability year tax information more accurately reflects economic activity than fiscal year collection data, which includes payments from more than one liability year. Second, the disaggregated approach captures often divergent responses to economic conditions by

Chart 1



the finance and the non-finance sectors. The finance sector liability, representing about 39 percent of total UBT liability in tax year 2012, is highly volatile and often responds immediately to factors affecting the financial markets. For example, the 2008 financial crisis has demonstrated how unforeseen changes can quickly affect financial firm revenues, profits and total tax liabilities. Interest rate movement is another factor affecting change of finance sector performance. In general, the finance sector is imbedded with market risk, uncertainty and volatility which have tremendous impact on finance firms' profit, consequently affecting firm's tax liability. The non-finance sector is relatively stable. The non-finance sector generated 61 percent of UBT liability in tax year 2012 and is more closely connected to overall regional economic conditions. DOF has provided annual finalized UBT tax liability data by sector from 1981 through 2012. The data are used in the econometric equations to forecast future UBT liability growth.

Finance Liability

An annual linear regression model is used in the forecast: the dependent variable is the City's UBT sector tax liability; the explanatory variables are the securities wage rate and NYSE Member Firm income from assets under management. These variables serve to capture finance sector business income allocated to the City.

The finance liability equation is as follows:

$$\begin{aligned} \text{FINANCE LIABILITY} = & \\ & a + b_1 * (\text{Securities Wage Rate}) \\ & + b_2 * (\text{NYSE Member Firm Income from} \\ & \quad \text{Assets Under Management}) \end{aligned}$$

Non-Finance Liability

An annual linear regression is also used to forecast liability of the non-finance sector. The two explanatory variables are private non-finance sector wage rate and private non-finance sector employment. The private non-finance wage and employment variables are used to measure the less volatile finance sector tax liability long term trend. These two independent variables have statistically served well to predict the long term trend of UBT non-finance sector liability.

The non-finance sector liability equation is as follows:

$$\begin{aligned} \text{NON-FINANCE LIABILITY} = & \\ & a + b1 * (\text{Private Non-Finance Wage Rate}) \\ & + b2 * (\text{Private Non-Finance Sector Employment}) \end{aligned}$$

The finance and non-finance liability forecasts are combined, yielding a forecast of total unincorporated business tax liability, which is then fiscalized with the impacts of tax programs incorporated.

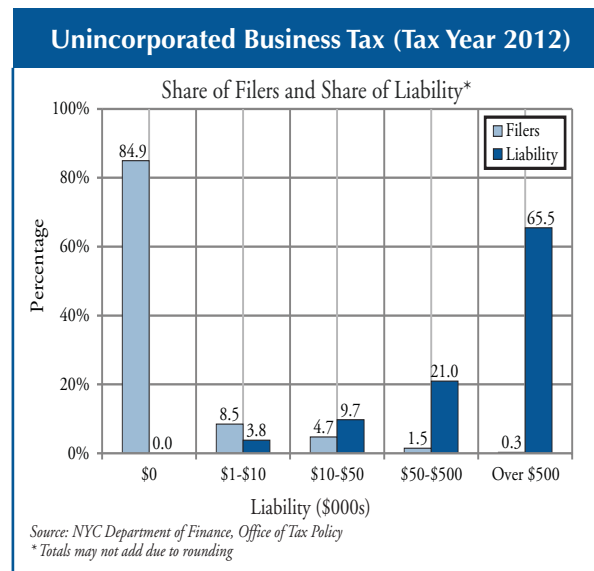
Unincorporated business taxpayers are required to make prepayments and settlement payments on their tax liability

Prepayments: a calendar year filer is required to file a declaration or estimated tax for the current taxable year on or before April 15th. Estimated payments are payable in equal installments, with the first installment accompanying the declaration on April 15th, and the remaining estimated payments payable on or before the 15th day of June, September and January.

Settlement payments: a calendar year filer is required to file an annual (final) return on or before April 15th, after the close of the taxable year. Also, instead of filing a final return in April following the close of the taxable year, an unincorporated business can file a six month extension.

A fiscal year consists of payments from three different tax years, the result of the required prepayments and settlement payments previously discussed. Fiscal year 2014 collections, based on the historical average payments across three liability years, consists of 24 percent of tax year 2014 which for the most part are declarations on tax year 2014 liability. Fiscal year 2014 collections also consists of 64 percent of tax year 2013 liability, which mainly includes estimated payments from tax year 2013 liability payments. Finally, fiscal year 2014 collections consists of 14 percent of tax year 2012 liability payments, which is mainly the final returns on extension from tax year 2012.

Chart 2



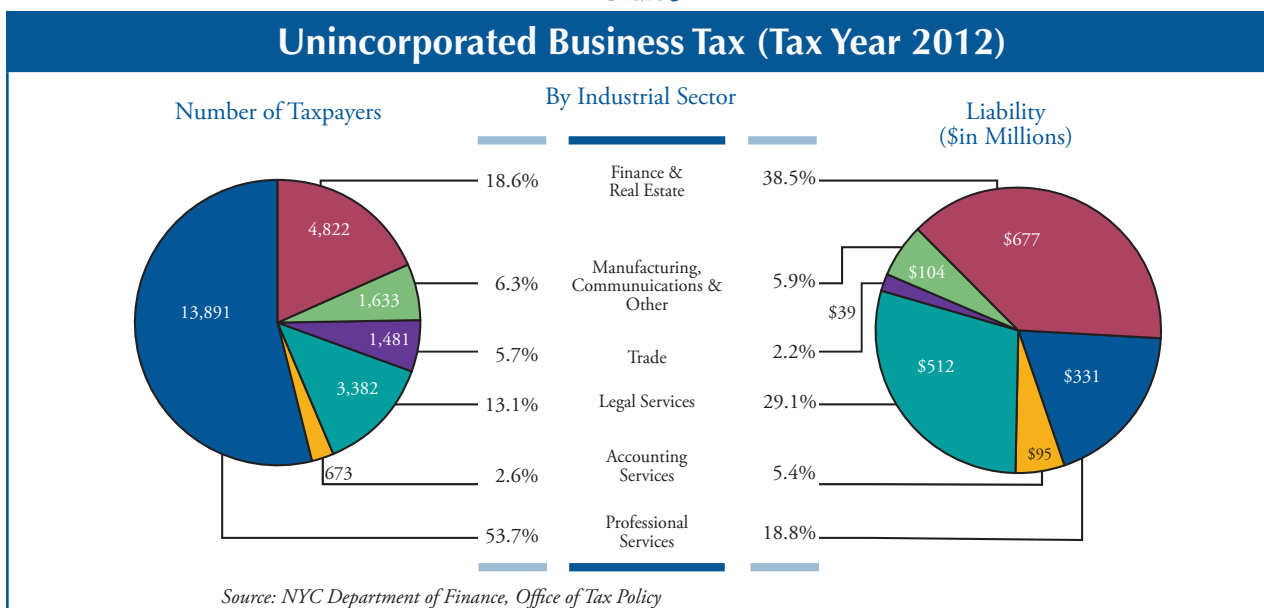
Cash Flow Model and Cash Plan Analysis

Once the fiscal year revenue is forecast, a monthly cash plan which captures the seasonal changes of collections and the complexity of the fiscal year cash flow is derived. The monthly cash plan takes into account future payment expectations for both calendar year and fiscal year filers. In order to forecast the pattern of cash collections, focus is given to year-over-year collection growth, historical average growth trends, excluding extraordinary events, and monthly and quarterly historical shares of annual collections. Additional key information such as Wall Street profits, earnings of private equity funds and hedge funds, taxpayers' overpayments on account and the refund request pipeline report are also taken into consideration.

GASB

Beginning in 1994, City taxpayer assessed taxes are recognized on a modified accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22. For budgetary (General Fund) purposes, such revenues are considered available when collected within sixty days after fiscal year end. Beginning in 2001, these revenues are also recognized on a full accrual basis in the Government-wide statement of activities, as required by GASB Statement No. 33.

Chart 3



TAX DETAIL

Tax Base

Industrial Mix of Filers and Liability

In 2012, there were 171,740 partnership and sole proprietorship tax filers, of which 25,882 paid the UBT. Sole proprietorships comprised 56 percent of all taxpayers but are accounted for 9.5 percent of total liability. Partnerships accounted for 44 percent of all taxpayers and are accounted for 90.5 percent of total liability. With the provision of tax credits and exemptions, 84.9 percent of UBT filers in 2012 were exempted from the tax. Proprietorships which consisted of 50,483 lower income filers (29.4 percent of all UBT filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for partnerships (55.5 percent of all filers in 2012 were partnerships with no UBT liability). The service sector, including legal services, accounting and professional services, accounted for 69.3 percent of taxpayers and 53.4 percent of total unincorporated business tax liability. On the other hand, legal services, finance and real estate are three sectors illustrating the skewness of liability distribution among the taxpayers: these sectors accounted for 31.7 percent of the total number of taxpayers but incurred 67.6 percent of total liability. Until 1998, liability was reported in five main categories with 27 subcategories, classified according to Standard Industrial Classification (SIC) codes. Starting in 1998, reported liability was broken into eight categories with 40 subcategories and

grouped according to North American Industrial Classification (NAICs) codes. Definitions for certain categories were also changed in 1998 (see Chart 3).

Calculation of Tax Liability

The unincorporated business tax base starts with the Federal definition of net profits from business operations plus other business income and is then modified to reflect differences between City and Federal rules. In instances when a firm's business is conducted both inside and outside the City, income allocation was usually determined by a three-factor formula based on payroll, property and receipts. Additionally, manufactures had the option of double weighting their receipts factor. Beginning in 2009, a single sales factor formula will be phased-in over a ten-year period, eventually replacing the three factor formula. Certain taxpayers that allocated income before 2005 based on their books and records are allowed to continue to use that method through tax year 2011. After income is determined and allocated, a taxpayer is allowed to exempt the first \$5,000 of income from taxation and is allowed a deduction equal to a reasonable compensation for the taxpayer's personal services. This deduction equals the lesser of 20 percent of allocated income or \$10,000 per individual or active partner. The tax rate of 4.0 percent is applied to the remaining base. Beginning with tax year 1997, taxpayers with liabilities of \$1,800 or less were entitled to a credit which eliminated their liability. The credit was reduced for taxpayers with liabilities between \$1,800 and \$3,200, and for liabilities of \$3,200 and above no credit is allowed. The laws of 2009 enacted an increase in credits allowed. The full credit

is now available for UBT liabilities up to \$3,400, while for liabilities between \$3,400 and \$5,400, the credit is phased out. The effect of the credit is that unincorporated businesses with incomes under \$100,000 pay no tax, and unincorporated businesses with incomes under \$150,000 pay a reduced tax. Individual NYC residents may claim a credit against their NYC personal income tax for a portion of the unincorporated business tax payments made as sole proprietors. The credit amount depends on the City resident's taxable income for personal income tax purposes. Part-year residents receive a partial credit.

ADMINISTRATION

The unincorporated business tax is administered by the New York City Department of Finance (DOF). The businesses subject to the tax must file according to a payment schedule that conforms to Federal and State filing dates. Effective for tax year 2009 and thereafter, any individual, partnership or unincorporated entity with unincorporated business gross income of more than \$95,000 (prior to any deduction for cost of goods sold or services performed) must file an Unincorporated Business Tax Return.

Effective for tax year 2008 and thereafter, every unincorporated business which operates in New York City must file quarterly declarations of estimated tax when its estimated tax can reasonably be expected to exceed \$3,400.

Unincorporated businesses with income that reaches the above mentioned levels are required to submit installment payments with the following filing date deadlines: if the filing requirement occurs after January 1 but before April 1, the UBT filer is required to pay 25 percent of estimated tax for the tax year before April 15; if the requirement for filing occurs after April 1 but before June 2, the UBT filer is required to pay one third of estimated tax for the tax year before June 15; if the filing requirement occurs after June 1 but before Sept. 2, the UBT filer is required to pay one half of estimated tax for the tax year before September 15; finally, if the filing requirement occurs after September 1 but before January 1, the UBT filer is required to pay 100 percent of estimated tax for the tax year before January 18. A final return for the tax year is due on April 15 (if April 15 falls on a weekend, the due date will be the following Monday).

On April 13, 2016 the NYS budget bill was signed into law that amends certain New York State and New York City filing deadlines to conform to changes made to federal filing deadlines enacted in

Section 2006 of H.R. 3236, Public Law 114-41, the Surface Transportation and Veterans Healthcare Choice Improvement Act of 2015. The filing/payment date of the New York City UBT is changed from the fifteenth day of the fourth month following the close of the tax year (April 15 for calendar year taxpayers) to the fifteenth day of the third month following the close of the tax year (March 15 for calendar year taxpayers) for tax years beginning on or after January 1, 2016. Also, the amount of the the mandatory first installment (MFI) will now be a percentage of the tax from two tax years prior, instead of the preceding year's tax. The changes to the MFI computation apply to payments due on or after March 15, 2017. However, the first quarterly estimated payment due date was not changed, the deadline remains April 15th.

Annual returns are granted an automatic six month extension. If eligible, the business can file for an additional six month extension.

TAX TREATMENT OF LLC, PRIVATE EQUITY FUNDS AND HEDGE FUND COMPANIES

Limited Liability Companies (LLCs)

In July 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). These business entities have the limited liability of corporations, but the organizational flexibility and tax treatment of partnerships. At the Federal level, LLCs are not taxed as separate entities, but partners are taxed on their share of the income. In New York City, Limited Liability Partnerships (LLPs) and LLCs pay the unincorporated business tax. As a result businesses have increasingly opted to form LLPs or LLCs rather than corporations.

Private Equity Funds and Hedge Funds

The majority of private equity funds and hedge funds located in New York City are organized as limited liability partnerships (LLPs) or limited liabilities companies (LLCs), and generate profits from charging a management fee and a performance-based fee called "carried interest." Management fees, typically two percent of a fund's invested capital, are subject to the unincorporated business tax. Carried interest income, typically 20 percent of a fund's annual return from invested capital, is treated for City tax purposes as income derived from trading on one's own account and therefore is exempt from the UBT. If a

managing partner has invested significant capital into the fund, then the managing partner would receive a partial self-trading exemption on the management fees earned. However, partners (including managing partners) must recognize pass through income from management fees and carried interest income on their City personal income tax return.

LEGISLATIVE HISTORY

Since the imposition of the Unincorporated Business Tax in 1966, the tax rate has remained at 4.0 percent. Major legislative changes related to the tax are highlighted below, starting with the most recent. Effective tax year 2013, royalty payments has been amended to change the treatment of royalty payments to related members for the Unincorporated Business Tax. Under prior law, taxpayers who made royalty payments to related entities were required to add back the amount of the payments to taxable income if those payments were deducted when calculating federal taxable income and if the royalty recipients, under certain conditions, could exclude the royalty income. Ad. Code section 11-506(e), as amended, eliminates the income exclusion previously allowed to certain royalty recipients and increases to four the number of exceptions to the add-back requirement.

For tax years beginning on or after January 1, 2012, all taxpayers must allocate unincorporated business taxable income using formula allocation. Tax year 2011 was the last taxable year in which eligible taxpayers who made the one-time election to continue using books and records allocation for tax year 2005 were permitted to use that method of allocation.

Effective taxable years beginning in 2011, the election to double-weight the gross income percentage for manufacturers is no longer available because the phase-in of single sales factor allocation is now more advantageous than double-weighting.

Effective tax year 2010, certain biotechnology firms in the City were allowed a credit against the unincorporated business tax based on qualifying research and development costs. The credit can be claimed for a maximum of three years, and the total of all credits allowed during any calendar year cannot exceed \$3 million. The credit was scheduled to expire at the end of tax year 2012, but legislation has been enacted that continues the credit through tax year 2015.

In an effort to conform to New York State's tax law in June 2009, New York City enacted a series of amendments to the City's unincorporated business

tax. These amendments include: the replacement of the three factor allocation formula with a single sales factor apportionment formula over a ten-year phase-in period, the customer sourcing of broker/dealer receipts, higher graduated sliding-scale business tax credits against tax liability and an increased filing threshold. For tax year 2014, the business allocation percentage is composed of 13.5% of the NYC property percentage, 13.5% of the NYC wages percentage and 73% of the NYC gross income percentage.

Effective for tax years beginning on January 1, 2009 and thereafter, the UBT credit against liability is raised to \$3,400 and phased-out between \$3,401 and \$5,399. The higher credit will eliminate tax liabilities up to \$3,400 (taxable incomes up to \$100,000 for unincorporated businesses) and will provide tax reduction for liabilities up to \$5,400 (taxable incomes up to \$150,000 for unincorporated businesses). No credit will be allowed for taxpayers whose liabilities are greater or equal to \$5,400 (taxable incomes greater than \$150,000).

For purposes of the New York City Unincorporated Business Tax, the City has "decoupled" from the Federal bonus depreciation allowed under the Economic Stimulus Act of 2008 and other Federal legislation, except with respect to the depreciation deductions allowed with respect to "qualified New York liberty zone property" and "qualified property" placed in service in the Resurgence Zone (generally the area in the borough of Manhattan south of Houston Street and north of Canal Street.) For City tax purposes, depreciation deductions for all other "qualified property" must be calculated as if the property was placed in service prior to September 11, 2001.

Effective for tax years beginning on January 1, 2007 and thereafter, the unincorporated business per partner (and proprietor) deduction in lieu of the deduction of partnership salaries from firm's net income was raised from \$5,000 to \$10,000 (provided that the total amount deductible does not exceed 20 percent of the firm's taxable income). Prior to this \$10,000 deduction per partner and proprietor, the deduction had been unchanged at \$5,000 since the unincorporated business tax was enacted in 1966. New York City residents are allowed to claim a credit against the City personal income tax for a percentage of the unincorporated business tax paid by businesses they carry on as sole proprietors or by partnerships in which they are partners. For tax years beginning on or after January 1, 2007, the percentage is increased from 65 percent to 100 percent for resident taxpayers whose taxable income is not more than \$42,000; for

taxpayers whose taxable income is \$142,000 or more, the percentage is increased from 15 percent to 23 percent; and for taxpayers with income above \$42,000 but less than \$142,000, a statutory formula produces a percentage that declines from 100 percent to 23 percent as income rises from \$42,000 to \$142,000.

For tax years beginning on or after January 1, 2005, film and television companies may claim a credit against the unincorporated business (or general corporation) tax equal to 5.0 percent of specified production costs incurred in producing a qualified film or television program in the City. A total amount of credits to be allocated per calendar year was originally \$12.5 million. If the total amount of allocated credits exceeds the maximum amount of credits, the excess is treated as having been applied for the first day of the subsequent year. The total amount of credits allocated in the first four years was \$50 million. The credit was set to expire on August 20, 2008. Effective July 11, 2006, the film credit was enhanced with an annual credit allocation increased to \$30 million per calendar year. The former allocation policy was kept in place: allocated credits that exceed the \$30 million annual target can be carried over to the following year. The tax credit was also extended through December 31, 2011. The total amount of credits allowed through calendar year 2011 is \$205 million, an increase of \$155 million over the original amount. State legislation also enacted a State credit for qualifying costs of producing certain TV, radio and movie theatre commercials. The City has the authorization to adopt a local law for a similar credit but has taken no action to date on that authorization.

In an effort to bring the UBT into closer conformity with the general corporation tax, the following UBT amendments were adopted. First, for tax years beginning after 2004, the books and records method of allocating business income will no longer be the preferred allocation method under the UBT. Taxpayers will be required to use the three-factor allocation formula, unless it fails to properly reflect New York City income. A taxpayer that validly used the books and records method for the two tax years before the 2005 tax year may make a revocable election to continue to use that method through the 2011 tax year. For partnerships or other entities making the election, a continuity-of-ownership test must be satisfied for the election to continue during the entire period. Second, for tax years beginning after 2004, personal property rented to the taxpayer will be included in the property factor of the business allocation formula, and will be valued at eight times

the annual rent payable. Third, in calculating the receipts factor of the business allocation formula, receipts from the performance of services will be allocated to the City to the extent that the services are performed in the City. For taxpayers with total gross receipts of less than \$100,000, the new rule applies for tax years that begin on or after July 1, 2005; for those whose gross receipts are under \$300,000, the rule is effective for years beginning on or after July 1, 2006; and for all other taxpayers, it takes effect for years beginning on or after July 1, 2007. Fourth, UBT provisions that reduced certain tax benefits related to highly leveraged merger and acquisition transactions have been repealed, retroactive to years beginning on or after January 1, 2000, the effective date of the repeal of comparable general corporation tax provisions.

The Federal Jobs and Growth Tax Relief Reconciliation Act of 2003 amended federal tax law which passed through to UBT. The first-year depreciation deduction was increased from 30 percent to 50 percent for property acquired after May 5, 2003 and before January 1, 2005. All of the original eligibility rules that applied to the 2002 deduction apply to the 2003 deduction.

The Federal Job Creation and Worker Assistance Act of 2002 amended existing federal tax law that allowed businesses to recover through an annual depreciation deduction the cost of certain property used in doing business. This amendment allowed business taxpayers to take an additional 30 percent depreciation deduction in the first year “qualified property” is placed in service. A similar depreciation deduction for “qualified property” in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the 2002 Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to \$35,000 for “qualified NYLZ property”. To avoid a significant loss of revenue, New York City unincorporated business tax law was amended to limit the depreciation deductions to “qualified property” within the NYLZ and the Resurgence Zone and to limit the additional first-year expense deduction to “qualified NYLZ property”.

As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due September 17, 2001 was extended

to December 17, 2001.

Effective for tax years beginning on January 1, 2000 and thereafter, the allocation formula for regulated investment companies (mutual funds) was relaxed. The receipts factor of the three factor income allocation formula (payroll, property and receipts) was amended to permit receipts from management, administration or distribution services for regulated investment companies (mutual funds) to be allocated based on the domicile of the mutual funds' shareholders.

The City's tax program for 1998 revised the unincorporated business tax credit increase granted in the 1996 tax program. For tax years 1997 and thereafter, the maximum credit was lifted to \$1,800 with the level of liability at which the credit phases out at \$3,200. The new credit eliminates the unincorporated business tax for sole proprietors with net income up to \$55,000.

Beginning in 1996, certain unincorporated businesses (including LLCs) treated as corporations for Federal and State tax purposes became subject to the City's general corporation tax. This law lists several exceptions for businesses subject to the unincorporated business tax in 1995, which may elect to irrevocably continue in that status.

The City's tax program for 1996 made several important changes to the unincorporated business tax law. The unincorporated business tax credit was raised from a maximum of \$600 to \$1,000 over a period of two years. The maximum credit was \$800 for tax year 1996, growing to \$1,000 for tax years 1997 and thereafter. The level of tax liability at which the credit is phased out was also raised to \$1,000 in 1996 and to \$2,000 in 1997. To correspond to the new higher credit, the thresholds for making estimated payments and for filing annual returns were also raised.

Changes were also made to the rules governing the allocation of business income. The "regular place of business" requirement was repealed, allowing businesses to allocate income to sales outside the City, even when they have no regular place of business outside the City. Manufacturers are now allowed to "double weight" the receipts factor when allocating income. All businesses with receipts from the sale of tangible goods, as opposed to services, no longer have to allocate income to the City for goods shipped to points outside the City. Finally, broadcasters and publishers are now allowed to allocate income based upon audience location.

Also in 1996, a number of the tax reform measures passed in July of 1994 were enhanced. The exemptions for other sources of income for "self-

trading" entities and for real estate management companies were extended. Provisions were enacted that exempted income from self-trading activities for unincorporated entities that were primarily engaged in trading for their own account or in the ownership, as an investor, of interests in unincorporated entities engaged in unincorporated business activities in the City. This provision is in addition to the self-trading exemption. An unincorporated entity qualifying for the partial exemption is allowed to exclude from its unincorporated business gross income any income and gains from activity qualifying for the self-trading exemption. Prior to the change, any amount of income could "taint" the trading income, causing all of it to be taxed. Further, rules for apportioning investment income subject to tax were conformed to the general corporation tax (issuer's allocation percentage). Additions also were made to the number of financial instruments used by self-traders and a "primarily engaged" test was established, which defines taxpayers as self-trading according to the nature of their assets.

In July of 1994, several reforms were enacted. First, the self-trading exemption was broadened to allow firms, which are generally exempt from the unincorporated business tax under this provision, to retain the exemption on their self-trading income if they have gross receipts of \$25,000 or less from business activities (normally subject to the tax). Second, owners and operators of real property with income from business activities were able to retain the exemption on income from their real estate activity if the business income was incidental and carried on solely for the benefit of the tenants as in the case of a garage or health club. Finally, partnerships which are corporations or unincorporated businesses subject to City tax were granted a credit for the share of taxes paid by the partnership in lieu of the exemption for the distribution which existed prior to the change.

Two significant amendments were enacted in 1987. The unincorporated business tax credit was raised from \$100 to a maximum of \$600 and the taxable income threshold for making estimated payments was raised from \$2,500 to \$15,000. The higher credit removed approximately 30,000 taxpayers from the tax rolls.

Prior to 1971 exemptions were made for professions where capital was not an income-producing factor and where more than 80 percent of the gross income was derived from personal service. This primarily affected attorneys, doctors, accountants and other professionals. Beginning in tax year 1971, all such professionals were added to the City's unincorporated business tax base.

REAL PROPERTY TRANSFER TAX

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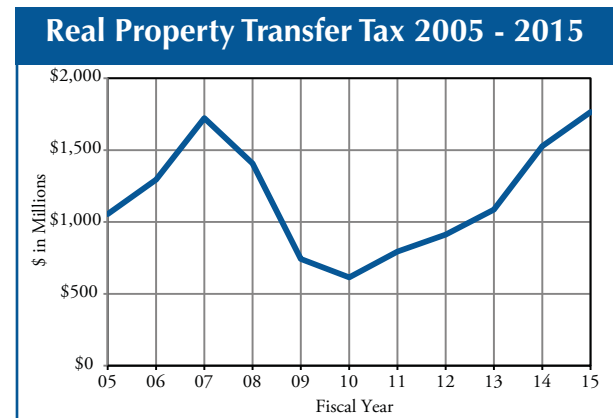
REAL PROPERTY TRANSFER TAX

OVERVIEW

The real property transfer tax accounted for 3.4 percent of City tax revenue in 2015, or \$1,765 million.

The real property transfer tax (RPTT) is authorized by the NY Tax Law Section 1201(b) and enacted by Title 11, Chapter 21 of the NYC Administrative Code. The tax is imposed upon the conveyance of real property (at closing). The tax is payable on the sale or transfer of at least 50% of ownership (controlling economic interests) in a corporation, partnership, trust or other entity that owns the property, on the conveyance of real property, assignments of leasehold interests and on transfers of cooperative housing stock shares. RPTT applies whenever the sale or transfer is more than \$25,000. The tax is payable when the deed is registered with the City Register for transfers in the boroughs of Manhattan, the Bronx, Brooklyn or Queens, and in Staten Island, when the deed is registered with the Richmond County Clerk. For non-deeded transactions, payments are made directly to the NYC Department of Finance (DOF), which administers the tax. The tax is payable by the grantor, normally the seller. If the grantor is exempt from the tax, it is payable by the grantee. The two major components of RPTT are residential and commercial transactions which are taxed differently. Residential transactions are comprised of Class 1 and Class 2 properties sold as individual units. Commercial transactions are comprised of Class 3 and Class 4 properties as well as any Class 2 properties sold in their entirety (i.e. the sale of whole buildings).

Chart 1



FORECASTING METHODOLOGY

The real property transfer tax revenue forecast is derived from the number of conveyances (transfers) and the consideration (price) per conveyance. Residential transaction volume and average sale prices are correlated to employment in the City and mortgage interest rates, while the commercial transaction volume and average sale prices are correlated to the long-term interest rate, office vacancy rates and asking rents. The real property transfer tax is forecast for the residential and commercial markets separately.

Class 1 (one-to-three-family homes), Class 2 cooperative apartment and Class 2 condominium forecasts are combined to derive the citywide residential sales forecast.

The Class 1 sale price forecast is based on the S&P/Case-Shiller single-family repeat sale price forecast for the New York region. A volume forecast is derived by regressing quarterly average sales on data provided by Global Insight for existing single-family

Table 1

Real Property Transfer Tax Rates				
Distribution of Revenue	Residential Sales of \$500,000 or Less	Commercial Sales of \$500,000 or Less and Residential Sales Over \$500,000	Commercial Sales Over \$500,000	Residential Sales Over \$1,000,000
State Levied Tax				
NYS General Fund ¹	0.400%	0.400%	0.400%	1.400%
City Levied Taxes				
NYC General Fund	1.000	1.425	1.625	1.425
Dedicated to MTA*	—	—	1.000	—
Total	1.400%	1.825%	3.025%	2.825%

¹ NYS imposes an additional 1% mansion tax on one-, two- or three-family homes or an individual cooperative or condominium unit with a sale price over \$1 million.
* See separate table on the next page for details.

homes in the U.S. and the affordability index (with a two-quarter lag). The Class 2 cooperative sale price is based the Class 1 sale price forecast and the Class 2 condominium sale price is based on the S&P/Case-Shiller condo values index for the New York region. The Class 2 cooperative volume forecast is derived from the Class 1 volume and NYC personal income variables, while the Class 2 condominium volume is derived from the NYC volume of construction permits, S&P 500 Index and exchange rate variables. The commercial forecast similarly begins with the analysis of sales activity (number of transaction) and average sale prices. Commercial forecasts for transactions with a sale price of \$25 million and less and transactions with a sale price over \$25 million (large-value) are combined to derive the citywide commercial sales forecast. For large-value transactions, the analysis takes into account the number of transactions, quarterly trends, and office vacancy rates.

TAX DETAIL

Tax Base

The tax is payable when the consideration for the sale or transfer (sale price) is more than \$25,000. The City transfer tax rate is 1.0 percent of the sale price for residential properties of \$500,000 or less. For residential properties with a sale price of more than \$500,000 and for commercial properties of \$500,000 or less, the City transfer tax rate levied is 1.425 percent. For commercial transactions greater than \$500,000, the City transfer tax rate is 2.625 percent of the sale price. Of the tax collected from commercial transactions greater than \$500,000, 1.0 percent goes to a special fund for the New York City Transit Authority (NYCTA), the City Paratransit system and MTA Bus Company. The State also imposes a real estate transfer tax of 0.4 percent on

all transfers under \$1 million, except for residential transfers over \$1 million which are taxed at the rate of 1.4 percent (Mansion tax).

Taxpayers must pay the tax within 30 days after the transfer and file a return at the time of payment.

LEGISLATIVE HISTORY

In 2016, a State law was passed to provide an exemption for transfers to and from any qualifying Housing Development Fund Company (HDFC). In order to qualify, a regulatory agreement must restrict at least 50 percent of the property to residential use, of which at least two-thirds must be restricted for use by low-income persons or families. The exemption amount will be reduced by the percentage that is unrestricted for use by low-income persons or families. The exemption will only be provided at the time of the transfer if a qualifying regulatory agreement is already in place and a refund will subsequently be provided by the Commissioner of Finance if a qualifying regulatory agreement is obtained within two years of the transfer and if the application for the refund is submitted within 12 months of the regulatory agreement’s effective date. This law is retroactive to all transfers occurring on or after January 1, 2010.

In 2003, the law was amended to close a loophole on the transfer of controlling economic interest in an entity that owns or has an economic interest in real property. This amendment provided that the consideration subject to tax will be equal to the value of the real property or economic interest in real property, and is apportioned based on the percentage of the ownership in the entity transferred for the purpose of determining the tax liability.

Starting July 1, 1997, a reduction on the real property transfer tax payable on the transfer of a one-to-three-family home, or an individual residential cooperative or condominium unit, was allowed for the amount of any mortgage assumed by the transferee.

In June 1994, a State law was passed to provide

Table 2

RPTT Dedicated Tax			
	Residential Sales of \$500,000 or Less	Commercial Sales of \$500,000 or Less and Residential Sales Over \$500,000	Commercial Sales Over \$500,000
RPTT Urban Taxes* (Dedicated to NYCTA, Paratransit and MTA Bus Company)	-	-	1.000%

** 90% of the receipts are earmarked for NYCTA General Operations, 6% for the partial reimbursement of City Paratransit costs and the remaining 4% is earmarked as a subsidy for MTA Bus Company*

a temporary 50.0 percent reduction in the rate of the real property transfer tax for certain transfers to newly organized Real Estate Investment Trusts (REITs). This provision is now permanent. In addition, the 50.0 percent reduction is applicable to transfers to pre-existing REITs occurring between July 13, 1996 and August 31, 2014, provided the transferor receives and retains ownership interest in the REIT for at least two years. In 2014, the expiration date was extended to August 31, 2015. In 2015, the sunset date was again extended by two more years to August 31, 2017.

In August 1989, the tax rate was raised from 1.0 percent to 1.425 percent for commercial transactions of \$500,000 or less and residential transactions of more than \$500,000. For commercial sales with consideration greater than \$500,000, the tax rate was increased from 1.0 percent to 1.625 percent. The same legislation expanded the tax base to include resale of residential cooperative apartments, the remaining category of untaxed cooperative transactions.

In July 1989, the State imposed an additional tax rate of 1.0 percent on residential transfers with a sale price of \$1,000,000 or more.

Legislation expanded the base beginning in 1987 by including transfers of a majority interest in an entity which owns real property in New York City (the “Pan Am” tax). Only the value of the property is taxable, not the value of the entire interest. This change was enacted to prevent avoidance of the tax when a transfer takes place but formal ownership of the property remains unchanged. Initial transfers of cooperative apartment units were also made subject to the “Pan Am” tax.

In 1982, the tax rate was raised from 1.0 percent to 2.0 percent for commercial transfers with a sale price of \$500,000 or more. Revenue from the rate increase of 1.0 percent is dedicated to the NYCTA, Paratransit and certain private bus operators franchised by the City. At the same time, the base of the tax was expanded to include leasehold transfers and to disallow the deduction for continuing liens.

In 1971, the real property tax rate was raised from 0.5 percent to 1.0 percent of the amount of the net consideration.

Effective 1968, the State imposed a real estate transfer tax on residential and commercial properties at a rate of 0.4 percent of the sale price.

The real property transfer tax came into effect for the first time in 1959 at a rate of 0.5 percent of the sale price.

MORTGAGE RECORDING TAX

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MORTGAGE RECORDING TAX

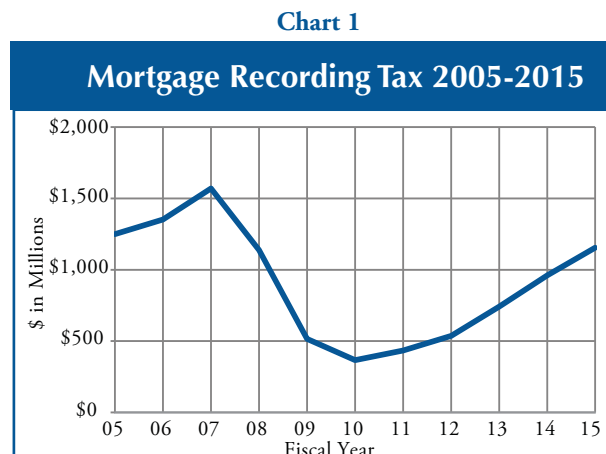
OVERVIEW

The mortgage recording tax accounted for 2.2 percent of City tax revenue in 2015, or \$1,155 million.

The mortgage recording tax (MRT) is authorized by the NY Tax Law Section 253-a and enacted by Title 11, Chapter 26 of the NYC Administrative Code. The tax is imposed on all mortgages of real property recorded with the NYC Register (or in the case of Staten Island, with the Richmond County Clerk). The tax is payable upon registration of the mortgage. The NYC Department of Finance (DOF) administers this tax. The two major components of MRT are residential and commercial mortgage transactions, which are taxed differently. Mortgages on residential transactions include Class 1 and Class 2 properties sold as individual units. However, there is no mortgage recording tax on the purchase of a cooperative apartment. Mortgages on commercial properties include Class 3 and 4 properties as well as any Class 2 property sold in its entirety (i.e. the sale of a building as a whole). In addition, the refinancing of an existing mortgage, in most cases, also triggers the mortgage recording tax liability.

FORECASTING METHODOLOGY

Mortgage recording tax revenue is based on the number of deeds registered and the value of the mortgage (price) per deed. The number of residential deeds and average mortgage values are closely correlated to employment in the City and mortgage interest rates, while the number of commercial deeds and



prices are correlated to long-term interest rates, office vacancy rates and asking rents. The forecast of the mortgage recording tax also takes into consideration the mortgage refinancings which, although not related to property transfers, have a significant impact on collections for both the residential and commercial markets. The Mortgage Bankers Association (MBA) forecast of national mortgage originations (both for purchases and refinancings) serves as a guide to forecast the NYC activity level. Both the residential and commercial markets are analyzed using historical annual and quarterly trends. In tandem with the aforementioned, the forecast is tied to the real property transfer tax by looking at the share of the purchase price financed through a mortgage, both for residential and commercial transactions, and modifications are made to take into account the credit market conditions that could lower or increase the share of the purchase price financed through mortgage.

Table 1

Mortgage Recording Tax Rates			
Distribution of Revenue	All Mortgages Under \$500,000	Mortgages of \$500,000 or More on 1-3 Family Homes & Condos	Commercial Mortgages of \$500,000 or More
State Levied Taxes			
NYC General Fund (Tax reverts to NYC)	0.500%	0.500%	0.500%
Dedicated to MTA/SONYMA*	0.550	0.550	0.550
City Levied Taxes			
NYC General Fund	1.000	1.125	1.125
Dedicated to MTA*	—	—	0.625
Total	2.050%	2.175%	2.800%
Combined City Rate	1.500	1.625	1.625

**See separate table on the next page for details.*

TAX DETAIL

Tax Base

The City's mortgage recording tax revenue is composed of two separate taxes, one levied by the State and dedicated to the City, and the other a City tax established by local law under State authority. The tax was imposed statewide, with the law calling for the proceeds to be paid to county treasurers in counties outside NYC, and in the case of NYC, to the general fund.

The tax rate is 1.0 percent for all mortgages securing a debt of under \$500,000. For residential mortgages securing a debt of \$500,000 or more, the tax rate is 1.125 percent. The rate is 1.75 percent for commercial mortgages securing a debt of \$500,000 or more. Of the tax collected from commercial transactions greater than \$500,000, 0.625 percent goes to a special fund for the New York City Transit Authority (NYCTA), the City Paratransit system and MTA Bus Company. In addition, the State imposes a 1.05 percent tax, of which 0.55 percent is dedicated to the Metropolitan Transportation Authority (MTA) and the State of New York Mortgage Agency (SONYMA). The rest of the tax, 0.50 percent, reverts back to the City General Fund. There is no tax liability when financing the purchase of a cooperative apartment, since this financing is technically not a mortgage.

LEGISLATIVE HISTORY

Effective June 1, 2005, the State mortgage recording tax rate for counties located in the Metropolitan Commuter Transportation District (MCTD) was increased from 0.25 percent to 0.30 percent. The combined City and State mortgage recording tax rates for mortgages recorded in NYC are currently 2.05 percent for mortgages under \$500,000, 2.175 percent for residential mortgages of \$500,000 or more, and 2.80 percent for commercial mortgages of \$500,000 or more.

Effective January 17, 2005, the mortgage recording tax was extended to certain transactions involving wrap-around mortgages and spreading agreements. This amendment extended the mortgage recording tax to the recording of a spreading agreement or additional mortgage that secures a new indebtedness by spreading the lien of an existing mortgage. However, this amendment does not apply to properties owned by the primary mortgagor when the property was acquired at least twelve months earlier and the additional mortgage was undertaken solely for a genuine business or financial purpose.

Beginning in 1996, credit line mortgages (i.e. mortgages which allow a series of advances, repayments, and re-advances) under \$3 million are no longer subject to mortgage recording taxes. Previously, this advantage was available only to credit line mortgages on owner-occupied one-to-six-family homes. Re-advances under other mortgages remain taxable.

Table 2

MRT Dedicated Taxes			
	Mortgages on real estate structures containing one to six dwelling units	Commercial Mortgages less than \$500,000	Commercial Mortgages of \$500,000 or More
MRT Additional Tax (MRT-1)**	0.300%	0.300%	0.300%
MRT Special Additional Tax (MRT-2)***	0.250%	—	—
MRT Special Additional Tax (SONYMA)****	—	0.250%	0.250%
Dedicated to MTA/SONYMA	0.550%	0.550%	0.550%
MRT Urban Taxes* (Dedicated to NYCTA, Paratransit and MTA Bus Company)	—	—	0.625%

* 90% of the receipts are earmarked for NYCT General Operations, 6% for the partial reimbursement of NYCT Paratransit costs and the remaining 4% is earmarked as a subsidy for MTA Bus Company

** Imposed on borrower in MCTD which includes New York City and seven other counties within the MTA service area

*** Imposed on lender in MCTD which includes New York City and seven other counties within the MTA service area

**** Imposed on borrower

Effective August 1, 1990, the NYC mortgage recording tax was raised across the board by 0.5 percent. Total revenue dedicated to the general fund from both State and City mortgage taxes is based on a tax rate of 1.5 percent for mortgages under \$500,000 and 1.625 percent for all mortgages of \$500,000 or more.

Effective July 1, 1989, several “loophole-closing” provisions were enacted with regard to the City and State mortgage recording taxes. These provisions (1) permit the aggregation of related mortgages for the purpose of determining whether the higher rates apply; (2) require payment of the City’s tax if the lien of a mortgage recorded outside the City is “spread” to realty located in the City; (3) treat an assignment of rents given for the purpose of security for an indebtedness as a mortgage for purposes of the tax; (4) eliminate the practice of securing new debt under a previously recorded, but since repaid, mortgage by requiring that a certificate of discharge be issued when a mortgage has been repaid; (5) limit the “condominium credit” to initial sales of condominium units only if the first unit in the project is sold within two years from the recording date of the construction or blanket mortgage, or if the proceeds of a blanket mortgage were used to purchase the condominium property, or if the purchase occurred no more than two years before the declaration of the condominium; and (6) increase the rate of interest payable on underpayments and overpayments and increase nonpayment penalties.

In 1982, the City tax was increased for mortgages securing a debt of \$500,000 or more. For these large mortgages, the rate on one-to-three-family homes was increased to 0.625 percent; on other large mortgages, the rate was increased to 1.25 percent. Half of the collections from large non-residential mortgages was paid to the City’s general fund, and the other half was dedicated to the NYCTA, the City Paratransit system and certain private bus operators franchised by the City.

In 1979, an additional 0.25 percent surcharge was imposed on the State mortgage recording tax, which is dedicated to SONYMA. Taxpayers, however, were allowed to credit payments of this surcharge against their liability for the state corporation franchise tax, personal income tax or banking corporation tax. In 1987, the State Legislature amended this second surcharge so that the MTA receives tax revenue from mortgages made on one-to-six-family homes within the MCTD. In addition, the credit provision was altered to allow taxpayers to take payments as a deduction against taxable income rather than as a credit against liability.

In 1969, a surcharge of 0.25 percent of the amount of the mortgage was added to the statewide tax. Inside the MCTD, the proceeds from the tax were required to be paid to the MTA. Counties outside the MCTD were given the option to suspend the surcharge by local law.

The State mortgage recording tax was established in 1906 at a rate of 0.5 percent on the amount of the mortgage.

COMMERCIAL RENT TAX

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COMMERCIAL RENT TAX

OVERVIEW

The commercial rent tax accounted for 1.4 percent of City tax revenue in 2015, or \$735 million.

The commercial rent tax was authorized by Chapter 257 of the Laws of 1966 and enacted by Title 11, Chapter 7 of the NYC Administrative Code. This tax is imposed on tenants of premises that are used to operate businesses, professions, or commercial activities in Manhattan south of 96th Street at an effective rate of 3.9 percent. Tenants, whose annual or annualized gross rents are less than \$250,000 are not subject to this tax, while those with annual taxable rents between \$250,000 and \$300,000 are eligible for a sliding scale of credit that partially offsets tax liability. This tax is administered by the NYC Department of Finance (DOF).

FORECASTING METHODOLOGY

The commercial rent tax revenue is forecast using data on the Manhattan vacancy rates and asking rents for both the primary and secondary office markets. Once the annual revenue is forecast, the monthly cash plan is derived by taking into account the seasonality of collections and legislative changes.

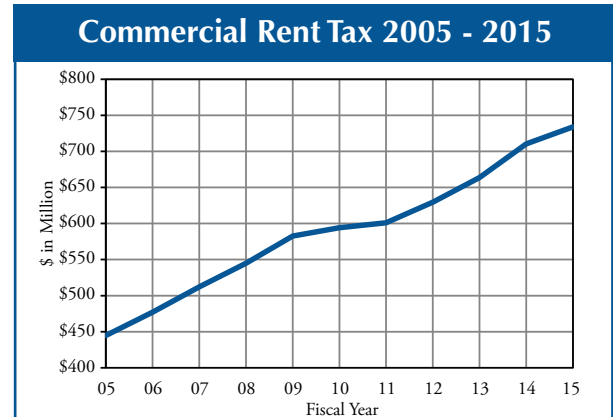
TAX DETAIL

Tax Base

The commercial rent, or occupancy tax, is imposed on rental space in NYC used for commercial or professional purposes. The tax is currently levied only on tenants who rent space in Manhattan south of 96th Street and do not meet any of the following exception criteria.

- Tenants whose annual or annualized gross rents are less than \$250,000;
- Residential tenants other than hotel operators, where 75 percent of the floor space is dedicated to residential purposes;
- Short rental periods of 14 days or less during one tax year;
- Rental premises used for theatrical productions, non-profit organizations, or those with a written exemption issued by DOF;

Chart 1



- Tenants located in the “World Trade Center Area” effective August 30, 2005;
- Tenants in non-residential or mixed-use premises located in the Commercial Revitalization Program abatement zone who receive special reductions up to 100 percent of the taxable rent effective December 1, 2005.

Tax Rate

The statutory tax rate is 6.0 percent of the gross rent paid by tenants of the premises that are used to conduct any business, profession, or commercial activity. Effective September 1, 1998, taxable base rent was lowered by 35 percent, which reduced the effective tax rate to 3.9 percent. In addition, a sliding scale tax credit applies to taxpayers whose annualized base rent is between \$250,000 and \$300,000. (See Table 1: an example of effective tax rate calculation.)

LEGISLATIVE HISTORY

Effective June 1, 2001, the base rent exemption threshold was increased to \$250,000 with a sliding scale credit up to \$300,000.

Effective December 1, 2000, the base rent exemption threshold was increased from \$100,000 to \$150,000 with a sliding scale credit up to \$190,000.

Effective September 1, 1998, tenants were allowed to reduce their base rent subject to tax by 35 percent, which lowered the effective tax rate to 3.9 percent.

Effective June 1, 1997, annual base rent exemption threshold was increased from \$40,000 to \$100,000 and a sliding scale credit was allowed for base rents ranging between \$100,000 and \$140,000.

Table 1

Commercial Rent Tax: An Example of Effective Tax Rate Calculation							
Annual Gross Rent	35% Gross Rent Reduction	Gross Rent Subject to Tax	6% Tax Liability	% of Credit Off Liability	Total Credit	Liability After Credit	Effective Tax Rate
(A)	(B) = A * 0.35	(C) = A - B	(D) = (C) * 0.06	(E)	(F) = D * E	(G) = D - F	(H) = G/A
\$250,000	\$87,500	\$162,500	\$9,750	100%	\$9,750	\$-	0.0%
260,000	91,000	169,000	10,140	80%	8,112	2,028	0.8%
270,000	94,500	175,500	10,530	60%	6,318	4,212	1.6%
280,000	98,000	182,000	10,920	40%	4,368	6,552	2.3%
290,000	101,500	188,500	11,310	20%	2,262	9,048	3.1%
300,000	105,000	195,000	11,700	0%	-	11,700	3.9%
400,000	140,000	260,000	15,600	0%	-	15,600	3.9%
500,000	175,000	325,000	19,500	0%	-	19,500	3.9%

Effective June 1, 1996, tenants were allowed to reduce rent subject to the tax by 25 percent, reducing the effective tax rate from 5.1 percent to 4.5 percent.

From March 1, 1996 through May 31, 1996, tenants were allowed to reduce rent subject to the tax by 15.0 percent for the tax period, reducing the effective tax rate from 6.0 percent to 5.1 percent.

Effective September 1, 1995, base rent exemption was raised for tenants located in Manhattan south of 96th Street from \$31,000 to \$40,000, which allowed a sliding scale of credit for base rents ranging between \$40,000 and \$59,999, and completely eliminated the commercial rent tax in Manhattan north of 96th Street and in the other four boroughs.

Effective June 1, 1994, a full exemption was granted to taxpayers with base rent up from \$11,000 to \$21,000 in central and lower Manhattan and up to \$30,000 elsewhere.

Effective June 1, 1993, a 25 percent tax credit was granted to taxpayers located in Manhattan south of 96th Street whose base rent was between \$11,000 and \$14,000, and to those located north of 96th Street in Manhattan or in other boroughs whose base rent was between \$15,715 and \$20,000.

Effective June 1, 1989, the base rent for taxable premises located in Manhattan north of 96th Street or in other boroughs was reduced by 30 percent. Previously, the base rent was reduced by 20 percent as of June 1, 1987, and by 10.0 percent as of January 1, 1986.

Effective December 1, 1984, the base rent exemption threshold was increased from \$8,000 to \$11,000. Previously, the base rent exemption was increased to \$8,000 on June 1, 1984 and to \$5,000 on June 1, 1981.

In 1977, the City began a tax reduction program that effectively reduced the tax rate by 20 percent over four years. The maximum rate was reduced from 6.75 percent as of June 1, 1977, to 6.375 percent in 1980 and to 6.0 percent in 1981.

On June 1, 1970, a graduated rate schedule was adopted for the commercial rent tax:

Gross Rent	Tax Rate
\$0 to \$2,499	2.50%
\$2,500 to \$4,999	5.00%
\$5,000 to \$7,999	6.25%
\$8,000 to \$10,999	7.00%
\$11,000 or over	7.50%

The commercial rent tax was first imposed in 1963 at a rate of 5.0 percent on annual base rents of \$2,500 and over.

Commercial Revitalization Program

Commercial rent tax special reduction benefits under the Commercial Revitalization Program were originally enacted in 1995 to allow additional reductions from the rent that would otherwise be subject to the commercial rent tax.

Effective June 30, 2015, the Lower Manhattan commercial rent tax special reduction on five year-or-longer leases which originally ended on June 30, 2015 was been extended to June 30, 2017.

Effective April 1, 2015, the date upon which the lease must be signed in order to qualify for the special rent reduction was extended to June 30th, 2017.

Effective April 1, 2014, the date upon which the lease must be signed in order to qualify for the special

rent reduction was extended to June 30th, 2015. The benefit period for the enhanced Commercial Revitalization Program was also extended from March 31, 2022 to March 31, 2024.

Effective April 1, 2010, the benefit period for the enhanced Commercial Revitalization Program was extended from March 31, 2010 to March 31, 2020.

Effective July 1, 2009, the enhanced Commercial Revitalization Program was extended for four more years. The date upon which a lease must commence in order to qualify for the special rent reduction was also extended from June 30, 2009 to June 30, 2013.

Effective December 1, 2005, retail space located south of Murray Street are also exempt from tax as part of the Commercial Revitalization Program.

Effective August 31, 2005, the Commercial Revitalization Program was expanded to include more buildings and provided greater base rent reductions. First, the new law expands the program to include post-1975 buildings located south of Canal Street. Second, the two-third and one-third limits on the last two years of the benefits were eliminated. The new law offered a base rent reduction for the first five years of the lease equal to the lesser of the base year rent paid or 100 percent of the rent paid for the period. Third, the special reduction was made available only for leases other than sub-leases commencing between July 1, 2005 and June 30, 2009. Fourth, the benefit was expanded for all tenants located in the World Trade Center area (including the former Deutsche Bank Building and 7 World Trade Center). Furthermore, a special reduction was allowed for premises located in Manhattan's Special Garment Center District that are used for industrial and manufacturing activities. The special rent reduction was to be applied to eligible leases commencing on or after July 1, 2005, and made available for up to ten years. (2006 legislation specified that no special reduction would be allowed after June 30, 2020.)

Effective April 1, 1995, the Commercial Revitalization Program was established and benefits were initially available only for the pre-1975 buildings located in the title 4 abatement zone in lower Manhattan. Qualifying tenants were eligible for a three- or five-year special reduction to their commercial rent tax liability. The tax reduction period was determined by the number of employees the tenant employs, the length of the initial lease term and the lease execution date. The first year commercial rent tax special reduction was equal to the actual rent paid (called the base year). Within the benefit period,

the second and third year benefits were equal to the lesser of the rent paid during each period or the base year. The last two years of benefits under both the three- or five-year programs were generally equal to two-thirds and one-third respectively of the lesser of the rent paid during each period or 100 percent of the base year rent paid.

See Appendix I: Schedule of Tax Incentive Under the Commercial Revitalization Program.

UTILITY TAX

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UTILITY TAX

OVERVIEW

The utility tax accounted for 0.7 percent of City tax revenue in fiscal year 2015, or \$384.0 million.

The current utility tax rate of 2.35 percent on the gross receipts of vendors has been in place since January 1, 1966. The City has imposed a utility tax since August 1, 1965, authorized under Title 11, Chapter 11 of the City Administrative Code, enabled by Chapter 93 of the State Laws of 1965. Utilities are defined as companies that are subject to the supervision of the New York State Public Service Commission (PSC). They include vendors of gas, electricity, steam, water and refrigeration, telephone companies, and certain transportation companies (omnibus operators). These activities need not represent the vendors' primary business. Additionally, companies that derive 80 percent or more of their gross receipts from mobile telecommunication services are also considered utilities. Companies do not have to be supervised by the PSC to be considered utilities.

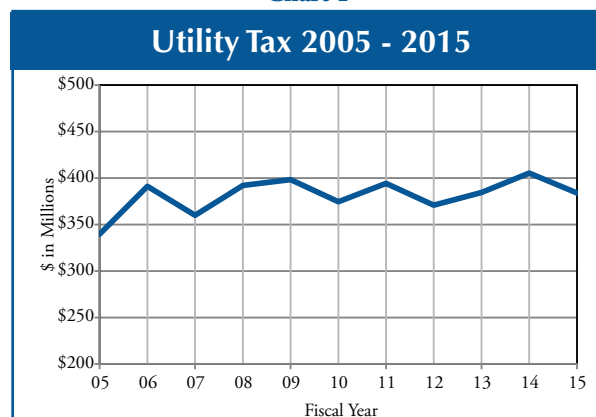
FORECASTING METHODOLOGY

Data provided by the NYC Department of Finance (DOF) allows utility tax collections to be broken down into sectors, allowing the utility tax revenue from each sector to be forecast individually. The three major utility sectors that pay utility tax are providers of electricity, gas, and telecommunications services.

Electricity and natural gas utility tax revenues are forecast using the most recent forecast of energy prices and New York City employment, as an indicator of future demand. To forecast telecommunications revenue, the most recent industry trends and the overall inflation rates are considered. Finally, tax programs such as the Energy Cost Savings Program (ECSP) and any other tax law changes are taken into account.

Once revenue is forecast, a monthly cash plan is derived which reflects seasonal changes in collections. The monthly cash plan is driven by current and expected trends resulting from tax law and regulatory changes, weather patterns and energy pricing patterns.

Chart 1



TAX DETAIL

Tax Base

The City imposes a tax on all utilities and vendors of utility services, including operators of omnibuses. The current rate of 2.35 percent was imposed on January 1, 1966 and is levied on the gross income of taxpayers. Currently this tax applies to electric and natural gas utilities as well as telecommunication firms whose services include wireless fiber optic and other types of transmissions. The major companies that pay the utility tax include: Consolidated Edison Company of N.Y., Inc. (Con Ed); National Grid USA; and Verizon New York, Inc.

Tax Programs

Two tax programs reduce the utility bills of eligible businesses by offering credits against the utility providers' tax liability. The Energy Cost Savings Program (ECSP) and the Lower Manhattan Energy Program (LMEP) are designed to promote economic development in certain areas of the City by encouraging businesses to relocate or to renovate their buildings.

The ECSP was enacted in 1985 and currently grants a rebate of up to 45 percent on electricity charges and up to 35 percent on natural gas charges to eligible commercial and industrial businesses (excluding retail and hotels) operating in Brooklyn, The Bronx, Queens, Staten Island and Manhattan north of 96th Street. The rebate is also granted to commercial and industrial businesses in those areas which improve commercial structures by more than 30% of taxable assessed value. A full benefit is allowed for eight years, followed by a four-year phase-out. The

utility company that gives the rebate is compensated for the forgone revenue through a credit against its City utility tax liability. The ECSP must be renewed by the City, ranging from every one to three years. The ECSP was extended from July 1, 2010 to July 1, 2013 and was renewed retroactively through June 30, 2015, and subsequently extended through June 30, 2017.

The LMEP was included as part of the Commercial Revitalization Program, enacted in 1995. The LMEP currently grants the same rebates (45 percent of electricity transportation and distribution charges) to eligible commercial (non-retail) tenants south of Murray Street in Manhattan who have improved their buildings by at least 20 percent of taxable assessed value. A full benefit is allowed for eight years, followed by a four-year phase-out. The LMEP must be renewed by the City, ranging from every one to three years. The LMEP was extended from July 1, 2010 to July 1, 2013 and was renewed retroactively through June 30, 2015, and subsequently extended through June 30, 2017.

The New York City Department of Finance reports the monthly credit distribution of the combined ECSP and LMEP for the four major utility taxpayers. This information is factored into the forecast of utility tax collections.

LEGISLATIVE HISTORY

Effective July 1, 2015, The Energy Cost Savings Program and Lower Manhattan Energy Program were extended until June 30, 2017.

Effective July 1, 2013, The Energy Cost Savings Program and Lower Manhattan Energy Program were extended until June 30, 2015.

Effective July 1, 2010, the Energy Cost Savings Program and Lower Manhattan Energy Program were extended until July 1, 2013.

Effective tax year 2009 and thereafter, refunds for utility tax may be requested within three years from the time a utility tax return is filed and two years from the time the tax is paid.

Effective January 1, 2006, metered sales of energy to tenants of certain cooperative housing corporations are exempted from the City utility tax. The exemption applies to cooperative corporations with at least 1,500 apartments that own or operate a cogeneration facility that was in place before January 1, 2004.

Effective October 20, 2003 through January 23, 2004, certain taxpayers were able to apply for utility

tax amnesty. During this period, eligible taxpayers who remitted taxes previously owed were granted a waiver of civil penalties and criminal prosecutions and a reduction in interest due.

Effective December 1, 2002, certain utility services used during the production of film are eligible for exemption from the utility tax.

Effective August 1, 2002, the City utility tax law was amended to align taxation of wireless telecommunication services with the Federal Mobile Telecommunications Sourcing Act of 2000. Previous legislation based on landlines defined taxable calls as those which “originate and terminate” geographically within the State. The new amendment replaces this method with a “place of primary use” (PPU) provision, which simplifies taxable receipts for wireless devices. Under the new law, 84 percent of the total wireless services billed to a customer’s PPU are subject to the utility tax.

Effective June 1, 2001, the Department of Business Services (DBS) promulgated rules that divided the ECSP participants into three categories with various schedules of rebate percentages in order to allow participants to receive the same program benefits as those received under the original rebate percentages of the bundled bill.

Effective November 1, 2000, legislation changed the ECSP and LMEP rebates on electricity and gas from a discount on all utility charges to a discount solely on utility delivery charges. The legislation raised the rebate percentages to 45 percent of eligible charges on electricity and 35 percent on natural gas in an effort to maintain roughly the same benefit levels, in dollar terms, as previously. Subsequently, program participants complained that following the enactment of the new rebate percentages, commodity prices had increased while utility delivery charges remained relatively low. Thus, the benefits program participants received under the revised rebate regime were less than the benefits they would have received under the previous regime.

Effective January 1, 1999, utility taxpayers whose tax liability for the preceding year was less than \$100,000 are able to file semi-annual utility tax returns for the current year. Previously, these taxpayers were required to file monthly returns.

Effective January 1, 1998, the definition of “telephone or telegraph service” subject to the City utility tax was broadened to “telecommunication services” in order to be consistent with the State utility tax definition. Under the new law, any

transmission of voice, image, data, information and paging through wired or wireless media are subject to the utility tax. Additionally, telephone services such as dial tone, directory information, call forwarding and call waiting are also included. Cable television services and air safety transmissions are excluded from this definition.

Effective January 1, 1998, the utility tax law was modified so that landlords that resell utility services to their tenants are no longer subject to utility tax. Under the amended law, the original vendor will be taxed for the sale of utility services to the landlord, and the landlord will not be subject to the utility tax. Beginning July 1, 1995, businesses in Lower Manhattan south of Murray Street which improve the market value of their property by 20 percent are eligible to apply for the LMEP. The LMEP grants a credit against a taxpayer's utility tax liability by providing a 30 percent reduction on electric charges and a 20 percent reduction on natural gas charges to eligible businesses.

Beginning May 3, 1985, businesses which relocate to the outer boroughs or Manhattan north of 96th Street are eligible to apply for the ECSP. The ECSP grants a credit against a taxpayer's utility tax liability by providing a 30 percent reduction on electric charges and a 20 percent reduction on natural gas charges to eligible businesses.

Effective January 1, 1966, the utility tax rate was raised to 2.35 percent of the gross receipts of taxpayers.

Beginning August 1, 1965, a tax at a rate of 2.0 percent was levied against the gross receipts of all utilities and vendors of utility services in New York City. A vendor of utility services furnishes or sells gas, electricity, steam, water or refrigeration, or furnishes or sells gas, electric, steam, water, refrigeration or telecommunications services, or who operates omnibuses.

Utility Deregulation

The deregulation of the energy industry and subsequent legislative actions has, and are forecast to continue to have, minimal impact on the forecast of utility tax revenue. Beginning in 1997, the Public Service Commission (PSC), Con Ed and subsequently other utilities entered into an agreement that set a schedule for competitive retail access and the deregulation of the electric industry in New York State. The natural gas industry has been deregulated since 1991.

On March 13, 1997, Con Ed and the PSC entered into a settlement with respect to the PSC's competitive opportunities proceeding, with PSC approval granted on August 29, 1997. The settlement agreement featured a five-year rate plan to facilitate the transition to competitive retail access, effective January 1, 1998. The five-year rate plan called for an immediate 25.0 percent electric rate reduction for Con Ed's largest industrial customers, a 10.0 percent rate reduction for other large industrial and commercial customers (which include office buildings, hospitals, colleges and universities) and a 3.3 percent rate reduction for residential and small commercial customers. The five-year rate plan superseded the prior 1995 rate agreement as of March 31, 1997, and the revenue requirement increase for the third year of the 1995 rate agreement was reversed.

In calendar year 2000, Con Ed agreed to further reduce retail electric rates and extend the electric restructuring agreement to 2005. Effective October 1, 2000, the total reduction in retail distribution rates was 16.8 percent. An additional 200 megawatts of capacity also became eligible for business rate incentives. These rate reductions have had a slight negative impact on utility tax collections.

As a result of the 1996 PSC Competitive Opportunities proceeding, the PSC ordered a complete restructuring of the State's energy utilities to encourage competitive markets. This agreement originally set the pace of deregulation in the State with the expectation of full retail access by 2006. The original PSC agreements provided a transition to a competitive retail market through the development of retail access plans, a reasonable recovery of strandable costs and the divestiture to unaffiliated third parties of approximately 50 percent of electric generating capacity in the City. The PSC agreements were revised in 2000, allowing for full retail access for all customers as of November 1, 2000. Additionally, Con Ed has divested itself from all its generating capacity beyond the 50 percent requirement. Deregulation of the electric industry has had a slight negative impact on utility tax collections.

Effective April 1, 2008, Con Ed and the PSC agreed on a 4.7 percent electric service delivery rate increase. The decision approved significant increases in infrastructure spending to improve and maintain the reliability of Con Ed services.

Effective April 1, 2010, Con Ed and the PSC agreed on a 4.3 percent electric service delivery rate increase.

Effective March 1, 2014, Con Ed electricity delivery rates will be held at current levels for the next three years and natural gas and steam delivery rates will remain at current levels for the next three years. Delivery rates will be held at current levels for the next two years and natural gas and steam delivery rates will remain at current levels for the next three years.

HOTEL ROOM OCCUPANCY TAX

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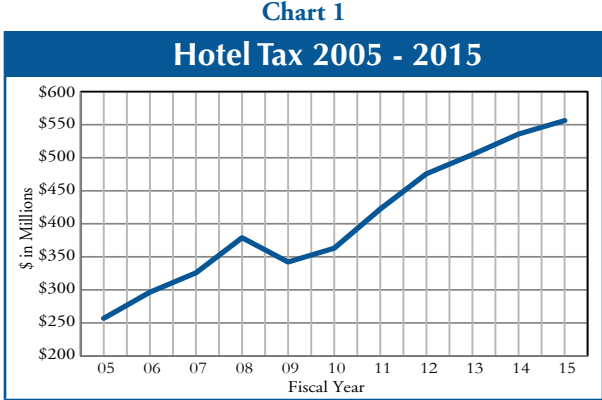
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HOTEL ROOM OCCUPANCY TAX

OVERVIEW

The hotel room occupancy tax accounted for 1.1 percent of City tax revenue in 2015, or \$556 million.

The current City hotel room occupancy tax is a 5.875 percent tax on the room occupancy rent with an additional per room fee ranging from \$0.50 to \$2.00 per day (see Table 1). The City has imposed a hotel room occupancy tax since 1970, authorized under Title 11, Chapter 25 of the City Administrative Code, enabled by Chapter 161 of the State Laws of 1970, and further amended by Local Law 65 of 2008. The hotel room occupancy tax is levied in addition to the combined City, State and Metropolitan Commuter Transportation District (MCTD) sales taxes (at 4.5 percent, 4.0 percent and 0.375 percent, respectively), bringing the aggregate hotel room occupancy and sales taxes on a hotel room rental in the City to 14.75 percent. For the period beginning December 1, 2013 and ending December 19, 2013, the hotel room occupancy tax reverted to 5.0 percent rather than 5.875 percent, reducing the aggregate rate to 13.875. Since December 19, 2013, the hotel room occupancy tax is again 5.875 percent and the aggregate tax is again 14.75 percent. The 0.875 percent rate increase is set to expire on November 30, 2019, unless extended through local law. In addition, New York State administers the Convention Center Development Corporation (CCDC) hotel room unit fee of \$1.50 per unit per day on hotel room occupancy



as part of the sales tax.

FORECASTING METHODOLOGY

The hotel room occupancy tax forecast is a function of growth in occupancy rates, room rates and hotel room inventory.

The growth rates used to forecast the occupancy rates and room rates for the rooms filled are based on the NYC economic forecast. The hotel room inventory forecast is based on current information on new hotels under construction and their completion dates as well as established hotels and hotel rooms in the reconstruction pipeline from published reports.

After revenue is forecast, a monthly cashplan reflecting the seasonality of the collections and the fiscal year cash flow is estimated. The monthly

Table 1

Hotel Room Occupancy Tax Rates										
If the rent per day for the room is ¹ :	The tax is:									
\$10 or more, but less than \$20	\$0.50 per day									
\$20 or more, but less than \$30	\$1.00 per day									
\$30 or more, but less than \$40	\$1.50 per day									
\$40 or more	\$2.00 per day									
Additional Tax	After 7/7/86	After 5/31/90 ²	After 8/31/90	After 8/31/94	After 11/30/94	After 3/31/05	After 2/28/09	After 11/30/13	After 12/19/13	After 11/30/15
New York City	5.000%	5.000%	6.000%	6.000%	5.000%	5.000%	5.875%	5.000%	5.875%	5.000%
New York State	—	5.000%	5.000%	—	—	—	—	—	—	—
New York CCDC Unit Fee ³						\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Total	5.000%	10.000%	11.000%	6.000%	5.000%	5.000%	5.875%	5.000%	5.875%	5.000%

¹ For suites consisting of more than one room, the rent per room is the average of the suite's value. The flat fee is applied to the average value of each room in the suite.

² New York State only imposed the occupancy tax on rooms costing over \$100.

³ The New York Convention Center Development Corporation fee is administered by NYS as part of the sales tax. A unit for the purposes of charging the CCDC unit fee is a singular room or a set of rooms in a suite.

cashplan takes into consideration the most recent information on occupancy and room rates.

Predicting hotel room occupancy tax collections is not a mechanical process, but reflects both trend analysis and other factors affecting the tax. Tourism data describing the number of tourists and number of domestic and international airport arrivals are also considered.

TAX DETAIL

Tax Base

The City imposes a hotel room occupancy tax on all hotel rooms that are occupied at the rate of 5.875 percent plus a per room fee for rooms ranging from \$0.50 to \$2.00 per day based on the dollar value of the hotel room. To determine the rate of the per room fee for a suite with multiple rooms, the dollar value of each room is determined by averaging the total cost of the suite. In addition, the City and the State each impose a 4.5 percent and 4.0 percent sales tax, respectively, along with the 0.375 sales tax imposed by the MCTD, making the aggregate tax on hotel room occupancy 14.75 percent. Further, New York State administers the CCDC hotel unit fee for \$1.50 per unit per day on hotel room occupancy as part of the sales tax. A suite with multiple rooms is considered one unit for charging the CCDC hotel unit fee.

Exemptions

Exemptions from the hotel room occupancy tax include; (1) permanent residents of a hotel or other eligible facility; (2) organizations and associations exempt from the State and City sales tax on hotel room rents including the Federal Government, the State and City of New York, The United Nations, or any agency thereof; and (3) not-for-profit organizations that were formed and operated exclusively for religious, charitable, or educational purposes, or for the prevention of cruelty to children and animals.

LEGISLATIVE HISTORY

Effective June 1, 2016, the wholesale sale of hotel rooms by hotels to room remarketers is considered a “sale for resale” and exempt from tax. The remarketer is, however, obliged to collect and remit hotel tax on the subsequent resale of the hotel room; the hotel does remit any tax.

Effective December 1, 2015, the City extended the temporary hotel room occupancy tax rate of 5.875 percent, keeping the aggregate tax at 14.75 percent. The additional 0.875 percent tax rate is set to expire on November 30, 2019 unless the rate increase is extended.

Effective December 19, 2013, the hotel room occupancy tax is again increased to 5.875 percent from 5.0 percent and the aggregate tax is again 14.75 percent. The additional 0.875 percent tax rate is set to expire on November 30, 2015 unless the rate increase is extended.

Effective December 1, 2013, the hotel room occupancy tax temporary 0.875 percent rate increase expired, thereby reducing the rate back to 5.0 percent, and dropping the aggregate hotel room occupancy tax and sales tax on a hotel rental to 13.875 from 14.75 percent.

Effective December 1, 2011, the City extended the temporary hotel room occupancy tax rate of 5.875 percent through November 30, 2013, bringing the aggregate hotel room occupancy tax and sales tax on a hotel rental in the City to 14.75 percent.

Effective September 1, 2009, Internet and other hotel room occupancy resellers must collect and remit hotel room occupancy tax on the value of any hotel room rate markup. This closes a hotel room occupancy tax loophole, where the City only collected hotel room occupancy tax on the discounted room rate a hotel sold to occupancy resellers, not the ultimate value of the room sold to the occupant.

Effective August 1, 2009, the NYC sales tax rate increased from 4.0 percent to 4.5 percent, bringing the aggregate tax on hotel room rental to 14.75 percent. (For history of taxes on hotel room occupancy, see Sales Tax Appendix III: Table 3).

Effective March 1, 2009, the City through local law temporarily increased the hotel room occupancy tax rate from 5.0 percent to 5.875 percent, bringing the aggregate hotel room occupancy tax and sales tax on a hotel rental in the City to 14.25 percent for the period of March 1, 2009 through July 31, 2009. The temporary hotel room occupancy tax rate increase was set to expire on November 30, 2011. It was

subsequently extended twice through November 30, 2013, and again through November 30, 2015.

Effective June 1, 2005, the NYC sales tax rate decreased from 4.125 percent to 4.0 percent and the NYS sales tax rate decreased from 4.25 percent to 4.0 percent, while the MCTD sales tax rate increased from 0.25 percent to 0.375 percent, bringing the aggregate tax on hotel room rental to 13.375 percent, for the period June 1, 2005 through February 28, 2009.

Effective April 1, 2005, the State imposed a hotel unit fee of \$1.50 per unit per day on all hotel room occupancy within New York City as part of the sales tax. This fee is dedicated to the securitization of bonds issued by the New York Convention Center Development Corporation (CCDC) for the expansion and improvement of the Jacob K. Javits Convention Center. The fee will terminate after all bonds secured have been paid. A unit for the purposes of the \$1.50 unit fee may be a single room or a set of rooms in a suite.

Effective June 1, 2003, the NYC sales tax increased from 4.0 percent to 4.125 percent, and the NYS sales tax increased from 4.0 percent to 4.25 percent bringing the aggregate tax on hotel room rental to 13.625 percent, for the period June 1, 2003 through May 31, 2005.

In 1994, both the State and City acted to reduce the hotel room occupancy tax burden. Effective September 1, 1994 the State eliminated its 5.0 percent tax. Effective December 1, 1994 the City repealed the 1.0 percent tax increase that was effective September 1, 1990, including the dedication of the one-quarter percent to tourism development, returning the rate to 5.0 percent from 6.0 percent. This lowered the aggregate tax rate on hotel rooms priced over \$100 to 13.25 percent, in addition to the flat fee for the period December 1, 1994 through May 31, 2003.

Effective September 1, 1990, the City hotel room occupancy tax rate was increased from 5.0 percent to 6.0 percent. The aggregate tax rate payable on rooms priced over \$100 in the City was 19.25 percent, in addition to the flat fee, for the period September 1, 1990 through August 31, 1994. One-quarter of the revenue collected from the additional City hotel room occupancy 1.0 percent tax rate increase was earmarked for the development of tourism. Of this dedicated revenue, seven-eighths of the one-quarter percent funded the New York Convention and Visitors Bureau. The remaining one-eighth percent was not dedicated to a specific organization but had to be expended on tourism-related activities.

Effective June 1, 1990, the State introduced an additional special NYS hotel room occupancy tax of 5.0 percent on rooms costing \$100 or more per day.

Effective July 8, 1986, a City 5.0 percent hotel room occupancy tax was imposed in addition to the hotel room occupancy tax flat fee. Subsequently, tax collections increased from \$26 million in City Fiscal Year 1986 to \$79 million in City Fiscal Year 1987.

Effective September 1, 1980, the hotel room occupancy tax flat fee increased from a range of \$0.25 to \$1.00 per day to a range of \$0.50 to \$2.00 per day.

Effective July 1, 1970, the hotel room occupancy tax was imposed as a flat fee based on the daily rental value of the hotel room occupied. The fee ranged from a minimum of \$0.25 up to \$1.00 per day depending on the value of the room.

CIGARETTE TAX

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CIGARETTE TAX

OVERVIEW

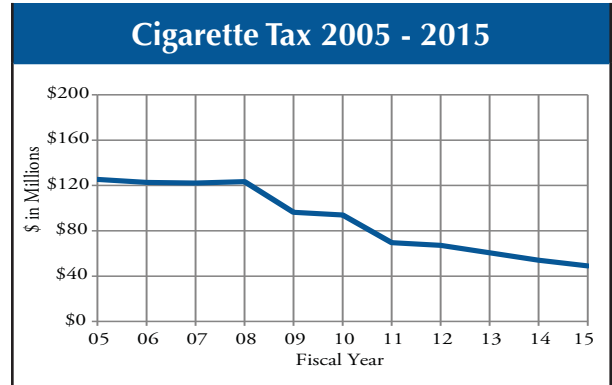
The cigarette tax accounted for 0.1 percent of City tax revenue in 2015, or \$50 million.

The cigarette tax was authorized by Chapter 235 of the Laws of 1952 and enacted by Title 11, Chapter 13 of the NYC Administrative Code. The sale of cigarettes within NYC is regulated by State and local laws and enforced by the NYC Department of Finance (DOF). The cigarette tax is paid by an agent or distributor and passed along to consumers.

FORECASTING METHODOLOGY

Cigarette tax revenue is forecast using an analysis of the number of cigarette packs sold each month. Taxes are paid in advance by agents, distributors, or dealers by means of stamps, so the forecast is derived from historical actual stamps sold data. The number of packs is then multiplied by the current NYC cigarette tax rate of \$1.50 per pack. In addition, as part of an agreement with New York State, the City allows the State to retain 46 percent of the City’s revenue to compensate the State for the revenue loss from the NYC tax increase enacted in 2002. The 2002 tax increase resulted in a dramatic citywide smoking reduction and the diversion of cigarette purchases to jurisdictions outside the City with lower cigarette tax rates. This state portion is subtracted from total revenue estimates in forecasting the City’s cigarette tax revenue. The out-year forecast for cigarette tax revenue assumes continuing annual average decline of 3.5 percent based on the negative price elasticity of cigarette demand.

Chart 1



TAX DETAIL

Tax Base

The City imposes a tax of \$1.50 on the sale or use of every pack of 20 cigarettes in the City. Taxes are paid in advance by agents, distributors, or dealers by means of stamps. Authorized agents purchase the stamps to be affixed to packages. In lieu of adhesive stamps, agents may be authorized to use metering machines. Cigarettes held in stock within NYC by an agent or wholesale dealer for sale outside NYC or for sale and shipment in interstate commerce are exempt. In addition, sales to federal agencies, NYS agencies (if not for resale), and voluntary organizations of the U.S. Armed Forces are exempt from the tax. Personal use of two cartons (400 cigarettes) or less brought into the City is also exempt.

Table 1

Summary of Recent Cigarette Tax Rate History							
	Prior January 1, 2002	Effective January 1, 2002	Effective April 1, 2002	Effective July 2, 2002	Effective June 3, 2008	Effective April 1, 2009	Effective July 1, 2010
Federal	\$0.34	\$0.39	\$0.39	\$0.39	\$0.39	\$1.01	\$1.01
NY State	1.11	1.11	1.50	1.50	2.75	2.75	4.35
NY City	0.08	0.08	0.08	1.50	1.50	1.50	1.50
Total	\$1.53	\$1.58	\$1.97	\$3.39	\$4.64	\$5.26	\$6.86
Tax Rate Change		\$0.05	\$0.39	\$1.42	\$1.25	\$0.62	\$1.60

** The tax rate changes are marked in bold*

LEGISLATIVE HISTORY

Effective July 1, 2010, New York State increased cigarette tax by \$1.60 per pack from \$2.75 to \$4.35 per pack. As a result, the combined City/State cigarette tax was raised from \$4.25 to \$5.85 per pack, and the total City/State/Federal cigarette tax was increased from \$5.26 to \$6.86 per pack.

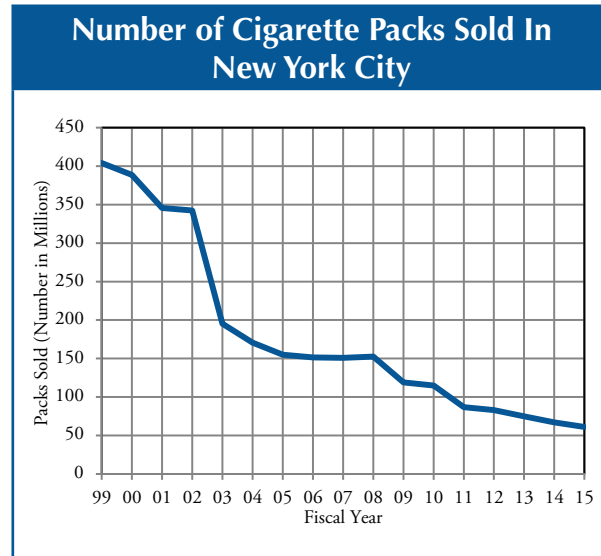
Effective April 1, 2009, the Federal cigarette tax was increased from \$0.39 per pack to \$1.01 per pack. Consequently, the combined City/State/Federal cigarette tax became \$5.26 per pack.

As part of the 2008-2009 budget agreement, New York State enacted a cigarette tax increase of \$1.25 per pack, increasing the State cigarette tax from \$1.50 per pack to \$2.75 per pack, effective June 3, 2008. The State's cigarette tax increase raised the combined City/State cigarette taxes paid in the City from \$3.00 per pack to \$4.25 per pack. In addition, effective July 1, 2008, the 'little cigars', which look like cigarettes but are wrapped in brown paper that are partly made from tobacco, are classified as cigarettes and are subjected to the City tax of \$1.50 per pack.

Effective July 2, 2002, the City raised the cigarette tax from \$0.08 to \$1.50 per pack of 20 cigarettes. This tax was in addition to the State cigarette tax of \$1.50 per pack (after the increase of \$0.39 effective April 1, 2002). As part of an agreement with NYS, the City agreed to fully compensate NYS for the projected decline in State cigarette and sales tax revenues on cigarette purchases resulting from the City cigarette tax. This was accomplished by allowing the State to retain 46.5 percent of additional City cigarette tax revenues from July 2, 2002 through March 31, 2003 and 46.0 percent thereafter. Other tobacco products were not subject to the tax.

The City has imposed a tax on the sale of cigarettes beginning in 1952.

Chart 2



OTHER TAXES

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OTHER TAXES

OVERVIEW

Other taxes accounted for 1.1 percent of City tax revenue in 2015, or \$592 million.

AUTO RELATED TAXES

Auto Use Tax

This tax is imposed by the City on privately-owned vehicles at the annual rate of \$15 per vehicle. The tax was first imposed on October 1, 1974, and has remained unchanged. The tax is administered by the State Department of Motor Vehicles, with an administrative charge levied on the City for this service. In 1990, taxpayers were required to change from annual to biennial payments to conform to a change in the State registration procedures. This new procedure resulted in roughly half of all registrants in 1990 paying for two years, while the other half continued to pay only the annual fee. Revenue from this tax was \$29.7 million in 2015.

Commercial Motor Vehicle Tax

This tax was first levied in 1960 on vehicles used for the transportation of passengers (medallion taxicabs, omnibuses and other for-hire passenger vehicles) and on all other commercial trucks and vehicles. The tax is administered by the State Department of Motor Vehicles and is charged at different rates, based on the purpose for which the vehicles are used. Significant legislative changes in 1990 resulted in a revision of the rate schedules for many commercial motor vehicles. The rate for medallion taxicabs was raised to \$1,000 per year, from \$100 the previous year. Other for-hire passenger vehicles (livery cabs and omnibuses) pay \$400 per year, a \$300 increase over the 1989 rate. The rate schedule for other commercial vehicles weighing less than 10,000 pounds was left unchanged at \$40 per year, while the rate for heavier vehicles was increased, with trucks weighing over 15,000 pounds paying the highest rate, \$300 per year. Medallion taxicabs pay twice a year, in December and June, while owners of other types of commercial vehicles pay annually in June. In 2001, following a DOF initiative, the City transferred the collection and administration of the commercial motor vehicle tax for livery taxicabs and light trucks to the

State, thereby improving the rate of compliance. Until 2001, all registration for taxi and livery vehicles ran from March 1st through the end of February of the following year. Beginning in 2002, the State Department of Motor Vehicles staggered the registration period for these vehicles so that the renewals were spread throughout the year resulting in a one-time revenue loss of \$3.5 million in fiscal year 2002. Revenue from this tax was \$60.3 million in 2015.

Taxi Medallion Transfer Tax

This tax is imposed at a rate of 5.0 percent on the consideration paid for transfer of taxicab licenses (medallions) and was first imposed effective July 1, 1980. The tax is payable by the transferee but the transferor is liable if the tax is not paid by the transferee. The tax is administered by the NYC Taxi and Limousine Commission. Revenue from this tax was \$3.4 million in 2015.

EXCISE TAXES

Beer and Liquor Excise Tax

Since 1980, the City has imposed a tax on licensed distributors and non-commercial importers on the sale of beer and liquor within New York City. The current tax rate is 12 cents per gallon of beer and 26.4 cents per liter of liquor with alcohol content greater than 24.0 percent. The City does not impose a tax on wine. The tax is administered by NYS. Revenue generated from this tax was \$24.6 million in 2015.

Liquor License Surcharge

This tax is imposed on distributors and non-commercial importers of beer and liquor at a rate of 25 percent of the license fees payable under the New York State Alcoholic Beverage Control Law. Revenue generated from this tax was \$5.9 million in 2015.

Horse Race Admissions Tax

A 3.0 percent tax was imposed in 1952 on the price of all paid admissions to horse races held either partly or wholly within NYC. Revenue from this tax was \$0.04 million in 2015.

Off-Track Betting Surtax

A surcharge is levied on most bets placed at New York City Off-Track Betting offices, and on most bets placed statewide on races held within NYC. Revenue from this tax was \$1.0 million in 2015.

MISCELLANEOUS

Other Refunds

Other refunds are primarily paid out on the commercial rent tax and waiver. The paid out refunds were \$33.7 million in 2015.

PILOTs

Payments in lieu of taxes (PILOTs) are contractual agreements between public agencies and private property holders which result in a real property tax relief in order to: (1) induce businesses to remain in New York City; (2) attract new business; (3) provide subsidies for low-income housing; and (4) promote economic growth. PILOTs are either fixed sums based on real property taxes paid on the underlying property in the year preceding the agreement, formulas calculated on the income derived from business operations at the PILOT facility, or a combination of both. Payments are remitted quarterly, semi-annually or annually. There are three primary sponsor agencies which serve as intermediaries between the City and the PILOT facility owners: (1) New York City Housing Authority; (2) Industrial Development Agency; and (3) Battery Park City Authority. These agencies administer projects that comprise approximately 95 percent of PILOT payments received. Two smaller sponsors are the Economic Development Corporation and the Port Authority of New York and New Jersey. The revenue from this tax was \$304.6 million in 2015.

Section 1127 (Waiver)

Under section 1127 of the New York City Charter, the City may collect payments from non-resident employees of the City or any of its agencies in an amount which equalizes their personal income tax liability to what it would be if they were city residents. Revenue from this tax was \$145.4 million in 2015.

Prior Year and Current Year Penalty and Interest - Real Estate

Taxpayers who do not pay their real property tax on time are liable for interest charges on outstanding balances. The interest rate for a late payment depends on the assessed value of the property. If the assessed value of the property is \$250,000 or less and if the property is not vacant land, the interest rate is 9.0 percent. If the assessed value of the property is over \$250,000 or if the property is vacant land, it is 18.0 percent. Interest rates are set annually by the City Council based on a recommendation from the City Council Finance Division's Banking Commission. Revenue from this tax was \$56.6 million in 2015.

Penalty and Interest - Other Refunds

The City currently pays out interest on refunds claimed on overpayments against the business income taxes, on audits of the general corporation, banking corporation, and unincorporated business taxes already collected by DOF but overturned by Federal or State rulings, and on payments made under protest by taxpayers who subsequently substantiate their claims. As a result of legislation, interest on overpayments claimed on amended returns is currently no longer paid for tax years beginning with 1989 as long as the refund is paid within a 90-day period. The paid out refunds were \$6.1 million in 2015.

Stock Transfer Tax

The State repealed the City's stock transfer tax in 1980 and provided for annual appropriations of no more than \$120 million as compensation. Until 1988, the State appropriated to the City approximately \$118 million annually. Following a slowdown in State revenue growth, the appropriation was reduced to \$83 million in 1990 and to \$56 million in 1991. In 1992, the appropriation was restored to \$114 million. In 2001, the appropriation was eliminated by the State.

Vault Charge

The City's vault charge was imposed on any sub-surface opening or structure which extends from the building line into the street. It was first introduced on July 1, 1962 at a rate of 35 cents per square foot. The rate was changed in 1980 to \$2 per square foot.

Certain reductions in the total tax paid were allowed depending on the size of the vault. As of January 1, 1989, vaults smaller than 36 square feet in size and all vaults attached to Class 1 property were exempted from the tax. The vault charge was eliminated in June 1998.

Coin-Operated Amusement Devices Tax

This tax was imposed on every coin-operated amusement device (including juke boxes) located in New York City. The tax rate was raised from \$25 to \$175 per device as of July 1, 1989. This tax was eliminated in August 1997.

SCHOOL TAX RELIEF AID (STAR AID)

STAR aid program was first enacted by the New York State in 1997 to provide education aid and tax relief to localities. Under this program, the State reimburses the localities for the foregone tax revenues. This program allowed the localities to provide tax relief in the form of basic property tax exemption to primary homeowners in one-, two- and three- family homes, cooperatives and condominiums with a household income of less than \$500,000 and an enhanced exemption for primary senior citizen homeowners, who are age 65 years or older, with a household income of less than \$86,000. In addition to the property tax relief, the STAR program reduces the City personal income tax liability through both a City personal income tax rate cut and a refundable personal income tax credit (for more details see personal income tax appendix on NYC tax credit). STAR aid payment from the State was \$835.5 million in 2015.

TAX ENFORCEMENT REVENUE

DOF targets delinquent taxpayers through agency audit activities, selected use of collection agencies and computer matches. Revenue from this enforcement effort yielded \$1,131.5 million in 2015.



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Personal Income Tax

Sales Tax

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Business Corporation Tax

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APPENDIX I

REAL PROPERTY TAX

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APPENDIX I REAL PROPERTY TAX

1.
Real Property Tax
Summary Tables

Market Values by Tax Class

FY 1993-2017 (\$ Millions)

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Total
1993	\$137,937.2	\$70,226.1	\$13,926.0	\$100,836.4	\$322,925.7
1994	126,787.3	66,511.3	14,037.5	92,947.8	300,283.9
1995	127,179.0	63,731.1	13,642.3	88,456.3	293,008.6
1996	128,230.9	63,835.8	13,675.8	88,327.3	294,069.8
1997	129,215.6	63,668.0	14,190.8	87,305.0	294,379.3
1998	130,899.2	64,914.6	14,584.1	87,959.0	298,357.0
1999	136,194.5	68,070.3	14,498.9	92,604.9	311,368.7
2000	143,143.5	72,470.3	14,730.6	96,577.4	326,921.8
2001	158,939.6	77,994.6	14,064.2	103,350.0	354,348.4
2002	180,721.7	85,930.3	14,536.2	111,159.4	392,347.6
2003	205,031.6	94,015.4	15,213.7	115,549.8	429,810.4
2004	232,904.4	97,425.6	15,622.4	120,725.2	466,677.7
2005	283,559.0	115,880.3	16,657.2	124,288.0	540,384.4
2006	325,068.5	131,377.0	18,909.9	138,648.3	614,003.7
2007	367,055.5	140,940.4	20,189.6	145,906.1	674,091.6
2008	426,889.3	175,753.9	19,612.2	173,677.1	795,932.4
2009	422,822.2	186,043.7	22,378.7	179,896.7	811,141.3
2010	401,679.9	182,296.9	24,029.1	187,651.4	795,657.3
2011	390,337.1	188,766.6	25,374.0	189,264.0	793,741.6
2012	393,683.4	189,482.8	24,893.6	206,362.2	814,422.1
2013	400,288.2	195,251.4	26,102.5	216,361.1	838,003.2
2014	396,854.7	202,479.4	28,192.8	230,575.5	858,102.4
2015	415,225.8	215,863.9	28,438.7	246,745.5	906,273.8
2016	442,358.5	234,465.6	30,721.1	261,885.3	969,430.4
2017	496,340.2	256,799.9	32,328.3	278,776.1	1,064,244.5

*Market values may not add up due to rounding.***Actual Assessed Value by Tax Class**

FY 1983-2017 (\$ Millions)

Actual Assessed Value

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Total
1983	\$6,217.2	\$12,786.8	\$8,445.5	\$19,744.5	\$47,194.0
1984	6,338.7	13,452.2	9,757.2	21,874.4	51,422.5
1985	6,505.3	14,170.0	9,160.1	23,754.4	53,589.8
1986	6,776.9	15,411.4	10,058.0	26,326.6	58,572.9
1987	6,794.0	16,504.2	9,327.6	29,346.8	61,972.6
1988	7,204.5	18,333.4	8,829.7	33,132.3	67,499.9
1989	7,591.9	21,210.3	8,261.2	39,513.8	76,577.2
1990	7,995.1	24,381.1	7,366.6	46,103.8	85,846.6
1991	8,442.0	26,736.7	5,266.5	51,088.9	91,534.1
1992	8,676.8	25,354.4	4,965.5	44,614.3	83,611.0
1993	8,619.1	25,441.3	4,312.4	43,341.8	81,714.6
1994	8,521.3	24,447.9	6,309.8	40,017.5	79,296.5
1995	8,702.2	23,852.8	6,129.3	38,122.8	76,807.1
1996	8,871.5	24,308.9	6,140.2	38,102.9	77,423.6
1997	8,976.8	24,585.4	6,370.8	37,576.3	77,509.3
1998	9,164.4	25,351.0	6,548.9	37,706.0	78,770.3
1999	9,234.8	26,734.9	6,512.5	39,672.5	82,154.7
2000	9,424.7	28,524.5	6,619.5	41,299.3	85,868.0
2001	9,778.9	30,597.6	6,320.5	43,872.8	90,569.7
2002	10,096.6	33,653.8	6,530.8	47,205.2	97,486.4
2003	10,611.6	36,552.1	6,836.1	48,704.9	102,704.7
2004	11,132.5	37,738.2	7,021.6	50,897.1	106,789.5
2005	11,547.1	39,108.8	7,488.7	52,171.8	110,316.4
2006	12,146.9	43,941.4	8,502.0	57,891.3	122,481.6
2007	12,712.6	45,048.7	9,078.4	60,797.3	127,637.0
2008	13,289.3	51,262.5	8,725.2	72,311.2	145,588.1
2009	13,955.3	53,457.0	9,589.1	74,997.1	151,998.6
2010	14,417.8	55,055.0	10,450.8	78,029.1	157,952.6
2011	14,952.7	55,530.8	11,036.0	78,176.1	159,695.6
2012	15,293.9	60,102.9	10,875.3	85,083.5	171,355.6
2013	15,784.7	62,215.4	11,349.0	89,774.4	179,123.6
2014	16,229.0	65,564.7	12,244.5	96,158.9	190,197.2
2015	16,915.4	70,514.5	12,355.1	103,077.4	202,862.4
2016	17,727.6	77,316.8	13,476.6	109,121.6	217,642.6
2017	18,393.9	85,118.5	14,203.3	116,826.1	234,541.7

Appendix I-RPT

Billable Assessed Value by Tax Class

FY 1983-2017 (\$ Millions)

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Total
1983	\$6,217.2	\$11,774.1	\$7,927.8	\$17,905.7	\$43,824.8
1984	6,338.7	12,133.1	8,231.9	19,091.4	45,795.1
1985	6,505.3	12,668.2	8,792.4	20,300.5	48,266.4
1986	6,776.9	13,584.7	9,798.2	22,346.1	52,469.9
1987	6,794.0	14,260.2	9,327.6	24,707.6	55,089.4
1988	7,204.5	15,542.9	8,829.7	27,534.4	59,111.5
1989	7,591.9	17,197.4	8,261.2	31,091.1	64,141.6
1990	7,995.1	19,169.2	7,366.6	35,523.0	70,053.9
1991	8,442.0	21,615.9	5,266.5	41,009.2	76,333.6
1992	8,676.8	23,557.2	4,965.5	41,268.1	78,467.6
1993	8,619.1	24,552.3	4,312.4	41,695.3	79,179.1
1994	8,521.3	24,079.9	6,309.8	39,266.5	78,177.5
1995	8,702.2	23,604.4	6,129.3	37,583.5	76,019.3
1996	8,871.5	23,751.2	6,140.2	37,088.7	75,851.6
1997	8,976.8	23,838.8	6,370.8	36,308.6	75,495.0
1998	9,164.4	24,228.8	6,548.9	36,078.6	76,020.7
1999	9,234.8	24,965.2	6,512.5	36,986.2	77,698.7
2000	9,424.7	26,126.4	6,619.5	37,918.8	80,089.4
2001	9,778.9	27,501.7	6,320.5	39,657.0	83,258.0
2002	10,096.6	29,674.9	6,530.8	41,987.3	88,289.6
2003	10,611.6	31,993.7	6,836.1	43,845.9	93,287.4
2004	11,132.5	34,151.9	7,021.6	46,328.4	98,634.5
2005	11,547.1	35,950.8	7,488.7	47,380.7	102,367.3
2006	12,146.9	38,630.6	8,502.0	50,734.6	110,014.1
2007	12,712.6	40,528.3	9,078.4	52,800.0	115,119.4
2008	13,289.3	43,751.6	8,725.2	58,695.3	124,461.3
2009	13,955.3	46,544.1	9,589.1	62,908.1	132,996.7
2010	14,417.8	49,267.8	10,450.8	67,712.2	141,848.5
2011	14,952.7	50,771.3	11,036.0	70,869.2	147,629.2
2012	15,293.9	53,697.0	10,875.3	75,550.2	155,416.4
2013	15,784.7	55,880.9	11,349.0	79,330.8	162,345.5
2014	16,229.0	58,921.5	12,244.5	84,352.6	171,747.5
2015	16,915.4	63,037.3	12,355.1	90,206.9	182,514.7
2016	17,727.6	67,943.2	13,476.6	96,038.0	195,185.4
2017	18,393.9	73,978.9	14,203.3	102,035.1	208,611.1

Note: The classification system commenced with the tax levy for fiscal year 1983.

Class Tax Rates¹

FY 1983-2017

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Total
1983	\$8.950	\$8.950	\$9.109	\$9.294	\$9.120
1984	9.100	9.057	9.237	9.323	9.206
1985	9.100	9.150	9.051	9.460	9.255
1986	9.100	9.150	9.051	9.460	9.256
1987	9.330	9.150	9.172	9.460	9.315
1988	9.330	9.150	9.942	9.460	9.434
1989	9.452	9.272	11.289	9.582	9.703
1990	9.452	9.229	12.903	9.539	9.797
1991 ²	9.840	9.154	15.079	9.924	10.135
1992	10.888	9.885	13.083	10.631	10.591
1993	10.888	9.910	12.794	10.698	10.591
1994	10.900	10.369	7.404	10.724	10.366
1995	10.694	10.552	7.702	10.608	10.366
1996	10.725	10.807	7.922	10.402	10.366
1997	10.785	11.056	7.840	10.252	10.366
1998	10.849	11.046	8.282	10.164	10.366
1999	10.961	10.739	8.800	10.236	10.366
2000	11.167	10.851	9.398	9.989	10.366
2001	11.255	10.847	10.540	9.768	10.366
2002	11.609	10.792	10.541	9.712	10.366
2003 ³	11.936	10.564	10.607	9.776	10.366
2003 ⁴	14.160	12.517	12.565	11.580	12.283
2004	14.550	12.620	12.418	11.431	12.283
2005	15.094	12.216	12.553	11.558	12.283
2006	15.746	12.396	12.309	11.306	12.283
2007	16.118	12.737	12.007	10.997	12.283
2008	15.434	11.928	11.577	10.059	11.423
2009 ⁵	15.605	12.139	11.698	9.870	11.423
2009 ⁶	16.787	13.053	12.577	10.612	12.283
2010	17.088	13.241	12.743	10.426	12.283
2011	17.364	13.353	12.631	10.312	12.283
2012	18.205	13.433	12.473	10.152	12.283
2013	18.569	13.181	12.477	10.288	12.283
2014	19.191	13.145	11.902	10.323	12.283
2015	19.157	12.855	11.125	10.684	12.283
2016	19.554	12.883	10.813	10.656	12.283
2017	19.991	12.892	10.934	10.574	12.283

¹ Tax Rate per \$100 of assessed value.

² Does not include funding for the "Safe Streets, Safe City" Program, a mid-year tax increase of .08¢ for Class 1, .074¢ for Class 2, 21¢ for

Class 3 and .08¢ for Class 4.

³ Effective July 1, 2002 through December 31, 2002.

⁴ Effective January 1, 2003.

⁵ Effective July 1, 2008 through December 31, 2008.

⁶ Effective January 1, 2009.

Class Shares

1996-2017

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Total
1996	12.19%	32.61%	6.18%	49.01%	100.0%
1997	12.47%	33.64%	6.37%	47.51%	100.0%
1998	12.73%	33.92%	6.87%	46.48%	100.0%
1999	12.96%	33.22%	7.08%	46.74%	100.0%
2000	13.26%	34.08%	7.43%	45.23%	100.0%
2001	13.50%	34.50%	7.63%	44.37%	100.0%
2002	13.65%	34.94%	7.43%	43.98%	100.0%
2003	13.87%	34.92%	7.41%	43.80%	100.0%
2004	14.09%	35.56%	7.12%	43.23%	100.0%
2005	14.69%	34.87%	7.39%	43.05%	100.0%
2006	14.95%	35.43%	7.66%	41.97%	100.0%
2007	15.23%	36.51%	7.63%	40.63%	100.0%
2008	15.12%	36.72%	7.04%	41.13%	100.0%
2009	14.96%	37.21%	7.32%	40.51%	100.0%
2010	14.82%	37.47%	7.57%	40.14%	100.0%
2011	15.09%	37.42%	7.61%	39.88%	100.0%
2012	15.39%	37.81%	7.03%	39.77%	100.0%
2013	15.46%	36.97%	7.03%	40.54%	100.0%
2014	15.49%	36.75%	6.85%	40.91%	100.0%
2015	15.07%	36.18%	6.08%	42.66%	100.0%
2016	15.03%	36.55%	6.04%	42.38%	100.0%
2017	14.89%	37.26%	6.02%	41.83%	100.0%

Note: Totals may not add due to rounding.

Class Levies

1996-2017 (\$ Millions)

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Total
1996	\$959.9	\$2,567.0	\$486.4	\$3,858.1	\$7,871.4
1997	977.4	2,635.8	499.5	3,722.5	7,835.1
1998	1,004.4	2,676.5	542.4	3,667.2	7,890.4
1999	1,049.8	2,690.6	573.1	3,785.9	8,099.3
2000	1,110.2	2,854.1	622.1	3,787.8	8,374.3
2001	1,178.4	3,012.1	666.2	3,873.6	8,730.3
2002	1,265.2	3,239.7	688.4	4,077.9	9,271.2
2003	1,482.8	3,732.1	792.0	4,681.8	10,688.8
2004	1,726.1	4,356.7	871.9	5,295.9	12,250.7
2005	1,868.0	4,435.8	940.0	5,476.2	12,720.0
2006	2,042.9	4,842.5	1,046.5	5,736.2	13,668.1
2007	2,176.5	5,217.8	1,090.1	5,806.8	14,291.2
2008	2,170.4	5,271.4	1,010.1	5,904.4	14,356.3
2009	2,378.5	5,918.4	1,163.9	6,442.7	15,903.5
2010	2,607.1	6,589.8	1,331.7	7,059.5	17,588.1
2011	2,765.4	6,856.3	1,394.0	7,308.1	18,323.8
2012	2,967.0	7,290.8	1,356.4	7,670.4	19,284.5
2013	3,113.0	7,442.5	1,416.0	8,161.7	20,133.1
2014	3,297.0	7,822.8	1,457.4	8,708.1	21,285.2
2015	3,405.2	8,174.1	1,374.5	9,637.7	22,591.5
2016	3,629.5	8,824.7	1,457.2	10,233.6	24,145.0
2017	3,841.3	9,610.6	1,553.0	10,789.1	25,794.1

Note: Totals may not add due to rounding.

APPENDIX I REAL PROPERTY TAX

2.
Estimated Value of Real Property
Tax Exemptions and Abatements

Estimated Value of Real Property Tax Exemptions and Abatements 1986-2016

(\$ in Millions)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Economic Development Exemptions												
I.C.I.B./I.C.I.P.	\$59.3	\$58.6	\$58.5	\$70.6	\$108.2	\$157.4	\$165.0	\$147.1	\$119.7	\$107.1	\$105.7	\$99.3
I.C.A.P.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Battery Park City Authority*	n.a.	n.a.	n.a.	n.a.	85.7	86.8	117.7	127.8	124.5	113.7	94.2	87.2
Industrial Development Agency*	5.9	8.7	9.9	8.3	20.9	33.2	31.5	37.7	37.3	52.6	48.5	47.2
Urban Development Corp. (U.D.C.)*	29.5	46.4	47.5	51.6	57.9	64.2	76.9	79.8	77.9	78.3	77.0	76.9
Economic Development Corp.*	(0.5)	(0.3)	0.8	5.3	6.2	6.3	5.2	18.5	2.8	4.3	3.7	3.4
World Trade Center*	57.8	60.8	65.8	72.8	59.2	71.7	101.1	100.2	95.8	80.7	79.8	64
Teleport, Port Authority*	n.a.	n.a.	n.a.	n.a.	0.4	9.1	9.6	1.6	1.2	0.9	2.2	1.1
Madison Square Garden	5.3	5.3	5.3	5.7	6.1	6.9	8.6	8.8	9.1	9.0	8.8	8.7
Commercial Revitalization and Expansion Programs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.3
Subtotal	\$157.3	\$179.5	\$187.8	\$214.3	\$344.6	\$435.6	\$515.6	\$521.5	\$468.3	\$446.6	\$419.9	\$389.1
Residential Exemptions												
<u>Public Housing</u>												
NYC Housing Authority*	\$177.7	\$181.0	\$174.8	\$190.8	\$216.1	\$246.6	\$282.1	\$294.9	\$312.2	\$295.2	\$281.7	\$264.0
<u>Private Housing</u>												
J-51 (exemption)	77.3	86.5	87.5	98.0	104.4	106.5	110.1	109.3	88.4	70.8	67.9	59.5
J-51 (abatment)	60.6	69.2	77.0	85.7	93.4	101.0	105.4	110.9	112.7	113.8	108.7	105.4
421-a - New Multiple Dwellings	73.0	88.4	114.1	150.7	176.9	180.4	189.7	171.0	142.2	117.2	103.4	96.5
421-b - New Private Housing	9.9	11.4	14.1	16.8	18.6	17.2	15.6	13.3	12.0	10.9	10.3	9.9
420-c - Low Income Housing Exemption	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Low Income Disabled Homeowner Exemption	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Senior Citizen Homeowner Exemption	9.0	8.6	8.9	8.9	8.5	8.9	9.5	12.0	13.8	15.1	17.2	18.2
Senior Citizen Rent Increase Exemption (abatment)	43.2	44.8	43.1	44.1	48.8	52.2	58.0	60.2	60.7	59.8	91.9	54.1
Disabled Person Rent Increase Exemption (abatment)**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
HPD Division of Alternative Management	n.a.	n.a.	n.a.	n.a.	n.a.	1.0	1.5	2.2	3.1	3.9	3.7	4.0
Veterans' Exemption	9.8	10.2	9.6	10.1	10.4	11.3	13.0	12.6	9.8	10.1	9.1	10.0
Co-op/Condo Abatement	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	9.0
Homeowner Rebate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Lower Manhattan Conversion	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
"Green Roof" & Solar Electric Generating System (abatment)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other***	187.8	242.3	253.1	263.2	214.8	206.1	236.6	247.9	242.0	287.4	270.3	257.7
Subtotal	\$648.3	\$742.4	\$782.2	\$868.3	\$891.9	\$931.2	\$1,021.5	\$1,034.3	\$996.9	\$984.2	\$964.2	\$888.3
Other Exemptions												
NY Power Authority	\$32.0	\$32.4	\$35.1	\$39.9	\$45.6	\$56.0	\$51.9	\$50.9	\$30.8	\$31.8	\$34.5	\$35.5
Jamaica Water Supply	n.a.	n.a.	n.a.	n.a.	6.6	7.4	6.6	6.2	6.6	6.8	7.2	7.4
Telephone & Telegraph	57.0	73.9	65.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Railroad	1.2	1.2	0.0	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Trust for Cultural Resources	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.6	5.0	5.1	4.8	4.8
The Chrysler Building	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Superstorm Sandy Abatement	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Subtotal	\$90.2	\$107.5	\$100.7	\$41.7	\$52.2	\$63.4	\$58.5	\$60.7	\$42.4	\$43.7	\$46.5	\$47.7
TOTAL	\$895.8	\$1,029.4	\$1,070.7	\$1,124.3	\$1,288.7	\$1,430.2	\$1,595.6	\$1,616.5	\$1,507.6	\$1,474.5	\$1,430.6	\$1,325.1

Source: Department of Finance

* Net of Payments in Lieu of Taxes (PILOTs) and other miscellaneous payments.

** The expenditure for disabled person rent increase exemption from 2007 through 2009 was reported as cumulative for the period from the inception of the program (Oct 2005) through January 2009.

*** "Other" includes miscellaneous State-assisted housing, housing development fund companies, limited dividend housing companies, redevelopment companies, limited profit housing companies, the Urban Development Action Area Program net of payments in lieu of taxes (PILOTs).

Notes:

- The revenue estimates of assessed value exemptions and abatements are calculated by multiplying the exempted (or abated) assessed value by the applicable statutory tax rate for each fiscal year.
- U.D.C., J-51, 421-a and "Other" residential include commercial and residential properties.
- Totals may not add due to rounding.

Estimated Value of Real Property Tax Exemptions and Abatements 1986-2016

(\$ in Millions)

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
\$111.9	\$132.5	\$144.6	\$177.7	\$193.4	\$249.2	\$315.4	\$371.8	\$401.5	\$409.5	\$484.2	\$500.1	\$568.0	\$623.4	\$681.6	\$662.1	\$672.7	\$685.8	\$681.0
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2.8	5.1	7.7	14.3	28.4
81.6	79.5	71.2	79.8	72.8	89.3	31.9	78.6	71.9	66.0	109.1	151.0	160.0	130.8	182.9	170.9	171.5	173.7	185.1
47.8	61.5	84.5	66.0	66.6	62.8	82.2	101.5	82.1	105.2	115.7	121.2	181.5	249.1	241.5	222.7	240.9	208.7	259
80.0	84.5	101.0	107.6	113.1	141.1	165.2	169.9	183.8	186.4	200.8	204.2	228.4	207.6	235.4	294.4	211.7	272.3	315.7
4.1	7.4	3.8	3.9	7.1	11.5	12.8	10.9	6.2	3.9	10.8	11.6	12.2	10.2	23.8	27.6	102	228.2	262.2
54.7	61.5	60.5	59.0	5.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	112.7	104.4
1.3	1.5	6.7	6.7	6.9	6.9	7.2	7.4	7.6	7.6	7.6	8.4	9.9	10.0	9.9	10.2	10.4	10.6	10.8
8.6	8.7	8.5	8.3	8.8	10.6	11.1	12	12	12	11.9	12.2	14.1	14.8	15.1	16.7	17.3	44	41.5
3.6	7.0	14.1	18.1	19.3	15.4	12.6	13.4	11.5	11.8	11.1	10.5	12.3	15.3	13.1	14.1	14.6	15.5	18.5
\$393.6	\$444.1	\$494.9	\$527.1	\$493.4	\$586.8	\$638.4	\$765.5	\$776.6	\$802.4	\$951.2	\$1,019.2	\$1,186.4	\$1,261.2	\$1,406.1	\$1,403.8	\$1,448.8	\$1,765.8	\$1,906.6
\$255.3	\$241.2	\$239.5	\$244.0	\$254.1	\$297.5	\$328.9	\$334.6	\$366.7	\$390.4	\$484.6	\$468.6	\$362.9	\$337.9	\$403.8	\$399.8	\$464.1	\$517.4	\$587.1
54.6	54.9	55.9	60.8	65.9	78.0	91.5	97.5	107.0	115.7	125.7	140.3	157.8	161.1	166.8	166.8	171.0	170.1	180.8
104.6	105.7	106.9	99.5	96.5	97.8	97.6	101.6	103.2	104.8	105.4	103.1	96.3	95.6	87.8	84.5	88.2	89.6	85.4
87.9	78.9	104.8	111.3	130.0	181.6	251.8	322.5	408.3	500.5	540.6	606.8	754.7	911.6	1032.7	1062.9	1073.3	1110.7	1216.5
9.5	9.8	10.5	11.7	14.6	13.9	23.8	28.1	27.3	32.4	34.6	31.5	27.0	20.8	15.7	11.2	6.8	3.3	1.3
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.8	31.8	38.9	50.7	47.4	50.0	57.0	76.3	99.0	112.6	131.6	164.2
n.a.	n.a.	0.0	0.1	0.2	0.4	0.7	1.1	1.4	1.8	3.1	4.3	6.1	7.8	10.0	10.6	11.3	11.1	11.4
19.8	21.1	25.6	26.7	28.4	27.8	34.2	39.4	43.1	46.7	55.4	65.7	81.6	95.6	104.6	110.9	117.8	119.5	121.6
61.0	62.5	63.5	63.5	80.2	66.5	80.2	73.6	85.9	85.8	94.0	101.8	87.5	124.6	95.6	123.7	135.7	138.5	137.8
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.9	6.1	12.0	21.1	9.3	11.6	17.5	18.6	18.6	21.3
4.3	4.6	5.4	5.8	6.7	8.5	9.8	11.1	13.0	15.1	25.4	20.0	17.8	18.4	21.4	23.8	26.6	30.4	34.1
11.0	16.1	18.0	18.5	19.0	16.1	19.8	17.7	24.3	26.8	15.3	17.9	24.3	23.0	21.3	22.8	25.3	24.0	24.9
91.8	152.7	157.8	170.2	181.3	215.0	250.6	257.8	282.9	311.2	315.9	337.4	393.4	413.9	443.8	472.9	412.0	399.4	429.4
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	256.6	252.6	255.5	256.9	256.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	19.9	22.7	31.1	31.2	38.2	39.0	40.3	40.5	42.5	46.4	43.2	85.5	80.5	74.4	69.1
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.3	1.2	1.4	2.7	3.0	4.6
252.1	234.2	235.8	236.7	248.2	298.1	324.9	349.6	374.5	400.6	419.1	315.9	309.0	318.0	364.2	386.1	404.8	426.5	448.0
\$951.9	\$981.7	\$1,023.7	\$1,048.8	\$1,145.0	\$1,323.9	\$1,544.9	\$1,947.2	\$2,160.2	\$2,367.1	\$2,573.1	\$2,569.2	\$2,432.0	\$2,641.3	\$2,900.0	\$3,079.2	\$3,151.3	\$3,268.1	\$3,537.5
\$38.5	\$41.3	\$44.7	\$49.4	\$50.3	\$80.1	\$86.3	\$98.1	\$111.3	\$108.6	\$110.2	\$110.5	\$119.4	\$118.3	\$116.8	\$117.2	\$113.2	\$108.7	\$106.4
7.8	8.2	8.6	9.5	9.5	10.4	11.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5.7	5.7	5.7	5.8	5.7	6.1	6.8	6.8	8.6	9.2	9.5	9.9	13.4	13.3	14.8	14.2	14.7	15.0	17.0
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.5	13.6	13.7	14.6	16.3	18.6	19.0	19.0	19.6	21.9	26.0
n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.0	0.5
\$52.0	\$55.2	\$59.0	\$64.7	\$65.5	\$96.6	\$104.3	\$104.9	\$132.4	\$131.4	\$133.4	\$135.0	\$149.1	\$150.2	\$150.6	\$150.4	\$147.5	\$149.6	\$149.9
\$1,397.5	\$1,481.0	\$1,577.6	\$1,640.6	\$1,703.9	\$2,007.3	\$2,287.6	\$2,817.6	\$3,069.2	\$3,300.9	\$3,657.7	\$3,723.4	\$3,767.5	\$4,052.7	\$4,456.7	\$4,633.4	\$4,747.6	\$5,183.5	\$5,594.0

APPENDIX I REAL PROPERTY TAX

3. Description of Tax Expenditure Programs

DESCRIPTION OF TAX EXPENDITURE PROGRAMS

A. ECONOMIC DEVELOPMENT

Industrial and Commercial Abatement Program (ICAP) (NYSRPTL, Sections 489-aaaaa to 489-kkkkkk)

Industrial and Commercial Abatement Program (ICAP) (NYSRPTL, Sections 489-aaaaa to 489-kkkkkk)

The Industrial and Commercial Incentive Program (ICIP) was established in 1984 to stimulate economic development by providing real property tax exemptions and abatements for new construction and the modernization of existing industrial and commercial structures. This program was modified in 2008 to address the needs arising from New York City's ever-changing economic climate. Effective July 1st, 2008, ICAP replaces the ICIP.

The new ICAP program provides real property tax abatement for eligible industrial and commercial buildings that are newly built, modernized, rehabilitated, expanded or otherwise physically improved. In 2011, the application deadline for this program was extended to March 1st, 2015 from March 1st, 2011. In addition, the program was also amended to extend the benefits to new peaking power plants¹ of the utility properties with 15 years of full property tax abatement. ICAP benefits are not available for any other utility property including land and buildings owned by utility companies. In 2014, the application deadline was extended to March 1st, 2017 from March 1st, 2015. The ICAP benefit period ranges from eight to 25 years. An additional "inflation protection" benefit allows tax increases due to market value increases to be exempted as well. These incentives are granted "as-of-right" based on geographic location. The projects are automatically eligible for the benefit if they meet specific eligibility requirements and complete the appropriate legal and administrative requirements. If no building permit is required for the project, no benefit will be granted for the building after April 1st, 2015. In 2014, the date was extended to April 1st, 2017. In 2015, the sunset date was extended again for two more years to April 1st, 2019. ICAP benefits consist of an abatement base plus inflation protection (when available).

The ICAP abatement base is calculated as the difference between post-completion tax² on a building or structure and 115 percent of the initial tax. Furthermore, in order to be eligible for ICAP, construction cost must meet minimum required expenditure of 30 percent of the initial taxable assessed value (AV) within four years from the date of issuance of the building permit or start of construction if no permit is required. In addition, construction is required to be completed within five years from the date of issuance of the building permit or commencement of construction if no permit is required.

Inflation protection is an additional benefit that prevents significant increase in tax as a result of substantial change in market value. Only commercial construction work and industrial construction work are entitled to these benefits. Inflation protection provides benefits during years two through 13, and is more generous for industrial construction work than commercial construction work. For industrial construction work, the amount of the benefits is equal to the full annual percentage increase in the building taxable assessed value. For commercial construction work, the amount of the benefits is equal to zero if the taxable assessed value grows less than five percent, or is equal to the change in taxable assessed value above annual five percent times the initial tax rate if the growth rate is above five percent. Inflation protection does not apply to increases in taxable assessed value above five percent resulting from physical changes (resulting from additional renovation not covered in the ICAP application or alterations finished after four years from issuance of the first building permit). Effective March 1st, 2011, the ICAP benefit was amended to provide abatement for peaking power plants or "peaking units" owned by utility properties. In order to qualify, "peaking units" must be (a) determined by the New York Independent System Operator (NYISO), or other Federal or New York State energy regulatory commission to constitute a peaking unit as set forth in section 5.14.1.2 of NYISO's Market Administrative and Control Area Services Tariff as such term existed on April 1st, 2011; or (b) have an annual average operation of less than 18 hours following each start of the unit.

$$\text{ICAP abatement base} = \text{Initial Tax Rate} \times (\text{AV}_{\text{building end}} - 1.15 \times \text{AV}_{\text{building initial}})$$

¹ Power plants that generally run only when there is a high demand for electricity.

² The post-completion tax is determined by multiplying the initial tax rate by the final taxable assessed value, without regard to any exemptions.

The New York City Department of Finance (DOF) administers the ICAP. During the benefit period, the recipients are required to file biennially with DOF on their taxable status date, a statement of continuing use of such properties and any changes in the properties that have occurred. The following tax incentives are detailed on pages I-34 and I-35. The new ICAP can be classified under the following five categories:

1a. Industrial Projects

All industrial projects throughout the City, regardless of location, enjoy a total of 25 years of benefits, which include 16 years of full abatement on the increased assessed value due to physical changes followed by an additional nine years of declining abatement, phasing out at ten percent each year from year 17 through 25.

An industrial property is defined as a non-residential property, where at least 75 percent of the total net square footage is used for manufacturing activity involving assembly of goods or fabrication or processing of raw materials – but does not include utility properties.

If more than ten percent of the building or structure is used for retail purposes, the excess retail space is subject to only a 15-year benefit schedule, with 100 percent full abatement for the first 11 years followed by a four-year phase-out of benefits declining at 20 percent each year from year 12 through 15. The minimum required expenditure is 30 percent of the initial taxable assessed value of the building. The industrial buildings are also eligible for inflation protection.

1b. Industrial Projects (Additional Industrial Abatement)

Industrial projects that meet a higher minimum required expenditure of 40 percent rather than 30 percent are eligible for an additional abatement of the initial tax. This abatement is 50 percent of the initial tax amount for the first four years followed by a phase-out of benefits declining at ten percent every two years between years five and 12. These additional benefits start at the same time as the other ICAP benefits, regardless of the amount of space dedicated to retail purposes. Inflation protection is not available for additional industrial abatement.

1c. Industrial Projects on “Peaking Units”

Industrial construction work on the “peaking units” enjoys 15 years of full abatement. The minimum required expenditure is 30 percent of the

initial taxable assessed value of the building before the commencement of construction. The “peaking units” are also eligible for inflation protection. The first year of the abatement is the first taxable status date that follows (a) the completion of construction; or (b) four years from the date of issuance of building permit, whichever is earlier. If the recipients of this benefit converted the usage of the buildings at any time after they start receiving the benefits such that they no longer qualify as a “peaking unit”, the properties would not only lose eligibility for future benefits, but also would have to pay back the prior benefits received with interest. During the benefit period, the recipients of “peaking units” are also required to file biennially with DOF, a statement of continuing use of such properties and any changes in the properties that have occurred.

2. Commercial Projects (Regular Abatement Areas)

Commercial projects in regular abatement areas, which include areas in Manhattan north of the centerline of 96th Street, south of Murray, Frankfort and Dove Street, The Bronx, Brooklyn, Queens and Staten Island, will be eligible for tax benefits for a period of 15 years. Qualified projects receive a full abatement on the increased assessed value due to physical changes for the first 11 years, with an additional four years of abatement phase-out decreasing by 20 percent each year from year 12 through 15.

The minimum required expenditure is 30 percent of the initial taxable assessed value of the building. The buildings are not eligible for inflation protection.

3. Commercial Projects (Special Abatement Areas)

Commercial projects in designated special abatement areas enjoy a total of 25 years of tax abatement. The first 16 years of full tax abatement on the increased assessed value due to physical changes are followed by nine years of declining abatement phased out at ten percent each year from years 17 through 25.

If more than ten percent of the building or structure is used for retail purposes, the excess retail space is subject to a 15-year benefit schedule, where 100.0 percent full abatement for the first 11 years is followed by a phase-out of benefits declining by 20 percent each year between years 12 and 15.

The minimum required expenditure is 30 percent of the initial taxable assessed value of the building. The buildings are eligible for inflation protection depending on the annual percentage increase in the taxable assessed value.

4. Commercial Projects (Renovation Areas)

Commercial renovation provides abatements for expanding, modernizing or improving existing structures anywhere in the City except areas located in Manhattan between the centerline of 59th Street and the centerline of 96th Street. In Manhattan, benefits are available for renovation in three areas: the Garment Center District; an area located in lower Manhattan bounded generally by Murray Street, South Street, Battery Place and West Street; and the remainder of Manhattan below 59th Street with exception of “smart buildings” in lower Manhattan. The types of benefits vary depending on the location of the project: (1) the renovation construction projects south of 59th Street, excluding the lower Manhattan and Garment District areas, get ten-year benefits with 100 percent abatement in the first five years followed by an additional four years of abatement declining by 20 percent each year from years six through nine. The tenth year abatement equals 20 percent. This benefit is available for all eligible constructions and buildings with retail use of up to five percent. (2) Renovation construction projects in lower Manhattan and Garment District get a total of 12 years of benefits with a 100 percent renovation benefit for the first eight years and an additional four years of exemption declining by 20 percent each year from years nine through 12.

The minimum required expenditure is 30 percent of the initial taxable assessed value. In the Garment District area and south of 59th Street, the construction expenditures on the retail portion of the building that exceeds five percent of its area do not enter the minimum required expenditure calculation. In addition, the ICAP benefits are available for all eligible uses including buildings with up to five percent use for retail purposes with the exception of lower Manhattan where ICAP benefits are available for all uses regardless of the percentage of retail use in the building. Abatement is restricted to the renovation of existing buildings only. The buildings are not eligible for inflation protection. .

5. Commercial Projects (New Construction Incentive for “Smart Buildings”)

“Smart buildings” must meet certain construction standards to accommodate advanced computer and telecommunications equipment and have enhanced electrical capacity and emergency back-up power. This program grants an eight-year tax abatement for eligible projects, with full abatement for the first four years followed by a phase-out of benefits declining 20

percent each year from year five through eight. The minimum required expenditure is 30 percent of the initial taxable assessed value.

Commercial Revitalization Program (NYSRPTL, Section 499-a to 499-h)

The Commercial Revitalization Program was enacted in 1995 to promote more productive use of older non-residential and mixed-use buildings constructed before 1975 in lower Manhattan. This program offers real property tax abatement, commercial rent tax special reduction and energy tax reduction to spur economic activity, by encouraging the conversion and/or renovation of obsolete commercial buildings to viable residential housing or mixed-use commercial and residential properties.

The Commercial Revitalization Program was revised throughout the years to address the problems of high vacancy and obsolescence, primarily in the downtown Manhattan area. The program was originally set to expire on March 31st, 1998. In March 2010, this program was extended until March 31st, 2014 with the benefit period scheduled to sunset on March 31st, 2020. In 2014, this program was extended until March 31st, 2016 with the benefit period scheduled to sunset on March 31st, 2022. In 2015, this program was extended by two more years until March 31st, 2018 with the benefit period scheduled to sunset on March 31st, 2024.

This program is administered by DOF. The following tax incentives are detailed on pages I-34 and I-35.

1. Real Property Tax Abatement

Property tax abatements are available for pre-1975 buildings located in the statutorily designated Title 4 abatement zone and leased for commercial office space or retail space between April 1, 1997 and March 31, 2014. The abatement zone area is bounded by Murray Street and Frankfort Street on the north, South Street on the east, Battery Place on the south and West Street on the west.

Eligible leases’ terms range from three to ten years depending on the number of people employed. Businesses employing 125 or fewer people must sign lease terms with a minimum of three to five years. Businesses employing more than 125 people must sign leases with a minimum of ten years. The property tax abatement is three years for leases with a minimum of three years but less than five years, or five years for leases with a term of five years or more. The abatement is the lower of the actual tax liability

per square foot or \$2.50 per square foot for a three-year benefit or a five-year benefit. The abatement for the last two years equals two-thirds and one-third, respectively, of the abatement in the initial year.

The expenditure requirement is \$5 per square foot for all leases (new/renewal/expansion) with at least three or five year lease term (with less than 125 employees), or \$10 per square foot for renewal leases or \$35 per square foot for new leases and expansion leases with a ten-year lease term (with more than 125 employees). Eligible expenditures are defined as permanent capital improvements to real property with at least three years' useful life. Eligible Expenditures include construction work such as electrical, plumbing, HVAC, drywall partition and associated painting, building-wide cabling/wiring, elevator and lobby work, architectural and engineering costs to support capital improvements. However, expenditures for (a) personal property such as furniture, computer and associated cabling/wiring, shelving or storage units or (b) ordinary repairs, maintenance, replacements or decorations are not eligible.

Sublets are not eligible for this benefit. If a space that has received benefits is later sublet, the benefit will discontinue. In 2010, the sunset date for the benefits under this program was extended from March 31st, 2016 to March 31st, 2020, and the lease commencement date to determine the eligibility was extended from March 31st, 2010 to March 31st, 2014. Applications must be filed by September 30th, 2014. In 2014, the sunset date for the benefits under this program was extended from March 31st 2020 to March 31st, 2022, and the lease commencement date to determine the eligibility was extended from March 31st, 2014 to March 31st, 2016. In 2015, this program was extended by two more years until March 31st, 2018 with the benefit period scheduled to sunset on March 31st, 2024. Applications must be filed by September 30, 2018.

The original program was expanded to include qualified properties in boroughs other than Manhattan. This benefit is now part of Commercial Expansion Program. In 1997, the benefit was modified to provide enhanced benefit to small (fewer than 125 employees) tenants by lowering the minimum expenditure and the minimum lease period requirements for leases commencing on or after April 1st, 1997. In 2006, this program was extended to cover private elementary or secondary school premises as well.

2. Commercial Rent Tax Special Reduction

This benefit takes the form of a "special reduction" that is subtracted from the amount of rent otherwise subject to the commercial rent tax for buildings (including government-owned buildings) in lower Manhattan. Tenants who qualify for real property tax abatement under Commercial Revitalization Program automatically qualify for the commercial rent tax special reduction as well.

Commercial rent tax special reduction program offers three- or five- year reductions. The first year commercial rent tax reduction is equal to the first year's base rent tax. For the three-year benefits, the special reductions for the second and third years are equal to two-thirds and one-third, respectively, of the lesser of the initial year's reduction or the base rent for that year. For the five-year benefits, the second and third year's commercial rent reductions are equal to the lesser of the initial year's rent reduction or the base rent for that year. For the fourth and fifth years, the reductions are equal to two-thirds and one-third, respectively, of the lesser of the initial year's reduction or the base rent for that year.

Prior to the program changes enacted in 1997, a lease term of at least ten years was required of tenants with more than 50 employees. The amendment of the program reduced the minimum lease term requirement for tenants with fewer than 125 employees to five years for leases commencing on or after July 1st, 1996, and to three years for leases commencing on or after April 1st, 1997.

Effective July 1st, 2005, this program was expanded with the following enhancements: (1) include buildings south of Canal Street that received a certificate of occupancy after 1975; (2) provide a base rent reduction for the first five years of the leases, available for leases (but not subleases) having a term of at least five years; (3) include the World Trade Center area and retail space area located south of Murray Street; (4) include Manhattan's Special Garment Center District that are used for industrial and manufacturing activities with up to 10 years special reduction but in no case will the benefits extend beyond June 30, 2020.

Effective July 1st, 2009, the date upon which the lease must be signed in order to qualify for this program was extended to June 30th, 2013. Effective March 29th, 2010, the benefit period for this program was extended to March 31st, 2020. In 2014, the date upon which the lease must be signed in order to qualify was extended to June 30th, 2015. In 2015, this program was extended by two

more years until March 31st, 2018 with the benefit period scheduled to sunset on March 31st, 2024.

3. Electricity Rebate

Newly constructed or renovated buildings located in an “eligible revitalization area” in lower Manhattan receive a reduction in their electricity costs. Eligibility for the benefit depends on several factors, including investment in the building (minimum of 20 percent of existing building’s assessed value), occupancy of premises in the building by eligible users (generally commercial tenants) and compliance with certain sub-metering and notice requirements. Eligible occupants must file applications for the rebate after June 30th, 2005 but before July 1st, 2013.

The reduction in energy charges is provided as a rebate in the form of reduced energy bills from the utility companies to the building’s landlord, who in turn, is required to pass along the benefit to eligible tenants.

Electricity Rebate Number of Years Rebate is Provided

Rebate is equal to eligible charges

Year 1-8	45.0%
Year 9	37.5%
Year 10	30.0%
Year 11	22.5%
Year 12	15.0%

Buildings designated as landmarks are entitled to an extra year

Year 13	30.0%
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4. Residential Conversion Tax Exemption (421-g)

421-g program encouraged owners of commercial office buildings located in the Lower Manhattan Abatement Zone that can no longer meet the needs of commercial tenants to convert their properties to residential use.

The program offered property tax exemptions for 12 years on the increased assessed values due to physical improvements (a 100 percent exemption for the first eight years, phased-out at 20 percent per year thereafter) and a 14-year tax abatement on the existing real estate taxes relating to the pre-construction assessment value (a 100 percent exemption for the first ten years, phased out at 20 percent per year thereafter). Buildings designated as landmarks received an additional year of both abatement and exemption benefits at the 100 percent level.

In 1997, the program modifications allowed an exemption of the increase in assessed value during the

first year of construction. The rents in dwelling units in an eligible building were subject to rent control while receiving a tax exemption and/or abatement. This program expired on June 30th, 2006.

5. Mixed-Use Construction Tax Exemption

Many of the large older buildings in lower Manhattan have street level floors which are unsuitable for uses other than commercial or retail due to their size and configuration, while having towers that are suitable for residential use. This program provided an incentive to convert these buildings to mixed-use.

Eligible buildings received a tax exemption for 12 years on the increase in assessed values due to eligible construction work, starting with 100 percent for the first eight years (nine years for designated landmark buildings) phased out at 20 percent for each year thereafter. However, there was no abatement of existing taxes. In order to be eligible for this program, an owner’s investment in the building had to equal at least 20 percent of the initial assessed value of the building.

As with the residential conversion program, dwelling units in buildings receiving benefits under this program were subject to rent stabilization during the benefit period. This program expired on July 31st, 1999.

Commercial Expansion Program (NYSRPTL, Section 499-aa to 499-hh)

Modeled on the success of the Commercial Revitalization Program, the Commercial Expansion Program encourages businesses to locate in areas of the City outside of Manhattan’s core business districts: in Manhattan above 96th Street, The Bronx, Brooklyn, Queens and Staten Island. The 2005 legislation included the Manhattan mid-town Special Garment Center District to the program. The following is the brief description of benefits offered under this program.

Real Property Tax Abatement for Commercial and Industrial/Manufacturing Leases:

This program provides real estate tax abatements for new, renewal or expansion leases for commercial office or industrial/manufacturing spaces, excluding space used for retail, hotel or residential purposes. The full value of the savings by the landlord is to be passed on to the tenants as a rent reduction. The program was set to expire June 30th 2014, and it was renewed

in 2014 to be extended to June 30th, 2016. In 2015, the program was extended by two more years to June 30th, 2018. The following conditions must be met to qualify for this abatement: (a) a minimum 3 years or more lease must commence between July 1st, 2000 and June 30th, 2016; for businesses with more than 125 employees, a ten-year lease is required; (b) the premises must be in a non-residential or mixed-use building that was built before January 1st, 1999 and has an aggregate floor area of 25,000 square feet or more in the designated abatement zone; (c) the premises must meet minimum required expenses, which vary depending upon the length of the lease and the number of employees. Renewal and expansion expenditures must begin three years before the lease end date by December 31st, 2018.

Qualifying leases with a minimum term of three years but less than five years are eligible for a three-year tax abatement. In the first year, the benefit is equal to the lesser of the actual property tax liability per square foot or \$2.50 per square foot. The abatement in years two and three is equal to two-thirds and one-third of the initial tax abatement, respectively. Qualifying leases with a term of five years or more are eligible for a five-year tax abatement. Tax abatement in the first three years is equal to the lesser of the actual real estate tax per square foot or \$2.50 per square foot. The abatement in years four and five is equal to two-thirds and one-third, respectively, of the initial tax abatement. Qualifying leases (manufacturing only) of up to ten years are also eligible for an abatement of up to ten years with no phase out.

In 2005, the program was amended to promote manufacturing and industrial activities within the Expansion area and expanded to include the Manhattan Special Garment Center District as well. A qualifying firm that enters into a lease for three years or more on or after July 2nd, 2005 is eligible for tax abatement for up to 120 months instead of 60 months maximum. Existing requirements concerning building size and age do not apply to the newly eligible firms. Other requirements for the program related to expenditures for building improvement and employment levels were eased as well.

**Commercial Expansion Program -
Real Property Tax Abatement
Summary of Eligibility Requirements**

Lease Type	Number of Employees	Length of the Lease	Minimum Required Expenditures¹
New	Less than 125	Minimum 3 yrs or more	\$2.5
	More than 125	Minimum 10 yrs or more	\$25.0
Renewal	Less than 125	Minimum 3 yrs or more	\$2.5
	More than 125	Minimum 10 yrs or more	\$5.0
Expansion	Less than 125	Minimum 3 yrs or more	\$2.5
	More than 125	Minimum 10 yrs or more	\$25.0

¹ \$ per sq. ft of Net Leasable space.

Public Agency Exemptions

Property owned by the following organizations is exempt by State law from taxation: New York City Industrial Development Agency, New York State Urban Development Corporation, New York City Public Development Corporation, Port Authority of New York and New Jersey and Battery Park City Authority. Most of these organizations make payments in lieu of taxes (PILOTs) to the City.

B. HOUSING DEVELOPMENT

Residential Alterations and Rehabilitation Exemptions and Abatement, J-51 Program (NYSRPTL, Section 489)

The J-51 program was originally designed to promote rehabilitation of existing multiple dwellings or conversion of non-residential buildings to Class A residential multiple dwellings by providing exemption and abatement on the existing taxes, which is based on the lesser of the owner's claimed cost or Certified Reasonable Cost (CRC) of the improvement.

In 2013, J-51 program was reformed in order to focus on promoting the rehabilitation of existing multiple dwellings.

The following list details the recent changes for J-51:

- All conversion, alteration or improvement projects except residential loft conversion should be completed with 30 months rather than 36 months after the start date, or within five years if government-assisted.
- Cooperative or condominium except Mitchell Lama, redevelopment companies or planned community are eligible for J-51 only if the pre-rehabilitation assessed value is less than \$30,000 (reduced from \$40,000) unless it is carried out with substantial governmental assistance.
- J-51 benefits would not be available for conversions from commercial to residential properties unless project receives substantial governmental assistance.
- Revocation of J-51 benefits does not exempt the building from its continued compliance with the conditions of Section 489 of the RPTL.
- Applicants have to pay twice the actual cost for any additional inspections, if the applicant did not complete the required work on the date of the initial inspection.
- Applicants are allowed file the applications electronically.

Additional Eligibility Requirements:

- At the time benefits are granted, all back taxes on land and building, plus all charges for water and sewer must be current. During the benefit period, these taxes cannot be delinquent for more than one year, or else the J-51 benefits will be revoked.
- The tax abatements issued on any property that is located in the Minimum Tax Zone¹ cannot be used to abate or reduce taxes on the land portion of the property.

- An application can be filed for any property located in the Tax Abatement Exclusion Zone² for the abatement portion of the benefits only, and for not more than \$2,500 per unit.
- Rental units must remain under rent regulation during the benefit period.
- For Mitchell-Lama properties, exemption is available for work not financed with government assistance if at least one building wide system was improved or replaced.
- In 2003, the program was expanded to allow exemption (but not abatement) benefits for projects that resulted in an expansion of the gross cubic content of the building, provided the floor area of the existing building that was converted, altered or improved comprises at least 50 percent of the completed structure. For projects in Manhattan between 110th Street and Chambers Street, such a project can qualify for exemption benefits, only if it is aided by a grant, loan or subsidy from a Federal, State or local agency.
- In 2001, the program was extended to cooperatives, condominiums and housing development fund companies to cover eligible expenses for converting a direct metering system to a sub-metering system. This program is administered jointly by HPD and DOF.

Conditions of Ineligibility

Any one of the following conditions would render a project ineligible for benefits under the J-51 program:

- Any building that receives exemptions or abatements from another program (i.e. 421-a program) at the time of renovation is ineligible for J-51 benefits. This does not include provisions of the Private Housing Finance Law.
- Any multiple dwelling that results from the renovation of a private dwelling is ineligible for benefits unless the project is carried out with substantial government assistance.
- Buildings receiving exemption benefits under section J-51 are not eligible for the following exemptions: School Tax Relief, Senior Citizen Homeowner Exemption and Veterans' Exemption.
- Any property where the improvement is assessed at \$1,000 or less at the start of the renovation process does not qualify for the program, unless the project is carried out with substantial government assistance.

¹ The Minimum Tax Zone is generally the area in Manhattan bounded by 86th Street and the East River to Houston Street, and then northward along the Hudson River to 72nd Street on the west side.

² The Tax Abatement Exclusion Zone is generally the area in Manhattan bounded by 96th Street and the East River to 34th Street, then northward along Broadway to 59th Street and Central Park West, and then continuing northward along Central Park West to 96th Street on the west side.

J-51 Program

	Abatement	Exemption
Geographic location Subject to AV Cap	All	South of 110th Street in Manhattan
AV Cap Limitation	\$40,000 on pre-rehabilitation assessed value	\$38,000 on post-rehabilitation assessed value
Exception of the AV Cap Limitation	<ul style="list-style-type: none"> • Redevelopment companies¹ • Planned communities² • Limited Profit Housing companies³ • Moderate rehabilitation • Loft conversion • Government/charitable assistance (not for conversion) • Building in Neighborhood Preservations Program area • Building has REMIC or SONYMA mortgage insurance • Projects through specific Federal programs • Conversion or Substantial rehabilitation (without any affordability provision) • Cooperatives or condominium within three years of first closing • Rehabilitation work or conversions that create new units in cooperatives or condominium buildings. 	<ul style="list-style-type: none"> • Moderate rehabilitation • Loft conversions • Government/charitable assistance (not for conversion) • Building in Neighborhood Preservations Program area • Building has REMIC or SONYMA mortgage insurance • Projects through specific Federal programs • 30 percent of apartments affordable to low or moderate income households for 15 years
Benefit limitation		The calculation of exemption on increased AV \$0 - \$18,000 100% \$18,001 - \$22,000 75% \$22,001 - \$26,000 50% \$26,001 - \$30,000 25% \$30,000 - \$38,000 0%

1) In 2008, this restriction was lifted for mutual redevelopment companies established under Article 5 of the Private Housing Finance Law, provided they made a binding agreement to continue in that status for at least 15 years from the commencement of J-51 benefits or the expiration of certain tax benefits under Private Housing Finance Law. The current beneficiary under this law change is the Penn South housing development on the west side of Manhattan.

2) Parkchester

3) Limited Profit Housing companies formed under Article 2 of the Private Housing Finance Law (Mitchell-Lamas) are also eligible, provided the housing company signs a binding agreement to remain in the Mitchell-Lama program for at least 15 years from commencement of J-51 benefits.

- Single Room Occupancy (SRO) conversions cannot receive J-51 exemption or abatement benefits if the project is not carried out with substantial government assistance.

The eligibility and the amount and duration of benefits granted are determined by the “renovation

category” into which the project falls.

The deadline by which a project must be completed in order to qualify for J-51 benefits was December 30th, 2011 and was extended to January 1, 2015. In 2015, it was extended again for four more years to January 1, 2019. The project completion

deadline was extended to June 30, 2019 as well.

Major Capital Improvements Abatement (NYSRPTL, Section 467-i)

Prior to 2015, landlords doing Major Capital Improvements (MCI) for rent stabilized apartments could pass on the cost to tenants by raising the rent over a period of seven years - using the amortization formula 1/84th of the costs of improvements per month in rent increase. In 2015, the law changed the amortization schedule to 1/96th - for buildings with 35 units or less and to 1/108th - for buildings with more than 35 units. This change impacted the landlords who cannot raise the rent and recover the costs as quickly as before. In order to mitigate the economic loss from the longer amortization schedule, property owners are granted a new abatement.

Effective June 15th 2015, this new abatement for Class 2 buildings would subsidize the economic loss to building owners as a result of changes to the amortization period.

The abatement is calculated by multiplying the total cost of MCI by a fraction with the number of months added in the new amortization schedule as the numerator and the total number of months in the new amortization schedule as the denominator. This calculation is equivalent to providing an abatement of 12.5 percent of the MCI for buildings with 35 units or less and an abatement of 22.22 percent of the MCI for buildings with over 35 units.

It is a one-year abatement and may not be carried over to another tax year or offset by other benefits. Eligible buildings would be subject to rent control law or rent and rehabilitation law. No local agency can make changes to the eligibility criteria of this program.

New Multiple Dwelling Exemption, 421-a Program (NYSRPTL, Section 421-a)

The 421-a exemption is a tax incentive program that was created in 1971 originally to promote supply of multi-family residential buildings by providing declining exemptions on the new value created by the improvements when many developers were reluctant to invest in new housing in the City. The program was modified multiple times over the years in part to address the need of affordable housing creation. However, the City and its real estate market have changed dramatically in the recent years. The program went through major modifications in 2008 and again in 2015.

2015 Program Reform:

In June 2015, the 421-a legislation was amended and extended for 4 years. The amended benefit is to take effect on 1/1/2016, but only if the real estate trade association and the trade labor association for construction workers reach an agreement on or before 1/15/2016. In addition, the existing benefit was extended for 6 months. For projects that began construction on or before 12/31/2015 but have not received the benefits can opt into the new benefit.

At that time, the legislation also provided that the new 421-a program would take effect only if the representatives of residential real estate developers and construction labor unions signed a memorandum of understanding regarding wages payable to construction workers on 421-a projects (with more than 15 units) by January 15, 2016. So far, no agreement has been reached and the new 421-a program is not in effect.

The following were the major program changes (see page I-42):

1. Amended 421-a for rental projects:
 - Eligibility: Rental projects that commence construction on or after 1/1/2016. In addition, projects that began construction on or before 12/31/2015 but have not started receiving the benefits can opt into the new benefit.
 - Requirement: The developer must meet their choice of affordability requirement selected from the three options. The requirements must be maintained for 35 years from the completion:

Option A

- 25% of the units to be affordable: 10% of the units at the 40% AMI level; 10% of the units at the 60% AMI level; and 5% of the units at the 130% AMI level.
- Projects cannot receive substantial government grants, loans or subsidies except for tax exempt bond proceeds and 4% tax credits.

Option B

- 30% of the units to be affordable: 10% of the units at the 70% AMI level and 20% of the units at the 130% AMI level.

Option C

- 30% of the units must be affordable units at the 130% AMI level.
- Projects cannot receive any substantial government grants, loans or subsidies.
- This option is not available in Manhattan south of 96th Street and any other areas excluded by the local law
- Benefit Schedule: total 35 years with the first 25 years of 100% exemption and 10 years of exemption at the percentage of affordable unit.

2. Amended 421-a for ownership projects (condominium and co-operatives),
 - Eligibility: The developments must be located outside Manhattan and must not contain more than 35 units.
 - Requirement: The average assessed value of all units must not exceed \$65,000 immediately after the completion date. In addition, all units must remain the owners' primary residence for at least 5 years.
 - Benefit Schedule and Cap: total 20 years with the first 14 years of 100% exemption and 6 years of 25% exemption. The benefit is capped at \$65,000 on assessed value:
3. Extended benefits to the current participants:
 - Eligibility: Projects that commenced construction prior to 7/1/2008 and are currently receiving 421-a benefits can choose to receive the extended benefits after their existing benefits expire.
 - Requirement: Projects must preserve the existing 20% of the units affordable at the 80% AMI level (all units not exceeding 100% AMI or not exceeding an average of 80% AMI). In addition, they must set aside additional 5% of the units at the 130% AMI level. These AMI requirements must be maintained during the period the projects receive the benefits. After the expiration of the benefits, the affordable units will be subjected to the rent regulation.
 - Benefit Schedule: 20-year benefit projects will receive 50% of exemption for additional 15 years. 25-year benefit projects will receive 50% of exemption for additional 10 years.
4. The unit threshold has been increased. The minimum number of dwelling units required to be included in each project is now 6 units, up from 4 units.
5. Definition of construction period has been changed. If construction takes than 3 years, the construction period is from the commencement date to the day preceding the completion date. If construction period takes more than 3 years to complete, the construction period begins three years before the completion date, and ending on the day preceding the completion date. The requirement to complete construction within 3 years has been eliminated.
6. Affordable units must be occupants' primary residence and cannot be rented for a term shorter than one year. Affordable units must share the same common areas and entrances as market rate units.
7. All building service employees must receive the prevailing wage for projects with 30 dwelling units or more during the entire benefit period. This also applies to the preservation projects during the entire extended benefit period. Projects with 100% affordable units and at least 50% of the units not exceeding the 125% AMI level are exempt from this requirement.
8. The City is authorized to enact a local law to restrict, but not to expand, the eligibility and the benefits, which cannot take effect until one year after the enacted date. The local law that existed prior to the enactment of the 2015 State law cannot restrict the eligibility or the benefit established under the 2015 State law.
9. Previously existed site eligibility requirements (e.g. the site needed to be vacant land for 3 years prior to the construction) are eliminated. If the pre-existing structure contained dwelling units, however, the new projects must contain the same number of dwelling units that are affordable.
10. Projects must apply for the benefits within 1 year from the completion date:

2008 Program Reform:

The following were the major programmatic changes under the 2008 reform. (see map on page I-36 for a summary of changes):

1. The existing GEA was further expanded - the new GEA included:
 - In Manhattan: all of Manhattan was covered.
 - In The Bronx: portions of Claremont and Crotona Park.
 - In Brooklyn: all of downtown Brooklyn, portions of Red Hook, Sunset Park, East Williamsburg, Bushwick, East New York, Crown Heights, Weeksville, Highland Park, Ocean Hill, Prospect Heights, Carroll Gardens, Cobble Hill, Boerum Hill and Park Slope.
 - In Queens: Portions of Long Island City, Astoria, Woodside, Jackson Heights and the East River Waterfront.
 - In Staten Island: Portions of St. George, Stapleton, New Brighton and Port Richmond (see table on page I-35).
2. Elimination of as-of-right 25-year benefits in NPP/ REMIC areas: Under the old program, properties were eligible for a 25-year enhanced exemption if the developments were located in designated Neighborhood Preservation Program (NPP) areas or in locations eligible for Rehabilitation Mortgage Insurance Corporation (REMIC) insurance without

having to include onsite affordable units. These benefits were eliminated for NPP and REMIC areas. Only developments that met on-site affordability requirements or receive substantial governmental assistance pursuant to an affordable housing program were eligible to receive 25-year benefits. Projects located in the NPP/REMIC area were required create 20 percent on-site affordable units.

3. Imposition of a cap on the total amount of 421-a tax benefits that any market rate unit may receive: The cap established a maximum per unit exempt building assessed value of \$65,000. The assessed value above this threshold is ineligible to receive 421-a benefits. The \$65,000 cap was increased by three percent compounded annually, on each taxable status date following the first anniversary of the effective date of the State law (Aug 17th, 2008). Projects that qualify for extended benefits are not subject to the assessed value cap.
 4. Elimination of the negotiable certificate program: Any property within the GEA must provide on-site affordable housing in order to receive any 421-a tax benefits. Effective December 28, 2007, no new written agreements for negotiable certificates projects have been issued. Existing certificates will not expire, and can still be used with some limitations.
 5. Creation of a dedicated fund for affordable housing: The approximately \$400 million affordable housing fund was established to finance the development and rehabilitation of affordable housing outside the GEA, targeting primarily the 15 highest poverty districts in the City.
 6. Limiting the 421-a tax benefits for buildings with a minimum of four units: Three-unit buildings were no longer eligible for 421-a benefits unless they are constructed with substantial governmental assistance pursuant to an affordable housing project.
 7. Community preference for affordable units in GEA: Within the GEA, residents of the community board in which the building receiving benefits is located have priority for purchase or rental of 50 percent of the affordable units upon initial occupancy.
 8. Specified unit and bedroom mix: Unless preempted by federal requirements, (a) affordable units must have a comparable number of bedrooms as market rate units and a unit mix proportional to the market rate units; or (b) at least 50 percent of the affordable units must have two or more bedrooms and the remaining 50 percent of the units cannot be smaller than one bedroom; or (c) the total floor area of affordable units must be no less than 20 percent of the total floor area of all dwelling units.
 9. 35-year affordability and rent stabilization requirement: Affordable rental units within the GEA must be kept affordable for initial as well as subsequent rentals after vacancy and should remain rent-stabilized for 35 years after the completion of construction. After the 35 years, leases will remain rent-stabilized for the duration of the existing tenants' occupancy. Homeownership projects within the GEA must be affordable upon initial sale. In addition, rent registration forms must now be filed with HPD and DHCR.
 10. Prevailing wage requirement: This requirement applies to all persons employed in care or maintenance work at a building receiving 421-a benefits who are regularly scheduled to work at least eight hours a week in the building. Exemptions apply to buildings with fewer than 50 dwelling units and buildings where at least 50 percent of the units are affordable to those at or below 125 percent of AMI and will remain affordable throughout the benefit period.
 11. Creation of a boundary review commission: The Mayor and City Council appointed members to the boundary review commission to reassess the GEA every two years to determine whether the existing boundaries should be revised. The commission were to issue a biennial report to the Council and the Mayor with recommendations for changes to the GEA or an explanation as to why no recommendations are being made.
- Retroactive to December 28th, 2010, the deadline by which a construction must be commenced in order to qualify for 421-a benefits was extended from December 28th, 2010 to June 15th, 2015. In addition, the construction period for new dwellings that commenced between January 1st, 2007 and June 30th, 2009 was also extended from three years to six years. However, these projects will receive exemption benefits only for a total of three years during the construction. Any eligible construction that seeks to utilize the six-year period construction must apply for a preliminary certificate of eligibility within one year of the effective date.
- Projects in the high density areas with a Floor Area

Ratio (FAR) of greater than 15 (a figure determined by dividing the floor area of the several floors of all buildings on a lot by the area of such lot) are not eligible for the 421-a benefits after November 29, 1985 (enacted by the local law in 1984). However, this disallowance was later waived for three or four years at a time yet repeatedly, starting on October 1, 1993. The ban was first waived from October 1, 1993 until October 1, 1996, and subsequently until October 1, 1999, and then until October 1, 2003, and lastly until December 31, 2007.

Prior to the 2008 Reform:

Under the pre-2008 reform program, four different types of benefits with different exemption periods of 10, 15, 20 and 25 years were provided depending on the location of the project and the qualifying requirements. Properties except in the Manhattan Geographic Exclusion Area (GEA), defined roughly by an area south of 96th Street and north of Houston Street on the west side and north of 14th Street on the east side, were eligible for the as-of-right 421-a benefits. The original GEA was expanded in 2003 to include the Greenpoint-Williamsburg waterfront in Brooklyn and in 2006 to include parts of the far west side in Manhattan between 28th Street and 41st Street.

In order to qualify, the construction of multi-family buildings must have at least three dwelling units. In addition, the construction site must be vacant or improved only with non-conforming use three years prior to the start of construction. All projects are eligible for exemption during the construction period for up to three years (see table on page I-41 for schedule of exemptions under current 421-a program).

New Private One- and Two- Family Housing Exemption, 421-b Program (NYSRPTL, Section 421-b)

The 421-b program promotes new one- and two-family home construction by making home ownership more affordable to a larger segment of the population. To be eligible for the exemption, construction must begin on or after July 1st, 2002 and before July 1st, 2006 and be completed no later than July 1st, 2011. This program expired on June 30th 2011.

This program offers a declining eight-year tax exemption applicable to the actual assessed value of the new construction. The property owner must continue to pay taxes on the full pre-construction assessment. Benefits under the 421-b program are not restricted by geographic location; however, the construction period is not to exceed two years. An existing one-to-three-

family dwelling may qualify for an exemption if it has been improved to the extent of 40 percent of its pre-improvement assessed value.

Starting from 2005, these benefits are extended to newly constructed, reconstructed or converted owner-occupied multiple dwellings with no more than four dwelling units. To qualify, these multiple dwelling units must be developed in a government-assisted project, located on property acquired by the Federal government through foreclosure of a Federally insured mortgage, and conveyed to an approved owner for rehabilitation pursuant to an agreement with the Federal government.

Buildings receiving benefits under Section 421-b are not eligible for the following abatement/exemptions: Co-op/Condo Property Tax Abatement, School Tax Relief, Senior Citizen Homeowner Exemption and Veterans' Exemption. This program is administered jointly by HPD and DOF.

**421-b Exemption Schedule
Number of Years New Value is Exempt**

During Construction (up to 2 years)	100.0%
8-Year Exemption (Post Construction):	
Year 1-2	100.0%
Year 3	75.0%
Year 4	62.5%
Year 5	50.0%
Year 6	37.5%
Year 7	25.0%
Year 8	12.5%

Single Room Occupancy, 488-a Program (NYSRPTL, Section 488-a)

This program provides owners of Single Room Occupancy (SRO) buildings with tax exemptions and abatements for improving and rehabilitating their properties. Eligible improvements include various renovations on heating systems, electrical systems, elevators, plumbing, sprinklers, fire escapes, roofs and other necessary work.

The exemption is effective for 32 years and is based on any increase in actual assessed value due to eligible improvements. In addition, the property will also be eligible for an abatement of real property taxes equal to 12.5 percent of either 150 percent of the certified reasonable cost of eligible improvements or the actual cost, whichever is less. The tax abatement cannot exceed a period of 20 years.

During the period of tax exemption and abatement, the dwelling units are subject to rent regulation. This

program has been extended periodically, most recently to eligible improvements commenced before December 31st, 2015 and completed within 36 months from commencement. In 2015, the program was extended by four more years to December 31st, 2019.

**Non-Profit Housing Development Fund
Companies Providing Low-Income Housing
Accommodation (NYSRPTL, Section 420-c)**

The 420-c program was enacted in 1993 to assist non-profit organizations in providing affordable housing for low-income tenants. The program provides a complete exemption from real property taxes for the term of the regulatory agreement up to 30 years for qualifying low-income housing located in New York City. Eligible projects are owned or controlled by a not-for-profit Housing Development Fund company, subject to HPD regulatory agreement which requires properties to be used as low-income housing and to be financed in part with a loan from the City or State in conjunction with Federal low-income housing tax credits.

Loft³ (NYSRPTL, Section 281)

Loft law was enacted to address the non-compliance of conversions of commercial and manufacturing loft buildings to residential use in the 1980s. Such conversion projects were defined as “interim multiple dwellings” and many were without a certificate of occupancy for the residential tenants due to hardship in complying with the fire and health code. The law established a system where by the rents on the residential rental portion in such buildings can be reasonably increased so that the residential tenants can assist in paying the cost of legalization of conversion without being forced to relocate. Even though loft buildings might be mixed use or entirely residential buildings, they all are classified under Class 4.

In 2013, the program was amended with the following changes:

1. The eligible square footage requirement was reduced to at least 400 sq.ft (from 550 sq.ft)
2. The “interim multiple dwelling” definition exclusion was expanded: Units that are deemed by loft board to be incompatible with residential use will be excluded.
 - a. Currently buildings in certain area are excluded from this law, i.e. Williamsburg, Green point, Long Island City, etc.
 - b. The law added a category of deemed incompatible units

3. Reduced the allowable rent surcharge in different phase of conversion process:
 - a. Upon filing: an adjustment equal to 3% (from 6%) of the rent in effect at such time
 - b. Upon obtaining an “alteration permit”: an adjustment equal to 3% (from 8%) of the rent at such time
 - c. Upon achieving compliance with safety/ fire law: an adjustment equal to 4% (from 6%) of the rent
4. Loft board to grant hardship exemption for incompatible buildings/units: added a category of deemed incompatible units as discussed in No. 2.
5. Changes in the deadline for each phase of obtaining certificate of occupancy: The current law provides that owners of buildings, covered by the 1982 Loft Law, are required to obtain a residential Certificate of Occupancy on or before July 2, 2012.
 - a. Filing an alteration: within 9 months
 - b. Action to obtaining an alteration certificate: within 12 months
 - c. Achieving compliance: within 18 months from obtaining alteration permit (previously two dates were allowed, the proposed change dropped the option of 18 months)
 - d. Obtaining certificate of occupancy for class A conversion: within 30 months

³ Entire building could be residential but it is class 4 even if classified as conrental.

C. INDIVIDUAL ASSISTANCE

School Tax (STAR) (NYSRPTL, Section 425)

The New York State School Tax Relief (STAR) Program was enacted in 1997 in order to reduce school property taxes on the primary residences of New York residents. The property tax exemption was phased in over four years beginning in the 1998-99 school year. During the first year, the exemption was limited to properties owned by senior citizens who met the income eligibility requirement. All other homeowners became eligible in the 1999-2000 school year. Effective 2012, the STAR program eliminated exemptions for homeowners with affiliated¹ incomes above \$500,000. Income is federal adjusted gross income minus the taxable amount of total distributions from individual retirement accounts or annuities. The program provides property tax relief to one-, two- and three-family homes, cooperatives and condominiums where the property serves as the primary residence of the owner who earns less than \$500,000. An enhanced exemption is available for senior citizens aged 65 or older (by December 31st) with less than \$86,000 in annual household income in 2016². Beginning 2012, the basic and enhanced STAR benefits to the taxpayers are limited to a 2 percent increase over the prior year. In 2016, the STAR program underwent more changes. Under the New STAR program applicants must register with the New York State Tax Department to receive a STAR credit. New applicants who purchased their home after March 15, 2015 and who qualify for the program would receive a STAR credit in the form of a check from the State, instead of receiving a property tax exemption.

The exemption is based on a fixed market value exemption adjusted for differences between local and statewide median home prices, levels of assessment

and the portion of the real estate tax that represents the school tax. Beginning in 2003, a modified STAR benefit became available for Mitchell-Lama cooperative apartments equal to one-third of the exemption amount for both basic and enhanced STAR.

The application must be submitted by March 15th in order to be eligible for the benefit in the following fiscal year beginning on July 1st.

Senior Citizen Homeowner Exemption (SCHE) (NYSRPTL, Section 467)

The SCHE program provides a sliding scale tax exemption of assessed value to homeowners who are 65 years of age or older as of December 31st with an annual total household income of no more than \$37,400. The property must serve as the owner's primary residence. The owner must have held the title to the property for at least 12 consecutive months before March 15th of the year when the SCHE benefits begin.

The program was expanded in 1995 to include cooperative apartments and raised the threshold to grant a five percent partial exemption. The maximum qualifying income has been changed periodically. It was \$21,300 in 1992; \$25,000 in 1994; \$25,900 in 1995; \$26,900 in 1996; \$27,900 in 1999; \$28,900 in 2002; \$29,900 in 2003; \$32,400 in 2004; \$34,400 in 2006, \$35,400 in 2007, and \$36,400 in 2008. In 2009, the maximum qualifying income threshold was raised to \$37,400.

In determining income eligibility under the Senior Citizen Homeowner Exemption Program, a deduction from income is allowed for unreimbursed medical and prescription drug expenses beginning with the assessment roll for 1999.

Beginning in 2000, veterans' disability compensation is excluded from the definition of income for purposes of determining eligibility and the level of exemption

Calculation of NYC STAR Exemption

Tax Exemption Amount = Market Value Exemption x Ratio of NYC Median Home Price to Statewide Median Home Price x Class Equalization Rate x Class Tax Rate x 50 percent.

The market value exemption for senior citizens with income less than \$86,000 is \$64,200. For non-seniors, the exemption was \$10,000 beginning 2000, \$20,000 in 2001 and is currently \$30,000 since 2002. Based on this formula, single-family Class 1 taxpayers' estimated average tax saving is shown in the following table:

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015-16
Senior Citizens	\$326	\$347	\$383	\$376	\$373	\$425	\$375	\$368	\$473	\$563	\$574	\$560	\$580	\$600
Others	\$195	\$209	\$229	\$226	\$225	\$226	\$189	\$194	\$236	\$281	\$287	\$280	\$290	\$300

¹ Affiliated income means the combined incomes of all the owners and their spouses for whom their home is their primary residence.

² Eligibility in 2016 is based on income information from 2014 tax year.

benefits. Effective January 1st, 2002, localities are authorized to provide school tax exemption (which is typically not available along with SCHE benefits) if a child resides at a property that is granted SCHE benefits and attends a public elementary or secondary school.

The application must be submitted by March 15th in order to be eligible for the benefit in the following fiscal year beginning in July 1st.

Senior Citizen Homeowner Exemption Schedule

Household Income	Exempt Share of Assessed Value
\$0 - \$29,000	50.0%
\$29,001-\$29,999	45.0%
\$30,000-\$30,999	40.0%
\$31,000-\$31,999	35.0%
\$32,000-\$32,899	30.0%
\$32,900-\$33,799	25.0%
\$33,800-\$34,699	20.0%
\$34,700-\$35,599	15.0%
\$35,600-\$36,499	10.0%
\$36,500-\$37,399	5.0%
\$37,400-and greater	0.0%

Disabled Homeowners Exemption (DHE) 459-c Program (NYSRPTL, Section 459-c)

The 459-c program provides real property tax relief for property owners whose incomes are limited due to disability. In order to qualify for this program, the applicant must have a disability which is a physical or mental impairment with an annual total household income of no more than \$37,400. The property must serve as the owner's primary residence. To be eligible, one of the following proofs of disability should be submitted: (1) Social Security Disability Insurance (2) Supplemental Security Income Benefits (3) Railroad Retirement Disability Benefits (4) Disability Pension from the U.S. Postal Service (5) Certificate from the State Commission for the Blind and Visually Handicapped.

This program provides a maximum exemption of 50 percent to residential property owners with incomes less than \$29,000. For disabled property owners with incomes between \$29,000 and \$37,399, the program allows an exemption as shown in the table below.

The program commenced in 2000 with an income eligibility from \$18,501 to \$26,900. The eligible population was extended to include persons certified to receive a United States Postal Disability Pension effective in 2000.

Subsequently, the maximum household income for a 50 percent exemption was raised to \$20,500 effective 2001, to \$21,500 effective 2002, to \$24,000 effective in 2004, to \$26,000 effective in 2006, to \$27,000 effective in 2007, and to \$28,000 in 2008. In 2009, the income threshold was raised to \$29,000.

Properties that are already receiving tax benefits under 421-a, 421-b or 421-g are not eligible to receive the benefits under this program. The application must be submitted by March 15th in order to be eligible for the benefits in the following fiscal year beginning on July 1st.

Homeowners with Disability Exemption Schedule

Household Income	Exempt Share of Assessed Value
\$0 - \$29,000	50.0%
\$29,001-\$29,999	45.0%
\$30,000-\$30,999	40.0%
\$31,000-\$31,999	35.0%
\$32,000-\$32,899	30.0%
\$32,900-\$33,799	25.0%
\$33,800-\$34,699	20.0%
\$34,700-\$35,599	15.0%
\$35,600-\$36,499	10.0%
\$36,500-\$37,399	5.0%
\$37,400-and greater	0.0%

Senior Citizen Rent Increase Exemption (SCRIE) (NYSRPTL, Section 467-b)

The Senior Citizen Rent Increase Exemption program provides an exemption from future rent increases to tenants who are 62 years of age or older, earning limited income, residing in apartments that are regulated by the Division of Housing and Community Renewal (a rent-controlled, rent-stabilized apartments or hotel-stabilized apartment), Mitchell-Lama units and paying more than one-third of their household income in rent.

In order to qualify for the program, senior citizens must have a combined household income (excluding Federal/State/Local income taxes, Social Security taxes and Medicare taxes paid) of no more than \$29,000 a year and pay more than one-third of the combined household income for rent. In 1988 this income ceiling was increased from \$12,025 to \$15,000; to \$16,500 in 1992; to \$20,000 in 1995; to \$24,000 in 2004, to \$25,000 beginning July 1, 2005 and thereafter increasing \$1,000 a year to \$29,000 starting July 1st, 2009. In 2014, the income threshold was raised to \$50,000 effective July 1, 2014. The program

is scheduled to sunset on June 30, 2016. In 2016, the sunset date was extended by four more years to June 30, 2020.

Payments made to individuals because of their status as victims of Nazi persecution are excluded from the definition of income. Also, since 1988, Social Security increases have been excluded from the household income once the senior citizen has qualified for the program.

Landlords are compensated by an abatement of their real property taxes 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 are required to renew the benefit by reapplying, if the leases are up for renewal.

The administration of this program was transferred from the Housing Preservation and Development (HPD) to the Department for the Aging (DFTA) on June 17th, 1992. Again, effective September 18th, 2009, the SCRIE Program was transferred from DFTA to the Department of Finance (DOF).

Disability Rent Increase Exemption (DRIE) (NYSRPTL, Section 467-b)

Disability Rent Increase Exemption (DRIE) program provides an exemption from future rent increases to tenants who are disabled renters, paying more than one-third of their household income in rent, and residing in apartments that are (a) regulated by the Division of Housing and Community Renewal (a rent-controlled, rent-stabilized apartments or hotel-stabilized apartments); (b) Mitchell-Lama units; (c) units owned by a limited dividend housing company, redevelopment company or housing development fund company incorporated under the private housing finance law; or (d) Section 213 Cooperative Housing Companies.

In order to qualify for the program, tenants must currently receive (a) the Supplemental Security Income

(SSI), (b) the Social Security Disability Insurance (SSDI), (c) US Department of Veterans Affairs disability pension or compensation, or (d) disability-related Medicaid. The exemption applies to future rent increases to tenants once they qualify. Landlords are compensated for their lost rental income by means of a real property tax abatement. Tenants are required to reapply every two years. This benefit began on October 10th, 2005. In 2014, the income threshold was raised to \$50,000 effective July 1, 2014. In addition, the program was scheduled to sunset on June 30, 2016. The income threshold matching the Federal limit for SSI benefits was removed as well. In 2016, the sunset date was extended by four more years to June 30, 2020..

Households currently receiving SCRIE benefits are not eligible for DRIE benefits.

Veterans’ Exemptions (NYSRPTL, Sections 458 to 458-a)

The Veterans’ Exemptions program provides property tax relief to qualified veterans in recognition of their service to the country. In order to qualify, the property must serve as the owner’s primary residence. Other owners who are also eligible include: (1) spouse or registered domestic partner of a qualified veteran; (2) surviving spouse of a qualified veteran who has not remarried; and (3) Gold Star parent who is the parent of a child who died while serving in the armed forces during a period of war. Owners must have served in the armed forces during one of the following periods of conflict:

- Persian Gulf Conflict (Beginning August 2nd, 1990)
- Vietnam War (February 28th, 1961 to May 7th, 1975)
- Korean War (June 27th, 1950 to January 31st, 1955)
- World War II (December 7th, 1941 to December 31st, 1946)
- World War I (April 6th, 1917 to November 11th, 1918)
- Mexican Border Period (May 9th, 1916 to April 5th, 1917)

Qualified veterans are eligible to receive partial tax exemptions of assessed value under two programs.

The first program, originally enacted in 1958 under Section 458 of the Real Property Tax Law, grants tax exemptions to veterans who purchased real property using a bonus, pension, insurance or compensation received as a prisoner of war. The exemption equals the amount of eligible funds used for the purchase, up to \$7,500 effective July 1, 2015 (previously \$5,000), but the property is fully subject to tax for educational purposes. An additional exemption of up to \$10,000 (all purposes) is provided for handicapped accessible housing required as a result of war-related disability. New applications for Section 458 benefits are no

	Income Threshold - Single Household	Income Threshold - Household with Two or More Members
FY 2006	\$17,580	\$25,212
FY 2007	\$18,396	\$26,460
FY 2009	\$19,284	\$27,780
FY 2010	\$19,284	\$27,780
FY 2011	\$19,284	\$27,780
FY 2012	\$19,860	\$28,668
FY 2013	\$20,148	\$29,100
FY 2014	\$20,412	\$29,484
FY 2015	\$50,000	\$50,000

longer accepted, but alternative veterans' exemptions are granted under Section 458-a (enacted in 1984).

Generally, the Section 458-a program provides veterans who served during a period of war with an exemption of 15.0 percent of assessed value and an additional 10.0 percent granted to those who served in a combat zone. A disabled veteran is entitled to an additional exemption of up to 50.0 percent of the assessed value, based upon the veteran's disability rating.

These exemptions do not apply to school taxes, and are subject to caps specified in the 2005 governing legislation as follows: (a) the period of war exemption may not exceed \$54,000, or \$54,000 multiplied by the latest class ratio, whichever is less; (b) the combat zone exemption may not exceed \$36,000, or \$36,000 multiplied by the latest class ratio, whichever is less; (c) the disability exemption may not exceed \$180,000, or 180,000 multiplied by the latest class ratio, whichever is less.

Eligibility Requirement	Percentage Reduction on Assessed Value	Maximum Assessed Value (before assessment ratio)	Maximum Reduction in Assessed Value
Served during the specific period of war listed above	15%	54,000	\$4,140 for Class 1; \$24,300 for Classes 2 and 4
Served in a Combat Zone	Additional 10%	36,000	\$6,900 for Class 1; \$40,500 for Class 2 and 4
Disabled	Assessed value multiplied by 50% of the Veteran's disability rating	180,000	\$13,800 for Class 1; \$81,000 for Class 2 and 4

In 1995, the programs were expanded to include those civilians who, during World War II, were employed by the American Field Service or Pan American Airways and served overseas under specific arrangements with military groups.

Exemptions were also extended to properties held in trust for the benefit of qualified veterans who do not hold legal title to the property but who are otherwise eligible for the exemptions. The programs were expanded further in 1997 to include cooperative apartments.

Effective January 2001, the exemptions were extended to a Gold Star parent who is the parent of a child who died while serving in the armed forces during a period of war. The property must be the primary residence of the parent and is eligible for exemptions based on "period of war" and "combat zone" but not veteran's disability. This provision was enacted by the State Legislature in 2000 authorizing localities to adopt a local law to enact it, and it was enacted by the City Council in November 2000.

Co-op/Condo Abatement (NYSRPTL, Section 467-a)

Enacted in 1996, Section 467-a provides partial

property tax relief to owners or tenant-shareholders of Class 2 condominiums or cooperatives to reduce the disparity in property taxation between residential real property in Class 1 and Class 2 residential property held in condominium or cooperative form of ownership.

In the case of properties where the average assessment was \$15,000 or less per unit, a tax abatement of 4.0 percent, 16.0 percent, and 25.0 percent was granted in 1997, 1998 and 1999 respectively. For properties where the valuation was greater than \$15,000 per unit on average, the tax abatement in 1997, 1998 and 1999 was 2.75 percent, 10.75 percent and 17.5 percent, respectively. The abatement is restricted to owners who own no more than three units held in the condominium or cooperative form of ownership.

The 1999 abatement levels were extended by an additional two years through June 30th, 2001, in 2001 by an additional three years through June 30th, 2004, in 2004 by an additional four years through June 30th, 2008, and in 2008 by an additional four years through June 30, 2012.

In January 2013, the program was amended retroactively back to July 1, 2012 and was also extended through June 30, 2015 with the following changes In 2015, the program was again extended for four more years through June 30,2019;

1. Primary residence: In order to be eligible, the taxpayer must be the primary residence of the unit. All eligible taxpayers will receive an enhanced abatement from FY 2013 through FY 2015.
2. Limitation on the number of units: The abatement is restricted to owners who own no more than three units in the same building and one of those units should be the primary residence of the taxpayer. If the taxpayer owns more than four units in the same building none of the units would be eligible. If the taxpayer owns three or lesser units but none of them are the taxpayer's primary residence then none of the units are eligible.
3. The enhanced abatement schedule for primary residents:

Average Assessed Value	FY 2013	FY 2014	FY 2015
\$50,000 or less	25.00%	26.50%	28.10%
\$50,001 to \$55,000	22.50%	23.80%	25.20%
\$55,001 to \$60,000	20.00%	21.20%	22.50%
Over \$60,000	17.50%	17.50%	17.50%

4. Benefits for all non-primary residents will be phased out over two years and eliminated completely from July 1, 2014. Phase out schedule

for non-primary residents;

Average Assessed Value	FY 2013	FY 2014	FY 2015
\$15,000 or less	12.50%	6.25%	0%
Over \$15,000	8.75%	4.375%	0%

5. In addition, the new law allowed the Commissioner of Department of Finance to require the owner of the unit to submit an application to supplement information contained in the application submitted by the Co-op/Cond board.
6. The law also authorizes the Commissioner of Department of Finance to promulgate rules to deny or terminate or revoke the abatement benefits if the dwelling unit owes any real property tax, water and sewer charges or payments in lieu of taxes or other municipal charges above a certain threshold unless they are currently being paid in a timely manner under an installment agreement with the City.

Properties that are already receiving tax benefits under 421-a, J-51 (exemptions only) or 421-b are not eligible to receive the benefits under the co-op/condo abatement. The application must be submitted by March 15th in order to be eligible for the benefit in the following fiscal year beginning on July 1st.

Real Property Tax Rebate (NYSRPTL, Section 467-e)

Starting in 2005, owners of one-, two- and three-family homes and Class 2 cooperative and condominium apartments were eligible for an annual real property tax rebate of \$400 or the annual real property tax, whichever is less. To qualify for the rebate, the dwelling unit must be the owner’s primary residence and the delinquent taxes owed must not be more than \$25. The deadline for filing the applications was September 1st following the end of the fiscal year for which the rebate was claimed. This program, which was scheduled to sunset in 2007, was extended for three additional years through 2010. No separate rebate application was necessary if the owner was already receiving the STAR benefit exemption or the exemption for veterans, senior citizens or disabled persons. In 2009, the Mayor and the City Council agreed to end the rebate program beginning in fiscal year 2010 in order to close the significant budget gaps in the out-years.

“Green Roof” Tax Abatement Program (NYSRPTL, Section 499-aaa – 499-ggg)

In an effort to help control and capture storm water and to reduce the burden on the City’s sewer system,

“green roof” abatement program provides a one-year real property tax abatement for construction of “green roof” on Class 1, 2, and 4 buildings. “Green roof” includes, among other things, a growth medium or a vegetation layer of drought-resistant and hardy plant species covering at least 50 percent of the rooftop space. The abatement is \$4.50 per square foot of green roof, limited to the lesser of \$100,000 or the building’s actual tax liability for the year in which the abatement is taken. In 2013, the abatement amount was increased to \$5.23 per square foot of green roof from July 1, 2014 and the limit was increased to \$200,000 or the building’s annual tax. In addition, the aggregate of all abatements allowed will be limited to \$750,000 in FY 2015 and to \$1 million in the following fiscal years. No abatement will be provided in or after FY 2019.

Properties that are already receiving tax benefits under ICAP, 421-a, 421-b, or 421-g or pay PILOTs are not eligible for this abatement.

The abatement is effective August 5th, 2008 and sunsets on March 15th, 2018. The application must be submitted by March 15th in order to be eligible for the benefit in the following fiscal year beginning on July 1st.

Solar Electric Generating System Abatement (NYSRPTL, Section 499-aaaa – 499-gggg)

In an effort to reduce greenhouse emissions and provide cleaner energy, solar electric generating system abatement is offered for the construction of a solar electric generating system in Class 1, 2 and 4 buildings. The amount of abatement is 8.75 percent of eligible solar electric generating system expenditures if the system is installed between August 5th, 2008 and January 1st, 2011. The amount of abatement is 5.0 percent of the eligible solar generating system expenditures if the system is installed after January 1st, 2011 and before January 1st, 2013. The abatement in any year is limited to the lesser of \$62,500 or the taxes payable on the building in that year. The abatement will be applied to the property for four years starting on July 1st following the Department of Building’s approval. Eligible solar electric generating system expenditures include material costs, labor costs and other costs directly related to the construction or installation of the system. The abatement sunsets on March 15, 2017. For systems placed in service between 2012 and 2017, the amount of abatement was reverted to 5.0 percent of the eligible system expenditures (up from 2.5 percent) and the annual abatement cannot exceed the lesser of the taxes for the year or \$62,500. The application must be submitted by March 15th in order to be eligible for the benefit in the following fiscal year beginning on July 1st.

APPENDIX I REAL PROPERTY TAX

4. Real Property Tax Detailed Schedules of Benefits

Schedules of Abatement Under ICAP

	Type of Project	Full Abatement ¹
INDUSTRIAL		
All Industrial - Total 25 yrs benefits	Manufacturing activities: 75% of total square footage (utility properties not included)	100% of abatement for 16 yrs
All Industrial - Retail use < 10% of building - Total 15 yrs benefits	Only subject to excessive retail space if more than 10% of the building is used for retail purpose	100% of abatement for 11 yrs
Additional Industrial - Total 12 yrs benefits	Additional abatement of the initial tax	50% of the tax abatement for 4 years of the initial tax
All Industrial - "Peaking units" - Total 15 yrs benefits	"Peaking units" owned by utility companies ²	100% of abatement for 15 yrs
COMMERCIAL		
Regular - Total 15 yrs benefits	Commercial construction work	100% of abatement for 11 yrs
Special Abatement Area - Total 25 yrs benefits	Commercial construction in special commercial abatement areas	100% of abatement for 16 yrs
Special Abatement Area - Retail use > 10% of building - Total 15 yrs benefits	Only subject to excessive retail space if more than 10% of the building is used for retail purpose	100% of abatement for 11 yrs
Renovation Areas - Total 10 yrs benefits	Renovation construction in renovation areas and benefit is restricted to the renovation of existing building only	100% of abatement for 5 yrs
Renovation Areas - Total 10 yrs benefits	Renovation construction in renovation areas and benefit is restricted to the renovation of existing building only	100% of abatement for 8 yrs
Renovation Areas - Total 10 yrs benefits	Renovation construction in renovation areas and benefit is restricted to the renovation of existing building only	100% of abatement for 8 yrs
SMART BUILDING³		
New Construction Benefits - Total 8 yrs benefits		100% of abatement for 4 yrs

1) The abatement applies to the increased assessed value due to physical change. The full abatement = initial tax rate * (AV_{Construction End} - 1.15 * AV_{Construction Initial})

2) "Peaking units" are defined as utility properties used in connection with generation of electricity and any facilities used to interconnect the peaking units with the electric transmission or distribution system, but exclude any facilities that are part of electric transmission or distribution system.

3) Smart Buildings (Definition): the building should meet requirements a & b and any two of the remaining five requirements on the opposite page:

Declining Abatement	Minimum Required Expenditures	Area Boundaries	Additional Provisions
Phased out at 10% per year for years 17-25 Example Yr. 17 90% Yr. 1880% Yr. 2420% Yr. 25 10%	30% of the Initial assessed value	Projects throughout the City	"Inflation Protection": 100% abatement between Yr. 2 to Yr. 13 and is calculated as full annual % increase in the building's BAV x initial tax rate.
Phased out at 20% Yr. 12 80% Yr. 13 60% Yr. 14 40% Yr. 15 20%	30% of the Initial assessed value	Projects throughout the City	"Inflation Protection" benefit is not available.
Phased out at 10% every two years for years 5-12 Example Yr. 5 40% Yr. 6 40% Yr. 730% Yr. 12 10%	40% of the Initial assessed value	Projects throughout the City	"Inflation Protection" benefit is not available.
Not Phased out	30% of the Initial assessed value	Projects throughout the City	"Inflation Protection": 100% abatement between Yr. 2 to Yr. 13 and is calculated as full annual % increase in the building's BAV x initial tax rate.
Phased out at 20% Yr. 12 80% Yr. 13 60% Yr. 14 40% Yr. 15 20%	30% of the Initial assessed value	Projects within areas in Manhattan north of 96th Street, south of Murray, Frankfort and Dove street, and in The Bronx, Brooklyn, Queens and Staten Island.	"Inflation Protection" benefit is not available.
Phased out at 10% per year for years 17-25 Example Yr. 17 90% Yr. 1880% Yr. 2420% Yr. 25 10%	30% of the Initial assessed value	Areas designed by the Boundary Commission.	"Inflation Protection": 100% abatement between Yr. 2 to Yr. 13 and is calculated as following: Increased BAV Growth<5%: abatement = zero Increased BAV Growth>5%: abatement = Increase in BAV excess of 5% x initial tax rate
Phased out at 20% Yr. 12 80% Yr. 13 60% Yr. 14 40% Yr. 15 20%	30% of the Initial assessed value	Areas designed by the Boundary Commission.	"Inflation Protection": 100% abatement between Yr. 2 to Yr. 13 and is calculated as following: Increased BAV Growth<5%: abatement = zero Increased BAV Growth>5%: abatement = Increase in BAV excess of 5% x initial tax rate
Phased out at 20% per year for years 6-9, and year 10 is 20% Example Yr. 6 80% Yr. 7 60% Yr. 9 20% Yr.10 20%	30% of the Initial assessed value	In Manhattan South of 59th Street, excluding lower Manhattan and Garment District.	"Inflation Protection" benefit is not available. The construction expenditure on the retail portion of the building above 5 percent of its area do not enter the minimum requirement expenditure calculation. The abatements are available only for buildings < 5% in retail purposes.
Phased out at 20% per year for years 9-12 Example Yr. 9 80% Yr. 10 60% Yr. 11 40% Yr. 12 20%	30% of the Initial assessed value	Garment District.	"Inflation Protection: benefit is not available. The construction expenditure in the retail portion of the building above 5 percent of its area do not enter the minimum requirement expenditure calculation. The abatements are available only for buildings < 5% in retail purposes.
Phased out at 20% per year for years 9-12 Example Yr. 9 80% Yr. 10 60% Yr. 11 40% Yr. 12 20%	30% of the Initial assessed value	In lower Manhattan.	"Inflation Protection: benefit is not available. The abatements are available for all buildings regardless of the % requirement for retail purposes.
Phased out at 20% per year for years 5-8 Example Yr. 5 80% Yr. 6 60% Yr. 740% Yr. 12 20%	30% of the Initial assessed value	Manhattan south of Murray, Frankfort and Dover Street excluding the areas held by the Battery Park City Authority and the World Trade Centre Site.	Smart buildings should meet certain construction standards as detailed below.

a. The height of at least 40 percent of the floors in such building or structure should be not less than 12 feet, 9 inches;
b. Such building or structure should be served by fiber-optic telecommunications wiring and should contain vertical penetrations for the distribution of fiber optic cabling to individual tenants on each floor;
c. The total square footage of such building or structure is not less than 500,000 sq. ft.
d. A minimum of 200,000 sq. ft. or 25 percent of such building or structure is comprised of floors of not less than 40,000 sq.ft each.

e. At least 10 percent of the gross square footage of the building should be comprised of floors that contain no more than eight structural columns.
f. The electrical capacity of such building should not be less than six watts per net sq. ft.
g. The building should have emergency backup power sufficient to accommodate a need of six watts per net sq. ft. in at least 200,000 sq. ft. or 25 percent of the building.

Schedule of Tax Incentives Under the Commercial Revitalization Program

Program	Eligibility Requirement	Tax Benefits												
<p>Real Property Tax Abatement</p>	<ul style="list-style-type: none"> • Pre -1975 buildings located in the abatement zone. • Minimum lease periods of three years for small tenants (125 or fewer employees) with leases commencing on or after April 1, 1997; five years for small tenants with leases commencing before April 1, 1997; and ten years for large tenants (more than 125 employees). • Minimum expenditure of \$5 per sq. ft. (\$2.50 for 4-A) for small tenants with new, renewal or expansion leases commencing on or after April 1, 1997; \$10 per sq. ft. (\$5 for 4-A) for small tenants with new or expansion leases commencing before April 1, 1997; \$35 per sq. ft. (\$25 for 4-A) for large tenants with new or expansion leases. • Minimum expenditure of \$10 per sq.ft. (\$5 for 4-A) for small tenants with renewal leases commencing before April 1, 1997, and for large tenants with renewal leases, when the premises have been previously occupied; for premises not previously occupied, the amounts range between \$5 per sq. ft. (\$2.50 for 4-A) and \$35 per sq. ft. (\$25 for 4-A) depending upon the term length and commencement date of the initial lease. 	<p>Leases commencing prior to April 1,1997: Tax abatement for five years</p> <ul style="list-style-type: none"> • Yrs. 1 to 3 - 50% of the property tax liability of the initial year (but not exceeding \$2.50 per sq. ft.). • Yr. 4 - 2/3 of the initial abatement. • Yr. 5 - 1/3 of the initial abatement. <p>Leases commencing on or after April 1, 1997: For three-year leases (tax abatement for three years)</p> <ul style="list-style-type: none"> • Yr. 1 - The lesser of \$2.50 per sq. ft. or 100% of the property tax liability per sq. ft. of the initial year. • Yr. 2 - 2/3 of the initial abatement. • Yr. 3 - 1/3 of the initial abatement. <p>For leases of five or more years (tax abatement for five years).</p> <ul style="list-style-type: none"> • Yrs. 1 to 3 - The lesser of \$2.50 per sq. ft. or 100% of the property tax liability per sq. ft. of the initial year. • Yr. 4 - 2/3 of the initial abatement. • Yr. 5 - 1/3 of the initial abatement. 												
<p>Commercial Rent Tax Special Reduction</p>	<ul style="list-style-type: none"> • Pre-1975 buildings located in the Title 4 abatement zone. • Minimum lease periods of three years for small tenants (125 or fewer employees) with leases commencing on or after April 1,1997; five years for small tenants with leases commencing before April 1, 1997; and ten years for large tenants (more than 125 employees). • Minimum expenditure of \$10 per sq. ft. for leases with a required lease term of at least five years and \$35 per sq.ft. for leases with a required lease term of at least ten years for leases with new or expansion tenants. • Minimum expenditure of \$10 per sq.ft. for renewal tenants irrespective of the lease period. • No minimum expenditure requirement in government-owned buildings. 	<p>Special reduction on the taxable base rent for leases of five or more years:</p> <ul style="list-style-type: none"> • Yr. 1 (Base year) - 100% of the base rent. • Yrs. 2 to 3 - 100% of the lesser of the base rent in these years or the base year amount. • Yr. 4 - 2/3 of the lesser of the base rent during the fourth year or the base year amount. • Yr. 5 - 1/3 of the lesser of the base rent in the fifth year or the base year amount. <p>Special reduction on the taxable base rent for three-year leases:</p> <ul style="list-style-type: none"> • Yr. 1 (Base year) - 100% of the base rent. • Yr. 2 - 2/3 of the lesser of the base rent in the second year or the base year amount. • Yr. 3 - 1/3 of the lesser of the base rent in the third year or the base year amount. 												
<p>Electricity Rebate</p>	<ul style="list-style-type: none"> • Buildings located in the Title 4 abatement zone are eligible. • Expenditure on construction or improvement must be at least 20.0 percent of the assessed value of the building • Building must be eligible for ICIP/ICAP or mixed-use. 	<p>Discount off delivery portion:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 30%;">• Yrs. 1-8</td> <td style="width: 30%;">45.0%</td> <td style="width: 30%;">• Yr. 11</td> <td style="width: 10%;">22.5%</td> </tr> <tr> <td>• Yr. 9</td> <td>37.5%</td> <td>• Yr. 12</td> <td>15.0%</td> </tr> <tr> <td>• Yr. 10</td> <td>30.0%</td> <td></td> <td></td> </tr> </table> <p>Designated landmark buildings get an additional year of rebate at the 45 percent level.</p>	• Yrs. 1-8	45.0%	• Yr. 11	22.5%	• Yr. 9	37.5%	• Yr. 12	15.0%	• Yr. 10	30.0%		
• Yrs. 1-8	45.0%	• Yr. 11	22.5%											
• Yr. 9	37.5%	• Yr. 12	15.0%											
• Yr. 10	30.0%													

Abatement Zone Definitions:

- Title 4: Area bounded by Murray Street and Frankfort Street on the north, South Street on the east, Battery Place on the south and West Street on the west.
- Title 4-A: Area in Manhattan north of 96th Street or in the boroughs of The Bronx, Brooklyn, Queens or Staten Island.

Additional Provisions

- Eligibility period: April 1, 1995 to March 31, 2010.
- Benefit Period: No later than March 31, 2015.
- Expenditures on eligible building should be made between April 1, 2005 and September 30, 2010.
- Benefits are not available for tenants who relocate to lower Manhattan from north of 96th Street in Manhattan or from the other boroughs.
- Tenants in government-owned buildings, including Port Authority buildings, are not eligible.

Further Amendment

- Eligibility period: April 1, 2010 to March 31, 2014.
- Benefit Period: No later than March 31, 2020.
- Expenditures on eligible building should be made between April 1, 2005 and September 30, 2014..

2014 Amendments

- Eligibility period: April 1, 2010 to March 31, 2016.
- Benefit Period: No later than March 31, 2022.
- Expenditures on eligible building should be made between April 1, 2005 and September 30, 2016.

2015 Amendments

- Eligibility period: April 1, 2016 to March 31, 2018.
- Benefit Period: No later than March 31, 2024.
- Expenditures on eligible building should be made between April 1, 2005 and September 30, 2018.

Eligibility Requirement Expansion

- Post-1975 buildings located in the Title 4 abatement zone
- Beginning August 30, 2005, all tenants located in World Trade Center Areas are exempted
- Beginning December 1, 2005, retail space located south of Murray Street is exempted from CRT

Tax Benefit Expansion

Special reduction on the taxable base rent for leases of five or more years:

- Yr. 1 (Base year) - 100% of the base rent.
- Yrs. 2 to 5 - 100% of the lesser of the base rent in these years or the base year amount.

Special reduction on the taxable base rent for three-year leases:

- Yr. 1 (Base year) - 100% of the base rent.
- Yrs. 2 to 3 - 100% of the lesser of the base rent in these years or the base year amount.

- Eligibility period: July 1, 2005 to June 30, 2009.
- Benefit period: No special reduction is allowed after March 31, 2016.

- Eligibility period: July 1, 2005 to June 30, 2013.
- Benefit period: No special reduction is allowed after March 31, 2020.

2014 Amendments

- Eligibility period: July 1, 2005 to June 30, 2015.
- Benefit period: No special reduction is allowed after March 31, 2022.

2015 Amendments

- Eligibility period: July 1, 2005 to June 30, 2017.
- Benefit period: No special reduction is allowed after March 31, 2024.

- Eligibility period: July 1, 1995 to April 1, 2010.
- Benefits are not available for tenants who relocate to lower Manhattan from north of 96th Street in Manhattan or from the other boroughs.

- Eligibility period: July 1, 1995 to July 1, 2013.

2014 Amendments

- Eligibility period: July 1, 1995 to July 1, 2015.

2015 Amendments

- Eligibility period: July 1, 1995 to June 30, 2017.

Schedule of Tax Incentives Under the Commercial Revitalization Program

Program	Eligibility Requirement	Tax Benefits												
<p>Residential Conversion 421-g (Expired)</p>	<ul style="list-style-type: none"> • Buildings located in the abatement zone are eligible. • All class A multiple dwellings, except hotels, are eligible if resulting from conversion of a non-residential building. • The floor area of commercial, community facility and accessory use space cannot exceed 25 percent of the aggregate floor area after conversion. 	<p>Tax exemption for 12 years on the increased assessed values due to physical improvements:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">• Yrs. 1-8 100%</td> <td style="width: 33%;">• Yr. 11 40%</td> </tr> <tr> <td>• Yr. 9 80%</td> <td>• Yr. 12 20%</td> </tr> <tr> <td>• Yr. 10 60%</td> <td></td> </tr> </table> <p>In addition, a tax abatement on the existing real estate taxes relating to the pre-construction assessment value for 14 years:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">• Yrs. 1-10 100%</td> <td style="width: 33%;">• Yr. 13 40%</td> </tr> <tr> <td>• Yr. 11 80%</td> <td>• Yr. 14 20%</td> </tr> <tr> <td>• Yr. 12 60%</td> <td></td> </tr> </table> <p>Designated landmarks will receive an additional year of both abatement and exemption at the 100 percent level. The 100 percent exemption also applies to increases in assessed value during the first year of construction, provided that the proposed project is completed by the second year.</p>	• Yrs. 1-8 100%	• Yr. 11 40%	• Yr. 9 80%	• Yr. 12 20%	• Yr. 10 60%		• Yrs. 1-10 100%	• Yr. 13 40%	• Yr. 11 80%	• Yr. 14 20%	• Yr. 12 60%	
• Yrs. 1-8 100%	• Yr. 11 40%													
• Yr. 9 80%	• Yr. 12 20%													
• Yr. 10 60%														
• Yrs. 1-10 100%	• Yr. 13 40%													
• Yr. 11 80%	• Yr. 14 20%													
• Yr. 12 60%														
<p>Mixed Use (Expired)</p>	<ul style="list-style-type: none"> • Buildings located in the abatement zone are eligible. • Expenditure on construction or improvement must be at least 20 percent of the initial assessed value of the building. • Must file a preliminary application prior to the receipt of the final building permit. If no permit is required, the preliminary application must be filed prior to commencement of construction. 	<p>Tax exemption for 12 years on the increased assessed values due to physical improvements:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">• Yrs. 1-8 100%</td> <td style="width: 33%;">• Yr. 11 40%</td> </tr> <tr> <td>• Yr. 9 80%</td> <td>• Yr. 12 20%</td> </tr> <tr> <td>• Yr. 10 60%</td> <td></td> </tr> <tr> <td>• Yr. 11 40%</td> <td></td> </tr> <tr> <td>• Yr. 12 20%</td> <td></td> </tr> </table> <p>Designated landmarks will receive an additional year of exemption at the 100 percent level.</p>	• Yrs. 1-8 100%	• Yr. 11 40%	• Yr. 9 80%	• Yr. 12 20%	• Yr. 10 60%		• Yr. 11 40%		• Yr. 12 20%			
• Yrs. 1-8 100%	• Yr. 11 40%													
• Yr. 9 80%	• Yr. 12 20%													
• Yr. 10 60%														
• Yr. 11 40%														
• Yr. 12 20%														

Abatement Zone Definitions:

- Title 4: Area bounded by Murray Street and Frankfort Street on the north, South Street on the east, Battery Place on the south and West Street on the west.
- Title 4-A: Area in Manhattan north of 96th Street or in the boroughs of The Bronx, Brooklyn, Queens or Staten Island.

Additional Provisions

Further Amendment

- Eligibility period: July 1, 1995 to June 30, 2006.
- Dwelling units receiving benefits under this program will be subject to rent stabilization during the benefit period.
- For non-residential buildings of less than 100,000 sq. ft. of aggregate floor area, conversion of at least 75 percent of the floor area must take place within three years of commencement of conversion and for buildings of more than 100,000 sq. ft. at least 50 percent of the aggregated floor area should be converted within three years and at least 75 percent converted within five years.

-
- Eligibility period: July 1, 1995 to July 31, 1999.
 - At least half of the minimum required expenditure must be made within 18 months, and 100 percent of the minimum required expenditure should be made within 36 months.
 - Dwelling units receiving benefits under this program will be subject to rent stabilization during the benefit period.
-

Schedule of 421-a Exemptions Program Under 2015 Law

New Participants

Eligibility	Restrictions	Benefit Type and Schedule	
Option A 25% affordable units with: - 10% at the 40% AMI level; - 10% at the 60% AMI level; - 5% at the 130% AMI level		35 Year Exemption Year 1-25 Year 26-35	100% 25%
Option B 30% affordable units with: - 10% at the 70% AMI level; - 20% at the 130% AMI level		35 Year Exemption Year 1-25 Year 26-35	100% 30%
Option C 30% affordable units with: - 30% at the 130% AMI level	Not available in Manhattan south of 96th Street and any other areas excluded by the local law	35 Year Exemption Year 1-25 Year 26-35	100% 30%
Option D 30% affordable units: - 30% at the 130% AMI level	- Must be located outside Manhattan; - Must not contain more than 35 units; - The average assessed value of all units must not exceed \$65,000 immediately after the completion date; - All units must remain the owners' primary residence for at least 5 years	20 Year Exemption Year 1-14 Year 15-20	100% 25%

Extended Benefit for Pre-2015 Rental Recipients

Eligibility		Benefit Type and Schedule	
- Projects that commenced construction prior to 7/1/2008		15 Year Exemption for 20-Year Rental Year 1-15	50%
- Receiving 421-a benefit as of the effective date		10 Year Exemption for 25-Year Rental Year 1-10	50%
- Projects must preserve the existing affordable units (20%) and set aside additional 5% of the units at the 130% AMI level			

Schedule of Exemptions Under 2008 Law 421-a Program

Geographic Areas	As-of-Right Benefit	80/20 Extended Benefit
Manhattan south of 110th Street, north of Houston Street on the West Side and north of 14th Street on the east side		20 Year Exemption
		Year 1-12 100%
		Year 13 80%
		Year 14 80%
		Year 15 60%
		Year 16 60%
		Year 17 40%
		Year 18 40%
		Year 19 20%
		Year 20 20%
Manhattan south of Houston Street on the west side and south of 14th Street on the east side		20 Year Exemption
		Year 1-12 100%
		Year 13 80%
		Year 14 80%
		Year 15 60%
		Year 16 60%
		Year 17 40%
		Year 18 40%
		Year 19 20%
		Year 20 20%
Manhattan north of 110th Street		25 Year Exemption
		Year 1-21 100%
		Year 22 80%
		Year 23 60%
		Year 24 40%
Brooklyn waterfront in Greenpoint and Williamsburg		25 Year Exemption
		Year 1-21 100%
		Year 22 80%
		Year 23 60%
		Year 24 40%
Various designated areas in all four boroughs		25 Year Exemption
		Year 1-21 100%
		Year 22 80%
		Year 23 60%
		Year 24 40%
Other boroughs outside Exclusion Zones	15 Year Exemption	25 Year Exemption
	Year 1-11 100%	Year 1-21 100%
	Year 12 80%	Year 22 80%
	Year 13 60%	Year 23 60%
	Year 14 40%	Year 24 40%
	Year 15 20%	Year 25 20%

As-of-Right Benefit: Developers receive 15-year tax exemptions for a newly constructed multi-unit market rate residential building.

80/20 Extended Benefit: Developers receive extended tax exemptions for 20 to 25 years for a newly constructed multi-unit residential building when 20% or more of the total units are designated to be affordable units.

421-A Tax Exemptions - Summary of Reform Changes

	2015 Reform		2008 Reform		Pre-2008	
	Option A, B and C	Option D (Small Homeownership)				
Zone	GEA extended to entire City	Outsiden Manhattan	Extended GEA and Non-GEA (See next page for details)		GEA and Non-GEA (See next page for details)	
As-of-Right Benefit	-	20 Yr*	15 Yr for Outer Borough Non-GEA		10/15 Yr for Non-GEA	
Negotiable Certificate Program	-	-	-		10 Yr Benefit in GEA	
Enhanced Benefit for Affordability	Required for All Participants	-	-		-	
- Requirement	25/75 or 30/70*	-	80/20		80/20	
- Enhanced Benefit	35 Yr Benefit	-	20/25 Yr Benefit		20/25 Yr Benefit	
Cap on Exemption	-	-	\$65K on Market Rate Units		-	
Units Requirement	>= 6 Units	6 <= Units <=35	>= 4 Units		>= 3 Units	
Size Requirement for Affordable Units	-	-	Comparable to market rate		-	
Prevailing Wage Requirement	For all building service employees in 30 units or more buildings	-	For large market rate building		-	
NPP and REIMC	-	-	-		25 Yr Benefit	
Affordability Extension	-	-	-		-	
Preservation of Pre-2015 Affordable Rentals	10/15 Yr for 2008 law	20/25 Yr Rentals Only	-		-	

* More details see Schedule of 421-a Exemptions Program Under 2015 Law

As-of-Right Benefit: Developers receive 15-year tax exemptions for a newly constructed multi-unit market rate residential building.

Negotiable Certificate Program: When market rate developers contribute to financing construction of off-site affordable housing units outside GEA by purchasing negotiable certificates, the market rate housing units they create inside GEA receive the 421-a tax exemption. Each affordable unit they finance provides four to six certificates, depending on the income requirement of the affordable housing unit. In turn, each certificate offers a ten- to 15-year tax benefit for one market rate unit of up to 1,200 square feet.

80/20 Extended Benefit: The construction of 80/20 buildings are financed by tax-exempt bonds, which significantly reduce costs. In exchange for the low-cost financing, 20 percent of the apartment units are reserved for low-income tenants earning no more than 50 percent of the area median income. The buildings also receive extended tax exemptions for the entire property under the 421-a program.

421-A Tax Exemptions - Summary of Reform Changes

2008 Reform GEA and Non-GEA

		Manhattan		Other Boroughs		
		South of 14th St / Houston St	North of 110th St	Waterfront in Brooklyn	Designated Areas in the 2008 Reform	Other Areas
Zone		GEA	GEA	GEA	GEA	Non-GEA
As-of-Right Benefit		-	-	-	-	15 Yr Benefit
80/20 Extended Benefit		20 Yr Benefit	25 Yr Benefit	25 Yr Benefit	25 Yr Benefit	25 Yr Benefit

Prior To the 2008 Reform GEA and Non-GEA

		Manhattan		Other Boroughs		
		South of 14th St / Houston St	North of 110th St	Waterfront in Brooklyn	Designated Areas in the 2008 Reform	Other Areas
Zone		GEA	Non-GEA	GEA	Non-GEA	Non-GEA
As-of-Right Benefit		-	10 Yr Benefit	-	15 Yr Benefit	15 Yr Benefit
Negotiable Certificate Program		10 Yr Benefit	-	10 Yr Benefit	-	-
80/20 Extended Benefit		20 Yr Benefit	25 Yr Benefit	25 Yr Benefit	25 Yr Benefit	25 Yr Benefit

As-of-Right Benefit: Developers receive 15-year tax exemptions for a newly constructed multi-unit market rate residential building.
Negotiable Certificate Program: When market rate developers contribute to financing construction of off-site affordable housing units outside GEA by purchasing negotiable certificates, the market rate housing units they create inside GEA receive the 421-a tax exemption. Each affordable unit they finance provides four to six certificates, depending on the income requirement of the affordable housing unit. In turn, each certificate offers a ten- to 15-year tax benefit for one market rate unit of up to 1,200 square feet.
80/20 Extended Benefit: The construction of 80/20 buildings are financed by tax-exempt bonds, which significantly reduce costs. In exchange for the low-cost financing, 20 percent of the apartment units are reserved for low-income tenants earning no more than 50 percent of the area median income. The buildings also receive extended tax exemptions for the entire property under the 421-a program.

J-51 Exemption & Abatement Program

Renovation Categories	Value Due To Improvement		Abatement On Existing Taxes			Enriched Benefits
	Number of Years Exempt	Amount of Improvement Exempt	Amount of CRC ¹ Allowed to be Abated	Maximum Amount of Tax Liability Allowed to be Abated Annually ²	Maximum Amount of Years for the Abatement	
<p>Major Capital Improvements (MCI): Improvement to a multiple dwelling property may receive an exemption for 14 years. Existing taxes may be abated for up to 90 percent of the CRC. Buildings located in Manhattan below 96th Street and above 34th Street can receive an abatement of the taxes on the building, not the land, up to \$2,500 per unit. Projects located in the exclusion zone are only eligible for an abatement.</p> <p>Examples - replacement of heating, plumbing, roofing, windows, insulation, wiring, elevators, etc.</p>	14 year exemption Years 1-10 Year 11 Year 12 Year 13 Year 14	100% 80% 60% 40% 20%	90%	8.33% of the total CRC ¹	20	
<p>Moderate Rehabilitation: Significant improvement to one or more of the building's major systems, while at least 60 percent of the residents remain in the building before, during and after construction. The applicant must notify both the tenants and HPD of the nature of the work and anticipated start date. Minimum cost per dwelling unit = \$2,500.</p> <p>Examples - Improvement of heating, electrical or plumbing systems.</p>	34 year exemption Years 1-30 Year 31 Year 32 Year 33 Year 34	100% 80% 60% 40% 20%	100%	8.33% of the total CRC ¹	20	<p>a) For government-assisted moderate rehabs of substantially occupied Class A buildings and</p> <p>b) Government-assisted owned buildings that are not substantially occupied, or are conversions to Class A buildings, up to 150 percent of the CRC can be abated, with an annual abatement of up to 12.5 percent of the CRC.</p>
<p>Single Room Occupancy Conversion: Conversion of temporary residences (hotels, class B buildings) to permanent residences (class A buildings) only if the work is carried out with substantial government assistance.</p>	14 year to 34 year exemption depending on the extent of the improvement		50% in Manhattan 90% elsewhere	8.33% of the total CRC ¹	20	
<p>Non-Residential to Residential Conversion: (Manhattan south of 110th Street) Conversion of lofts, warehouses and other commercial space to Class A residential apartments. Post-rehab assessed value must not exceed \$38,000 per unit.³</p>	14 year exemption Years 1-10 Year 11 Year 12 Year 13 Year 14	100% 80% 60% 40% 20%	50%	8.33% of the total CRC ¹	20	
<p>Non-Residential Conversion to Residential: (North of 110th Street & other boroughs) Conversion of lofts, warehouses and other commercial space to Class A residential apartments.</p>	14 year exemption Years 1-10 Year 11 Year 12 Year 13 Year 14	100% 80% 60% 40% 20%	90%	8.33% of the total CRC ¹	20	

1) CRC = Certified reasonable cost of eligible work as determined by HPD.

2) A tax liability equal to the maximum of 8.33 percent of the total CRC or the actual taxes due can be abated in any year. 90 percent of the CRC (150.0 percent for government-assisted moderate rehabilitations, and 50 percent for Single Room Occupancy and Non-Residential to Residential conversions) can be abated over 20 years. Any portion of the CRC which has not been abated after 20 years is lost.

3) If the post-rehab value is less than \$18,000 a 100 percent exemption is granted; between \$18,001 and \$22,000, a 75 percent exemption is granted; between \$22,001 and \$26,000 a 50 percent exemption is granted; between \$26,001 and \$30,000 a 25 percent exemption is granted; and between \$30,001 and \$38,000, no exemption is granted. The abatement is available for all conversions as long as the post-rehab value is less than \$38,000 per unit.

APPENDIX I REAL PROPERTY TAX

5.
Real Property Tax
Legislative History

Real Property Tax: Legislative History

A number of changes have been made to the tax base and to assessment practices since the implementation of S.7000-A:

2016

STAR program technical and conformity changes and transformation into a State PIT credit were passed.

SCRIE and DRIE programs at \$50,000 were extended for four additional years, or through July 1, 2020. This was not extended with a reimbursement from the State.

J-51 benefit eligibility was increased from \$30,000 to \$32,000, plus indexed to SSA's COLA calculation thereafter up to a \$35,000 cap (still pending).

Cold War veterans RPT exemption for the education portion of the property tax should the City Council vote to opt-in.

2015

Assessment increases for Class one, two or four properties damaged during Hurricane Sandy will be subject to limitations. To be eligible, a.) the property's assessed value in FY 2014 should be lower than the assessed value in FY 2013 as a result of damage caused by Hurricane Sandy and b.) the property's assessed value should have gone up as a result of reconstruction of the damage caused by Hurricane Sandy for the assessment rolls from FY 2015 to FY 2021.

For properties that satisfy the above conditions, the increase to their assessed value from physical increase (as a result of repair or reconstruction) will be limited to the physical decrease reflected on the assessment roll in FY 2014. Any increase in assessed value in excess of that physical decrease will be treated as an equalization change and will be subject to the same limitations that are applicable for equalization increases. For large Class 2 and Class 4 properties, the limitation on physical increases will apply to the lower of the actual or transitional assessed value.

If the total square footage of a building in a given assessment roll exceeds the square footage reflected on the assessment roll in FY 2013, then the physical increase subject to the cap is calculated by multiplying the physical increase as result of addition or improvement of the existing property by a fraction (total sq.footage of the building on the current roll/total square footage of the building in FY 2013).

Industrial and Commercial Abatement Program (ICIP) was extended until March 1, 2019.

The 421-a exemption for multiple dwelling was amended and extended until June 15, 2019 conditional on a prevailing wage agreement.

The J-51 program was extended until June 30, 2019.

The Co-op and Condo abatement was extended until June 30, 2019.

The Commercial Revitalization Program (CRP) was extended until March 31, 2018.

The Commercial Expansion Program (CEP) was extended until June 30, 2018.

SCRIE and DRIE programs were extended to June 30, 2016.

“Green roof” abatement was extended to March 15, 2018.

Prepayment discount on property tax was lowered for taxpayers starting in FY 2016. If the entire amount due for the year is prepaid by the July due date (or grace period due date for quarterly payers), taxpayers would receive a 0.5 percent discount on the full amount of the property tax paid. If the remainder of the full year tax is paid by the October due date, they would receive a 0.25 percent discount on the remainder of the full year balance paid. If the remainder of the balance due for the year is paid by the January due date, they would receive a 0.125 percent discount on the balance paid. In addition, the law was amended to add a new provision. If the Council doesn't adopt a discount percentage before the statement of account or bill are due to be prepared, then the default discount percentage would be the annualized interest rate on 6 month US treasury bill (as reported by the Board of Governors of the Federal Reserve System in its H.15 report or similar statistical report detailing selected interest rates on the last business day of April preceding the fiscal year for which the discount rate is being determined), plus seventy five basis points the sum of which shall be divided by four.

2014

The income threshold limit under the Senior Citizen Rent Increase Exemption (SCRIE) program was increased from \$29,000 to \$50,000 beginning July 1st, 2014. The income threshold limit under the Disability Rent Increase Exemption (DRIE) which was previously based on the maximum income eligibility for cash supplemental security income benefits under federal law was also increased to \$50,000.

Owners of Class one, two or four properties that were damaged or destroyed during Hurricane Sandy were eligible for partial rebate of property tax in FY2014.

The Lower Manhattan Commercial Revitalization Program extended the eligibility period from March 31, 2014 to March 31, 2015 and the end of the benefit period during which the abatement is made available was extended from March 31, 2020 to March 31, 2022. The deadline for certain expenditures on common area improvements was extended from September 30, 2014 to September 30, 2016.

The Industrial and Commercial Abatement Program (ICAP) extended the application filing deadline from March 1, 2015 to March 1, 2017.

The City's Commercial Expansion Program extended the eligibility period deadline from June 30, 2014 to June 30, 2016 and extended the deadline for certain expenditures for improvements on common area improvements from December 31, 2014 to December 31, 2016.

The Solar Electric Generating System Abatement extended the application filing deadline from March 15, 2015 to March 15, 2017. The allowable abatement was also increased from 2.5 percent of eligible generating system expenditures to 5 percent.

Exemption covering certain solar, wind and farm waste energy systems was extended to cover systems constructed prior to January 1, 2025 instead of January 1, 2015.

Effective July 1, 2015, for Section 458 benefits, the maximum exemption value of \$5,000 of the assessed valuation for veterans was raised to \$7,500.

Certain multiple dwellings with less than four units (Shore Haven condos in the Bronx) were made eligible for Section 421-a benefits.

Owners of Class one, two or four properties that were damaged or destroyed during Hurricane Sandy and were later rebuilt are eligible for a partial property tax abatement in FY 2015. To be eligible, a) the property's assessed value in FY 2014 should be lower than FY 2013 as a result of damage caused by Sandy and b.) the property's assessed value in FY 2015 must be higher than the assessed value in FY 2014 and c.) the property's assessed value

in FY 2015 must be higher than in FY 2013.

In general, the abatement is equal to property's annual tax in FY 2015 minus the property's annual tax in FY FY 2013. For large Class 2 and Class 4 properties, the abatement is equal to the portion of the increase in assessed value attributable to the reconstruction work multiplied by FY 2015 tax rate. If the total square footage of a property in FY 2015 exceeds that in FY 2013, the abatement is reduced to reflect the increase in square foot.

2013

Coop/Condo abatement was extended for three more years and set to expire on June 20, 2015. In addition, the abatement was also revised, resulting in benefit increases for many owners.

Effective June 1, 2012, a unit that is held in trust can qualify for coop/condo abatement if the trust is solely for the benefit of a person who would qualify for the abatement as if owing the property directly.

J-51 program was revised and extended to June 30, 2015.

Owners of Class one, two or four properties that were damaged or destroyed during Hurricane Sandy were eligible for partial rebate of property tax in FY2013.

"Green roof" abatement was modified and extended through FY 2019.

Beginning in 2014, the filing deadline for owners of income-producing property to file annual income and expense statement was changed from September 1 to June 1.

Effective January 1, 2015, The NYS Department of Taxation and Finance will be required to determine annual assessment ceilings for local public utility mass real property, which comprises certain locally assessed property used in the transmission and distribution of telephone or telegraph services and electromagnetic voices, video and data signals. The measure is set to expire on January 1, 2019.

Veterans' exemption is permitted to transfer the exemption on a prorated basis where the residence already receiving the exemption is sold and a new residence is purchased during the year.

Effective January 2, 2014, property owned by veterans' organization is exempt from taxation but if a portion of the space is leased to a non-exempt entity, that portion is taxable.

The real property tax exemption under Article 5 of the New York Private Housing Finance Law was extended for 50 additional years. During the additional exemption period, the legislation required such projects to pay taxes equal to the greater of 1) 10 percent of the project's annual rent or carrying charges (less utilities), or 2) the taxes payable by the project immediately prior to the expiration of the initial exemption period.

NYS law of 2012 authorized localities to adopt local legislation to provide property tax exemptions for property improvements meeting certification standards for "green building". Legislation adopted in 2013 permits a locality granting the exemption to establish by local law a maximum exemption amount. (To date, the City has not acted to allow the "green building" exemption).

NYS Department of Taxation and Finance has implemented a registration program to eliminate the improper use of STAR exemptions. Under this program all property owners applying or receiving a basic STAR exemption must register with the State by April 1, 2014. Following this registration the State will review the personal income tax returns and confirm the applicant's continuing eligibility.

2012

Class 1 or Class 2 properties, determined by NYC Department of building, were demolished or damaged so as to be unsafe to enter or occupy as a result of Hurricane Sandy, the installment associated with those properties were

granted interest free extension from January 1, 2013 until April 1, 2013.

The application filing deadline for solar electric generating system abatement was extended from March 15, 2013 to March 15, 2015. In addition, the allowable annual abatement is equal to 2.5 percent of eligible generating system expenditures.

New York State authorized real property tax declining exemption up to 10 years for property improvements that meet “Green Building” certification standards.

2011

The deadline for construction completion to be eligible for section 421-b benefits was extended from July 1st, 2010 to July 1st, 2011. However, the requirement that construction work must have commenced prior to July 1st, 2006 in order to be eligible, remains unchanged.

Retroactive to December 28, 2010, the deadline by which construction must be commenced in order to qualify for New Multiple Dwelling Exemption (421-a) benefit was extended from December 28, 2010 to June 15th, 2015. In addition, the construction period for new dwellings that commenced between January 1st, 2007 and June 30th, 2009 was extended from three years to six years. However, eligible projects are exempt only for a total of three years during the construction. Any eligible construction that seeks to utilize the six-year period construction must apply for a preliminary certificate of eligibility within one year of the effective date.

In 2011, the application deadline for Industrial and Commercial Abatement Program (ICAP) was extended from March 1st, 2011 to March 1st, 2015. In addition, the program was also amended to extend the benefits to new peaking power plants of the utility properties with 15 years of full property tax abatement.

2010

The lien sale was reauthorized and expanded in 2010. The reauthorization is set to expire on December 31st, 2014. The expansion of lien sale includes the sale of water and sewer liens from Class 1 (two to three family homes only), the sale of Emergency Repair Program (ERP) charges and Alternative Enforcement Program (AEP) charges, and the sale of any delinquent charges on Housing Development Fund Corporation (HDFC) rentals. In addition, the lien law changed the interest rate charged on the tax liens after they have been sold, and authorized the City to offer pre-sale payment plans to delinquent taxpayers.

The real property tax abatement under the Lower Manhattan Commercial Revitalization Program was extended for four more years. The deadline by which the eligible lease term must begin was extended from March 31st, 2010 to March 31st, 2014. The deadline by which certain expenditures on common area improvements must be made was extended from September 30th, 2010 to September 30th, 2014. The end of the benefit period during which the abatement is available was also extended from March 31st, 2016 to March 31st, 2020.

The Commercial Expansion Program was extended for four years. The deadline by which the eligible lease term must begin was extended from March 31st, 2010 to March 31st, 2014. The deadline by which expenditures on common area improvements must be made was also extended from December 31st, 2010 to December 31st, 2014.

The deadline for construction completion for the section 421-b benefit was extended from July 1st, 2009 to July 1st, 2010. Partial property tax exemptions for up to 10 years are available to newly constructed or converted owner occupied one- and two-family homes. Construction work must have commenced prior to July 1st, 2006 to be eligible, which remained unchanged.

Effective November 24th, 2009, the eligibility definition was expanded for the partial property tax exemptions for homeowners with disability and limited income. The program benefit was extended to include people who are certified to receive a US Department of Veterans Affairs disability pension.

Effective July 1st, 2009, the green roof tax abatement program was available to provide incentives to Class 1, 2 and 4 building owners to construct a “green roof” on their properties in exchange for a one-year property tax abatement. The abatement amount is the lesser of \$4.50 per square foot of green roof (capped at \$100,000) or the building’s total tax liability for the year. Applications must be filed by March 15th of each year. This program is scheduled to sunset at the end of fiscal year 2014.

Effective July 1st, 2009, a solar electric generating system abatement program was enacted to provide a four-year tax abatement for the construction of a solar electric generating system in a Class 1, 2 or 4 building. Applications must be filed by the March 15th deadline. The program is scheduled to sunset after fiscal year 2014.

Effective 2010, the definition of Class 1 vacant land was restricted to Manhattan above 110th Street. For non-residential vacant land to be included in Class 1 in this area, it must have been included in Class 1 on the 2009 roll and the owner must have entered into an agreement with a governmental entity by December 31st, 2008, requiring construction of affordable housing. Prior to the change, non-residential vacant land that is 10,000 square feet or less and adjacent to a Class 1 parcel could be classified as Class 1 if the vacant land and the Class 1 property are both owned by the same owner and they are located above 110th Street in Manhattan or in the other boroughs.

Prepayment discount on property tax was lowered for taxpayers starting in FY 2010. If the entire amount due for the year is prepaid by the July due date (or grace period due date for quarterly payers), they receive a 1.0 percent discount on the full amount of the property tax paid. If the remainder of the full year tax is paid by the October due date, they receive a 0.66 percent discount on the remainder of the full year balance paid. If the remainder of the balance due for the year is paid by the January due date, they receive a 0.33 percent discount on the balance paid.

2009

In response to the national and local economic slowdown and declining tax revenues, the seven percent real property tax rate reduction enacted in 2008 was repealed effective January 1st, 2009. The average tax rate was raised to \$12.283 from \$11.423 per \$100 of assessed value.

As part of a budget agreement with the Mayor, the City Council passed a local law that allowed more homeowners to pay property taxes on a quarterly basis. Effective January 1st, 2009, the actual assessed value threshold for quarterly payments was increased from \$80,000 to \$250,000. Owners of all residential and commercial properties (including houses, condominiums, and cooperatives) with an actual assessed value of \$250,000 or less (for co-ops, a per-unit actual assessed value of \$250,000 or less) were allowed to pay quarterly installments. Owners of properties with an actual assessed value of more than \$250,000 pay semi-annually.

Effective fiscal year 2010, the \$400 homeowner rebate program was repealed. The homeowner rebate program had originally been set to expire after fiscal year 2007 but was extended for three more years until fiscal year 2010. However, due to the national and local economic slowdown, the rebate was repealed in 2009, saving the City \$256 million in fiscal year 2010.

The co-op/condo partial tax abatement program was extended for four years through June 30th, 2012. The abatement had been scheduled to expire at the end of fiscal year 2008.

Effective July 1st, 2008, the Industrial and Commercial Incentive Program (ICIP) has been reformed and replaced by the Industrial and Commercial Abatement Program (ICAP). Under the new program, tax abatements are available for qualifying commercial or industrial construction work for up to 25 years. Utility properties are not eligible for any abatements and properties used partly for retail purposes are subject to limited benefits. Non-retail commercial activities in Manhattan south of 59th street would see a reduction in benefit period from 12 years to 10 years. The minimum required expenditure was raised to 30.0 percent after the initial taxable assessed value of the project. (The property tax after the construction or improvements must exceed the original tax by more than 15 percent. Benefit applications must have been filed no later than March 1st, 2011).

The deadline for construction completion for section 421-b benefit was extended from July 1st, 2008 to July 1st, 2009. Partial property tax exemptions for up to 10 years are provided to newly constructed or converted owner occupied one- and two-family homes. Construction work must have commenced prior to July 1st, 2006 to be eligible, which remained unchanged.

Effective fiscal year 2009, the state-wide school tax relief (STAR) exemption calculation was modified. STAR exemptions are granted to residential properties used as owner's primary residence. The percentage decline by which the current year's exempt amount can fall below the prior year's amount was reduced to 90 percent for 2009 from the previous years' 95 percent. This percentage was also set to be reduced further to 89 percent for the subsequent years.

Effective July 21st, 2008, an assessed value based restriction on the availability of the J-51 benefits was eliminated for mutual redevelopment companies established under Article 5 of the Private Housing Finance Law (PHFL). They no longer need to meet the regular J-51 abatement program requirement for the pre-rehabilitation average assessed value of \$40,000 or less per unit as long as they maintain the status until the earlier of 15 years from the commencement of J-51 benefits or the expiration of certain tax benefits under the PHFL. The only beneficiary of this law at the time of the passage of the law was the Penn South Housing Development.

The special commercial rent reduction under the commercial revitalization program for premises used for retail sales in lower Manhattan and the World Trade Center area, which expired on June 30th, 2009, has now been extended for four more years until June 30th, 2013.

2008

The reform bill of 421-a tax incentive program was signed into law by the Governor in February 2008. Under the new law, the Geographic Exclusion Area was expanded, the exemption amount was capped for market rate units (a \$65,000 cap imposed on the exempt assessed value which increases by three percent annually), the negotiable certificate program was eliminated, and four- to five- unit buildings were excluded from the program. The law also established a dedicated fund for affordable housing. The program was extended for three additional years by resetting the deadline to December 28th, 2010, by which construction must commence for projects to be eligible for the benefits. While projects that commenced construction prior to July 1st, 2009 remained eligible for the pre-reform benefits, projects that started construction on or after July 1st, 2009 are eligible for the benefits defined under the new law.

Effective July 1st, 2007, the mayor and the City Council agreed to reduce the real property tax rate by seven percent in an effort to reduce homeowner's tax burden. As a result, the average tax rate was decreased from \$12.283 to \$11.423 per \$100 of assessed value.

The \$400 homeowner rebate program was extended for three years until the end of fiscal year 2010. The deadline for filing the rebate application is September 1st, following the end of the fiscal year for which the rebate is claimed.

Effective August 1st, 2007, non-profit organizations acquiring real property in New York City are exempt from the real estate taxes from the date of the title transfer. Prior to this change, the exemption status was determined for the entire fiscal year based on the ownership on the taxable status date (January 5th).

The deadline by which renovation work must be completed in order to qualify for J-51 benefits was extended from December 30th, 2007 to December 30th, 2011.

The Industrial and Commercial Incentive Program (ICIP) was extended for one year, by resetting the application deadline to June 30th, 2008 and the deadline for building permits to be issued to July 31st, 2008.

The deadline for starting rehabilitation on multiple dwellings used for single room occupancy program was extended from December 30th, 2007 to December 30th, 2011.

2007

The Lower Manhattan Commercial Revitalization Program was extended for three more years by extending the end of eligibility period from March 31st, 2007 to March 31st, 2010. The benefit period for real property tax abatement was extended from March 31st, 2013 to March 31st, 2016. The benefit period for commercial rent tax special reduction was also extended from March 31st, 2013 to March 31st, 2016.

The tax lien sale program was extended until December 31st, 2010, which was originally scheduled to expire on August 31st, 2006. The new law also allowed water and sewer liens on Class 2 rental and Class 4 properties to be sold on their own independent of whether or not there is a qualifying real property lien on the property. In order for the liens to be sold, the water and sewer charges have to be delinquent for at least one year and equal or exceed \$1,000 in arrears. The law also restricted the City's authority to sell real property tax and water and sewer liens for certain low-income homeowners who are receiving senior citizen homeowner exemption or disabled homeowners exemption or NYS PIT circuit breaker credit. In addition, the City's authority to sell water and sewer liens on any Class 1 single-family homes was also restricted. The new law also extended the initial notification period from 60 days to 90 days.

Effective April 2007, the eligibility requirements for Mitchell-Lama developments under the J-51 program were eased. Mitchell-Lama properties whose repairs are financed with grants or loans from Federal, State or local government agencies became eligible for the J-51 benefits. Previously, the repairs had to be financed with private loans. To be eligible, however, these housing companies must sign a binding agreement to remain in the Mitchell-Lama program for an additional 15 years. In addition, the assessed value requirement was eliminated for Mitchell-Lama cooperative buildings. The average assessed value per unit should be \$40,000 or less for other cooperative buildings to be eligible for the J-51 benefits. The J-51 tax abatement program has also been modified to extend the benefits to lead remediation work in buildings both vacant and occupied.

Effective July 26th, 2006, real property tax abatement under Commercial Revitalization Program was extended to eligible buildings occupied or used as private elementary or secondary schools.

The income eligibility ceiling under the Disabled Homeowner Exemption Program was increased from \$24,000 to \$26,000 beginning July 1st, 2006. The income ceiling was set to increase by \$1,000 per year for the following three years, to \$27,000 beginning July 1st, 2007, to \$28,000 beginning July 1st, 2008, and to \$29,000 beginning July 1st, 2009. The sliding scale of exemption schedule was also revised to reflect the increases in income eligibility. The income eligibility ceiling under the Senior Citizen Homeowner Exemption Program was increased from \$24,000 to \$26,000 beginning July 1st, 2006. The income ceiling was set to increase by \$1,000 per year for the following three years, to \$27,000 beginning July 1st, 2007, to \$28,000 beginning July 1st, 2008, and to \$29,000 beginning July 1st, 2009. The sliding scale of exemption schedule was also revised to reflect the increases in income eligibility.

The absentee landlord surcharge was originally scheduled to take effect on July 1st, 2003. The effective date was later postponed to July 1st, 2006 which has now been effectively repealed by reducing the surcharge rate from 2.5 percent to zero percent as of July 1st, 2006.

2006

The income threshold limit under the Senior Citizen Rent Increase Exemption (SCRIE) program was increased from \$24,000 to \$25,000 beginning July 1st, 2005 and by \$1,000 per year for the next four years to \$29,000 beginning July 1st, 2009. A new benefit program referred to as Disability Rent Increase Exemption (DRIE) for disabled renters living in rent controlled or rent stabilized apartments with limited income regardless of their age allows them to qualify for a rent increase exemption if they currently receive the Supplemental Security Income (SSI), the Social Security Disability Insurance (SSDI), or medical benefits from the United States Veterans Administration on a disability-related Medicaid. The exemption applies to rent increases that would cause the eligible tenant's rent to exceed one-third of household income. Landlords are compensated for their lost rental income by means of real estate tax abatements. The new benefit began on October 10th, 2005.

Commercial rent tax special reduction under Commercial Revitalization program was expanded on August 31st, 2005 to provide exemption from the commercial rent tax for all tenants in the “World Trade Center Area”. In addition, the current benefit was liberalized for leases that commerce on or after July 1st, 2005 but before July 1st, 2009 with a lease term at least five years.

Section 421-a of the Real Property Tax Law was amended to expand the current exclusion zone in Manhattan to parts of the far west side of Manhattan between 28th Street and 41st Street. In addition, the law created a new exclusion zone in Brooklyn, known as the Greenpoint-Williamsburg Waterfront Area effective June 21st, 2005.

Commercial Expansion Program was modified with a number of amendments, retroactive to July 1st, 2005.

A new method became effective in calculating the discount for prepayment of real estate taxes. The discount amount is determined by multiplying the prepaid amount by the discount percentage. The discount percentage would be fixed by the City Council each year; if not set by the Council, a statutory percentage of 1.5 percent will apply.

For quarterly payers: if the full year’s tax is paid by July 15th , the discount percentage of 1.5% is applied to the total tax paid; if the final three installments are paid by October 15th , two-thirds of the discount percentage (1.0%) is applied to the total of the three installments paid; and if the last two installments are paid by January 15th , one third of the discount percentage (0.5%) is applied to the total of the two installments paid. For semiannual payers, a discount is allowed only if the full year’s tax is paid by July 1; in that case, the discount percentage is applied to the total tax for the year.

2005

Effective July 1st, 2005, all properties with an actual assessed value of \$80,000 or less were allowed to pay in quarterly installments. All other properties with actual assessed value of more than \$80,000 were paid semi-annually. The actual assessed value threshold previously was \$40,000.

The City enacted a three-year property tax rebate program for fiscal years 2005, 2006 and 2007 to provide owners of Class 1 properties and Class 2 cooperatives and condominiums with a \$400 rebate or the annual real estate tax on the property, whichever was less. To qualify for this rebate, the dwelling unit must be the owners’ primary residence and the delinquent taxes owed must not be more than \$25.

2004

The legislation authorizing the lien sale expired on October 31st, 2003 and was extended through March 1st, 2006 by the City Council on March 24th, 2004.

Coop/Condo abatement was extended for four more years up to June 30th, 2008.

2003

The State passed legislation in 2003 giving the City the authority to levy a 25.0 percent surcharge on Class 1 non-owner occupied properties effective July 1st, 2003, the absentee landlord surcharge. This surcharge was intended to equalize the tax burden between Class 1 income-generating properties and small Class 2 properties. Local legislation passed by the City Council on April 1st, 2004 delayed the effective date of the absentee landlord surcharge until July 1st, 2006.

As part of the effort to balance the budget for the fiscal year 2003, a local law was adopted to increase the real property tax rates for the second half of fiscal year 2003, covering the period from January 1st to June 30th, 2003. The average tax rate was raised to \$12.283 from \$10.366 per \$100 of assessed value.

Industrial and Commercial Incentive Program was extended for four years, and the applications for the benefits could be filed no later than July 1st, 2007.

Single-Room-Occupancy Dwelling program extended its benefits period to December 31st, 2007.
J-51 exemption program was extended until December 30th, 2007.

2001

Coop/Condo abatement was extended for four years through fiscal year 2004.

The public housing exemption providing the 60-year exemption period for applicable federal projects was extended for another 60 years.

Beginning with the 2001 property tax assessments roll, the progress assessment for commercial structures was extended from one to three years. This amendment applies to seven commercial structures other than hotels. Progress assessment is an exemption from taxation for increases in value resulting from new construction that remains incomplete as of the taxable status date (January 5th).

1999

The Senior Citizen Homeowner Exemption (SCHE) program, which provides a sliding scale tax exemption to homeowners over age 65, was altered in 1999 to: (1) exclude veteran's disability compensation from the definition of income for purposes of determining eligibility and the level of exemption benefits beginning in 2000 and (2) allow a deduction from income for unreimbursed medical and prescription drug expenses in determining eligibility.

Industrial and Commercial Incentive Program was extended for another four years until June 30th, 2013.

1998

Section 459-c of the real property tax law was amended establishing a new tax exemption for disabled homeowners with limited income. The program, which offers a 50.0 percent exemption to residential property owners, commenced in 2000. In addition, State legislation was passed to allow localities to expand the exemption with a property tax credit retroactive to fiscal year 1999. The credit would be applied to fiscal year 2000 tax bills of disabled homeowners who are approved for the exemption.

Co-op/Condo Abatement was increased from 16.0 percent to 25.0 percent in 1998 for properties with assessment less than \$15,000 per unit. For properties with assessment more than \$15,000, the tax abatements were raised from 10.75 percent to 17.5 percent.

Industrial and Commercial Incentive Program was established in 1996 and was scheduled to expire on December 31st, 1998. The new law extended this program for an additional two years through December 31st, 2000.

1997

The State enacted the School Tax Relief program (STAR) legislation. A property tax exemption was phased in over four years beginning in the 1998-99 school year. The program provides property tax relief to one-, two-, and three-family homes, cooperatives and condominiums where the property serves as the primary residence of the owner. An enhanced exemption is available for senior citizens with less than \$67,850 in household income. Amendments to the administrative code allowed the City to sell real property tax liens for Class 1 and Class 2 property where the real property tax component of the tax liens remained unpaid for three years and one year, respectively.

Co-op/Condo Abatement was increased from 4.0 percent to 16.0 percent in 1997 for properties with assessment less than \$15,000 per unit. For properties with assessment more than \$15,000, the tax abatements were raised from 2.75 percent to 10.75 percent.

1996

Co-op/Condo abatement program was enacted which was designed to reduce the disparity in property tax burden between owners of cooperatives and condominiums (Class 2) and single-family homes (Class 1). For properties with assessment less than \$15,000 per unit, the tax abatements were 4.0 percent. For properties with assessment more than \$15,000, the tax abatements were 2.75 percent.

1995

Beginning with the fiscal year 1997 roll, telephone company central office and station equipment (except public telephones) installed in public rights-of-way would be exempted from real property taxation.

1994

The assessment percentages for special franchise and REUC properties were equalized at 45.0 percent. For Class 2, assessment cap increases for cooperatives and condominiums with two to ten units were restricted to eight percent annually and 30 percent over five years including properties that were shifted either into Class 1 (if not more than three units) or into Class 2 (if more than three units). One-family homes on cooperatively-owned land (“bungalows”) were also reclassified from Class 2 to Class 1. Almost 1,500 summer cottages in Queens and The Bronx were affected by this shift.

1992

In further reclassification, mixed-use residential/commercial buildings (with “Mom and Pop” stores), formerly in Class 4, were assessed as residential if more than 50 percent of the building was residential.

Class 3 land and buildings were transferred to Class 4, leaving in Class 3 only plant and equipment. Class 2 condominiums with no more than three residential units, provided such property had previously been classified as Class 1, were transferred back from Class 2 to Class 1.

1991

Vacant land zoned as residential or adjacent to residential property with the same owner was transferred from Class 4 to Class 1 (except in Manhattan below 110th Street).

1990

For Class 3, State legislation implemented a four-year phase-out of taxation on central office and telecommunication equipment at 25.0 percent per year, beginning in 1990.

For Class 2 rental units, and cooperatives and condominiums of less than 11 units, assessment increases were restricted to eight percent annually and 30.0 percent over five years.

Statements need not be filed for condominium or cooperative properties which are completely residential, or for properties which are wholly tax exempt or completely owner-occupied and operated. Cooperatives and condominiums with professional or commercial space must file income and expense statements for that space. Most Class 4 properties and Class 2 properties with more than 10 residential units (or 6 residential units and one retail store) were affected. Affected taxpayers (except those who purchase property on or after August 1st) must file annual income and expense statements with the DOF by September 1st. Failure to file means denial of a Tax Commission hearing and a possible penalty assessment.

1987

The State Court of Appeals unanimously upheld Local Law No. 63 of 1986 which required owners of income-producing properties with actual assessed values in excess of \$40,000 to file annual income and expenditure statements.

1986

The 1985 telecommunication utilities (Class 3) amendments expired. Condominiums of three stories or less were reclassified from Class 2 to Class 1.

Telephones and other station equipment were removed from the tax base to reflect the increasing volume of privately owned equipment. For Class 2, assessment increases for rental properties of four-to-six units were restricted to eight percent annually and 30.0 percent over five years.

1985

Telecommunication utilities (Class 3) were affected by legislation which changed the definition of taxable property to include central office equipment of competitors of New York Telephone (now part of Verizon) and AT&T which had previously been exempt or taxed at lower effective rates.

APPENDIX II

PERSONAL INCOME TAX

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APPENDIX II PERSONAL INCOME TAX

1.
Personal Income Tax Liability:
2014

2015 PERSONAL INCOME TAX LIABILITY

File Type	NY Adjusted Gross Income	Total Tax¹
Single	\$15,000	\$143
	25,000	466
	40,000	1,000
	50,000	1,359
	75,000	2,267
	100,000	3,179
	125,000	4,091
	500,000	17,834
	525,000	18,786
Married, 2 Dependents	\$15,000	(\$125)
	25,000	83
	40,000	522
	50,000	876
	75,000	1,766
	85,000	2,125
	100,000	2,664
	150,000	4,484
	175,000	5,396
	500,000	17,377
	525,000	18,305
Head of Household, 2 Dependents	\$15,000	(\$8)
	25,000	283
	40,000	798
	50,000	1,155
	75,000	2,053
	85,000	2,418
	100,000	2,965
	125,000	3,877
	150,000	4,789
	500,000	17,620
	525,000	18,560

¹ Assumes the standard deductions and the STAR credit only.

APPENDIX II PERSONAL INCOME TAX

2.
History of Tax Rate Schedules:
1966-2015

2015-16 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$12,000	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
12,000	25,000	306	3.100	12,000	43	0.434	349	3.534	12,000
25,000	50,000	709	3.150	25,000	99	0.441	808	3.591	25,000
50,000	500,000	1,497	3.200	50,000	209	0.448	1,706	3.648	50,000
500,000			3.400	500,000	2,365	0.476	19,256	3.876	500,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$21,600	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
21,600	45,000	551	3.100	21,600	77	0.434	628	3.534	21,600
45,000	90,000	1,276	3.150	45,000	179	0.441	1,455	3.591	45,000
90,000	500,000	2,694	3.200	90,000	377	0.448	3,071	3.648	90,000
500,000			3.400	500,000	2,352	0.476	19,155	3.876	500,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$14,400	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
14,400	30,000	367	3.100	14,400	52	0.434	419	3.534	14,400
30,000	60,000	709	3.150	30,000	119	0.441	970	3.591	30,000
60,000	500,000	1,497	3.200	60,000	251	0.448	2,047	3.648	60,000
500,000			3.400	500,000	2,362	0.476	19,231	3.876	500,000

¹ The STAR rate cut at 5.87 percent for taxable income under \$500,000 effective for tax year 2010. The entire STAR rate cut was eliminated for filers earning over \$500,000 effective January 1, 2015.

Appendix II-PIT

2010-14 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$12,000	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
12,000	25,000	306	3.100	12,000	43	0.434	349	3.534	12,000
25,000	50,000	709	3.150	25,000	99	0.441	808	3.591	25,000
50,000	500,000	1,497	3.200	50,000	209	0.448	1,706	3.648	50,000
500,000			3.400	500,000	2,226	0.476	18,123	3.876	500,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$21,600	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
21,600	45,000	551	3.100	21,600	77	0.434	628	3.534	21,600
45,000	90,000	1,276	3.150	45,000	179	0.441	1,455	3.591	45,000
90,000	500,000	2,694	3.200	90,000	377	0.448	3,071	3.648	90,000
500,000			3.400	500,000	2,214	0.476	18,028	3.876	500,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$14,400	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
14,400	30,000	367	3.100	14,400	52	0.434	419	3.534	14,400
30,000	60,000	709	3.150	30,000	119	0.441	970	3.591	30,000
60,000	500,000	1,497	3.200	60,000	251	0.448	2,047	3.648	60,000
500,000			3.400	500,000	2,223	0.476	18,099	3.876	500,000

¹ STAR rate cut at 5.87 percent for taxable income under \$500,000 effective for tax year 2010.

2006-2009 RATE SCHEDULE^{1,2}

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$12,000	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
12,000	25,000	306	3.100	12,000	43	0.434	349	3.534	12,000
25,000	50,000	709	3.150	25,000	99	0.441	808	3.591	25,000
50,000		1,497	3.200	50,000	209	0.448	1,706	3.648	50,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$21,600	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
21,600	45,000	551	3.100	21,600	77	0.434	628	3.534	21,600
45,000	90,000	1,276	3.150	45,000	179	0.441	1,455	3.591	45,000
90,000		2,694	3.200	90,000	377	0.448	3,071	3.648	90,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$14,400	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
14,400	30,000	367	3.100	14,400	52	0.434	419	3.534	14,400
30,000	60,000	851	3.150	30,000	119	0.441	970	3.591	30,000
60,000		1,796	3.200	60,000	251	0.448	2,047	3.648	60,000

¹ Effective January 1, 2006, the temporary personal income tax rate schedule expired and the legislated 2002 base rates and 14 percent additional tax were reinstated.

² STAR rate cut at 5.87 percent across-the-board.

2005 RATE SCHEDULE^{1,2}

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$12,000	\$0	2.910%	\$0
12,000	25,000	349	3.534	12,000
25,000	50,000	808	3.591	25,000
50,000	100,000	1,706	3.648	50,000
100,000	500,000	3,530	4.050	100,000
500,000		19,730	4.450	500,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$21,600	\$0	2.910%	\$0
21,600	45,000	628	3.534	21,600
45,000	90,000	1,455	3.591	45,000
90,000	150,000	3,071	3.648	90,000
150,000	500,000	5,260	4.050	150,000
500,000		19,435	4.450	500,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$14,400	\$0	2.910%	\$0
14,400	30,000	419	3.534	14,400
30,000	60,000	970	3.591	30,000
60,000	125,000	2,047	3.648	60,000
125,000	500,000	4,418	4.050	125,000
500,000		19,606	4.450	500,000

¹ Effective January 1, 2003 through December 31, 2005, a temporary personal income tax rate schedule was imposed which superseded the existing base rate schedule and the 14 percent additional tax. This temporary rate schedule combined the base rate with the 14 percent additional tax, at the existing brackets, and added two new upper income brackets and rates.

² STAR rate cut at 5.87 percent across-the-board.

2004 RATE SCHEDULE^{1,2}

Rate Schedule for Single Filers*If net income is:*

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$12,000	\$0	2.910%	\$0
12,000	25,000	349	3.534	12,000
25,000	50,000	808	3.591	25,000
50,000	100,000	1,706	3.648	50,000
100,000	500,000	3,530	4.175	100,000
500,000		20,230	4.450	500,000

Rate Schedule for Joint Filers*If net income is:*

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$21,600	\$0	2.910%	\$0
21,600	45,000	628	3.534	21,600
45,000	90,000	1,455	3.591	45,000
90,000	150,000	3,071	3.648	90,000
150,000	500,000	5,260	4.175	150,000
500,000		19,873	4.450	500,000

Rate Schedule for Head of Household Filers*If net income is:*

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$14,400	\$0	2.910%	\$0
14,400	30,000	419	3.534	14,400
30,000	60,000	970	3.591	30,000
60,000	125,000	2,047	3.648	60,000
125,000	500,000	4,418	4.175	125,000
500,000		20,074	4.450	500,000

¹ Effective January 1, 2003 through December 31, 2005, a temporary personal income tax rate schedule was imposed which superseded the existing base rate schedule and the 14 percent additional tax. This temporary rate schedule combined the base rate with the 14 percent additional tax, at the existing brackets, and added two new upper income brackets and rates.

² STAR rate cut at 5.87 percent across-the-board.

2003 RATE SCHEDULE^{1,2}

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$12,000	\$0	2.910%	\$0
12,000	25,000	349	3.534	12,000
25,000	50,000	808	3.591	25,000
50,000	100,000	1,706	3.648	50,000
100,000	500,000	3,530	4.250	100,000
500,000		20,530	4.450	500,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$21,600	\$0	2.910%	\$0
21,600	45,000	628	3.534	21,600
45,000	90,000	1,455	3.591	45,000
90,000	150,000	3,071	3.648	90,000
150,000	500,000	5,260	4.250	150,000
500,000		20,135	4.450	500,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Amt.	Plus	Of Amt Over
\$0	\$14,400	\$0	2.910%	\$0
14,400	30,000	419	3.534	14,400
30,000	60,000	970	3.591	30,000
60,000	125,000	2,047	3.648	60,000
125,000	500,000	4,418	4.250	125,000
500,000		20,356	4.450	500,000

¹ Effective January 1, 2003 through December 31, 2005, a temporary personal income tax rate schedule was imposed which superseded the existing base rate schedule and the 14 percent additional tax. This temporary rate schedule combined the base rate with the 14 percent additional tax, at the existing brackets, and added two new upper income brackets and rates.

² STAR rate cut at 5.87 percent across-the-board.

2002 RATE SCHEDULE^{1,2}

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$12,000	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
12,000	25,000	306	3.100	12,000	43	0.434	349	3.534	12,000
25,000	50,000	709	3.150	25,000	99	0.441	808	3.591	25,000
50,000		1,497	3.200	50,000	209	0.448	1,706	3.648	50,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$21,600	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
21,600	45,000	551	3.100	21,600	77	0.434	628	3.534	21,600
45,000	90,000	1,276	3.150	45,000	179	0.441	1,455	3.591	45,000
90,000		2,694	3.200	90,000	377	0.448	3,071	3.648	90,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$14,400	\$0	2.550%	\$0	\$0	0.360%	\$0	2.910%	\$0
14,400	30,000	367	3.100	14,400	52	0.434	419	3.534	14,400
30,000	60,000	851	3.150	30,000	119	0.441	970	3.591	30,000
60,000		1,796	3.200	60,000	251	0.448	2,047	3.648	60,000

¹ Effective January 1, 2002, the full 14 percent additional tax was reinstated.

² STAR rate cut at 5.87 percent across-the-board.

2001 RATE SCHEDULE^{1,2}

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$12,000	\$0	2.550%	\$0	\$0	0.134%	\$0	2.684%	\$0
12,000	25,000	306	3.100	12,000	16	0.163	322	3.263	12,000
25,000	50,000	709	3.150	25,000	37	0.166	746	3.316	25,000
50,000		1,497	3.200	50,000	79	0.392	1,576	3.592	50,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$21,600	\$0	2.550%	\$0	\$0	0.134%	\$0	2.684%	\$0
21,600	45,000	551	3.100	21,600	29	0.163	580	3.263	21,600
45,000	90,000	1,276	3.150	45,000	67	0.166	1,343	3.316	45,000
90,000		2,694	3.200	90,000	141	0.392	2,835	3.592	90,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$14,400	\$0	2.550%	\$0	\$0	0.134%	\$0	2.684%	\$0
14,400	30,000	367	3.100	14,400	19	0.163	386	3.263	14,400
30,000	60,000	851	3.150	30,000	44	0.166	895	3.316	30,000
60,000		1,796	3.200	60,000	94	0.392	1,890	3.592	60,000

¹ Full STAR rate cut at 5.87 percent across-the-board.

² Rate cut and restructure of the 14 percent additional tax.

2000 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$12,000	\$0	2.650%	\$0	\$0	0.371%	\$0	3.021%	\$0
12,000	25,000	318	3.215	12,000	45	0.450	363	3.665	12,000
25,000	50,000	736	3.265	25,000	104	0.457	840	3.722	25,000
50,000		1,552	3.315	50,000	219	0.464	1,771	3.779	50,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$21,600	\$0	2.650%	\$0	\$0	0.370%	\$0	3.021%	\$0
21,600	45,000	572	3.215	21,600	29	0.450	653	3.665	21,600
45,000	90,000	1,326	3.265	45,000	67	0.457	1,511	3.722	45,000
90,000		2,795	3.315	90,000	141	0.464	3,186	3.779	90,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$14,400	\$0	2.650%	\$0	\$0	0.371%	\$0	3.021%	\$0
14,400	30,000	383	3.215	14,400	52	0.450	435	3.665	14,400
30,000	60,000	885	3.265	30,000	121	0.457	1,006	3.722	30,000
60,000		1,865	3.315	60,000	258	0.464	2,123	3.779	60,000

¹ Across-the-board STAR rate cut at 2.5 percent.

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1999 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$8,400	\$0	2.680%	\$0	\$0	0.380%	\$0	3.050%	\$0
8,400	12,000	325	2.680	8,400	31	0.380	256	3.050	8,400
12,000	15,000	321	3.260	12,000	45	0.460	366	3.710	12,000
15,000	25,000	419	3.260	15,000	58	0.460	477	3.710	15,000
25,000	50,000	745	3.310	25,000	103	0.460	848	3.770	25,000
50,000		1,572	3.360	50,000	219	0.470	1,791	3.830	50,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$14,400	\$0	2.680%	\$0	\$0	0.380%	\$0	3.050%	\$0
14,400	21,600	385	2.680	14,400	54	0.380	439	3.050	14,400
21,600	27,000	578	3.260	21,600	81	0.460	659	3.710	21,600
27,000	45,000	754	3.260	27,000	106	0.460	860	3.710	27,600
45,000	90,000	1,340	3.310	45,000	189	0.460	1,529	3.770	45,000
90,000		2,828	3.360	90,000	398	0.470	3,226	3.830	90,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax			14% Increase		Combined Tax		
		Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt Over
\$0	\$7,350	0	2.680%	\$0	\$0	0.380%	\$0	3.050%	\$0
7,350	9,200	197	2.680	7,350	27	0.380	224	3.050	7,350
9,200	14,400	246	2.680	9,200	34	0.380	280	3.050	9,200
14,400	17,250	385	3.260	14,400	54	0.460	439	3.710	14,400
17,250	28,750	478	3.260	17,250	67	0.460	545	3.710	17,250
28,750	30,000	853	3.260	28,750	119	0.460	972	3.710	28,750
30,000	60,000	894	3.310	30,000	124	0.460	1,018	3.770	30,000
60,000		1,886	3.360	60,000	263	0.470	2,149	3.830	60,000

¹ Across-the-board STAR rate cut at 1.25 percent.

1997-1998 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$8,400	\$0	3.080%	\$0	0.000%	\$0	3.080%	\$0
8,400	12,000	259	3.150	0	0.510	259	3.660	8,400
12,000	15,000	373	3.830	18	0.510	391	4.340	12,000
15,000	25,000	488	3.840	33	0.550	521	4.390	15,000
25,000	50,000	872	3.890	88	0.510	960	4.400	25,000
50,000	60,000	1,844	3.950	216	0.510	2,060	4.460	50,000
60,000		2,239	3.950	267	0.510	2,506	4.460	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$14,400	\$0	3.080%	\$0	0.000%	\$0	3.080%	\$0
14,400	21,600	443	3.150	0	0.510	443	3.660	14,400
21,600	27,000	669	3.830	37	0.510	706	4.000	21,600
27,000	45,000	876	3.840	65	0.550	941	4.390	27,600
45,000	90,000	1,567	3.890	164	0.510	1,731	4.000	45,000
90,000	108,000	3,317	3.950	394	0.510	3,711	4.000	90,000
108,000		4,027	3.950	486	0.510	4,513	4.460	108,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$7,350	0	3.080%	\$0	0.000%	\$0	3.080%	\$0
7,350	9,200	226	3.140	0	0.420	226	3.560	7,350
9,200	14,400	284	3.150	8	0.510	292	3.660	9,200
14,400	17,250	447	3.830	35	0.510	482	4.340	14,400
17,250	28,750	556	3.840	50	0.550	606	4.390	17,250
28,750	30,000	998	3.830	113	0.510	1,111	4.340	28,750
30,000	60,000	1,046	3.890	119	0.510	1,165	4.400	30,000
60,000	69,000	2,213	3.950	272	0.510	2,485	4.460	60,000
69,000		2,568	3.950	318	0.510	2,886	4.460	69,000

¹ Base tax rate includes the base tax and the 14 percent increase on the base and on the surcharge.

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1996 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Over	Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
			Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$8,000		\$0	2.960%	\$0	0.000%	\$0	2.960%	\$0
8,000	8,400		237	3.420	0	0.000	237	3.420	8,000
8,400	15,000		251	3.490	0	0.510	251	4.000	8,400
15,000	25,000		482	3.840	33	0.550	515	4.390	15,000
25,000	60,000		866	3.890	88	0.510	954	4.400	25,000
60,000			2,228	3.950	266	0.510	2,494	4.460	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Over	Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
			Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$14,400		\$0	2.960%	\$0	0.000%	\$0	2.960%	\$0
14,400	27,000		427	3.490	0	0.510	427	4.000	14,400
27,000	45,000		867	3.840	64	0.550	931	4.390	27,000
45,000	108,000		1,559	3.890	162	0.510	1,721	4.400	45,000
108,000			4,009	3.950	484	0.510	4,493	4.460	108,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Over	Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
			Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$7,350		\$0	2.960%	\$0	0.000%	\$0	2.960%	\$0
7,350	9,200		218	3.020	0	0.420	218	3.440	7,350
9,200	9,600		275	3.040	7	0.510	282	3.550	9,200
9,600	17,250		287	3.490	9	0.510	296	4.000	9,600
17,250	18,000		554	3.500	48	0.550	602	4.050	17,250
18,000	28,750		580	3.840	52	0.550	632	4.390	18,000
28,750	30,000		993	3.830	111	0.510	1,104	4.340	28,750
30,000	69,000		1,041	3.890	117	0.510	1,158	4.400	30,000
69,000	72,000		2,557	3.890	317	0.510	2,874	4.400	69,000
72,000			2,673	3.950	333	0.510	3,006	4.460	72,000

¹Base tax rate includes the base tax and the 14 percent increase on the base tax and on the surcharge.

1995 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$8,000	\$0	2.960%	\$0	0.000%	\$0	2.960%	\$0
8,000	8,400	237	3.420	0	0.000	237	3.420	8,000
8,400	15,000	251	3.490	0	0.510	251	4.000	8,400
15,000	25,000	482	3.840	33	0.550	515	4.390	15,000
25,000	60,000	866	3.890	88	0.510	954	4.400	25,000
60,000		2,228	3.950	266	0.510	2,494	4.460	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$14,400	\$0	2.960%	\$0	0.000%	\$0	2.960%	\$0
14,400	27,000	427	3.490	0	0.510	427	4.000	14,400
27,000	45,000	867	3.840	64	0.550	931	4.390	27,000
45,000	108,000	1,559	3.890	162	0.510	1,721	4.400	45,000
108,000		4,009	3.950	484	0.510	4,493	4.460	108,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$7,350	\$0	2.960%	\$0	0.000%	\$0	2.960%	\$0
7,350	9,200	218	3.020	0	0.420	218	3.440	7,350
9,200	9,600	275	3.040	7	0.510	282	3.550	9,200
9,600	17,250	287	3.490	9	0.510	296	4.000	9,600
17,250	18,000	554	3.500	48	0.550	602	4.050	17,250
18,000	28,750	580	3.840	52	0.550	632	4.390	18,000
28,750	30,000	993	3.830	111	0.510	1,104	4.340	28,750
30,000	69,000	1,041	3.890	117	0.510	1,158	4.400	30,000
69,000	72,000	2,557	3.890	317	0.510	2,874	4.400	69,000
72,000		2,673	3.950	333	0.510	3,006	4.460	72,000

¹Base tax rate includes the base tax and the 14 percent increase on the base tax and on the surcharge.

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1991-1994 RATE SCHEDULE¹

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$8,000	\$0	2.510%	\$0	0.000%	\$0	2.510%	\$0
8,000	9,000	201	3.080	0	0.000	201	3.080	8,000
9,000	15,000	232	3.150	0	0.510	232	3.660	9,000
15,000	25,000	421	3.730	31	0.550	452	4.280	15,000
25,000	60,000	794	3.890	86	0.510	880	4.400	25,000
60,000		2,156	3.950	264	0.510	2,420	4.460	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$14,400	\$0	2.510%	\$0	0.000%	\$0	2.510%	\$0
14,400	15,500	361	3.080	0	0.000	361	3.080	14,400
15,500	27,000	395	3.150	0	0.510	395	3.660	15,500
27,000	45,000	757	3.730	59	0.550	816	4.280	27,000
45,000	108,000	1,428	3.890	158	0.510	1,586	4.400	45,000
108,000		3,879	3.950	479	0.510	4,358	4.460	108,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$7,800	\$0	2.510%	\$0	0.000%	\$0	2.510%	\$0
7,800	8,800	196	2.510	0	0.000	196	2.510	7,800
8,800	16,500	221	3.150	0	0.510	221	3.660	8,800
16,500	27,500	464	3.730	39	0.550	503	4.280	16,500
27,500	66,000	873	3.890	100	0.510	973	4.400	27,500
66,000		2,371	3.950	296	0.510	2,667	4.460	66,000

¹Base tax rate includes the base tax and the 14 percent increase on the base tax and on the surcharge.

1990 RATE SCHEDULE

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$8,000	\$0	2.200%	\$0	0.000%	\$0	2.200%	\$0
8,000	9,000	176	2.700	0	0.000	176	2.700	8,000
9,000	15,000	203	2.700	0	0.510	203	3.210	9,000
15,000	25,000	365	3.200	31	0.550	396	3.750	15,000
25,000	60,000	685	3.350	86	0.510	771	3.860	25,000
60,000		1,858	3.400	264	0.510	2,122	3.910	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$14,400	\$0	2.200%	\$0	0.000%	\$0	2.200%	\$0
14,400	15,500	317	2.700	0	0.000	317	2.700	14,400
15,500	27,000	347	2.700	0	0.510	347	3.210	15,500
27,000	45,000	657	3.200	59	0.550	716	3.750	27,000
45,000	108,000	1,233	3.350	158	0.510	1,391	3.860	45,000
108,000		3,344	3.400	479	0.510	3,823	3.910	108,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax ¹		Surcharge		Combined Tax		Of the Amount Over
		Pay	Plus	Pay	Plus	Pay	Plus	
\$0	\$8,800	\$0	2.200%	\$0	0.000%	\$0	2.200%	\$0
8,800	16,500	194	2.700	0.00	0.510	194	3.210	8,800
16,500	27,500	402	3.200	39	0.550	441	3.750	16,500
27,500	66,000	754	3.350	100	0.510	854	3.860	27,500
66,000		2,044	3.400	296	0.510	2,340	3.910	66,000

¹Base tax rate includes the base tax and the 14 percent increase on the base tax and on the surcharge.

1989 RATE SCHEDULE

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$8,000	\$0	2.200%	\$0
8,000	15,000	176	2.700	8,000
15,000	25,000	365	3.200	15,000
25,000	60,000	685	3.350	25,000
60,000		1,858	3.400	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$14,400	\$0	2.200%	\$0
14,400	27,000	317	2.700	14,400
27,000	45,000	657	3.200	27,000
45,000	108,000	1,233	3.350	45,000
108,000		3,344	3.400	108,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$8,800	\$0	2.200%	\$0
8,800	16,500	194	2.700	8,800
16,500	27,500	402	3.200	16,500
27,500	66,000	754	3.350	27,500
66,000		2,044	3.400	66,000

1988 RATE SCHEDULE

Rate Schedule for Single Filers*If net income is:*

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$2,500	\$0	1.500%	\$0
2,500	9,000	38	2.200	2,500
9,000	15,000	181	2.700	9,000
15,000	25,000	343	3.200	15,000
25,000	60,000	663	3.400	25,000
60,000		1,853	3.500	60,000

Rate Schedule for Joint Filers*If net income is:*

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$4,500	\$0	1.500%	\$0
4,500	16,200	68	2.200	4,500
16,200	27,000	325	2.700	16,200
27,000	45,000	617	3.200	27,000
45,000	108,000	1,193	3.400	45,000
108,000		3,335	3.500	108,000

Rate Schedule for Head of Household Filers*If net income is:*

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$2,750	\$0	1.500%	\$0
2,750	9,900	41	2.200	2,750
9,900	16,500	198	2.700	9,900
16,500	27,500	376	3.200	16,500
27,500	66,000	728	3.400	27,500
66,000		2,037	3.500	66,000

1987 RATE SCHEDULE

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$2,500	\$0	1.500%	\$0
2,500	5,000	38	1.800	2,500
5,000	9,000	83	2.200	5,000
9,000	13,000	171	2.600	9,000
13,000	17,000	275	3.000	13,000
17,000	21,000	395	3.400	17,000
21,000	25,000	531	3.700	21,000
25,000	60,000	679	3.900	25,000
60,000		2,044	4.100	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$4,125	\$0	1.500%	\$0
4,125	8,250	62	1.800	4,125
8,250	14,850	136	2.200	8,250
14,850	21,450	281	2.600	14,850
21,450	28,050	453	3.000	21,450
28,050	34,650	651	3.400	28,050
34,650	41,250	875	3.700	34,650
41,250	99,000	1,119	3.900	41,250
99,000		3,371	4.100	99,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$2,750	\$0	1.500%	\$0
2,750	5,500	41	1.800	2,750
5,500	9,900	91	2.200	5,500
9,900	14,300	188	2.600	9,900
14,300	18,700	302	3.000	14,300
18,700	23,100	434	3.400	18,700
23,100	27,500	584	3.700	23,100
27,500	66,000	747	3.900	27,500
66,000		2,249	4.100	66,000

1966 THROUGH 1986 RATE SCHEDULE

Rate Schedule for 1976 Through 1986 for All filers*If net income is:*

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$1,000	\$0	0.900%	\$0
1,000	3,000	9	1.400	1,000
3,000	5,000	37	1.800	3,000
5,000	7,000	73	2.000	5,000
7,000	9,000	113	2.300	7,000
9,000	11,000	159	2.500	9,000
11,000	13,000	209	2.700	11,000
13,000	15,000	263	2.900	13,000
15,000	17,000	321	3.100	15,000
17,000	19,000	383	3.300	17,000
19,000	21,000	449	3.500	19,000
21,000	23,000	519	3.800	21,000
23,000	25,000	595	4.000	23,000
25,000		675	4.300	25,000

Rate Schedule for 1971 Through 1975 for All filers*If net income is:*

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$1,000	\$0	0.700%	\$0
1,000	3,000	7	1.100	1,000
3,000	6,000	29	1.400	3,000
6,000	10,000	71	1.800	6,000
10,000	15,000	143	2.100	10,000
15,000	20,000	248	2.500	15,000
20,000	25,000	373	2.800	20,000
25,000	30,000	513	3.200	25,000
30,000		673	3.500	30,000

Rate Schedule for 1966 Through 1970 for All filers*If net income is:*

Over	But Not Over	Pay	Plus	Of the Amount Over
\$0	\$1,000	\$0	0.400%	\$0
1,000	3,000	4	0.600	1,000
3,000	6,000	16	0.800	3,000
6,000	10,000	40	1.000	6,000
10,000	15,000	80	1.200	10,000
15,000	20,000	140	1.400	15,000
20,000	25,000	210	1.600	20,000
25,000	30,000	290	1.800	25,000
30,000		380	2.000	30,000

APPENDIX II PERSONAL INCOME TAX

3. Summary Tables

Table 1.
New York City Top Personal Income Tax Rates¹

Tax Year	SINGLE FILERS		JOINT FILERS		HEAD OF HOUSEHOLD FILERS	
	Taxable Income Over	Top Rate	Taxable Income Over	Top Rate	Taxable Income Over	Top Rate
2015 ^{2,4,8}	\$500,000	3.88%	\$500,000	3.88%	\$500,000	3.88%
2014 ^{2,4,8}	500,000	3.88	500,000	3.88	500,000	3.88
2013 ^{2,4,8}	500,000	3.88	500,000	3.88	500,000	3.88
2012 ^{2,4,8}	500,000	3.88	500,000	3.88	500,000	3.88
2011 ^{2,4,8}	500,000	3.88	500,000	3.88	500,000	3.88
2010 ^{2,4,8}	500,000	3.88	500,000	3.88	500,000	3.88
2009 ^{2,4}	50,000	3.65	90,000	3.65	60,000	3.65
2008 ^{2,4}	50,000	3.65	90,000	3.65	60,000	3.65
2007 ^{2,4}	50,000	3.65	90,000	3.65	60,000	3.65
2006 ^{2,4}	50,000	3.65	90,000	3.65	60,000	3.65
2005 ^{3,4}	100,000	4.45	150,000	4.45	125,000	4.45
2004 ^{3,4}	100,000	4.45	150,000	4.45	125,000	4.45
2003 ^{3,4}	100,000	4.45	150,000	4.45	125,000	4.45
2002 ^{4,6}	50,000	3.65	90,000	3.65	60,000	3.65
2001 ^{4,5}	50,000	3.59	90,000	3.59	60,000	3.59
2000 ⁴	50,000	3.78	90,000	3.78	60,000	3.78
1999 ⁴	50,000	3.83	90,000	3.83	60,000	3.83
1998	50,000	4.46	90,000	4.46	60,000	4.46
1997	50,000	4.46	90,000	4.46	60,000	4.46
1996	60,000	4.46	108,000	4.46	72,000	4.46
1995	60,000	4.46	108,000	4.46	69,000	4.46
1994	60,000	4.46	108,000	4.46	66,000	4.46
1993	60,000	4.46	108,000	4.46	66,000	4.46
1992	60,000	4.46	108,000	4.46	66,000	4.46
1991	60,000	4.46	108,000	4.46	66,000	4.46
1990	60,000	3.91	108,000	3.91	66,000	3.91
1989	60,000	3.40	108,000	3.40	66,000	3.40

¹ For complete rate schedules refer to History of Rate Schedules.

² Reflects the termination of the temporary tax increase and the two upper income brackets and rates.

³ Reflects the top rate applied to the new higher income bracket of the temporary rate schedule for tax years 2003 through 2005.

⁴ Reflects the expiration of the 12.5 percent surcharge and the State-sponsored STAR reductions.

⁵ Reflects both the reductions of the 14 percent additional tax enacted for tax year 2001 and the last installment of the STAR program rate cut, effective January 1, 2001.

⁶ Reflects the re-instatement of the 14 percent additional tax effective January 1, 2002.

⁷ 1982 and 1984 taxpayers with AGI from \$15,000-\$20,000 paid a 2.5 percent surcharge. A five percent surcharge was levied on taxpayers with AGI over \$20,000. For 1983, the surcharge rates were doubled.

⁸ Reflects the expiration of the STAR rate cut for taxable income over \$500,000 effective January 1, 2010.

Table 1.
New York City Top Personal Income Tax Rates¹ continued

Tax Year	SINGLE FILERS		JOINT FILERS		HEAD OF HOUSEHOLD FILERS	
	Taxable Income Over	Top Rate	Taxable Income Over	Top Rate	Taxable Income Over	Top Rate
1988	60,000	3.50	108,000	3.50	66,000	3.50
1987	60,000	4.10	99,000	4.10	66,000	4.10
1986	25,000	4.30	25,000	4.30	25,000	4.30
1985	25,000	4.30	25,000	4.30	25,000	4.30
1984 ⁷	25,000	4.30	25,000	4.30	25,000	4.30
1983 ⁷	25,000	4.30	25,000	4.30	25,000	4.30
1982 ⁷	25,000	4.30	25,000	4.30	25,000	4.30
1981	25,000	4.30	25,000	4.30	25,000	4.30
1980	25,000	4.30	25,000	4.30	25,000	4.30
1979	25,000	4.30	25,000	4.30	25,000	4.30
1978	25,000	4.30	25,000	4.30	25,000	4.30
1977	25,000	4.30	25,000	4.30	25,000	4.30
1976	25,000	4.30	25,000	4.30	25,000	4.30
1975	30,000	3.50	30,000	3.50	30,000	3.50
1974	30,000	3.50	30,000	3.50	30,000	3.50
1973	30,000	3.50	30,000	3.50	30,000	3.50
1972	30,000	3.50	30,000	3.50	30,000	3.50
1971	30,000	3.50	30,000	3.50	30,000	3.50
1970	30,000	2.00	30,000	2.00	30,000	2.00
1969	30,000	2.00	30,000	2.00	30,000	2.00
1968	30,000	2.00	30,000	2.00	30,000	2.00
1967	30,000	2.00	30,000	2.00	30,000	2.00
1966	30,000	2.00	30,000	2.00	30,000	2.00

¹ For complete rate schedules refer to History of Rate Schedules.

² Reflects the termination of the temporary tax increase and the two upper income brackets and rates.

³ Reflects the top rate applied to the new higher income bracket of the temporary rate schedule for tax years 2003 through 2005.

⁴ Reflects the expiration of the 12.5 percent surcharge and the State-sponsored STAR reductions.

⁵ Reflects both the reductions of the 14 percent additional tax enacted for tax year 2001 and the last installment of the STAR program rate cut, effective January 1, 2001.

⁶ Reflects the re-instatement of the 14 percent additional tax effective January 1, 2002.

⁷ 1982 and 1984 taxpayers with AGI from \$15,000-\$20,000 paid a 2.5 percent surcharge. A five percent surcharge was levied on taxpayers with AGI over \$20,000. For 1983, the surcharge rates were doubled.

⁸ Reflects the expiration of the STAR rate cut for taxable income over \$500,000 effective January 1, 2010.

Table 2.
New York City Exemptions, 1966-2015

TAX YEAR	EXEMPTION		TAX YEAR	EXEMPTION	
	Filer	Each Dependent		Filer	Each Dependent
2015	None	\$1,000	1981	750	750
2014	None	\$1,000	1980	750	750
2013	None	\$1,000	1979	700	700
2012	None	1,000	1978	650	650
2011	None	1,000	1977	650	650
2010	None	1,000	1976	650	650
2009	None	1,000	1975	600	600
2008	None	1,000	1974	600	600
2007	None	1,000	1973	600	600
2006	None	1,000	1972	600	600
2005	None	1,000	1971	600	600
2004	None	1,000	1970	600	600
2003	None	1,000	1969	600	600
2002	None	1,000	1968	600	600
2001	None	1,000	1967	600	600
2000	None	1,000	1966	600	600
1999	None	1,000			
1998	None	1,000			
1997	None	1,000			
1996	None	1,000			
1995	None	1,000			
1994	None	1,000			
1993	None	1,000			
1992	None	1,000			
1991	None	1,000			
1990	None	1,000			
1989	None	1,000			
1988	None	1,000			
1987	900	900			
1986	850	850			
1985	850	850			
1984	800	800			
1983	800	800			
1982	800	800			

Table 3.
New York City Standard Deductions, 1966-2015

TAX YEAR	STANDARD DEDUCTION				
	Single Filer	Joint Filer	Head of Household	Dependent Taxpayer	
2015	\$7,900	\$15,850	\$11,100	\$3,100	
2014	7,800	15,650	10,950	3,100	
2013	7,700	15,400	10,800	3,050	
2012	7,500	15,000	10,500	3,000	
2011	7,500	15,000	10,500	3,000	
2010	7,500	15,000	10,500	3,000	
2009	7,500	15,000	10,500	3,000	
2008	7,500	15,000	10,500	3,000	
2007	7,500	15,000	10,500	3,000	
2006	7,500	15,000	10,500	3,000	
2005	7,500	14,600	10,500	3,000	
2004	7,500	14,600	10,500	3,000	
2003	7,500	14,600	10,500	3,000	
2002	7,500	14,200	10,500	3,000	
2001	7,500	13,400	10,500	3,000	
2000	7,500	13,000	10,500	3,000	
1999	7,500	13,000	10,500	3,000	
1998	7,500	13,000	10,500	3,000	
1997	7,500	13,000	10,500	3,000	
1996	7,400	12,350	10,000	2,900	
1995	6,600	10,800	8,150	2,800	
1994	6,000	9,500	7,000	2,800	
1993	6,000	9,500	7,000	2,800	
1992	6,000	9,500	7,000	2,800	
1991	6,000	9,500	7,000	2,800	
1990	6,000	9,500	7,000	2,800	
1989	6,000	9,500	7,000	2,800	
1988	5,000	8,500	6,000	2,800	
1987	3,600	5,300	4,600	2,800	
1986	2,600	3,000	3,000	None	
1985	2,500	2,750	2,750	None	
1984	17% of AGI subject to a minimum of and a maximum of	1,500 2,500	2,000 2,500	1,500 2,500	None None
1983	17% of AGI subject to a minimum of	1,500	2,000	1,500	None

Table 3.
New York City Standard Deductions, 1966-2015 continued

TAX YEAR		STANDARD DEDUCTION			
		Single Filer	Joint Filer	Head of Household	Dependent Taxpayer
1982	17% of AGI subject to a minimum of and a maximum of	1,500 2,500	2,000 2,500	1,500 2,500	None None
1981	17% of AGI subject to a minimum of and a maximum of	1,500 2,500	2,000 2,500	1,500 2,500	None None
1980	16% of AGI subject to a minimum of and a maximum of	1,400 2,400	1,900 2,400	1,400 2,400	None None
1979	16% of AGI subject to a minimum of and a maximum of	1,400 2,400	1,900 2,400	1,400 2,400	None None
1978	16% of AGI subject to a minimum of and a maximum of	1,400 2,400	1,900 2,400	1,400 2,400	None None
1977	15% of AGI subject to a minimum of and a maximum of	1,000 2,000	1,500 2,000	1,000 2,000	None None
1976	15% of AGI subject to a minimum of and a maximum of	1,000 2,000	1,500 2,000	1,000 2,000	None None
1975	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1974	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1973	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1972	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1971	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1970	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1969	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1968	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1967	Lesser of 10% of AGI or,	1,000	1,000	1,000	None
1966	Lesser of 10% of AGI or,	1,000	1,000	1,000	None

Table 4.
The Income Thresholds Below Which No Tax is Owed¹

Tax Year	SINGLE FILER	JOINT FILER w/2 dependents	HEAD OF HOUSEHOLD w/2 dependents
2015	\$10,067	\$22,150	\$15,267
2014	9,967	\$21,950	\$15,117
2013	9,867	\$21,717	\$14,967
2012	9,667	21,317	14,667
2011	9,667	21,317	14,667
2010	9,667	21,317	14,667
2009	9,667	21,317	14,667
2008	12,505	26,993	17,505
2007	12,505	26,993	17,505
2006	11,473	24,929	16,473
2005	9,667	20,917	14,667
2004	9,667	20,917	14,667
2003	9,667	20,917	14,667
2002	9,667	20,517	14,667
2001	9,847	20,076	14,847
2000	9,006	17,830	14,006
1999	8,500	16,164	13,500
1998	7,906	15,406	12,906
1997	7,516	15,016	12,516
1996	7,417	14,367	12,017
1995	6,617	12,817	10,167
1994	6,020	11,520	9,020
1993	6,020	11,520	9,020
1992	6,020	11,520	9,020
1991	6,020	11,520	9,020
1990	6,023	11,524	9,025
1989	6,023	11,524	9,025

¹ Refers to the NYAGI threshold below which no tax is owed. This occurs as NYAGI reduced by standard deductions and exemptions for dependents leads to maximum taxable income at which tax liability equals available credit resulting in \$0 tax owed.

NY AGI = Fed AGI adjusted for NY additions and subtractions; Taxable Income = NY AGI - Standard Deduction - Exemptions;
Tax Liability = Taxable Income * Tax Rate; Tax Owed = Tax Liability - Credit.

Assumes use of the non-senior STAR Credit for 1997 through 2005, non-senior middle class STAR Credit for 2006, 2007 and 2008, and STAR Credit for 2009-2011, and no use of the resident UBT credit, the NYC household credit, or the childcare credit.

Table 4.
The Income Thresholds Below Which No Tax is Owed¹ continued

Tax Year	SINGLE FILER	JOINT FILER w/2 dependents	HEAD OF HOUSEHOLD w/2 dependents
1988	5,034	10,535	8,036
1987	4,534	8,035	7,336
1986	3,506	5,506	5,506
1985	3,406	5,356	5,356
1984	2,356	4,456	3,956
1983	2,356	4,456	3,956
1982	2,356	4,456	3,956
1981	2,306	4,306	3,806
1980	2,206	4,206	3,706
1979	2,156	4,056	3,556
1978	2,106	3,906	3,406
1977	1,706	3,506	3,006
1976	1,706	3,506	3,006
1975	1,672	2,872	2,872
1974	1,672	2,872	2,872
1973	1,672	2,872	2,872
1972	1,672	2,872	2,872
1971	1,672	2,872	2,872
1970	1,725	2,926	2,926
1969	1,725	2,926	2,926
1968	1,725	2,926	2,926
1967	1,725	2,926	2,926
1966	1,725	2,926	2,926

¹ Refers to the NYAGI threshold below which no tax is owed. This occurs as NYAGI reduced by standard deductions and exemptions for dependents leads to maximum taxable income at which tax liability equals available credit resulting in \$0 tax owed.

NY AGI = Fed AGI adjusted for NY additions and subtractions; Taxable Income = NY AGI - Standard Deduction - Exemptions;
Tax Liability = Taxable Income * Tax Rate; Tax Owed = Tax Liability - Credit.

Assumes use of the non-senior STAR Credit for 1997 through 2005, non-senior middleclass STAR Credit for 2006, 2007 and 2008, and STAR Credit for 2009-2011, and no use of the resident UBT credit, the NYC household credit, or the childcare credit.

Table 5.
Low Income NYC Tax Credits

NYC CHILD CARE CREDIT

A refundable City personal income tax credit is allowed for child care expenses of those up to the age of four. For taxpayers whose NYS AGI are below \$25,000, the applicable percentage is 75 percent of eligible expenses, and this percentage declines to zero as household gross income approaches \$30,000.

NYS AGI	Maximum NYC Credit* Tax Year 2015
\$25,000 and below	\$1,733
\$30,000 and over	\$0

** Numbers may not add due to rounding.*

NYC EARNED INCOME CREDIT:

For tax years beginning on or after January 1, 2004, NYC residents are allowed a credit against their personal income tax equaling five percent of the Federal earned income tax credit allowed under section 32 of the Internal Revenue Code (IRC) for the same taxable year (New York City Local Law 39).

Tax Year 2013 Average Credit Estimate Filer Type	Qualifying Children			
	None	One	Two	More Than Two
Single	\$15	\$130	\$204	\$205
Married Joint	\$19	\$128	\$203	\$232
Head of Household	\$17	\$114	\$183	\$200

MAXIMUM CREDIT AND CUT-OFF

Qualifying Children	Earned Income Range for Maximum Credit		Earned Income Cut-off Level		Maximum NYC Credit
	Joint Filers	All Other	Joint Filers	All Other	All Filers
None	\$6,350-\$13,350	\$6,350-\$8,000	\$19,680	\$14,340	\$24
One	\$9,550-\$22,900	\$9,550-\$17,550	43,210	37,870	163
Two	\$13,400-\$22,900	\$13,400-\$17,550	48,378	43,038	269
More Than Two	\$13,400-\$22,900	\$13,400-\$17,550	51,567	46,227	302

Table 5.
Low Income NYC Tax Credits, continued

NYC HOUSEHOLD CREDIT

For tax years beginning on or after January 1, 1987, NYC filers are allowed a nonrefundable low-income credit known as the NYC Household Credit against their City's personal income tax for the same tax year. The credit allowed equals a fixed amount per federal exemption based on household gross income level.

Single Filers

If Household Gross Income Is:	1987-95	1996-15
Not over \$7,500	\$15	\$15
Over \$7,500 but not over \$10,000	10	15
Over \$10,000 but not over \$12,500	0	10

All Other**

If household gross income is:	1987	1988	1989-95	1996-15
Not over \$12,500	\$30	\$50	\$50	\$60
Over \$12,500 but not over \$15,000	20	40	50	60
Over \$15,000 but not over \$17,500	10	20	25	50
Over \$17,500 but not over \$20,000	0	15	15	30
Over \$20,000 but not over \$22,500	0	0	0	20

* Credit amount for each Federal exemption

**Assumes married with two dependents

**Table 6.
Other NYC Tax Credits**

STAR CREDIT

As part of New York State's budget for fiscal year 1997-98, the State enacted the STAR program to provide education aid and tax relief to localities. In addition to reductions in the property tax, the STAR program reduced City personal income tax liability through both a rate cut and a refundable credit. The credit is effective in tax year 1998 and increased according to the below schedule.

The STAR rate cut is an across the board reduction in tax rates starting in tax year 1999 and increasing through tax year 2001 according to the schedule shown in the table. The State reimburses the City for the foregone personal income tax revenue. As part of New York State's budget for fiscal year 1998-99, the State accelerated the STAR program credit for senior citizens. Beginning in tax year 1998, senior citizen resident personal income tax filers were eligible for the full STAR credit. The New York State enacted budget for fiscal year 2015-16 included a provision to eliminate the entire STAR rate cut for filers in New York City earning over \$500k, retroactive to January 1, 2015.

Beginning in tax year 2016, the New York City STAR credit was eliminated and replaced by a New York State STAR credit in the same amount..

Tax Year		1999	2000	2001-05	2006	2007-08	2009*	2010-12**	2013-14**	2015***	2016****
Credit	Filer Type										
	Joint Filers	\$35	\$85	\$125	\$230	\$290	\$125	\$125	\$125	\$125	\$0
	All Other	30	45	62.50	115	145	62.50	62.50	63	63	0
Rate Cut	All Filers	(1.25%)	(2.50%)	(5.87%)	(5.87%)	(5.87%)	(5.87%)	(5.87%)	(5.87%)	(5.87%)	(5.87%)

* Only for taxpayers with gross income less than \$250,000.

** Credit only for taxpayers with gross incomes less than \$250,000, and rate cut only for income under \$500,000.

*** Rate cut completely eliminated for taxpayers with gross incomes more than \$500,000.

**** NYC STAR credit replaced by New York State STAR credit

NYC UNINCORPORATED BUSINESS TAX CREDIT

In 1997, the State enacted legislation enabling the City to establish a credit against the personal income tax for owners of unincorporated businesses for a portion of their distributive share of unincorporated business tax liability, effective beginning of tax year 1997. The credit is based on a sliding scale, and ranges from a high of 100 percent of unincorporated business tax liability for taxpayers with NYS AGI of \$42,000 or less, to 23 percent of liability for taxpayers with NYS AGI of \$142,000 or more.

Taxable Income	Range	Credit as % of UBT Paid	
		1997-07	2008-14
Not over \$42,000	Maximum	65%	100%
\$142,000 and above	Minimum	15%	23%

NYC S-CORPORATION CREDIT

Effective for tax year 2014, the City provides a credit against the personal income tax for owners of s-corporations for a portion of their distributive share of general corporation tax liability. The credit is based on a sliding scale, and currently ranges from a high of 100 percent of GCT liability for taxpayers with NYS AGI of \$35,000 or less, to 0 percent of GCT liability for taxpayers with NYS AGI of \$100,000 or more.

Taxable Income	Range	Credit as % of GCT Paid	
		1997-07	2014-15
Not over \$35,000	Maximum	65%	100%
\$100,000 and above	Minimum	15%	0%

Table 7. Temporary Personal Income Tax Increase

The temporary rate schedule set the new brackets at \$100,000 in taxable income for single, \$150,000 for joint and \$125,000 for head of household filers and at \$500,000 for all filers. A tax table benefit recapture provision was also imposed. The two higher rates were 4.25 percent and 4.45 percent in tax year 2003. The increase was phased out by dropping the first additional rate to 4.175 percent in 2004 and to 4.05 percent in 2005. The tax table benefit recapture provision applied a supplemental tax to adjusted gross incomes over \$150,000 which recaptured the benefit that upper income taxpayers received because lower tax rates were applied to the lower taxable incomes. The supplemental tax recaptured a fraction of the benefit previously accorded taxpayers with adjusted gross incomes of between \$150,000 and \$200,000, and would recapture all of the benefit for taxpayers with over \$200,000 of adjusted gross income (a taxpayer of any filing status with adjusted gross income over \$200,000 would be taxed at the top rate on all of his or her income).

TWO ADDITIONAL TAX RATES AND BRACKETS WERE ADDED EFFECTIVE TAX YEARS 2003 THROUGH 2005

2003 Rate Schedule		Over	But Not Over	Pay	Plus	Of the Amount Over
Single Filers	If net income is:	\$100,000	\$500,000	\$3,530	4.25%	\$100,000
		500,000		20,530	4.45	500,000
Joint Filers	If net income is:	150,000	500,000	5,260	4.25	150,000
		500,000		20,135	4.45	500,000
Head of Household Filers	If net income is:	125,000	500,000	4,418	4.25	125,000
		500,000		20,356	4.45	500,000
2004 Rate Schedule		Over	But Not Over	Pay	Plus	Of the Amount Over
Single Filers	If net income is:	\$100,000	\$500,000	\$3,530	4.175%	\$100,000
		500,000		20,230	4.45	500,000
Joint Filers	If net income is:	150,000	500,000	5,260	4.175	150,000
		500,000		19,873	4.45	500,000
Head of Household Filers	If net income is:	125,000	500,000	4,418	4.175	125,000
		500,000		20,074	4.45	500,000
2005 Rate Schedule		Over	But Not Over	Pay	Plus	Of the Amount Over
Single Filers	If net income is:	\$100,000	\$500,000	\$3,530	4.05%	\$100,000
		500,000		19,730	4.45	500,000
Joint Filers	If net income is:	150,000	500,000	5,260	4.05	150,000
		500,000		19,435	4.45	500,000
Head of Household Filers	If net income is:	125,000	500,000	4,418	4.05	125,000
		500,000		19,606	4.45	500,000

Table 8.
Personal Income Tax Income and Liability Distribution:
Tax Year 2013

NYS AGI RANGE	FILERS				NYC PIT LIABILITY	
	COUNT		NYS AGI, TOTAL		SUM	% SUM
	N	% N	SUM	% SUM		
Less or equal to 0	222,456	5.53%	(\$6,286,727,400)	(2.14%)	(\$11,717,371)	(0.14%)
\$1 - \$4,999	388,601	9.66%	\$817,030,886	0.28%	(\$23,867,614)	(0.28%)
\$5,000-\$9,999	383,635	9.54%	\$2,921,815,453	0.99%	(\$31,703,520)	(0.37%)
\$10,000-\$14,999	356,617	8.87%	\$4,444,412,347	1.51%	(\$25,491,788)	(0.30%)
\$15,000-\$19,999	305,815	7.60%	\$5,317,863,071	1.81%	(\$8,475)	0.00%
\$20,000-\$24,999	251,236	6.25%	\$5,626,555,135	1.91%	\$41,457,388	0.49%
\$25,000-\$29,999	219,343	5.45%	\$6,011,571,017	2.04%	\$77,634,549	0.91%
\$30,000-\$39,999	372,044	9.25%	\$12,967,695,149	4.41%	\$232,972,116	2.73%
\$40,000-\$49,999	293,715	7.30%	\$13,177,350,369	4.48%	\$287,541,383	3.37%
\$50,000-\$74,999	466,002	11.59%	\$28,497,363,492	9.68%	\$712,250,293	8.35%
\$75,000-\$99,999	261,903	6.51%	\$22,611,173,448	7.68%	\$611,638,303	7.17%
\$100,000-\$249,999	372,621	9.27%	\$54,780,357,121	18.61%	\$1,612,040,096	18.89%
\$250,000-\$499,999	75,728	1.88%	\$25,761,607,132	8.75%	\$830,686,165	9.74%
\$500,000-\$999,999	29,474	0.73%	\$20,118,219,656	6.83%	\$683,584,185	8.01%
\$1,000,000 & Up	22,513	0.56%	\$97,588,215,573	33.15%	\$3,535,247,796	41.43%
ALL	4,021,705	100.00%	294,354,502,449	100.00%	8,532,263,506	100.00%

Data Source: PIT Study File, Distributed by NYS Office of Taxation and Finance, NYC OMB

Definitions:

Taxpayers: full-year or part-year resident taxpayers (IT-150, 201 and 203) with positive or negative tax liability after all credits (includes refundable credits NYC EITC, NYC STAR and NYC CHILDCARE)

Filers: full-year or part-year resident filers (IT-150, 201 and 203) with positive or negative tax liability after all credits and filers with tax liability equal to zero.

NYC PIT Liability: equals liability of filers, includes positive tax liability (refundable credits less than tax paid) and negative tax liability (refundable credits greater than tax paid)

NYC PIT Liability: NYC_NET_TX_AMT - NYC_EITC_CR_AL_AMT - NYC_STAR_CR_AL_AMT - NYC_CHLD_CR_AL_AMT

Note:

OMB data source: PIT sample study file, NYS Department of Taxation and Finance

Table 9. History of New York City Personal Income Tax Rates 1998-2016

- **Elimination of the STAR Rate Cut for Filers with Income Over \$500,000 (2015):** Previously, filers in New York City earning over \$500,000 were entitled to the STAR rate cut for their first \$500,000 of income. In tax year 2011, the rate cut was eliminated for all of their income over \$500,000. Starting tax year 2015, the entire STAR rate cut was eliminated for these filers, removing their ability to take advantage of the lower marginal rates for the first \$500,000 of income.
- **Expiration of the STAR Rate Cut for Taxable Income over \$500,000 (2010-Present):** The top NYC PIT rate is 3.88%, composed of the 3.4% base rate and the 14% increase. The 3.4% base rate reflects the expiration of the STAR rate cut for taxable income greater than \$500,000. The STAR rate cut still applies to taxable income under \$500,000.
- **Full STAR Rate Cut & 14% Increase (2002, 2006-2009):** The top NYC PIT rate was 3.65%, reflecting a 3.2% base rate that includes the STAR rate cut and the 14% increase.
- **Temporary Tax Increase (2003-2005):** The top NYC PIT rate was raised to 4.45% as part of the temporary tax increase imposed by NYS, with two new brackets that superseded the normal rate tables and a rate recapture provision.
- **Rate Cut and Restructure (2001):** The top NYC PIT was reduced to 3.59% as a result of a temporary lowering of the 14% increase for tax year 2001 and the full STAR rate cut.
- **STAR Rate Cut (1999-2001):** For tax years 1999-2001, the top NYC PIT base rate of 3.4% was gradually reduced by the School Tax Relief rate cut implemented by NYS. Including the 14% increase, the top NYC PIT rates were 3.83% in 1999, 3.78% in 2000 and 3.59% in 2001.
- **14% Rate Increase (1991-Present):** The top NYC PIT rate was increased to 4.46% for tax years 1991-1998, reflecting the 3.4% base rate, the 12.5% surcharge, and a 14% increase on the combined base rate and 12.5% surcharge. The 14% increase was enacted by NYC in 1991 and has been periodically extended through 2015.
- **12.5% Surcharge (1990-1998):** The top NYC PIT rate was increased to 3.91% for tax year 1990, reflecting the addition of the 12.5% surcharge to the 3.4% base rate. The surcharge was enacted by NYC for tax year 1990 and was extended through tax year 1998.
- **NYC PIT Base Rates (1989-Present):** The top NYC PIT rate was set at 3.4% in 1989 as part of the NYC Tax Reduction Act of 1987.

NEW YORK CITY PERSONAL INCOME TAX RATE FOR TOP INCOME BRACKET

Tax Year	Combined Rate =	Base Rate +	STAR Rate Cut +	12.5% Surcharge +	14% Increase
2010-16	3.88%	3.40%	—	—	.48%
2002, 2006-09	3.65%	3.40%	(0.20%)	—	.45%
2003-05	4.45%	Temporary Tax Increase: Rate set by legislation			
2001	3.59%	3.40%	(0.20%)	—	.39%
2000	3.78%	3.40%	(0.08%)	—	.46%
1999	3.83%	3.40%	(0.04%)	—	.47%
1991-98	4.46%	3.40%	—	.51%	.55%
1990	3.91%	3.40%	—	.51%	—
1989	3.40%	3.40%	—	—	—

APPENDIX II
PERSONAL INCOME TAX

4.
New York City
Withholding Table Changes
1980–2015

New York City Withholding Table Changes 1980–2016

Withholding tables are adjusted to reflect changes made for tax rates, standard deduction, or the dependent exemption. These changes in withholding tables are listed below.

Effective Date	Change	Description
01/01/15	Rate Schedule	Rates decreased: Top base increased as result of the removal of STAR <i>The January 1, 2015 withholding table change reflects the elimination of the entire STAR rate cut for filers with taxable income over \$500,000. This altered the base amount of tax but not the top withholding rate.</i>
01/01/11	Rate Schedule	Rates decreased: Top rate decreased to 4.25 percent from 4.75 percent <i>The January 1, 2011 withholding table change reflects the full-year collection impact of the STAR rate cut for taxable income over \$500,000.</i>
09/01/10	Rate Schedule	Rates Increased: Top rate increased to 4.75 percent from 4 percent <i>The September 1, 2010 withholding table change reflects the expiration of the STAR rate cut for taxable income over \$500,000 for tax year 2010, and reflects the delayed institution of the withholding table which collects all of the 2010 increased withholding liability in four months.</i>
01/01/06	Rate Schedule	Rates decreased: Top rate decreased to 4 percent from 4.8 percent <i>The January 1, 2006 withholding table change reflects the expiration of the temporary personal income tax increase for 2003 through 2005.</i>
01/01/05	Rate Schedule	Rates decreased: Second top rate decreased to 4.4 percent from 4.53 percent <i>The January 1, 2005 withholding table change reflects the reduction in the second top rate for 2005.</i>
01/01/04	Rate Schedule	Rates decreased: Top rate decreased to 4.80% from 5.6 percent <i>The January 1, 2004 withholding table reflects the addition of two upper income brackets and rates for 2004.</i>
07/01/03	Rate Schedule	Rates increased: Top rate increased to 5.6 percent from 4.0 percent <i>The July 1, 2003 withholding table change reflects the enactment of the two upper income brackets and rates for tax year 2003, and reflects the delayed institution of the withholding table which collects all of the 2003 increased withholding liability in six months.</i>
06/01/02	Rate Schedule	Rates increased: Top rate increased to 4. percent percent from 3.9 percent <i>The June 1, 2002 withholding table change reflects the re-institution of the full 14 percent additional tax.</i>
10/01/01	Rate Schedule	Rates decreased: Top rate reduced to 3.9 percent from 4. percent <i>The October 1, 2001 withholding table change reflects the second reduction of the 14 percent additional tax.</i>
01/01/01	Rate Schedule	Rates decreased: Top rate reduced to 4 percent from 4.15 percent <i>The January 1, 2001 withholding table change reflects the cut and restructuring of the 14 percent additional tax and the last installment of the STAR program rate cut.</i>
01/01/00	Nonresident (Out-of-State) Rate Schedule	Rates decreased: Nonresident rates reduced to 0.25 percent from 0.45 percent on wages and to 0.375% from 0.65% on net earnings
07/01/99	Rate Schedule	Rates decreased: Top rate reduced to 4.15 percent from 4.25 percent <i>The July 1, 1999 withholding table change reflects the first rate reduction due to the implementation of the STAR program.</i>

Effective Date	Change	Description
01/01/99	Rate Schedule	Rates decreased: Top rate reduced to 4.25 percent from 4.68 percent <i>A 14 percent personal income tax increase is effective for tax years 1991 through 1999. The October 1, 1991 withholding table change reflects the implementation of this increase.</i>
10/01/91	Rate Schedule	Rates increased: Top rate increased to 4.68 percent from 4.25 percent <i>A personal income tax surcharge is effective for tax years 1990 through 1998. The October 1, 1990 withholding table change reflects the implementation of the surcharge.</i>
10/01/90	Standard Deduction	Increased to \$5,000 for single taxpayers and to \$5,500 for married taxpayers
	Rate Schedule	Rates increased: Top rate increased to 4.25 percent from 3.9 percent
10/01/89	Rate Schedule	Rates decreased: Top rate reduced to 3.9 percent from 4 percent
10/01/88	Exemption	\$1,000 for dependents only
	Rate Schedule	Rates decreased; Top rate reduced to 4 percent from 4.2 percent
Two changes were made in 1987. The April change was due to the implementation of the last year of the Three-Year Tax Cut Program for 1985 through 1987, which increased standard deductions and personal exemptions. The October change was incorporated to reflect the New York City Tax Reduction Act of 1987.		
10/01/87	Standard Deduction	Increased to \$4,300 for single taxpayers and to
	Exemption	Increased to \$1,000 from \$900
	Rate Schedule	Rates decreased; Top rate reduced to 4.2 percent from 4.3 percent
04/01/87	Standard Deduction	Increased to \$2,500 for all taxpayers
	Exemption	Increased to \$900 from \$850
04/01/86	Standard Deduction	Increased to \$2,050 for all taxpayers
07/01/85	Standard Deduction	Increased to \$1,850 for all taxpayers
	Exemption	Increased to \$850 from \$800
01/01/85	Rate Schedule	Surcharge removed
01/01/84	Rate Schedule	Surcharge of 2.5 percent if gross wages over \$15,000 but not over \$20,000; 5 percent if gross wages over \$20,000; Reflects surcharge rates for tax year 1984
10/01/82	Rate Schedule	Surcharge of 5 percent if gross wages over \$15,000 but not over \$20,000; 10 percent if gross wages over \$20,000; Reflects surcharge rates for tax year 1983
10/01/81	Standard Deduction	17 percent of gross wages with a minimum of \$750 and a maximum of \$1,750
	Exemption	Increased to \$800 from \$750
04/01/80	Exemption	Increased to \$750 from \$700

APPENDIX II PERSONAL INCOME TAX

5. Legislative History

Personal Income Tax: Legislative History

2016

The New York City STAR credit of \$125 for joint filers and \$63 for all other filers, in effect in its current form since 2009, is eliminated for tax year 2016. Taxpayers will not be impacted as the credit in the same amount will now be against New York State personal income tax. The State will cease making reimbursement payments to the City for the credit, making the credit restructure revenue neutral.

2015

Previously, filers in New York City earning over \$500,000 were entitled to the STAR rate cut for their first \$500,000 of income, and as of tax year 2011 the rate cut was eliminated for all of their income over \$500,000. Effective for tax year 2015, the entire STAR rate cut is eliminated for these filers, removing their ability to take advantage of the lower marginal rates for the first \$500,000 of income.

2014

Effective for tax year 2014, the City will provide a credit against the personal income tax for owners of S-corporations for a portion of their distributive share of general corporation tax liability. The credit is based on a sliding scale, and ranges from a high of 100 percent of GCT liability for taxpayers with NYS AGI of \$35,000 or less, to 0 percent of UBT liability for taxpayers with NYS AGI of \$100,000 or more.

2013

Starting in tax year 2013, the standard deduction allowed for State and City personal income tax purposes will be indexed to reflect increases in the consumer price index for all urban consumers for the second quarter of the preceding year as published by the U.S. Bureau of Labor Statistics.

2012

In 2011, electronic filing and payment requirements applicable to State and City personal income taxes (and other State and State-administered local taxes) were changed, but those changes were scheduled to expire at the end of 2012. The 2011 changes have been extended until the end of 2013, with certain modifications, including the elimination of a \$25 penalty on individuals who fail to e-file, when required, their personal income tax returns, and a change in the e-filing threshold for tax preparers from the preparation of more than five tax documents to the preparation of tax documents for more than 10 different taxpayers.

2011

Under the State Marriage Equality Act, effective July 24, 2011, all marriages, including those of same-sex couples, must be treated equally under all State laws, including the Tax Law. In a technical memorandum posted on its website, the State Department of Taxation and Finance, in applying the Act, has indicated that same-sex married couples must file New York State/City personal income tax returns as married, even though their marital status is not recognized for federal tax purposes.

For State and City personal income tax purposes, a taxpayer may elect to credit a tax overpayment against the succeeding year's estimated tax. A provision that made the election irrevocable has been amended, effective September 23, 2011, to allow the taxpayer to request that the credit be reversed and the overpayment refunded. The request must be made not later than the deadline for filing the succeeding year's return. If the State Tax Commissioner determines that good cause exists for reversing the credit, the overpayment may be credited against a liability or refunded without interest. The Commissioner's decision is final and not subject to further administrative or judicial review.

Appendix II-PIT

E-filing requirements applicable to the filing of State and City personal income tax returns have been changed. Beginning September 15, 2011, an individual who prepares his or her own return using tax software will be required to e-file that return. A tax return preparer who prepares more than five returns during a calendar year beginning after 2010 will be required to e-file in any succeeding year in which he or she prepares one or more returns using tax software. These requirements, if not extended, are set to sunset at the end of 2012, at which time the rules formerly in effect will be restored.

If the State Tax Department adopts a prepaid debit card or direct deposit program for payment of State and City personal income tax refunds, an amendment to the State Taxpayers' Bill of Rights allows a taxpayer to opt out of such program and elect to receive the refund by paper check.

2010

Effective tax year 2010, the School Tax Relief (STAR) rate cut on NYC PIT is eliminated for taxable income greater than \$500,000 for all filers. The new top NYC PIT tax rate is 3.876 percent.

NYS allowable itemized deductions for taxpayers with incomes over \$10 million are limited to 25 percent of the taxpayer's charitable contributions. This limitation also applies to itemized deductions for NYC PIT filers, effective tax year 2010.

2009

Effective tax year 2009 and thereafter, the Middle-Class STAR credit is eliminated. For NYC tax filers with NYS AGI below \$250,000, the STAR credit will return to the pre-Middle Class STAR levels of \$125 for joint filers and \$62.50 for all other filers. NYC filers with NYS AGI over \$250,000 are still ineligible to receive the credit.

Effective tax year 2009, NYS allowable itemized deductions for taxpayers with incomes over \$1 million are limited to 50 percent of the taxpayer's charitable contributions. This limitation also applies to itemized deductions for NYC PIT filers.

2008

Scheduled increases in the School Tax Relief (STAR) credit allowed were delayed for one year. Under the revised schedule, the credit for married couples filing jointly and surviving spouses is \$290 for tax year 2008, \$310 for tax year 2009 and \$335 after tax year 2009. For all other taxpayers, the credit is \$145 for tax year 2008, \$155 for tax year 2009 and \$167.50 after tax year 2009. In addition, effective tax year 2008, taxpayers with income above \$250,000 are no longer eligible for the credit. (Effective tax year 2010, the \$250,000 income limit is indexed for inflation.)

To the extent includable in Federal gross income, pay received by an armed forces member for active service in a Presidentially-designated combat zone will be exempt from State and City personal income taxes for tax years beginning after tax year 2007.

The Federal qualified production activities income (QPAI) deduction allowed under section 199 of the Internal Revenue Code will not be allowed for purposes of the City general corporation tax, banking corporation tax or personal income tax for tax years beginning on or after January 1, 2008. (The uncoupling from the Federal QPAI deduction also applies to the State's corporate and personal income taxes.)

2007

For tax years beginning on or after January 1, 2007, a refundable City personal income tax credit is allowed for child care expenses of children up to the age of four. For taxpayers whose NYS AGI is under \$25,000, the applicable percentage is 75 percent of the NYS child care credit (which piggybacks on the Federal Child Care Credit). This percentage declines to zero as household AGI approaches \$30,000.

The City allows the owners of unincorporated businesses (proprietors, partnerships and limited liability companies) to claim a credit against their City personal income tax for a percentage of the unincorporated business taxes they have paid. Beginning January 1, 2007, the percentage of this credit has been raised to 100 percent from 65 percent for resident taxpayers whose NYS AGI is \$42,000 or below. For taxpayers whose income equal to or greater than \$142,000, the credit percentage is increased to 23 percent of UBT liability from 15 percent. And those whose incomes are between \$42,000 and \$142,000 the credit percentages range from 23 and 100 percent.

For tax years beginning on or after January 1, 2007, the school tax relief (STAR) credit allowed under the City personal income for taxpayers whose federal adjusted gross income less IRA distribution is \$250,000 or below, the credit has been increased to \$290 from \$230 for both married individuals filing joint returns and surviving spouses and to \$145 from \$115 for single individuals, heads of households and married individuals filing separately. For taxpayers whose federal adjusted gross income less IRA distribution is greater than \$250,000, the credit remains at its 2006 levels: \$230 for married couples filing jointly and surviving spouses and \$115 for all other taxpayers. Effective tax year 2010, the \$250,000 income limit is indexed for inflation.

Effective tax year 2007, an S corporation for Federal income tax purposes that has not made the election to be a New York S corporation will be deemed a New York S corporation if its investment income exceeds 50 percent of its Federal gross income for the year. City residents are required to include in taxable income their distributive shares of business income, losses and deductions to the same extent as for State personal income tax purposes. This rule, however, is not applicable to an S corporation that is subject to the State banking corporation tax.

2006

For tax years beginning on or after January 1, 2006, the standard deduction allowed under the New York State and City personal income taxes has been increased from \$14,600 to \$15,000 for both married individuals filing jointly and surviving spouses and from \$6,500 to \$7,500 for married individuals filing separate returns. For tax years beginning on or after January 1, 2006, the school tax relief (STAR) credit allowed under the City personal income tax has been increased from \$125 to \$230 for both married individuals filing joint returns and surviving spouses and from \$62.50 to \$115 for single individuals, heads of households and married individuals filing separately.

Effective for tax years 2006 and thereafter, NYC personal income tax rates return to the combination of the base rate and the 14 percent increase as a result of the expiration of the temporary tax rate increase effective for tax years 2003-2005. The base rate and 14 percent increase need to be extended every one-to-three years.

Retroactive to tax years beginning on or after January 1, 2004, income received by a member of the New York organized militia for active service within the state (other than training) pursuant to Federal active duty orders issued under Title 10 of the U.S. Code is exempted from State and City personal income taxes. For tax years beginning on or after January 1, 2007, a living organ donor who donates certain specified organs for human organ transplantation will be allowed a State and City personal income tax deduction of up to \$10,000 for unreimbursed expenses for travel, lodging and lost wages incurred as a result of the donation.

2004

For tax years beginning on or after January 1, 2004, NYC residents are allowed a credit against the City's personal income tax equaling five percent of the Federal earned income tax credit allowed under Section 32 of the internal revenue code for the same taxable year (NYC Local Law 39). If the City credit is greater than the taxpayer's liability (net of other allowable credits) the excess will be treated as an overpayment and refunded to the taxpayer. If the taxpayer is a City resident for only part of the tax year, the credit will be pro-rated based on the AGI for the period of residence as a share of the AGI for the full year.

NYS tax law is amended and reverses a NYS Tax Appeals Tribunal determination regarding hearing procedures for mathematical and clerical errors (known as the Meyer's Decision) and permits formal hearing rights for mathematical or clerical errors post-payment, adequately providing taxpayers with due process rights while at

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the same time allowing the acceleration in collection of outstanding tax liabilities. NYS authorizes the City Commissioner of Finance and the State Commissioner of Taxation and Finance to enter into an agreement under which certain State tax overpayments due to a taxpayer can be credited against tax warrant judgment debt owed to the City by the taxpayer. The State overpayments which can be claimed by the City as offsets are those arising under the State's corporate franchise taxes and the State, City, and Yonkers personal income taxes. Under the new law, the City can claim an offset for any City-administered income or excise tax that is the subject of a docketed tax warrant issued by the Department of Finance. This new offset program is similar to one that currently allows various state and local agencies to offset State tax over payments against debts owed to them. The new law establishes priorities where there is more than one claimant to a State overpayment.

The New York State and New York City personal income tax laws have been amended to provide that the special accrual rules that apply upon a change of status from resident to nonresident or from nonresident to resident, will apply whether the change occurs during the taxable year or at the beginning of the taxable year, as a result of a change of domicile or as a result of the application of the statutory residence rules (which consider days of presence in New York and the maintenance of a permanent place of abode in New York). In addition, where a member of a partnership or a shareholder of an S-corporation changes residence status, his or her distributive share of income and deductions from the partnership or S-corporation is to be allocated to the resident and nonresident periods on a proportionate basis throughout the taxable year of the partnership or S-corporation. The portion of the distributive share to be allocated to the period of residency is to be determined based on the number of days of residency within the entity's reporting period over the total number of days in the entity's reporting period. However, the Tax Commissioner can require, or the taxpayer can elect, to include specific items in the resident and nonresident periods in a manner that reflects the date of accrual of an item by the partnership or S-corporation. These new rules apply to taxable years beginning on or after January 1, 2004.

2003

Effective January 1, 2003, the base tax and the 14 percent additional tax were replaced by a temporary rate schedule in effect for tax years 2003 through 2005. Also two new upper income brackets and rates along with a tax table benefit recapture provision were enacted for tax years 2003 through 2005. The temporary rate schedule set the new brackets at \$100,000 in taxable income for single, \$150,000 for joint and \$125,000 for head of household filers and at \$500,000 for all filers for tax years 2003 through 2005. The two higher rates were 4.25 percent and 4.45 percent in tax year 2003. The increase was phased out by dropping the first additional rate to 4.175 percent in 2004 and to 4.05 percent in 2005. The tax table benefit recapture provision applied a supplemental tax to NYC AGI over \$150,000 which "recaptured" the benefit that upper income taxpayers received because lower tax rates were applied to the lower portions of their taxable incomes. The supplemental tax recaptured a fraction of the benefit previously accorded to taxpayers with NYC AGI between \$150,000 and \$200,000 and would recapture all of the benefit for taxpayers with over \$200,000 of AGI (a taxpayer of any filing status with NYC AGI over \$200,000 would be taxed at the top rate on all of his or her income).

The NYS and NYC personal income tax laws have been amended to provide that a resident trust will not be taxable if: (1) all the trustees are domiciled in a state other than New York; (2) the entire corpus of the trust is located outside NYS; and (3) all income and gains of the trust are from sources outside NYS.

The Federal deduction under Internal Revenue Section 179 for a Sport Utility Vehicle weighing over 6,000 lbs. is not allowed (except for eligible farmers) for NYS and City tax purposes effective for tax years 2003 and thereafter.

Certain Federal bonus depreciation provisions enacted in tax years 2002 and 2003 will not apply for NYS and City personal income tax purposes, except with respect to property located in Manhattan below Houston Street.

2002

Tax relief for the victims of the September 11, 2001 terrorist attack was provided under NYS Tax Law as part of Chapter 85 of the Laws of 2002. For tax year 2000 and after, NYS forgave the NYS, NYC and Yonkers income tax liabilities of decedents who died as a result of the attack. Income tax was forgiven for these decedents whether

they were killed in the attack or rescue or recovery operations. Any forgiven tax liability owed but not paid was not required to be paid. Any forgiven tax liability that had already been paid was refunded. This tax relief is estimated to have reduced revenues by \$7 million in City fiscal year 2003.

2001

State legislation granted the City the local authority to lower by local law the 14 percent additional tax, effective July 24, 2000. Subsequently, the 14 percent additional tax was reduced, effective January 1, 2001. The reduction in the additional tax was structured as follows: for taxable income below the top tax bracket for each filing type (\$50,000 for single filers, \$90,000 for joint filers, \$60,000 for head of household filers) the 14 percent additional tax was reduced to seven percent. For taxable income at or above the top tax bracket the additional tax remained at 14 percent. The 14 percent additional tax was again reduced retroactive to January 1, 2001. The reduction, intended as an across-the board 3.5 percentage point cut effective for one-half year, was implemented as a retroactive 1.75 percentage point cut effective for the full year. The reductions in the 14 percent additional tax were expected to extend beyond tax year 2001. However, after September 11, 2001 the extension of the reductions in the 14 percent additional tax was no longer sought. Consequently, the full 14 percent additional tax was re-instated, effective January 1, 2002.

2000

As part of NYS budget for fiscal year 2000-2001, the State took several actions which reduced both State and City liability. In order to reduce the marriage penalty, the State increased the standard deduction for married families filing jointly from \$13,000 to \$13,400 in tax year 2001, to \$14,200 in tax year 2002, and to \$14,600 thereafter.

1999

Effective July 1, 1999, the City's nonresident earnings tax was selectively repealed for NYS residents. Because the application of the City nonresident earnings tax to only NYS nonresidents posed constitutional problems, the legislation provided for repeal of the nonresident tax on out of-state residents, effective July 1, 1999. The final determination of the legality of the selective repeal of the nonresident tax was rendered by the State's highest court, the NYS Court of Appeals on April 4, 2000. The court's decision overturned the selective taxation, repealing the tax for NYS nonresidents, effective July 1, 1999. As a consequence of the original selective repeal, NYS nonresidents had City non-resident earnings tax withheld for the second half of tax year 1999 and for tax year 2000 until the Appeals decision was rendered. The rate of tax applicable to NYS nonresident commuters fell to 0.25 percent on wages and 0.375 percent on net earnings with the expiration of the higher rates on January 1, 2001 (which had been in effect since 1971).

Qualified settlement amounts received from an eligible settlement fund or trust (as defined in the Internal Revenue Code) by victims or targets of Nazi persecution, including individuals, corporations, partnerships and other entities, have been exempted from all NYS and local taxes. In addition, an entity that is treated as an eligible settlement fund or trust will be exempt from all NYS and local taxes imposed on or measured by income, the City's commercial rent tax and all NYS and local sales and use taxes.

For tax years beginning after 1998, spouses who file joint NYS/ NYC personal income tax returns are eligible for the protection from joint and several liability afforded innocent spouses under the provisions of IRC section 6015. A determination by the IRS relieving an individual of Federal income tax liability will create a rebuttable presumption that he or she is entitled to equivalent relief under State/City taxes. The State Tax Commissioner is required to include in all appropriate publications and instructions information about a taxpayer's right to innocent spouse relief.

Various provisions found in the New York State corporate and personal income tax statutes, which denied or limited certain tax benefits to taxpayers involved in certain highly leveraged merger and acquisition transactions, have been repealed, effective for tax years beginning after 1999. One of these provisions, which partially disallowed a deduction for "acquisition-related interest," also applied for New York City personal income tax purposes; it, too, has been repealed.

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Beginning in tax year 1999, the 12.5 percent NYC PIT temporary surcharge expired, reducing the top rate from 4.46 percent to 3.83 percent.

1998

As part of NYS's budget for fiscal year 1997-98, the State enacted the School Tax Relief (STAR) program to provide education aid and tax relief to localities. In addition to reductions in the property tax, the STAR program reduced City personal income tax liability through both a rate cut and a refundable credit. The credit is effective in tax year 1998 and increases according to the schedule shown in Appendix II-PIT, Table 6.

The STAR rate cut is an across-the-board reduction in tax rates starting in tax year 1999 and increasing through tax year 2001 according to the schedule shown in the table. The State at that time reimbursed the City for the foregone personal income tax revenue. As part of NYS's budget for fiscal year 1998-99, the State accelerated the STAR program credit for senior citizens. Beginning in tax year 1998, resident senior citizen personal income tax filers were eligible for the full credit (joint filers: \$125, other filers: \$62.50).

1997

The State enacted legislation enabling the City to establish a credit against the personal income tax for owners of unincorporated businesses for a portion of their distributive share of unincorporated business tax liability, effective beginning with tax year 1997. The credit is based on a sliding scale, and ranges from a high of 65 percent of unincorporated business tax liability for taxpayers with NYS AGI of \$42,000 or less, to 15 percent of liability for taxpayers with NYS AGI of \$142,000 or more.

As part of NYS's budget for fiscal year 1995-96, the State enacted an enhanced version of the 1987 tax cut, which had been on hold since 1990. In tax years 1995 through 1997, the State lowered its tax rates, increased the standard deductions and the earned income tax credit, and reduced the number of tax brackets. The City rates effective for 1996 and 1997 reflected the City Tax Reduction Act of 1987, the 12.5 percent surcharge enacted in 1990 and the 14 percent additional tax enacted in 1991.

1993

The Omnibus Budget Reconciliation Act of 1993 revised Federal rules governing estimated tax payments and the State enacted conforming legislation for the State and City for tax year 1994. The new rules repealed the "pay as you go" requirement and allowed all taxpayers with NYS AGI over \$150,000 to pay estimated taxes based on either the "safe harbor" of 110 percent of the previous year liability or 90 percent of current year liability. The legislation also reduced the period within which refunds must be made without payment of interest from 90 to 45 days after the due date for final returns.

1992

Federal tax law changes, to which the State conformed, revised rules governing payment of estimated taxes by certain high income filers. Beginning in tax year 1992, these taxpayers were no longer allowed the "safe harbor" of submitting the same tax paid the previous year; estimated payments needed to equal at least 90 percent of their current year liability. This required taxpayers to calculate tax liability on a quarterly basis and "pay as you go".

1991

Federal tax law changes, to which State law conformed, have altered the City's income tax. Effective for tax years beginning in 1991, taxpayers with AGI exceeding \$100,000 are subject to percentage reductions in their Federal itemized deductions. The \$100,000 threshold is adjusted annually for inflation. Regulations issued by the State provide that the Federal limitation also applies in calculating NYS taxable income.

Beginning in tax year 1991, the City imposed a three-year additional tax equal to 14 percent of the base personal income tax (including the surcharge). The additional tax was levied on City residents only and increased the top rate from 3.91 percent to 4.46 percent. Low-income taxpayers were not exempt from the additional tax. The

additional tax has since been extended four times, in 1993, 1995, 1997 and 1999. The 1999 legislation extend the increase through tax year 2001. State legislation granted local authority to lower by local law the 14 percent additional tax, effective July 24, 2000. Subsequently, the 14 percent additional tax was reduced, effective January 1, 2001. The full 14 percent additional tax was reinstated effective January 1, 2002 (see 2001 for details).

The additional tax was scheduled to expire December 31, 2003. This did not occur; instead, effective January 1, 2003, the base tax and the additional tax were replaced by a temporary rate schedule in effect for tax years 2003 through 2005.

1990

As part of NYS budget for fiscal year 1990-91, the last two years of the five-year tax reduction program were postponed. The legislation retained the 1989 tax rate schedule, standard deductions and the household credit for 1990. The scheduled phase-in of tax rates and deductions was to be completed by 1994. In order to avoid distortions in tax burdens, which would result from coupling the City's 1990 rate schedule with the State's 1989 deductions, the City also retained its 1989 rate schedule for tax year 1990. Changes to the City rate schedules were made for tax years 1991 through 1994 in proportion to changes the State made to the standard deductions. For tax years 1991 through 1994, changes to the State's tax rate schedule, standard deductions and household credit were deferred. Consequently, the City retained its 1990 rate schedule for tax years 1991 through 1994.

Effective for tax years 1990, 1991 and 1992, the City imposed a 12.5 percent temporary income tax surcharge on City residents. The top rate was increased to 3.91 percent from 3.4 percent. Single taxpayers with AGI below \$15,000, married taxpayers with AGI below \$25,000, and heads of households with AGI below \$16,500 were not subject to the surcharge. In February of 1991, the "Safe Streets, Safe City" program was signed into law. Part of the funding came from the extension of this surcharge for tax years 1993 through 1996. The surcharge was subsequently extended through 1998 and expired at the end of that tax year.

1987

Effective January 1, 1987, NYC filers are allowed a non-refundable low-income credit known as the NYC Household Credit against their City's personal income tax for the same tax year. The credit equals a fixed amount per federal exemption based on household gross income levels. Until tax year 1995, single filers with household gross income of \$7,500 or under are entitled to a \$15 credit, while those between \$7,500 and \$10,000 receive a \$10 credit. There was no credit for taxpayers with income greater than \$10,500. Beginning tax year 1996, the credit amount was increased to \$15 for those with income between \$7,500 and \$10,000, and \$10 for taxpayers above \$10,500 but not over \$12,500. See table 5 entitled "Low Income NYC Tax Credits" for the breakdown of the credit for all other filing types.

1986

The Tax Reform Act of 1986 substantially altered the Federal personal income tax code. The definition of gross income, the deductions and exemptions allowed in the computation of taxable income, and the rates applied to such income were altered. Since State law conforms to Federal definitions of income and deductions, the State tax base was significantly broadened. In response, New York State altered its tax code in April 1987. The State legislation phased-in a tax cut and restructured the tax over five years beginning in tax year 1987. Both the Federal and State changes significantly altered the definition of City taxable income. Since the City's personal income tax base was broadened, the City would have received a tax "windfall" if it had taken no action. The NYC Tax Reduction Act of 1987 was enacted to return this windfall to tax-payers and reduce income tax revenue for fiscal year 1988 by an additional \$75 million. The City's five-year tax cut plan was designed to conform to State actions and combined new rate schedules and a low-income credit with the modified definition of taxable income. In 1987, the City introduced new rate schedules for single, joint, and head of household filers. Each schedule had nine brackets rather than the 14 used in 1986. At the same time the top rate was reduced to 4.1 percent. By 1991 the legislation would have reduced the top rate to 3.4 percent and the number of tax brackets to four. A 0.5 percent credit for net capital gains income and a two-earner married couple deduction were transitional measures

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only in effect during tax year 1987. The most significant changes to the law were large increases in the standard deduction and the introduction of a household credit to replace the low-income exclusion. These measures provided relief to low-income taxpayers. The taxable income threshold below which no tax is due for various years can be seen in Summary Table 4.

Finally, progressivity was also enhanced by placing limitations on the amount of itemized deductions allowable for New York purposes. For single filers with NYS AGI over \$100,000 and joint filers with NYS AGI over \$200,000 itemized deductions were reduced up to 20 percent in 1988 and up to 50 percent beginning in tax year 1989.

1984

From 1982 through 1984, the City imposed a temporary surcharge on the personal income tax of every City resident, estate and trust. For calendar years 1982 and 1984, taxpayers with NYS AGI below \$15,000 paid no surcharge. Taxpayers with AGI between \$15,000 and \$20,000 paid a surcharge of 2.5 percent of their tax liability, and taxpayers with AGI above \$20,000 paid a 5.0 percent surcharge. For tax year 1983, the surcharge rates were doubled.

1971

From 1971 through July 1, 1999 the nonresident tax rates were 0.45 percent on wages and 0.65 percent on net earnings from self-employment.

NYC has imposed a personal income tax on residents and nonresidents since 1966 at various rates. The values of the personal exemption and standard deduction have also varied as shown in Summary Table 3.

APPENDIX III SALES TAX

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APPENDIX III SALES TAX

1.
Summary Tables

Table 1.
Components of Sales Tax Base

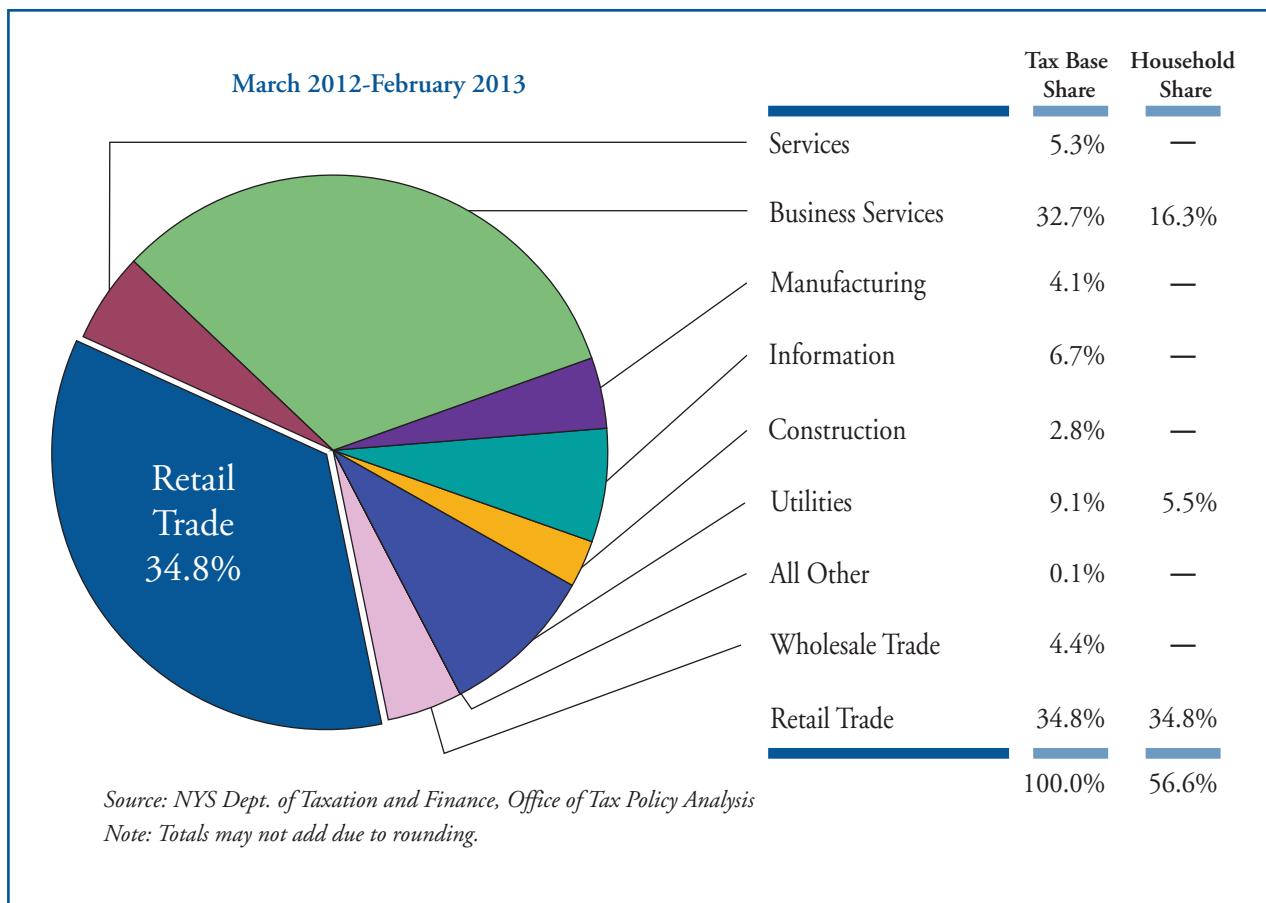


Table 2.
Sales Tax Rates and Clothing Exemption

History of Tax Rates for NYC, NYS and MCTD

	Dec. 5 1934	Oct. 22 1941	July 1 1946	July 1 1951	June 1 1963	Aug. 1 1965	Apr. 1 1969	Apr. 2 1971	July 1 1974	Sept. 1 1981	June 1 2003 ¹	June 1 2005	Aug. 1 2009
NYC	2.000%	1.000%	2.000%	3.000%	4.000%	3.000%	3.000%	3.000%	4.000%	4.000%	4.125%	4.000%	4.500%
NYS	-	-	-	-	-	2.000%	3.000%	4.000%	4.000%	4.000%	4.250%	4.000%	4.000%
MCTD*	-	-	-	-	-	-	-	-	-	0.250%	0.250%	0.375%	0.375%
Total	2.000%	1.000%	2.000%	3.000%	4.000%	5.000%	6.000%	7.000%	8.000%	8.250%	8.625%	8.375%	8.875%

* Metropolitan Commuter Transportation District

¹ The City's additional 0.125 percent tax did not take effect until June 4, 2003.

History of Sales Tax Exemptions on Clothing and Footwear

	City	State Tax	MCTD
Pre - March 1, 2000	Not Exempt	Not Exempt	Not Exempt
March 1, 2000 - May 31, 2003	Exempt under \$110	Exempt under \$110	Exempt under \$110
June 1, 2003 - August 31, 2005	Not Exempt	Not Exempt	Not Exempt
September 1, 2005 - March 31, 2006	Exempt under \$110	Not Exempt	Not Exempt
April 1, 2006 - August 31, 2006	Exempt under \$110	Exempt under \$110	Exempt under \$110
September 1, 2007 - July 31, 2009	All Exempt	Exempt under \$110	Exempt under \$110
August 1, 2009 - September 30, 2010	Exempt under \$110	Exempt under \$110	Exempt under \$110
October 1, 2010 - March 31, 2011	Exempt under \$110	Not Exempt	Not Exempt
April 1, 2011 - March 31, 2012	Exempt under \$110	Exempt under \$55	Exempt under \$55
April 1, 2012	Exempt under \$110	Exempt under \$110	Exempt under \$110

Note: This chart does not include various sales tax free weeks since 1996. Refer to sales tax legislative history for specific dates and applicable rates.

Manhattan Parking Tax Rates

NYS	4.000%
NYC	6.000%
Manhattan Surcharge	8.000%
MCTD	0.375%
Total Parking	18.375%

Table 4.
Sales Tax Activity, Payment, Filing and Distribution Dates*

Sales Activity	Monthly EFT Payment Dates	Monthly Non-EFT Payment/Filing Dates	Quarterly Filing Dates	Distribution Dates
June 1-22	June 25			June 29
June 23-30	July 25	July 20		August 4 & 12
July 1-22	July 25			August 4
July 23-31	August 25	August 20		September 4 & 12
August 1-22	August 25			September 4
August 23-31	September 25	September 20	September 20	October 4 & 12
September 1-22	September 25			October 4
September 23-30	October 25	October 20		November 4 & 12
October 1-22	October 25			November 4
October 23-31	November 25	November 20		December 4 & 12
November 1-22	November 25			December 4
November 23-30	December 25	December 20	December 20	December 28 & January 12
December 1-22	December 25			December 29
December 23-31	January 25	January 20		February 4 & 12
January 1-22	January 25			February 4
January 23-31	February 25	February 20		March 4 & 12
February 1-22	February 25			March 4
February 23-28	March 25	March 20	March 20	April 4 & 12
March 1-22	March 25			April 4
March 23-31	April 25	April 20		May 4 & 12
April 1-22	April 25			May 4
April 23-30	May 25	May 20		June 4 & 12
May 1-22	May 25			June 4
May 23-31	June 25	June 20	June 20	June 28 & July 12

Typical Quarterly Sales Tax Distribution to Localities

Distribution Date	Percentage of Collections	Taxpayer Sales Period	Filer Status
April 4	70%	February 1-28	Monthly Non-EFT
	70%	February 23-28	Monthly EFT
	70%	December 1-February 28	Quarterly Non-EFT
	100%	March 1-22	Monthly EFT
April 12	30%	February 1-28	Monthly Non-EFT
	30%	December 1-February 28	Quarterly Non-EFT

**Payment, filing and distribution dates are shifted to the following business day (or the third business day following the 22nd day for monthly EFT payments) when the normal payment/filing/distribution dates fall on a weekend or holiday.*

Table 5.
State Pool Quarterly Analysis

The state pool analysis method is used to forecast sales tax collections for each quarter when there are only collections for the first two months available and applies historical trends to determine collections for the third month of the collection quarter.

(\$ in Millions)

	Total Pool Quarterly	Qtr/Qtr Growth	Yr/Yr Growth	NYC Quarterly	Qtr/Qtr Growth	Yr/Yr Growth	NYC Quarterly % of Total Pool
FY09							
Q1	\$6,072,600	3.58%	3.52%	\$1,254,123	-0.36%	5.29%	20.65%
Q2	5,524,944	-9.02%	-5.82%	1,165,613	-7.06%	-4.76%	21.10%
Q3	5,330,132	-3.53%	-6.42%	1,125,842	-3.41%	-7.92%	21.12%
Q4	5,280,572	-0.93%	-9.93%	1,068,923	-5.06%	-15.08%	20.24%
TOTAL	\$22,208,249		-4.65%	\$4,614,501		-5.76%	20.78%
FY10							
Q1	\$5,568,328	5.45%	-8.30%	\$1,116,273	4.43%	-10.99%	20.05%
Q2	5,624,537	1.01%	1.80%	1,300,816	16.53%	11.60%	23.13%
Q3	5,553,163	-1.27%	4.18%	1,314,109	1.02%	16.72%	23.66%
Q4	5,818,690	4.78%	10.19%	1,333,309	1.46%	24.73%	22.91%
TOTAL	\$22,564,718		1.61%	\$5,064,507		9.75%	22.44%
FY11							
Q1	\$6,012,983	3.34%	7.99%	\$1,346,874	1.02%	20.66%	22.40%
Q2	6,194,632	3.02%	10.14%	1,418,515	5.32%	9.05%	22.90%
Q3	6,032,805	-2.61%	8.64%	1,415,842	-0.19%	7.74%	23.47%
Q4	6,190,755	2.62%	6.39%	1,436,858	1.48%	7.77%	23.21%
TOTAL	\$24,431,175		8.27%	\$5,618,089		10.93%	23.00%
FY12							
Q1	\$6,275,333	1.37%	4.36%	\$1,401,391	-2.47%	4.05%	22.33%
Q2	6,409,930	2.14%	3.48%	1,487,124	6.12%	4.84%	23.20%
Q3	6,157,860	-3.93%	2.07%	1,462,367	-1.66%	3.29%	23.75%
Q4	6,326,432	2.74%	2.19%	1,476,903	0.99%	2.79%	23.34%
TOTAL	\$25,169,555		3.02%	\$5,827,785		3.73%	23.15%
FY13							
Q1	\$6,440,355	1.80%	2.63%	\$1,462,907	-0.95%	4.39%	22.71%
Q2	6,479,382	0.61%	1.08%	1,541,050	5.34%	3.63%	23.78%
Q3	6,454,464	-0.38%	4.82%	1,570,853	1.93%	7.42%	24.34%
Q4	6,704,385	3.87%	5.97%	1,588,367	1.11%	7.55%	23.69%
TOTAL	\$26,078,585		3.61%	\$6,163,177		5.76%	23.63%
FY14							
Q1	\$6,808,730	1.56%	5.72%	\$1,554,155	-2.15%	6.24%	22.83%
Q2	6,737,642	-1.04%	3.99%	1,635,667	5.24%	6.14%	24.28%
Q3	6,529,066	-3.10%	1.16%	1,639,890	0.26%	4.39%	25.12%
Q4	6,922,927	6.03%	3.26%	1,670,887	1.89%	5.20%	24.14%
TOTAL	\$26,998,364		3.53%	\$6,500,599		5.47%	24.08%
FY15							
Q1	\$7,053,831	1.89%	3.60%	\$1,621,109	-2.98%	4.31%	22.98%
Q2	7,030,500	-0.33%	4.35%	1,720,806	6.15%	5.21%	24.48%
Q3	6,638,405	-5.58%	1.67%	1,659,903	-3.54%	1.22%	25.00%
Q4	7,151,293	7.73%	3.30%	1,741,698	4.93%	4.24%	24.36%
TOTAL	\$27,874,029		3.24%	\$6,743,517		3.74%	24.19%

APPENDIX III SALES TAX

2. History of the Municipal Assistance Corporation

HISTORY OF THE MUNICIPAL ASSISTANCE CORPORATION

The Municipal Assistance Corporation for the City of New York (MAC) was established through State legislation on June 10, 1975 in order to address the New York City government's severe fiscal crisis. The Corporation was able to sell bonds on behalf of the City to fund its cash flow shortfalls. In order to pay back the debt obligations, for the period of July 1, 1975 through July 1, 2008, the State suspended the City's authority to impose the sales tax and replaced it with an identical 4.0 percent MAC sales tax dedicated to the repayment of MAC bonds (City sales tax rate changes also applied to the MAC sales tax rate as well). Any expansions to the City's sales tax base after the implementation of MAC would not be subject to MAC appropriations.

Collections from the City MAC sales tax base were certified by the State Comptroller and then held in the Municipal Assistance Tax Fund (which included the MAC Bond Payment Fund and Bond Reserve Fund) for one quarter until the MAC dedication (debt service, capital reserve and operating expenses) were certified, whereupon the remaining monies were transferred to the City. From 1995 through 1998, MAC certifications were made as early in the quarter as possible. For City fiscal years 1999, 2000 and 2001, there were no MAC certifications because the MAC funding requirements for these years were prepaid out of the City's General Fund. MAC certifications resumed in City fiscal year 2002. In May 2003, State legislation was passed requiring the New York Local Government Assistance Corporation to pay the City \$170 million annually from revenues appropriated by the State. The City created the Sales Tax Asset Receivable Corporation ("STAR Corp."), a local development corporation, which issued bonds in November 2004 secured by this annual payment. STAR Corp. then transferred to MAC proceeds of STAR Corp. bonds sufficient to defease all of MAC's remaining debt. However, MAC continued to retain sales tax sufficient to pay its administrative costs, oversight fees of the Financial Control Board and the State Comptroller and the State Cost Recovery Assessment. When all MAC bonds were paid off in

July of 2008, the MAC sales tax expired and the City received the authority to implement its local sales tax resuming on August 1, 2008.

(For MAC defined see Appendix III: Sales Tax Legislative History: Rate Changes 1975)

APPENDIX III SALES TAX

3. Legislative History

Sale Tax:

Legislative History

Rate Changes

2009

Effective August 1, 2009, the City permanently increased its sales tax rate to 4.5 percent. The 4.0 percent New York State sales tax rate and 0.375 percent Metropolitan Commuter Transportation District sales tax rate remain unchanged, bringing the aggregate sales tax rate to 8.875 percent.

2008

On July 1, 2008, the last day of the month all remaining notes and bonds were paid, the 4.0 percent NYC Municipal Assistance Corporation sales tax imposed by NYS tax law section 1107 and appropriated by the State expired. Effective August 1, 2008, the City-imposed sales tax returned to 4.0 percent, authorized by the subdivision (a) of section 1210 of the tax law. The 4.0 percent sales tax rate was made permanent. Prior to the imposition of MAC, the City sales tax rate was 3.0 percent with the authority to impose an additional 1.0 percent, bringing the City's sales tax rate to 4.0 percent. The City needed to renew its authority to impose the additional 1.0 percent sales tax rate every two years.

2005

Effective June 1, 2005, the MCTD sales tax rate increased by 0.125 percent from 0.25 percent to 0.375 percent. Additionally, the State and City sales tax rates decreased to 4.0 percent, from 4.25 percent and 4.125 percent, respectively. Furthermore, the City's sales tax on parking, garaging or storing motor vehicle was restored to 6.0 percent, from 6.125 percent.

2003

Effective September 1, 2003, the sales tax rate on parking, garaging and storing of motor vehicles increased to 6.125 percent from 6.0 percent through May 31, 2005. The 8.0 percent Manhattan parking surcharge remained unchanged.

Effective June 4, 2003 through May 31, 2005, the City sales tax rate was increased to 4.125 percent from 4.0 percent. The higher 4.125 percent rate was effective as of September 1, 2003 for the City's additional taxable base on credit rating and reporting services, cleaning and maintenance services, protective and detective services and personal services such as beauty, barbering, manicuring and health salon services sold by weight control and gymnasium facilities. The sales tax rate reverted to 4.0 percent on June 1, 2005. (The State sales tax rate also increased from 4.0 percent to 4.25 percent effective June 1, 2003 through May 31, 2005. The total general sales and use tax rate in the City, including the 0.25 percent MTA rate was 8.625 percent through May 31, 2005).

1981

Effective September 1, 1981, the MCTD sales tax is imposed at 0.25 percent.

1980

Effective September 1, 1980, an 8.0 percent sales tax surcharge on motor vehicle parking and garaging services is imposed in the borough of Manhattan and is added to the City's tax base, bringing the total City and State sales tax on parking in Manhattan to 18.0 percent.

1975

Effective July 1, 1975, a 4.0 percent Municipal Assistance Corporation (MAC) sales and use tax is levied in lieu of the City's sales tax. The revenue from this tax was pledged to MAC to meet the interest payments on bonds

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issued by the corporation. However, revenue resulting from future expansions of the City's sales tax base does not belong to MAC but flows directly to the City. On July 1, 2008, the sales tax imposed by the City will again be in effect. Due to the expiration of certain State legislation, the City imposed sales tax would take effect at the rate of 3.0 percent unless the City's authority to impose an additional 1.0 percent sales tax is renewed. (See 2008).

1974

Effective July 1, 1974, the City raised its sales tax rate to 4.0 percent from 3.0 percent.

1971

Effective June 1, 1971 the State raises its sales tax rate to 4.0 percent.

1970

Effective September 1, 1970, the City imposes a 6.0 percent sales tax on motor vehicle parking and garaging services.

1969

Effective April 1, 1969 the State raises its sales tax rate to 3.0 percent.

1965

Effective August 1, 1965, New York State introduces its own 2.0 percent sales tax and begins to collect, administer, and enforce the sales tax for all localities. New York City lowered its own sales tax rate to 3.0 percent. Sales tax on any motor vehicle purchased by an out-of-state resident is repealed.

1963

Effective June 1, 1963, the City sales tax rate is increased to 4.0 percent and the 5.0 percent rate on restaurant meals is extended to include catering services.

1951

Effective July 1, 1951, the City sales tax rate is increased to 3.0 percent for most sales and to 5.0 percent for restaurant meals and drinks costing one dollar or more.

1946

Effective July 1, 1946, the City sales tax rate increased from 1.0 percent to 2.0 percent.

1941

Effective October 22, 1941, the City sales tax rate decreased from 2.0 percent to 1.0 percent.

1934

Effective December 5, 1934, New York City imposed a 2.0 percent tax on the sales and use of tangible personal property and services to enable the City to raise additional revenues during the Depression. The City was the first municipality to enact the local sales tax in the United States.

1933

From May 1, 1933 to June 30, 1934, the State levied a retail sales tax of 1.0 percent on the receipts of sales of tangible personal property.

Base Expansion

2015

Effective April 13, 2015, prepaid wireless services are to be taxed similarly to prepaid telephone calling services (i.e. calling cards). The effect of this change is that the sales tax on prepaid mobile calling services is collected by the retailer using the tax rate in effect at the retailer's location. When the sale or recharge does not take place at the retailer's place of business, it will be sourced to the purchaser's shipping address. If there is no item shipped, it is sourced to the purchaser's billing address or the location associated with the purchaser's mobile telephone number.

2010

Effective September 1, 2010, Internet and other hotel room occupancy resellers must collect and remit New York State, New York City and MCTD sales taxes on the value of any hotel room rate markup.

Effective June 1, 2010, sellers who use affiliated persons in providing accounting or legal services or advice to a seller, or in directing the activities of a seller, including, but not limited to, making decisions about (a) strategic planning, (b) marketing, (c) inventory, (d) staffing, (e) distribution, or (f) cash management, will not result in making the seller a vendor with New York nexus. This narrows the definition of what constitutes affiliated out-of-state sales tax vendors. (See 2008 "Amazon.com" Tax).

2009

Effective August 1, 2009, the City sales tax is imposed on purchases of the service of transporting, transmitting or distributing gas or electricity when such services are bought from a company other than the vendor of the gas or electricity. (See Exemptions, 2000 for effective date of original exemption.)

Effective June 1, 2009, companies can no longer avoid charging sales and use tax on internet purchases by creating independent but affiliated out-of-state entities to make those sales. A company is required to collect sales tax if an in-state affiliate uses a trademark, service mark, or trade name the same as or similar to that of the remote affiliate or if an in-state affiliate engages in activities that help the remote affiliate develop or maintain a market for its goods or services. This expands the definition of the "Amazon.com" sales tax law passed in 2008.

Effective June 1, 2009, business entities will no longer be able to take advantage of a sales tax exemption for commercial aircraft by having the airplane purchased by a nonresident affiliate, which then charges resident affiliate employees for use of the aircraft. Further, New York residents will no longer be able to avoid sales tax on motor vehicles, vessels, and aircraft used in-state by forming a new corporation or a limited liability corporation that purchases the item in question out-of-state, brings the item into the State, and then allows the New York resident to use the item at will.

Effective June 1, 2009, the sales tax base is expanded to include transportation-related consumer spending such as buses, limousines and black cars. Taxis are exempt.

2008

Effective September 1, 2008, non-profit tax-exempt organizations are required to collect sales tax on additional retail sales including Internet mail-order catalogue and auction sales plus rentals and leases of tangible property.

Effective June 1, 2008, retailers from Internet websites, such as Amazon.com, that do not have a physical presence in New York State but enter into an agreement with a New York State resident under which the resident is compensated for referring in-state customers to the seller, whether through an Internet web link or by any other means, will be treated as a sales tax vendor with New York nexus. Internet retailers that do not have a physical presence in New York State are not considered sales tax vendors if the gross receipts generated by using in-state referrals are less than \$10,000.

2000

Effective June 1, 2000 purchases of gas and electricity from out-of-state suppliers are subject to State and local compensating use taxes.

Effective March 1, 2000, New York State and local sales and use taxes will apply to the total amount paid, at the time of sale, for “prepaid telephone calling service,” which is defined as the right—paid for in advance—to purchase telecommunication services that permit the origination of intrastate, interstate or international telephone calls using an access number or authorization code. The taxes will apply regardless of whether the right to use the service is evidenced by a card. If the sale of the prepaid calling service does not take place at the vendor’s place of business, it will be deemed to take place at the purchaser’s shipping address or, if no item is shipped, at the purchaser’s billing address.

1999

Effective June 1, 1999, certain “materialmen” (as defined in the New York State Lien Law) who sell building materials on credit to contractors or repairmen for the improvement of real property will be required to collect and pay State and local sales taxes due on such sales only as payments of the sales price are actually received. However, to the extent that the tax due on the full sales price has not been collected within one year from the date of the sale, any balance of tax due must be collected and paid with the first sales tax return due from the materialman following the end of the one-year period.

1991

Effective September 1, 1991, shipping, transportation, postage and similar delivery charges, telephone answering services, and sales of prewritten software are added to the State and City’s sales tax base.

1990

Effective September 1, 1990, entertainment services provided or delivered by telephone or telegraph through 500, 700, 800 and 900 telephone numbers, as well as such services delivered by private telephone line, cable or channel are added to the State’s tax base and the City’s tax base.

Effective June 1, 1990, protective and detective services, and interior decorating and design, contract cleaning and maintenance services, previously taxed exclusively by the City, are added to the State’s tax base. Effective December 1, 1995, interior decorating and design is exempted from the City tax base.

1989

Effective December 1, 1989, interior decorating, contract cleaning and maintenance services are added to the City’s tax base.

Effective June 1, 1989, service charges on floor covering installations are added to the State’s tax base and the City’s tax base.

Effective June 1, 1989, excise taxes on cigarettes and tobacco products are included in the calculation of the sales tax, and added to the State’s tax base and the City’s tax base.

1988

Effective July 1, 1988, sales tax on sales of energy to commercial or industrial users under the Competitive Business Energy Costs Program is exempt in annual increments of 25 percent per year, reducing the City’s tax base. In 1988, the implementation of the CBECP was delayed until July 1, 1990, when it was due to resume on the original schedule (i.e. 75 percent). The implementation of the CBECP was delayed indefinitely in 1990.

1976

Effective March 1, 1976, barber and beauty shops and health and weight control salons are added to the City's tax base.

1975

Effective September 1, 1975, protective and detective services, credit reporting and collection services, maintenance services and decorating and design services are added to the City's tax base.

Sales Tax on Clothing and Footwear (includes exemptions)

2012

Effective April 1, 2012, the State and MCTD exemption for clothing and footwear revert to the original exemption of less than \$110 per item, with the City remitting half of the forgone revenue for items less than \$110 to the MTA. All clothing and footwear purchases costing less than \$110 per item in the City of New York will be exempt.

2011

Effective April 1, 2011 through March 31, 2012 New York State modified the exemption for clothing and footwear to less than \$55 per item for the State and MCTD. The State allowed localities to modify their clothing exemption to conform. New York City did not conform. During this period, New York City has to remit half of the forgone revenue for items costing less than \$55 to the MTA.

2010

Effective October 1, 2010 through March 31, 2011, New York State temporarily repealed the exemption for clothing and footwear for items costing less than \$110 from the State and the MCTD sales tax. New York City did not enact a repeal of the exemption. During this period, New York City does not have to remit half of the forgone revenue for having the clothing and footwear exemption to the MTA. The aggregate tax rate for clothing and footwear costing less than \$110 during this period is 4.375 percent.

2009

Effective August 1, 2009, the City exemption for clothing and footwear for items costing \$110 and above is repealed. The exemption for clothing and purchases under \$110 will remain intact.

2007

Effective September 1, 2007, clothing and footwear purchases costing \$110 and above are exempt from the City sales tax permanently. The State and MCTD taxes will remain at 4.0 percent and 0.375 percent, respectively. The exemption for clothing and footwear purchases under \$110 will remain intact with the City reimbursing the MCTD half of the revenue forgone from the 0.375 percent MCTD tax, while the State reimburses the other half for purchases costing under \$110.

2006

Effective April 1, 2006, clothing and footwear purchases under \$110 are exempt permanently from City, State, and MCTD sales taxes. The City will reimburse the MCTD half of the revenue forgone from the 0.375 percent MCTD tax, while the State reimburses the other half.

2005

Effective September 1, 2005, legislation signed into law July 19, 2005 reinstated the City exemption for clothing and footwear purchases under \$110.

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Legislation signed into law April 12, 2005 extended the repeal of the clothing and footwear exemption for purchases under \$110 through March 31, 2006 including two tax-free weeks to be held from the Tuesday immediately preceding Labor Day through Labor Day, and from the last Monday of January through the following Sunday. The bill also provided that if the SFY 2006-07 Executive Budget did not propose a new reduction in any tax, then the suspension of the year-round exemption for clothing and footwear priced under \$110 would extend through March 31, 2007 (including two tax-free weeks). The exemption was subsequently extended.

2004

The repeal of the clothing and footwear exemption was extended several times: through June 30; July 31; September 30, 2004; and through May 31, 2005. During these periods, the State and City have repealed their taxes on clothing and footwear purchases under \$110 during the weeks from August 31 through September 6, 2004 and from January 31 through February 6, 2005.

2003

The State and City sales tax exemption for clothing and footwear purchases under \$110 was suspended from June 1, 2003 through May 31, 2004. During this period, the State and City repealed their taxes on clothing and footwear purchases under \$110 during the weeks from August 26 through September 1, 2003 and from January 26 through February 1, 2004. The permanent exemption was to be restored June 1, 2004. This did not occur; the repeal was extended several times. (See 2004).

2000

Effective March 1, 2000, the City permanently exempted clothing and footwear purchases under \$110. The exemption was originally scheduled to go into effect December 1, 1999. (See 1999).

During the week of January 15-21, 2000, the State and City repealed their taxes on clothing and footwear purchases under \$500.

1999

The State, and consequently all participating localities, delayed the permanent exemption of clothing and footwear purchases under \$110 scheduled to become effective December 1, 1999 until March 1, 2000. (See below).

Effective December 1, 1999, the State permanently repealed its 4.0 percent sales tax on clothing and footwear purchases under \$110, and gave local governments the option to match the repeal. If a locality within the MCTD opts for repeal, clothing will also be exempt from the 0.25 percent MCTD sales tax. The locality will reimburse the MCTD for one-half of the tax forgone and the State will reimburse the MCTD for the other half.

During the weeks of January 17-24 and September 1-7 1999, the State and City repealed their taxes on clothing and footwear purchases under \$500.

1998

During the weeks of January 17-23 and September 1-7, 1998, the State and City repealed their taxes on clothing and footwear purchases under \$500.

1997

During the week of September 1-7, 1997, the State and City repealed their taxes on clothing purchases under \$100, excluding footwear.

During the week of January 18-24, 1997, the State and City repealed their taxes on clothing and footwear purchases under \$500.

Other Exemptions

2016

Effective December 1, 2017, sales of fuel sold for use in commercial and general aviation aircraft will be exempt from the prepayment of sales tax required for motor fuels and local sales taxes.

Effective September 1, 2016, feminine hygiene products, including, but not limited to, sanitary napkins, tampons, pantyliners, douches, feminine hygiene syringes, vaginal creams, foams, ointments, jellies, powders, and sprays shall be exempt from sales tax.

Effective June 1, 2016, rent paid by a room remarketer to a hotel operator for occupancies that the remarketer intends to resell will be exempt from state and local sales tax, and the hotel unit fee imposed by the state on certain occupancies in New York City.

2015

Effective June 1, 2015, beer, cider and liquor used at tastings are exempt from compensating use tax. This includes bottles, corks, caps and labels used to package the beverages.

Effective September 1, 2015, the sale of general aviation aircrafts, as well as machinery or equipment installed on such aircrafts are exempt from sales and compensating use tax. A general aviation aircraft is defined as an aircraft that is used in civil aviation, and does not include commercial and military aircrafts, along with unmanned aerial vehicles and drones.

Effective September 1, 2015, certain related-party sales arising as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act are exempt from compensating use tax. The Dodd-Frank Act mandated reorganization of financial service organizations could result in increased sales tax liabilities upon the reorganization itself and on an ongoing basis. Many transactions that formerly occurred between different units within the same legal entity (and therefore not subject to the sales tax) may occur between different legal entities after restructuring, and therefore be taxable. This exemption will prevent this increased sales tax burden which was the result of transactions that occurred solely as a result of a firm's compliance with the federal law (Dodd-Frank). The exemption is set to expire on July 1, 2019

Effective December 1, 2015, solar generated electricity sold under a Power Purchase Agreement is exempt from the New York State's sales and compensating use tax. This exempts electricity sold by a person primarily engaged in the sale of solar energy system equipment and/or electricity generated by solar energy equipment that is either owned by a person other than the purchaser of the electricity; installed at the purchaser's residential or non-residential premises; and used to provide heating, cooling, hot water or electricity to such property. Currently, residential and commercial solar energy equipment is exempt from State's sales and use tax with a local option existing to exempt such equipment. This exemption amends the local option provisions to include solar-generated electricity. To date, the City has taken no action to conform its local tax.

Effective June 1, 2015, the portion of the purchase or lease price of a vessel that exceeds \$230,000 is exempt from sales and use tax. This caps the State and local sales tax at an amount of approximately \$20,400 for New York City residents. This exemption also provides a 90 day "safe harbor" from compensating use tax by conforming it to the Department of Motor Vehicles' registration requirements. As a result, a New York resident who purchased and registered their vessel outside the State will generally not owe New York tax until the vessel is registered in New York.

2014

Effective June 1, 2014, candy, soda, and certain fruit drinks sold through vending machines costing \$1.50 or less are exempt from State and local sales taxes. The threshold was increased from the original exemption of \$0.75 or less, which was in effect since September 1, 2000.

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Effective January 1, 2014, under the START-UP NY Program, state and local tax benefits will be provided to approved businesses that relocate, start up or expand in designated tax-free areas of the State, including areas in New York City, through affiliations with approved public and private universities and colleges. The approved businesses must create jobs in order to receive the program benefits. Under the sales tax benefits given, approved businesses in tax-free areas are eligible for credit or refund of taxes imposed on certain purchases of tangible personal property and utility and other services. A credit or refund is also available for certain purchases of tangible personal property by contractors and repairmen for use in constructing, servicing or repairing tax-free area realty of an approved business.

2013

Effective December 18, 2013, a motor vehicle purchased in another state by a member of the Armed Forces will be exempt from New York State and local sales taxes upon the member's return to and registration of the vehicle in New York, provided there is proof of payment in another state of a sales, use, excise, usage or highway use tax necessary to obtain title.

Effective October 21, 2013, receipts from sales of and fees associated with water and sewer service line protection programs sold to owners of residential property are exempt from State and local sales taxes.

Effective August 1, 2013, sales of highway diesel motor fuel by one registered distributor to another are exempt from the prepaid State and local sales tax if the fuel is: (1) delivered to a terminal of a licensed/registered operator, or (2) sold within the terminal where it was delivered.

Effective June 1, 2013, purchases of natural gas that will be converted to compressed natural gas for use directly and exclusively in motor vehicle engines are exempt from State and local sales taxes. The exemption expires on August 31, 2014.

Effective January 1, 2013, receipts from the sale and installation of commercial solar energy systems equipment are exempt from the State sales tax. Municipalities are given the option of conforming their local sales taxes to match the State's exemption. (To date, the City has taken no action to conform its local tax.)

2012

Effective December 1, 2012, purchases of military service flags, prisoner of war flags, and blue star banners are exempt from New York State and local sales taxes.

Effective March 1, 2012, receipts from sales of electronic news services and electronic periodicals are exempt from State and local sales and use taxes. An "electronic news service" is an electronically- or digitally-delivered service the predominant purpose of which is the presentation of news content, and that meets certain other conditions. An electronic news service will not be exempt if the price charged for it exceeds a price cap determined annually by the State Tax Commissioner under a statutory formula. An electronically- or digitally-delivered publication will qualify as an "electronic periodical" if its predominant purpose is the presentation of news content and it satisfies other specified conditions. If an electronic news service or electronic periodical is sold with other services or products for a bundled price, rules are provided for determining whether, and the extent to which, the exemption will apply.

2011

Effective September 1, 2011, State and local sales tax definitions relating to diesel motor fuel have been modernized to reflect marketplace changes, resulting in certain changes in the taxation and enforcement of the collection of taxes on diesel fuel. In addition, a sales tax exemption for certain alternative fuels, due to expire after August 31, 2012, has been extended through August 31, 2014. As a housekeeping measure, certain obsolete sections of the City's Administrative Code, which had imposed a special City tax on leaded motor fuel, have been repealed.

2010

Effective June 1, 2010, affiliated for-hire livery vehicles in a City of one million or more are exempt from City, State and MCTD sales taxes. This narrows the definition of taxable transportation-related consumer spending. (See Base Expansions, 2009).

2009

Effective December 1, 2009, the State and City temporary sales tax exemptions for aircraft charges for storing aircraft while being serviced and tangible personal property purchased and used by the service provider in performing such service, where such property becomes a physical component of the property being serviced was made permanent. (See 2004).

2006

Effective December 1, 2006, sales of tangible personal property by a gift shop located in a veterans' home described in Title 38 of the U.S. Code are exempt from State and local sales taxes.

Effective December 1, 2006, military decorations sold to an active duty member of the military or veteran are exempt from State and local sales taxes.

Effective December 1, 2006, the portion of the charge that covers the admission to a dramatic or musical art performance at a roof garden, cabaret or similar establishments are exempt from State and local sales taxes. To qualify for the exemption, the charge for the performance must be stated separately, and charges for other items, such as food, drink and services, must meet certain tests to ensure that they are reasonable and not designed to avoid the tax.

Effective October 1, 2006, the partial State and local sales tax exemption for amusement park admission charges, which was set to expire, has been made permanent. The exemption, equal to 75 percent of the admission charge, applies where the admission fee entitles patrons to ride at least 75 percent of the park's rides at no extra cost (See 2004).

Effective September 1, 2006, and continuing until August 31, 2011, the alternative motor vehicle fuels referred to (and defined in the law) as E85, compressed natural gas (CNG) and hydrogen are exempt from State and local sales taxes. The alternative motor vehicle fuel designated B20 is partially exempt from State and local sales taxes; during the above period, B20 is subject to a 20 percent sales tax reduction.

Effective September 1, 2006, State and City tax exemptions are expanded to include milk crates purchased by a dairy farmer or licensed milk distributor and used exclusively and directly for the packaging and delivery of milk to customers

On May 21, 2006, the City was authorized by the State to adopt local legislation to exempt from the City sales tax, or reduce the rate of the tax on, residential energy sources that are currently exempt from the State sales tax, which include fuel oil, gas, and electricity used for residential purposes. The City has not acted on this authorization.

Effective March 1, 2006, State and City tax exemptions are expanded to include metered energy services produced by a cogeneration facility owned or operated by a cooperative housing corporation with at least 1,500 apartments and is sold to its tenants or occupants.

Under federal law, federally-chartered credit unions are exempt from State and local sales taxes. Legislation has been enacted to exempt State-chartered credit unions from New York State and local sales taxes, effective March 1, 2008. As an interim measure to encourage federally-chartered institutions to convert to a New York charter, beginning March 1, 2006, Federal credit unions may convert and maintain their exempt status for State and local sales tax purposes.

2005

Effective December 1, 2005, State and City tax exemptions are expanded to include the service of removing waste material from a transfer station or construction and demolition debris processing facility regulated by the NYS Department of Environmental Conservation, provided the waste material was not generated by the facility.

Effective December 1, 2005, the State and local sales tax exemption for coin-operated car wash services, which required that the washing, waxing or vacuuming equipment be operated by the customer, has been modified to cover such services performed by automated equipment without assistance by the customer.

Effective September 1, 2005, State and City tax exemptions are expanded to include the sale and installation of residential solar energy system equipment. Localities, including the City, have the option of adopting the same exemption for local sales tax purposes. The City conformed.

Effective September 1, 2005, State and City sales tax exemptions were adopted for tangible personal property and related installation services purchased by a tenant or landlord, and for tangible personal property purchased by a contractor or repairperson for use directly and exclusively to furnish, equip, alter or improve leased commercial office space in Lower Manhattan. To qualify for the exemption, the lease must be for at least 10 years beginning on or after September 1, 2005, and purchases must be made on or after that date but during the first year of the lease. The exemption expires December 1, 2016. In 2014, the exemption was extended and will expire on December 1, 2018.

2004

Effective December 1, 2004, State and City tax exemptions are expanded to include aircraft charges for storing aircraft while being serviced and tangible personal property purchased and used by the service provider in performing such service, where such property becomes a physical component of the property being serviced. This exemption was set to expire on December 1, 2009 but was made permanent (Chapter 204 of the Laws of 2009).

Effective July 28, 2004, an amusement park, whose admission charge entitles patrons to ride at least 75 percent of its rides at no extra cost, is exempt from State and local sales taxes on 75 percent of the admission charge.

The existing sales tax exemption for the incremental cost of purchasing a hybrid or alternative fuel vehicle was extended until February 28, 2005 and the exemption amount was fixed at \$3,000. The exemption was not extended. (See 2002).

2003

Effective December 1, 2003, an existing sales tax exemption for coin-operated motor vehicle vacuuming equipment located in car washes was expanded to cover such equipment located at facilities other than car washes. (See 1997).

2002

Effective December 1, 2002, State and City tax exemptions are expanded to include purchases of tangible personal property and certain services (including utility services) used in the production of a film for sale, regardless of the medium used to convey the film to the purchaser.

A temporary exemption was allowed for tangible personal property, excluding motor vehicles, motor fuel, diesel motor fuel, cigarettes, tobacco products, alcoholic beverages, and building materials, under \$500 in the Liberty and Resurgence zones of lower Manhattan for three weekends: June 9-11, July 9-11, and August 20-22, 2002. The Liberty Zone is defined as on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the borough of Manhattan. The Resurgence Zone is defined as the area between Canal Street and Houston Street.

The partial sales and use tax exemption based on the incremental cost of purchasing an alternative fuel vehicle has been extended for one year, to February 29, 2004. In addition, the eligibility requirement that the incremental cost be separately stated in the bill of sale has been made inapplicable for 2000 to 2002 model year qualified

hybrid vehicles (generally defined as a vehicle that draws power from both an internal combustion engine and an energy storage device rechargeable through a braking system that recovers waste energy). Finally, the incremental cost with respect to a qualified hybrid vehicle will be deemed to be \$3,000 where a comparable vehicle without special equipment does not exist for comparison purposes.

2001

Effective March 1, 2001, purchases of tangible personal property and services used or consumed by qualified enterprises located in Empire Zones are exempt from the State's tax base for the next ten years. Localities have the option to include this exemption. The City conformed to the State exemption.

Effective March 1, 2001, State and City's sales tax exemptions are expanded to include manufacturing and industrial pollution control, prevention, and abatement equipment and machinery.

Effective March 1, 2001, the 1965 sales tax exemption for motor vehicle purchases by out-of-state residents is extended to purchases of vessels and trailers sold for use with the vessel, reducing the State's tax base and consequently, the City's tax base. Rules that apply to motor vehicles purchased in one New York sales tax jurisdiction by residents of another New York sales tax jurisdiction and which subject the purchase to the rules and rates of the resident's tax jurisdiction, are amended to cover purchases of vessels and their trailers.

Effective March 1, 2001, State and City's sales tax exemptions are expanded to include computer system hardware used or consumed directly and predominantly in providing the service, for sale, of designing and developing Internet websites.

Effective March 1, 2001, State and City's sales tax exemptions are expanded to include machinery, equipment or apparatus used or consumed directly and predominately to upgrade cable television systems to allow for the receiving, amplifying, processing, transmitting, re-transmitting, switching or monitoring of telecommunication services for sale and communications equipment used in the transmission of Internet access.

Effective March 1, 2001, State and City's sales tax exemptions are expanded to include tangible personal property sold to a contractor, subcontractor, or repairperson for use directly and predominately in the production phase of farming.

2000

Effective December 1, 2000, State and City tax exemptions are expanded to include food and non-alcoholic beverages sold at dining facilities located in senior citizen residences, where use of the dining room is limited to residents and their guests, and where the food and drinks are served only in the dining room or a resident's room.

Effective November 1, 2000, fuel, gas, electricity, refrigeration or steam used in the production of tangible personal property for sale, previously claimed as a credit against general corporation tax and unincorporated business tax, are exempt from City tax, bringing City tax law into conformity with the State (See All Other Tax Law Changes, 1984).

Effective September 1, 2000, a State, local, and MCTD sales tax exemption will be phased-in, over a four-year period, on purchases of the service of transporting, transmitting or distributing gas or electricity when such services are bought from a company other than the vendor of the gas or electricity. For the one-year period, beginning September 1, 2000, the tax on such services will be reduced by 25 percent (additional 25 percent reductions will occur in the following three years) and such services will be fully exempt beginning September 1, 2003.

Effective September 1, 2000, the State and City's sales tax exemptions are expanded to include, machinery, equipment, and certain other specified tangible personal property used by an operator of an Internet data center that sells Internet website services, as well as, services to the exempt property, and certain other services used in the Internet data center.

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Effective September 1, 2000, the existing narrow exemptions for telecommunications equipment is expanded to include tangible personal property used in providing telecommunications services for sale or Internet access services for sale. Additionally, machinery, equipment, parts, tools, supplies and certain related services used in upgrading cable television systems to enable them to offer digital cable TV service for sale or Internet access service for sale are exempt from the State's tax base and, consequently, the City's tax base (the cable TV exemption expired September 1, 2003).

Effective September 1, 2000, the State and City's sales tax exemptions are expanded to include machinery, equipment, or other tangible personal property used by a broadcaster in the production of live or recorded programs for broadcast or in the transmission, as well as services to the exempt property .

Effective September 1, 2000, sales taxes are repealed for candy, soda and certain fruit drinks sold for 75 cents or less through vending machines, reducing the State's tax base and the City's tax base.

Effective September 1, 2000, tangible personal property and building materials used in farm production, as well as utility services, and services provided to farm real property are exempt from the State's tax base and the City's tax base. Additionally, commercial horse boarding operations receive the same exemptions as farms.

Effective retroactive to March 1, 1997, the 1998 exemption for promotional materials is extended to prospectuses, paper, ink, mechanicals, layouts, artwork, photographs, color separations and similar property furnished to a printer for use in producing promotional materials that are then sold to the furnisher of those items.

Effective June 1, 2000, a sales tax exemption will apply to purchases of gas or electricity used in operating a gas pipeline or gas distribution line or an electric transmission or distribution line. These exemptions will reduce the State's tax base and, consequently, the City's tax base.

1999

Effective December 1, 1999, the State and local sales tax exemption for hot drinks and certain food items sold from vending machines is expanded to include vending machines that accept credit or debit cards.

1998

Effective September 12, 1998, parking charges paid to homeowners' associations (including co-op and condominium housing) by its members, for parking space in a facility owned or operated by the association, is exempt from the 6.0 percent City sales tax and the 8.0 percent Manhattan parking surcharge. Additionally, the 1997 law that exempts parking charges from the State sales tax when the parking facility is operated by a homeowners' association has been amended to include facilities owned by such an association even though operated by a third party (See 1997).

Effective September 1, 1998, coin phone calls costing 25 cents or less are exempt from the State's tax base, and consequently, the City's tax base.

Effective September 1, 1998, the exemption for telephone central office equipment or station apparatus is expanded to include equipment used directly and predominately in receiving, amplifying, processing, and transmitting telephone or telegraph signals, reducing the State's tax base and the City's tax base.

Effective June 1, 1998, textbooks purchased by full or part-time college students for their courses at accredited institutions are exempt from the State's tax base and, consequently, the City's tax base.

Effective June 1, 1998, computer system hardware used or consumed directly and predominately in designing and developing computer software for sale is exempt from the State's tax base and, consequently, the City's tax base.

Effective March 1, 1998, receipts from the sale of the service of installing alternative fuel refueling property (property used for storing and/or dispensing fuel) and receipts from the retail sale of alternative fuel refueling property are exempt from the State tax base and the City's tax base (expired February 29, 2004).

1997

Effective December 1, 1997, bus purchases and repairs, coin-operated car washes, coin-operated bulk vending machines and photocopying machines costing 50 cents or less, temporary transportation devices sold through coin-operated equipment, food or drink (except hot drinks or sandwiches) sold through coin-operated vending machines, wine or wine product furnished by the official agent of a farm, winery, wholesaler, or importer at a wine tasting, and receipts from admissions to all circuses are exempt from the State's tax base and the City's tax base.

Effective December 1, 1997 parking services sold by a homeowners' association to its members is exempt from the State sales tax but not from the City's 6.0 percent sales tax on parking.

Effective September 1, 1997, emissions inspection equipment purchased by an official inspection station are exempt from the State's tax base and, consequently, the City's tax base.

Effective March 1, 1997, printed promotional materials delivered through the mail and associated shipping services are exempt from the State's tax base and, consequently, the City's tax base.

Effective February 1, 1997, Internet access services, defined as providing connection to the Internet and including the provision of communication or navigation software, an E-mail address, E-mail software, news, headlines, space for a website and website services are exempt from the State's tax base and the City's tax base.

1996

Effective December 1, 1996, vehicles leased by Manhattan residents are exempt from the 8.0 percent parking and garaging surcharge, reducing the City's tax base.

Effective December 1, 1996, parking charges paid to parking facilities owned and operated by municipal corporations, district corporations, and public benefit corporations are exempt from State and City sales taxes. However, the 8.0 percent Manhattan parking surcharge remains in effect.

Effective September 1, 1996, certain parts, tools, supplies and services used or consumed in production processes, including film production, are exempt from the City sales tax, bringing City tax law into conformity with the State. This law was amended October 1, 1997 to include live theatrical performances.

Effective September 1, 1996, the services of installing, repairing, maintaining and servicing tangible personal property used to produce a product for sale by manufacturing, processing and assembling are exempt from the City sales tax, bringing City tax law into conformity with the State.

Effective September 1, 1996, the retail sale of shopping papers to the publishers and related printing services are exempt from State and City's sales tax base..

1995

Effective December 1, 1995, interior decorating and design services are exempt from the City sales tax.

Effective September 1, 1995, dues paid to homeowners' associations operating social or athletic facilities for their members are exempt from State's sales tax base and consequently the City's tax base.

Effective September 1, 1995, meteorological information services are exempt from the State's sales tax base and consequently the City's tax base.

1992

Effective September 1, 1992, the additional cost of a new alternative fuel vehicle (AFV) above the sales price of a comparable gasoline or diesel powered vehicle and parts and labor charges related to converting a gasoline or diesel-powered vehicle to an AFV, are exempt from the State and City sales tax base. This exemption, set to expire five years after the effective date was subsequently extended through February 29, 2004 and again through February 28, 2005. The exemption amount is fixed at \$3,000 per vehicle effective March 1, 2004. (Expired February 28, 2005).

1989

Effective December 1, 1989, the City's credit for sales tax paid on machinery and equipment used in the production of tangible personal property changed to an exemption from the City sales tax. The sales and use taxes paid was previously claimed as a credit against the City's business and utility taxes (see All Other Tax Law Changes 1977).

1985

Effective September 1, 1985, Manhattan residents are exempt from the 8.0 percent parking and garaging surcharge, reducing the City's tax base.

All Other Tax Law Changes

2016

Effective April 1, 2016 (as a result of the State enacted Budget for SFY 2016-17), New York City began to make monthly payments of \$16,666,667 to New York State for debt obligations related to the Sales Tax Asset Receivable Corporation (STAR C) starting from May 12, 2016 through April 12, 2019. In 2004, the Sales Tax Asset Receivable Corporation (STAR C) issued \$2.5 billion in debt to refinance certain obligations related to the New York City fiscal crisis. The STAR C bonds are secured by \$170 million in State sales tax paid to NYC as local aid, which the City has assigned to STAR C bondholders. In October 2014, STAR C refunded the outstanding debt, generating about \$650 million in debt service savings that, due to structuring provisions, accrued to New York City. Given the unique structure of the bonds, the State will realize the savings it is due over the next three state fiscal years through the adjustment of sales tax receipts otherwise payable to New York City. NYC sales tax revenue will be reduced by \$50 million in City fiscal year 2016, \$200 million in both City fiscal year 2017 and 2018, and \$150 million in City fiscal year 2019, a total revenue reduction of \$600 million over 4 City fiscal years.

2013

Effective July 31, 2013, in relation to the State and local sales tax exemption for tangible personal property used or consumed by broadcasters in the production or transmission of recorded programs, the definition of the term "recorded programs" has been amended to mean "any program contained on any medium," rather than "any program contained on film, tape, disc or any other physical media."

2011

Effective March 31, 2011, any person who fails to comply with State or local sales tax requirements concerning tax collection, remittance or return filing can be directed by the State Tax Department to deposit taxes collected, on a weekly basis, in a separate bank account in a Department-approved bank in New York, with the Department being given authority to debit that account. This measure unless extended, will expire on December 31, 2013. A related measure, also effective March 31, 2011, authorizes the Department, when necessary to protect sales tax revenue, to require quarterly return filers to instead file monthly returns.

2010

Effective July 1, 2010, the State closed the loophole that allowed certain vendors to claim a sale tax refund from the State for debts that are not repaid. Previously, vendors could take as a deduction the amount found worthless and charged off by the vendor.

2008

Effective September 1, 2008, the State passed a technical correction to the upfront exemption of taxes for government entities on fuel purchases intended to ease the processing of the exemption. This technical correction gives eligibility to credit card companies and fuel distributors, which finance the exempt purchase of motor fuel or diesel motor fuel, to claim a refund or credit from the Department of Taxation. This eliminates the burden on government entities and retailers to file for the credit. The law is intended to be similar to Federal tax legislation that creates a system for credit card issuers and fuel distributors to receive refunds of the Federal excise tax on fuel purchases. Prior to the correction, fuel retailers could not “back out” the taxes at the time of sale. The exemption appeared on the credit card bill after the purchase. (Refer to Chapter 102 of the Laws of 2008).

2007

Effective January 1, 2007, the tax law has been amended to provide that where a private label credit card account is held by a lender and all or a portion of a debt owed the lender is charged off by the lender as worthless, either the vendor or lender may claim a credit or refund for sales tax previously remitted by the vendor that is attributable to the worthless account. Prior to this amendment, only a vendor that made and financed sales was eligible for the credit or refund with respect to sales tax paid on worthless accounts.

2006

Effective December 1, 2006, registration agents (persons authorized by the Commissioner of Motor Vehicles to perform the function of registering vehicles) are authorized to collect and remit State and local sales taxes in connection with “casual” sales (those not made through a dealer) of motor vehicles that they register for the buyer. Detailed rules are prescribed concerning the duties and responsibilities of such agents with regard to collection of the sales tax.

Effective September 1, 2006, the State increased the vendor credit for quarterly and annual filers who file and fully remit their tax obligation on time by changing the calculation of the vendor credit from 3.5 percent of the quarterly State sales tax capped at a maximum credit of \$150 per quarter to 5.0 percent of the quarterly State and local sales and use taxes with the maximum vendor credit capped at \$200 per quarter. This increase in the vendor credit is phased in over two years as follows: (1) beginning September 1, 2006, the vendor credit will be calculated at 5.0 percent of the State and local sales taxes remitted capped at \$175 per quarter; and (2) beginning March 1, 2007, the vendor credit will be calculated at 5.0 percent of the State and local sales and use taxes remitted with the maximum vendor credit capped at \$200 per quarter. Only vendors who file quarterly or annual returns can apply for the credit.

Effective June 1, 2006, the State sales tax on motor fuel and diesel motor fuel is calculated using a cents-per-gallon rate rather than a percentage rate. The new law allows localities to conform their local sales taxes to the cents-per-gallon. The City did not conform.

2005

Effective January 1, 2005, sellers that contract to sell to New York State agencies or public authorities goods or services valued at more than \$15,000, and that make total sales delivered by any means to locations within the state of goods or taxable services valued at more than \$300,000, will be required to register as sales tax vendors with the State Department of Taxation and Finance. The registration requirement may also apply to certain affiliates or subcontractors of the seller. Once registered, the seller, affiliate or subcontractor must comply with all requirements of the sales tax law. The new requirements will not apply to certain contracts, such as emergency contracts, where the seller is the only person capable of fulfilling the contract.

2004

Effective December 1, 2004, a refund is allowed for sales taxes paid by operators of vessels with a seating capacity greater than 20 that are used to transport passengers for hire by water. A refund is allowed for purchases of the vessels, and of parts, equipment, lubricants, diesel fuel, maintenance, servicing, or repair services related to

Appendix III-STX

operation of the vessels. To qualify for the refund, the vessels must be used to provide local transit service in the state pursuant to a certificate of public convenience and necessity or a franchise agreement with New York City.

Effective December 1, 2004, the special recordkeeping and enforcement provisions relating to parking garage operators in Manhattan to continue to ensure compliance with state and local sales taxes on parking services were made permanent. (See 1999).

2003

Effective September 1, 2003, the City excise tax on cigarettes was added to the sales price of cigarettes on which the State and City sales and use taxes are calculated. (The NYS cigarette tax has been included in the sales and use tax base since 1989).

Effective May 24, 2003, State law requires a line on personal income tax returns for taxpayers to report use tax owed.

2002

A New York State tax amnesty program adopted as part of the New York State budget included the State-administered City sales and use taxes. The amnesty applied to outstanding liabilities for taxable periods ending on or before December 31, 2000, or, in the case of quarterly sales tax filers, through tax periods ending on or before February 28, 2001. Taxpayers that qualified for amnesty were eligible for a waiver of certain penalties and a two-percentage-point reduction in the otherwise applicable rate of interest. Amnesty applications were filed during the period beginning November 18, 2002 and ending January 31, 2003. Effective April 1, 2003, the interest rate on tax underpayments increased by two percentage points.

Cigarette stamping agents are required to prepay State and local sales taxes on the cigarettes they distribute based on a periodically adjusted base retail price established by statute. Effective September 1, 2002, the base retail price adjustment will be made using a new formula that takes into account average manufacturers' list prices as reported to the State Department of Taxation and Finance plus the amount of the State cigarette excise tax; formerly, the adjustment was made based on changes in the U.S. Labor Department's consumer price index for tobacco and smoking products.

Effective August 2, 2002, in order to conform to the requirements of the Federal Mobile Telecommunications Sourcing Act of 2000, State and local sales tax provisions have been amended to provide that all charges for mobile telephone service are to be taxed only at the location of the customer's place of primary use, regardless of where the calls are actually made. "Place of primary use," as defined in the Federal Act, generally means the address representative of where the customer's use of the mobile service primarily occurs, and must be either the customer's residential street address or the primary business street address in the case of a business customer. The sales tax provisions have also been amended to permit the unbundling of certain services sold together for a single price. For example, if taxable mobile telecommunications services are sold together with exempt wireless Internet access services for a single price, the charges for the latter, if determinable by a reasonable and verifiable standard, may be broken out and treated as separately stated, nontaxable charges.

2001

As a result of the September 11, 2001 terrorist attack, the filing deadlines for the monthly and quarterly sales tax returns due after September 11, 2001 through December 10, 2001 were extended to December 10, 2001 for filers directly impacted by the terrorists attacks with no penalties or interest incurred.

Effective March 1, 2001, the methodology for computing the use tax on self-produced items, which a manufacturer used in its business operations, is modified from a use tax based on the manufacturer's normal selling price to a use tax based on the manufacturer's cost of materials.

1999

Effective December 1, 1999, the special requirements relating to the services of parking, garaging or storing motor vehicles at facilities located in New York County (i.e., Manhattan) were extended until November 30, 2004. The special requirements were set to expire on November 30, 1999. The special requirements imposed in 1992 included additional recordkeeping and reporting requirements, as well as authorization for periodic onsite inspections (walkabouts) by the Commissioner or his agents. (See 1992).

1995

Effective September 1, 1995, the State requires cigarette stamping agents to prepay State and local sales taxes (at an even percent blended rate) on sales of cigarettes distributed to licensed wholesalers, chain stores, and retailers.

1992

Effective December 1, 1992, additional recordkeeping requirements as added, provides that persons selling parking, garaging, or storage services within New York County (Manhattan) must give each customer a ticket or other document of sale and keep records of such sale. Also authorizes the Tax Department to conduct walkabout observations of any parking facility located in Manhattan.

1990

Effective June 1, 1990, the State and City sales taxes due on automobile and boat leases of a duration greater than one year are due in total at the inception of the lease and are no longer spread over the life of the lease.

1989

Effective September 1, 1989, the State enhanced its revenue enforcement capability to improve revenue collections from interstate mail-order sales, prefabricated building materials purchased from out-of-state manufacturers and used in New York, and catalogues printed out-of-state and mailed by in-state firms.

1984

Effective July 1, 1984, sales tax on electricity or electric service used in the production of tangible personal property for sale by manufacturing, processing or assembling can be claimed as a credit against the unincorporated business or general corporation taxes. The credit is replaced with an exemption from the sales tax in 2000, reducing the City's tax base. (See Exemptions, 2000).

1977

Effective July 1, 1977, sales and use taxes paid on machinery used in the production of tangible personal property, gas, electricity or refrigeration, and steam for sale can be claimed as a credit against the City's general corporation, unincorporated business, or utility taxes. For sales after December 1, 1989, the credit is replaced with an exemption from the sales tax, reducing the City's tax base.

APPENDIX IV

GENERAL CORPORATION TAX

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APPENDIX IV
GENERAL CORPORATION TAX

1.
Summary Tables

Table 1.
Annual Distribution of Number of Taxpayers By Type of Business

Table 1 depicts the number of general corporation tax (GCT) filers by industrial sector for tax year 2012, the most recent data available from the Department of Finance (DOF). The service (information, professional/technical/managerial, and other services) and trade sectors accounted for the largest amount of taxpayers, 42.8 percent and 20.8 percent, respectively.

GCT Industrial Mix - Number of Firms
(1987-1997)

Year	Finance		Real Estate		Manufacturing		Services		Trade		Other		Total*	
	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share
1987	8,921	4.5%	30,504	15.3%	19,662	9.8%	54,406	27.2%	51,479	25.8%	34,895	17.5%	199,867	100%
1988	9,243	4.5%	31,223	15.3%	19,377	9.5%	55,921	27.4%	51,785	25.4%	36,433	17.9%	203,982	100%
1989	9,487	4.6%	31,708	15.4%	18,730	9.1%	56,997	27.7%	51,955	25.3%	36,673	17.8%	205,550	100%
1990	9,666	4.8%	31,870	15.7%	18,115	8.9%	56,846	28.0%	51,295	25.2%	35,431	17.4%	203,223	100%
1991	9,228	4.6%	31,245	15.7%	16,897	8.5%	54,531	27.5%	48,616	24.5%	38,051	19.2%	198,568	100%
1992	9,924	4.9%	32,831	16.1%	17,215	8.4%	57,104	27.9%	51,188	25.0%	36,257	17.7%	204,519	100%
1993	9,878	4.8%	32,822	15.8%	16,386	7.9%	56,541	27.3%	49,786	24.0%	41,901	20.2%	207,314	100%
1994	10,103	4.7%	33,598	15.5%	15,608	7.2%	55,264	25.6%	47,874	22.1%	53,768	24.9%	216,215	100%
1995	10,671	4.8%	33,909	15.3%	15,040	6.8%	55,339	25.0%	46,516	21.0%	59,669	27.0%	221,144	100%
1996	10,821	4.7%	33,765	14.8%	14,412	6.3%	55,185	24.2%	44,606	19.5%	69,417	30.4%	228,206	100%
1997	11,452	4.9%	35,931	15.5%	14,703	6.3%	59,439	25.6%	48,035	20.7%	62,761	27.0%	232,321	100%

Please note that the reporting categories were modified beginning in 1998.

GCT Industrial Mix - Number of Firms
(1998-2012)

Year	Finance		Real Estate		Manufacturing		Prof/Tech/Mgmt		Other Services		Information		Trade		Other		Total*	
	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share	# of Firms	% Share
1998	10,854	4.5%	42,216	17.5%	13,358	5.6%	28,377	11.8%	50,860	21.1%	7,095	2.9%	50,581	21.0%	37,259	15.5%	240,600	100%
1999	11,402	4.6%	42,227	17.1%	12,621	5.1%	30,631	12.4%	49,941	20.2%	7,569	3.1%	50,735	20.5%	42,131	17.0%	247,257	100%
2000	11,829	4.7%	43,027	17.0%	12,132	4.8%	32,793	13.0%	51,833	20.5%	7,843	3.1%	52,076	20.6%	41,669	16.5%	253,202	100%
2001	11,814	4.6%	44,022	17.1%	11,742	4.6%	33,670	13.1%	54,105	21.0%	7,863	3.1%	54,074	21.0%	39,884	15.5%	257,174	100%
2002	11,397	4.4%	43,872	16.8%	11,121	4.3%	32,146	12.3%	54,883	21.0%	7,543	2.9%	55,598	21.3%	44,745	17.1%	261,305	100%
2003	11,516	4.4%	44,699	16.9%	10,618	4.0%	33,637	12.7%	56,154	21.2%	7,679	2.9%	55,743	21.1%	44,513	16.8%	264,559	100%
2004	11,469	4.3%	45,048	16.8%	10,110	3.8%	32,872	12.3%	56,813	21.2%	7,578	2.8%	56,244	21.0%	47,548	17.8%	267,682	100%
2005	11,740	4.3%	45,448	16.8%	9,789	3.6%	32,806	12.1%	58,477	21.6%	7,497	2.8%	56,033	20.7%	48,454	17.9%	270,244	100%
2006	12,109	4.4%	46,310	16.9%	9,617	3.5%	33,982	12.4%	60,434	22.1%	7,637	2.8%	56,578	20.7%	47,197	17.2%	273,864	100%
2007	12,469	4.5%	46,290	16.8%	9,395	3.4%	34,755	12.6%	62,216	22.5%	7,658	2.8%	56,408	20.4%	46,752	16.9%	275,943	100%
2008	12,492	4.5%	47,028	17.0%	9,134	3.3%	36,187	13.1%	65,519	23.7%	7,888	2.9%	57,377	20.8%	40,415	14.6%	276,040	100%
2009	12,325	4.4%	47,622	16.9%	8,935	3.2%	37,591	13.4%	69,438	24.7%	8,000	2.8%	59,187	21.0%	38,081	13.5%	281,179	100%
2010	12,617	4.4%	48,390	16.7%	8,858	3.1%	39,372	13.6%	73,180	25.2%	8,333	2.9%	60,937	21.0%	38,222	13.2%	289,909	100%
2011	12,998	4.4%	49,110	16.5%	8,830	3.0%	40,918	13.8%	76,394	25.7%	8,658	2.9%	62,055	21.0%	38,059	12.8%	297,022	100%
2012	13,261	4.4%	49,848	16.4%	8,843	2.9%	42,597	14.0%	78,447	25.8%	9,097	3.0%	62,988	20.8%	38,465	12.7%	303,546	100%

*Totals may not add up due to rounding.

Table 2.
Annual Distribution of Taxpayer Liability By Type of Business

Table 2 depicts the distribution of general corporation tax liability by industry sector for tax year 2011. In 2011, the service sector (information, professional/technical/managerial, and other services) and finance sector accounted for over half of GCT liability. While finance sector businesses account for only 4.4 percent of total taxpayers, they pay 16.8 percent of total general corporation tax liability

GCT Industrial Mix - Liability
(1987-1997)

Year	Finance		Real Estate		Manufacturing		Services		Trade		Other		Total*	
	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share
1987	203.8	19.5%	93.1	8.9%	216.6	20.8%	214.0	20.5%	192.5	18.5%	122.4	11.7%	1,042.4	100%
1988	167.1	15.8%	86.2	8.2%	237.1	22.5%	250.5	23.8%	198.8	18.9%	114.7	10.9%	1,054.3	100%
1989	159.7	15.3%	91.1	8.7%	216.1	20.8%	249.3	24.0%	201.0	19.3%	123.8	11.9%	1,040.9	100%
1990	156.9	16.1%	90.2	9.3%	188.3	19.4%	230.3	23.7%	192.1	19.8%	114.2	11.7%	972.0	100%
1991	223.7	23.9%	84.2	9.0%	169.6	18.1%	211.8	22.6%	154.5	16.5%	94.0	10.0%	937.9	100%
1992	233.5	23.7%	86.1	8.7%	183.6	18.7%	231.3	23.5%	162.2	16.5%	87.6	8.9%	984.2	100%
1993	380.9	32.8%	91.7	7.9%	169.8	14.6%	255.5	22.0%	163.1	14.0%	101.0	8.7%	1,162.0	100%
1994	241.4	21.5%	93.4	8.3%	207.2	18.5%	278.3	24.8%	168.3	15.0%	133.3	11.9%	1,121.8	100%
1995	317.3	26.9%	106.8	9.0%	165.6	14.0%	277.3	23.5%	177.7	15.1%	135.9	11.5%	1,180.5	100%
1996	427.7	30.5%	132.8	9.5%	176.4	12.6%	332.8	23.8%	187.8	13.4%	142.6	10.2%	1,400.0	100%
1997	413.1	27.7%	142.0	9.5%	175.6	11.8%	398.8	26.7%	204.3	13.7%	157.8	10.6%	1,494.4	100%

Please note that the reporting categories were modified beginning in 1998.

GCT Industrial Mix - Liability
(1998-2012)

Year	Finance		Real Estate		Manufacturing		Prof/Tech/Mgmt		Other Services		Information		Trade		Other		Total*	
	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share
1998	342.8	22.8%	151.9	10.1%	110.5	7.4%	233.9	15.6%	222.6	14.8%	114.2	7.6%	211.9	14.1%	114.9	7.6%	1,502.5	100%
1999	367.8	23.1%	165.2	10.4%	129.2	8.1%	239.2	15.0%	189.9	11.9%	128.6	8.1%	245.0	15.4%	129.2	8.1%	1,594.1	100%
2000	390.3	22.7%	186.1	10.8%	127.3	7.4%	279.8	16.3%	204.2	11.9%	136.6	8.0%	248.9	14.5%	142.7	8.3%	1,715.9	100%
2001	258.3	17.9%	201.8	14.0%	128.1	8.9%	202.8	14.1%	186.4	12.9%	177.0	8.1%	224.4	15.6%	123.1	8.5%	1,501.9	100%
2002	268.7	19.1%	190.3	13.5%	103.5	7.3%	165.9	11.8%	199.5	14.1%	126.5	9.0%	233.2	16.5%	122.6	8.7%	1,410.3	100%
2003	246.9	15.7%	227.0	14.4%	110.6	7.0%	188.8	12.0%	209.7	13.3%	216.6	13.7%	263.0	16.7%	114.6	7.3%	1,577.1	100%
2004	381.8	19.9%	280.6	14.6%	161.7	8.4%	228.0	11.9%	234.4	12.2%	205.2	10.7%	305.6	15.9%	120.1	6.3%	1,917.5	100%
2005	585.3	25.2%	375.7	16.2%	138.8	6.0%	255.2	11.0%	260.4	11.2%	233.7	10.1%	339.8	14.6%	135.1	5.8%	2,324.2	100%
2006	676.7	24.2%	464.4	16.6%	196.7	7.0%	307.6	11.0%	316.3	11.3%	278.5	9.9%	391.1	14.0%	169.1	6.0%	2,800.5	100%
2007	634.0	22.3%	531.7	18.7%	139.3	4.9%	329.4	11.6%	329.2	11.6%	281.9	9.9%	418.2	14.7%	180.1	6.3%	2,843.8	100%
2008	517.7	21.4%	333.0	13.8%	144.3	6.0%	346.7	14.3%	301.8	12.5%	226.1	9.3%	326.5	13.5%	222.6	9.2%	2,418.7	100%
2009	483.6	22.6%	213.5	10.0%	151.9	7.1%	252.9	11.8%	261.5	12.2%	247.1	11.6%	340.6	15.9%	185.0	8.7%	2,136.1	100%
2010	533.0	22.1%	279.6	11.6%	208.3	8.6%	243.9	10.1%	284.1	11.8%	280.4	11.6%	398.8	16.5%	183.6	7.6%	2,411.8	100%
2011	408.8	16.8%	303.0	12.5%	206.1	8.5%	302.3	12.4%	296.3	12.2%	313.8	12.9%	436.9	18.0%	164.7	6.8%	2,431.9	100%
2012	476.2	17.9%	395.1	14.9%	189.3	7.1%	319.1	12.0%	322.4	12.1%	306.2	11.5%	473.3	17.8%	177.3	6.7%	2,658.8	100%

*Totals may not add up due to rounding.

Table 3.
S Corporations, Pass-Through Entities on a Federal and State Level,
Have Increased 109 Percent Since 1990 While C Corporations
Have Increased 17 Percent.

The number of S Corporations, which are pass-through entities on a Federal and State level, has increased 109.4 percent since 1990, while the number of C Corporations has increased 17.3 percent during the same time period. Unlike New York State and the Federal Government, NYC does not tax S Corporations differently than it taxes C Corporations.

Distribution by State S Corporations Status (Tax Year 1990)*

(\$ in Thousands)

	Number	% of Total Taxpayers	Liability	% of Total Liability
State S Corporation	70,753	34.8%	\$289,612	29.8%
State C Corporation	132,470	65.2%	682,385	70.2%
Total*	203,223	100.0%	\$971,997	100.0%

Source: NYC Department of Finance, Office of Tax Policy

Distribution by State S Corporations Status (Tax Year 2012)*

(\$ in Thousands)

	Number	% of Total Taxpayers	Liability	% of Total Liability
State S Corporation	148,154	48.8%	\$979,541	36.8%
State C Corporation	155,392	51.2%	1,679,268	63.2%
Total*	303,546	100.0%	\$2,658,809	100.0%

Source: NYC Department of Finance, Office of Tax Policy

*Totals may not add up due to rounding

Table 4.
Distribution By Allocation Status

Table 4 depicts the distribution of general corporation taxpayers by allocation status for tax year 2012. The majority of taxpayers (85.1 percent) conduct 100 percent of their business in New York City and do not allocate income to other cities or states. However, multi-jurisdictional taxpayers pay 66.0 percent of total liability..

Distribution by Allocation Status (Tax Year 2012)				
(\$ in Thousands)				
	Number	% of Total Taxpayers	Liability	% of Total Liability
Multi-Jurisdictional	35,934	11.8%	\$1,755,039	66.0%
100% NYC	258,261	85.1%	887,860	33.4%
Not Available	9,351	3.1%	15,911	0.6%
Total*	303,546	100.0%	\$2,658,809	100.0%

Source: NYC Department of Finance, Office of Tax Policy

**Totals may not add up due to rounding*

Table 5.
Distribution of Filers and Liability

Table 5 depicts the distribution of taxpayers by liability range in tax year 2012, the most recent data available from the Department of Finance. In 2012, 0.1 percent of general corporation tax filers (those with liability greater than \$1,000,000) paid 47.7 percent of the total liability.

Distribution of Filers and Liability (Tax Year 2012)					
(\$ in Thousands)					
Liability per Taxpayer	Number	% of Total Taxpayers	Liability (\$ in Thousands)	% of Total Liability	Average Tax Per Filer*
\$50,000 and Under	298,573	98.4%	\$576,548	21.7%	\$1,931.01
Over \$50,000 - \$500,000	4,341	1.4%	592,620	22.3%	136,517
Over \$500,000 - \$1,000,000	316	0.1%	220,564	8.3%	697,987
Over \$1,000,000	316	0.1%	1,269,077	47.7%	4,016,066
Total*	303,546	100.00%	2,658,809	100.0%	\$8,759

Source: NYC Department of Finance, Office of Tax Policy
Totals may not add up due to rounding.

APPENDIX IV GENERAL CORPORATION TAX

2.
Tax Exemptions, Deductions and Credits

TAX EXEMPTIONS, DEDUCTIONS AND CREDITS

Several tax exemptions and credits are available to New York City corporations. Each of the following exemptions and credits reduces total tax liability:

Insurance Corporation Non-Taxation

To promote the growth of the insurance industry in New York City, insurance firms operating in the City that provide insurance services, or even non-insurance activities such as real estate and financial services, are exempt from taxation. However, they are liable to pay New York State's Franchise Tax on Insurance Corporations (Article 33).

Employment Opportunity Relocation Costs Credit (EORC)

The Employment Opportunity Relocation Cost Credit is available to firms relocating to New York City from outside New York State. The credit is allowed for certain costs incurred in relocating commercial or industrial jobs to New York City. To be eligible for the credit, a taxpayer must relocate a minimum of ten full-time jobs. The allowable credit is based upon relocation costs incurred by the taxpayer during the taxable year and may not exceed a maximum of \$300 for each commercial job and \$500 for each industrial job. With the creation of the Industrial Business Zone (IBZ) Relocation credit established in 2006 (see IV-14), the EORC was amended so that any business located within an IBZ and in contract to purchase or lease premises on or after July 1, 2005 is not eligible for the EORC for industrial employment opportunities. (Administrative Code. § 11-503(f), 11-604.14)

Real Estate Tax Escalation Credit (RETE)

Taxpayers relocating to the City from outside of New York State who have created at least 100 full-time industrial or commercial jobs in the City are eligible for the Real Estate Tax Escalation Credit (RETE). The value of the credit is equal to the additional rent paid as a result of higher real estate taxes. (Administrative Code § 11-503(e), 11604.13)

Energy Cost Savings Program (ECSP)

Prior to November 1, 2000, an eligible commercial or industrial firm that relocated or expanded operations to Manhattan north of 96th Street, Brooklyn, the Bronx, Queens or Staten Island that purchased electricity or natural gas from a vendor or utility not under the direction of the Public Service Commission could receive a credit through the City's Energy Cost Savings Program (ECSP) equal to 30 percent of the total electricity bill or 20 percent of the total natural gas bill.

Effective November 1, 2000, ECSP was extended and restructured. The credit mechanism was repealed and all benefits are through the utility vendor. The utility provider will be credited the forgone revenue against the City's utility tax (See Non-Charter Mandated Taxes: Utility Tax). Additionally, the discount on energy costs is calculated as a percentage of the cost of delivery, rather than the combined costs of the delivery and purchase of the commodity. Eligible firms now will receive a 45 percent discount off the delivery portion of the electric bill and 35 percent off gas delivery costs. These changes parallel energy deregulation which enables businesses to purchase the electric or natural gas commodity on the deregulated market and realize additional savings. Also, under the new law, ECSP benefits were extended to firms using space in buildings in Long Island City or Fulton Ferry that are converted from manufacturing to commercial use, and benefits will only be available to utility firms directly supervised by PSC. Chapter 20 of the laws of 2015 extends the program through June 30, 2017. (Administrative § 11-503(h), 11-604.16, 11-643.5(c), 11-704.1, 11-1105.1 and Chapter 6 of Title 22)

Nested Credit

A corporate partner in a business subject to the unincorporated business tax (UBT) may claim a credit against the corporate tax (UBT/GCT nested credit) for its share of the unincorporated business's UBT if the corporation's distributive share of the income, gain, loss or deductions from the partnership is subject to the GCT. In 1996, the calculation of the credit was modified to allow a carry forward of the credit to be taken against tax liability in any of seven succeeding taxable years. (NYS Tax Law § 1310(e))

Film Production Credit

For tax years beginning on or after January 1, 2005, film and television companies may claim a

general corporation tax credit against the general corporation (or unincorporated business) tax equal to five percent of specified production costs incurred in producing a qualified film or television program in the City, in addition to the 10 percent credit they can claim against the State's Article 9-A franchise tax or personal income tax. The total amount of City credits to be allocated per calendar year was originally \$12.5 million; if the total amount of allocated credits applied exceeds the aggregate amount of credits allocated (\$12.5 million), the excess is treated as having been applied for on the first day of the subsequent year. The total amount of credits to be allocated in four years was \$50 million. The credit was set to expire on August 20, 2008. Effective July 11, 2006, the film credit was expanded, and the credit to be allocated was increased to \$30 million per calendar year, with the credit applied mostly through the GCT, but also a smaller yet significant amount through the UBT. The former allocation policy was kept in place: allocated credits which exceed \$30 million per calendar year can be carried over to the following year. State legislation also enacted a State credit for qualifying costs of producing certain TV, radio and movie theatre commercials. The NYC film production tax credit was not extended past December 31, 2011. The City has the authorization to adopt a local law for a similar credit but has taken no action to date on that authorization. (Administrative Code. § 11-604.20)

Industrial Business Zone (IBZ) Relocation Tax Credit

For tax years beginning on or after January 1, 2006, an eligible business can receive a credit of \$1,000 per full-time employee against the general corporation tax or the unincorporated business tax. In order to be eligible for the credit, a business must be involved in industrial and/or manufacturing activity and have relocated to an IBZ on or after July 1, 2005. The business must have been located in New York City or outside New York State for 24 consecutive months before relocating to an IBZ. The credit is capped at the lesser of \$100,000 or the actual relocation cost. The credit is not granted to an eligible business that receives the REAP, the Lower Manhattan REAP credit, or assistance through a grant program administered by the business relocation assistance corporation or the NYC printers relocation fund grant. (Administrative Code. § 11-503(n), 11-526, 22-626)

Small Corporation Exemption From Alternative Taxes

For tax years beginning on or after January 1, 2007, a small corporation, defined as having Federal gross income of less than \$250,000, a 100 percent local business allocation to New York City and no investment or subsidiary capital, is exempt from the alternative income-plus-compensation tax base and the business and investment capital tax base.

Cooperative Housing Corporation Four-tenths Mill Tax Rate on Capital

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.

School Bus Operation Deduction

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

Manufacturing and Research & Development Property Depreciation

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 deduct from its allocated net income up to double the federal depreciation on qualified property, provided the deduction was not taken prior and the property is used for research and development for experimental and laboratory concerns.

Air Pollution Control Facilities Deduction

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.

Biotechnology Credit

Corporations are eligible for a credit against their corporate tax liability for qualified expenditures related to costs related to qualified research and development of property, qualified research expenses and qualified high-technology training costs. To be eligible, the firm must not have more than 100 full-time employees, of which 75 percent must be located in the City and its annual receipts are less than \$10 million. A firm's total annual credit cannot exceed \$250,000 if they raise employment levels by 105 percent from a base year (credit cannot exceed \$125,000 if a firm raises employment levels by less than 105 percent from a base year), the credit can be claimed for a maximum of three years, and the total of all credits allowed during any calendar year cannot exceed \$3 million. The credit was scheduled to expire at the end of tax year 2015, but legislation has been enacted that continues the credit through tax year 2018.

Relocation and Employment Assistance Program (REAP)

The Relocation and Employment Assistance Program (REAP) was established in 1987 to encourage firms to relocate all or part of their business from outside the City and Midtown (below the centerline of 96th street) to upper Manhattan, the outer boroughs and recently, to lower Manhattan (generally the area below Houston Street). The program is applicable for businesses subject to the general corporation tax, the banking corporation tax, the unincorporated business tax and the utility tax. Businesses engaged in retail activity or hotel services cannot receive the REAP credit.

The program originally provided a credit of \$500 per relocated employee for a period of 12 years, provided that the commercial property that meets certain eligible criteria (see page IV-17). The credit amount was subsequently increased to \$1,000 in 1995. As of July 1, 2000 the credit amount was raised to \$3,000 for relocations to "revitalization areas" in upper Manhattan and the outer boroughs. The credit is refundable for the year of relocation and the succeeding four years. Similar to the non-revitalization areas, unused credit can be carried forward for five years.

Under a 2004 statutory amendment, firms may claim a \$3,000 per relocated employee credit if they relocate to qualifying areas in Lower Manhattan (generally areas below Houston Street) from outside the City. To qualify for the credit, a firm must have been established outside the City for at least 24 months prior

to relocating and must not have employed any persons in the City between January 1, 2002 and the date it leases or purchases the relocation premises. Unlike the original REAP credit, relocations from areas below 96th street are not allowed. However, like the original REAP, the Lower Manhattan REAP (LM-REAP) requires that in addition to employee relocation, the commercial property where employees are relocated must have a 50 percent improvement in its assessed value (25 percent for industrial properties). The credit is available for 12 years; if the amount of the credit exceeds a firm's annual tax liability, the excess is refundable for the year of relocation and the next four years. Unused credits that are not refundable can be carried forward for five years. The Lower Manhattan credit has been made retroactive to relocations occurring on or after July 1, 2003.

The 2004 law also expanded and changed the pre-existing REAP by allowing leased premises (renters) to qualify for eligibility based on improvements made by the tenant to their own space rather than requiring building-wide improvements and by increasing the cap on the number of employees for which small businesses can claim the credit. A leased premise must be improved by \$25 per square foot and the firm must maintain the lease for three years (the requirement for renters also applies for LM-REAP).

Previously, firms could only claim the credit for a maximum of twice the number of employees that worked outside the eligible area in the year prior to the year of the relocation. The 2004 amendment allows firms to claim up to 100 employees for the credit. An additional provision was added permitting a discretionary reduction in the REAP benefit in instances in which a firm relocates from Lower Manhattan to another REAP-eligible area. The regular benefit will apply if the relocation involves no more than 100 employees; however, if the number of relocated employees exceeds 100, the Mayor or his or her designee can raise the number of employees eligible for the credit. For applicants of the LM-REAP, a relocated employee must be employed by the firm for a minimum of 10 weeks prior to the transfer and 10 weeks after the transfer.

In 2005, the Lower Manhattan REAP was amended so that firms from below 96th street are eligible to relocate employees to Lower Manhattan. These firms are referred to as Special Eligible Businesses (SEB) and must have had employees working in Manhattan between January 1, 2002 and the date at which the business enters into a lease or contract to purchase property in Lower Manhattan. The relocation credit for such businesses is \$3,000 per relocated employee. The LM-REAP credit for SEBs is only available for

employees relocated from areas of Manhattan between 96th street and the area north of Houston street, the general the boundary of Lower Manhattan as defined by the REAP credit. For this amendment, businesses have to meet eligible criteria (see chart). Importantly, in order to receive the credit, the number of relocated employees must be equal to 250 employees and up to 25 percent of the business's pre-relocation NYC employee base. The employee requirement is distinct to the LM REAP for SEBs. SEB firms can also receive the REAP credit for new employees added during the first five years at the Lower Manhattan location.

The Lower Manhattan REAP benefit was scheduled to sunset for new applicants on July 1, 2008. The original REAP program, which had technically expired on July 1, 2003, had been reinstated retroactive to that date and was extended through December 31, 2008. In 2007, applicants for REAP available in all parts of the City except the area below 96th Street in Manhattan, have been given additional time to meet certain REAP requirements. The new 2007 time table applies to eligible premises that receive a building permit after August 1, 2007 but before December 31, 2008; extends the deadline for commencing improvements to December 30, 2008; and extends the deadline for filing a preliminary application for benefits to June 30, 2013. The NYS 2015 Enacted Budget extends the general deadline to June 30, 2017. (Administrative Code. § 11-503(i), 11-604.17, 11-643.7, 11-1105.2, 22-621, 22-622 and Chapter 6-B of Title 22)

Relocation and Employment Assistance Program (REAP)

	New York City (except Manhattan below 96th)	Lower Manhattan	
	REAP Credit	LM-REAP Credit	Special Eligible Business (LM-REAP SEB)
General Information			
Geography	Entire city except area south of 96th Street in Manhattan.	Area below Houston Street.	Area below Houston Street.
Credit Against	GCT, BCT, UBT and UTX	GCT, BCT, UBT and UTX	GCT, BCT, UBT and UTX
Credit Amount	\$1,000 - non-revitalization zones \$3,000 - revitalization zones	\$3,000	\$3,000
Credit Application	Credits refundable in the first four years; unused credits can be carried forward for five years. Benefits are capped by the maximum number of qualifying employees in the year of relocation and the following five years. Credit is applicable for 12 years.	Credits refundable in the first four years; unused credits can be carried forward for five years. Benefits are capped by the maximum number of qualifying employees in the year of relocation and the following five years. Credit is applicable for 12 years.	Credits refundable in the first four years; unused credits can be carried forward for five years. Benefits are capped by the maximum number of qualifying employees in the year of relocation and the following five years. Credit is applicable for 12 years.
Property Eligibility			
Property Criteria #1	Eligible for ICIP or leased from NYC IDA, NYC, Port Authority or NYS State Urban Development Corp.	Eligible for ICIP or leased from NYC IDA, NYC, Port Authority or NYS State Urban Development Corp.	Eligible for ICIP or leased from NYC IDA, NYC, Port Authority or NYS State Urban Development Corp.
Property Criteria #2	Improve commercial property by 50% of assessed value (industrial property by 25%).	Improve commercial property by 50% of assessed value (industrial property by 25%).	Improve commercial property by 50% of assessed value (industrial property by 25%).
Premise Criteria (for tenants)	For renters, property must be improved by \$25 per square foot and lease must be for three years.	For renters, property must be improved by \$25 per square foot and lease must be for three years.	For renters, property must be improved by \$25 per square foot and lease must be for three years.
Business Eligibility			
Relocating Firms	Business must be in operation for 2 years (24 months).	Business must be in operation for 2 years (24 months).	Business must be in operation for 2 years (24 months).
Former Location	No Presence in the City.	No Presence in the City.	Located in Manhattan, below 96th street, and north of Houston Street.
Exclusions	Retail (including retail banking) and service businesses are ineligible.	Retail (including retail banking) and service businesses are ineligible.	Retail (including retail banking) and service businesses are ineligible.
Employee Eligibility			
Number of Employees Relocated	At least 1 Employee.	At least 1 Employee.	250 employees, or up to 25% of their NYC employment.
Duration of Emp		Minimum of 10 weeks employed prior to and after transfer.	Minimum of 10 weeks employed prior to and after transfer.
Effective Since	July 1, 1987	July 1, 2003	July 1, 2005

Important Note:

The mayor, and his designee, may exercise discretion in the application of REAP and LM-REAP credits in determining the best interest of the City, taking into consideration the premise of the credit is to enhance employment in the City.

APPENDIX IV GENERAL CORPORATION TAX

3. Legislative History

General Corporation Tax: Legislative History

2015

The 2015-2016 New York State budget, Part D of Chapter 60 of the Laws of 2015, significantly changed the taxation of corporations in New York City. With the exception of S corporations, all corporations, including banks, are subject to a new corporate tax under Subchapter 3-A of Chapter 6 of Title 11 of the Administrative Code of the City of New York. The change is effective January 1, 2015.

2014

In 2014, as part of the NYS enacted Budget for State fiscal year 2014-21015, legislation was signed into law by Governor Cuomo that simplified and reformed the New York State corporate tax structure. The enacted laws merge the New York State Franchise Tax with the New York State Banking Franchise tax. Special tax rules that applied to banking corporations were eliminated and banks will now be taxed like a regular corporation. The tax code was simplified and modified. Further, the business tax rate on net income will be reduced from 7.1 percent to 6.5 percent and the tax on a corporation's capital base will be phased out over six years beginning in calendar year 2016. New York City's business income taxes are authorized under New York state law, but are separate from those of New York State. These changes to the State's business income tax structure do not automatically require the City to conform. Currently, the City of New York has not changed its corporate tax structure to mirror the State changes.

2013

Royalty payment addback rules revised. In 2003, the City required taxpayers (GCT, BCT, UBT, PIT) that made certain federally deductible royalty payments to a related member to add those payments back in calculating their City taxable income. This deduction has been eliminated while the addback from royalty payments continues to be required.

2012

The City's higher rates for general corporate tax, currently at 8.85 percent on taxable income, 1.5 mills on business and investment capital, 0.75 mill on subsidiary capital and a \$300 fixed-dollar minimum tax are extended through tax year 2014

2011

Effective for taxable years after 2010 manufacturers can no longer elect to double-weight the gross income percentage when allocating business to NYC. The single-sales factor allocation is more advantageous to the taxpayer..

2010

A biotechnology credit is allowed for tax years 2010 through 2015 for certain expenses for qualified emerging technology companies.

2009

Multi-jurisdiction firms will allocate their net business income according to a single sales factor, replacing the three-factor allocation formula between property, payroll and receipts. The new single sale factor will be phased in over a ten-year period, effective on or after January 1, 2009. Certain receipts from the services of registered brokers and dealers of securities and commodities must now be sourced using the customer's domicile. For taxable year 2014 the business allocation factor will be weighted based on 73 percent receipts, 13.5 percent payroll, and 13.5 percent property.

Appendix IV-GCT

Effective on or after January 1, 2009, firms with substantial intercorporate transactions must file a mandatory combined return, regardless of the transfer prices charged in those transactions. Additionally, captive regulated investment companies (RIC) and captive real estate investment trusts (REIT) must be included in the tax return of a taxpayer owning more than 50 percent of the RIC or REIT. A captive REIT or RIC is defined as not regularly traded on an established securities market and is at least 50 percent owned by a federally taxable corporation.

Effective on or after January 1, 2009, the GCT minimum tax has been altered from \$300 to a graduated minimum tax range of \$25 to \$5,000, based on the taxpayers annual receipts allocated to New York City.

Effective on or after January 1, 2009, the maximum amount that can be owed under the alternative general corporation tax measured by business and investment capital has been increased from \$350,000 to \$1 million.

GCT taxpayers must add back the Metropolitan Commuter Transportation Mobility Tax (MTA Payroll Tax) to the extent it was deducted in computing federal taxable income.

2008

Effective on or after January 1, 2009, firms owned by bank holding companies that relied on “grandfathered” filing status to pay GCT tax as part of the Gramm-Leach-Bliley transitional provision will now have to file under the BCT. These companies will no longer rely on this special status and must now file a Banking Corporation Tax return instead.

The Federal qualified production activities income (QPAI) deduction allowed under section 199 of the IRC will not be allowed for purposes of the City general corporation tax beginning on or after January 1, 2008.

Legislation signed into law in June 2008 extends the issuance of REAP certificates of eligibility from June 30, 2008 to June 30, 2013. For details please refer to the Tax Exemptions, Deductions and Credits section of this appendix.

The City’s higher rates for general corporate tax, currently at 8.85 percent on taxable income, 1.5 mills on business and investment capital, 0.75 mill on subsidiary capital and a \$300 fixed-dollar minimum tax are extended through tax year 2011.

2007

General corporation tax liability is determined through four alternative calculations, with the amount due as the highest of the four. Under one of the calculations, compensation paid to greater-than-five-percent stockholders is added back to entire net income, \$40,000 is subtracted, and the balance is multiplied by a percentage, formerly 30 percent, to produce the alternative tax base. For tax years beginning after 2006, New York State enacted a 50 percent phase-out of the alternative tax base percentage over the next four years, scheduled as follows: for tax year 2007 the base tax rate of 8.85 percent is multiplied by 26.25 percent; for tax year 2008, the base rate is multiplied by 22.5 percent; for tax year 2009 the base rate is multiplied by 18.75 percent; and for tax years beginning after 2009, the base rate is multiplied by 15 percent.

In order to simplify tax filing for small businesses, for tax years beginning on 2007 and thereafter, small businesses with less than \$250,000 in federal gross income, a 100 percent business allocation to the City and no investment or subsidiary capital will be exempt from the alternative income-plus-stockholder-compensation tax base and the capital tax base. For such taxpayers, other than a New York State S corporation, they may also elect to use their New York State entire net income, including modifications to add back any state deductions for General Corporation Tax paid, as their New York City entire net income.

Applicants for City business tax credits under REAP available in all parts of the City except the area below 96th Street in Manhattan have been given additional time to meet certain REAP requirements. For details please refer to the Tax Exemptions, Deductions and Credits of this appendix.

2006

Legislation enacted in 2006 extended the City's film production credit and increased annual cost cap. For details please refer to the Tax Exemptions, Deductions and Credits of this appendix.

2005

Additional firms were made eligible for the Lower Manhattan Relocation and Employment Assistant Program (REAP) credit. For details please refer to the Tax Exemptions, Deductions and Credits of this appendix.

For tax years beginning after 2005, a qualifying taxpayer that relocates to an industrial business zone where its business activities are industrial or manufacturing will qualify for a credit of \$1,000 for each full-time employee.

The City's higher rates for general corporate tax, currently at 8.85 percent on taxable income, 1.5 mills on business and investment capital, 0.75 mill on subsidiary capital and a \$300 fixed-dollar minimum tax are extended through tax years 2008.

2004

Enacted as law in 2004, the City's Relocation and Employment Assistance Program (REAP) was extended, providing tax credits against the general and banking corporation taxes, unincorporated business tax and utility tax for relocating and adding employees at qualifying premises in designated areas of the City. The credit was also expanded to include premises in lower Manhattan, below Houston Street. Prior to the expansion, qualified premises were areas north of 96th street in Manhattan, and the outer boroughs. For details please refer to the Tax Exemptions, Deductions and Credits of this appendix.

For tax years beginning on or after January 1, 2004, a film production credit is allowed against the State Article 9-A franchise tax and the State personal income tax. The City, with the authorization by the State to adopt a local law, also enacted a tax credit on film production cost against GCT and/or UBT. For details please refer the Tax Exemptions, Deductions and Credits of this appendix.

Beginning on or after January 1, 2004, the City's general corporation tax was decoupled from certain federal depreciation and expensing provisions that allow favorable tax treatment for large sport utility vehicles.

2003

With the passage of the Federal Jobs and Growth Tax Relief Reconciliation Act of 2003, an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property was provided for taxpayers. This provision enhanced the 30 percent depreciation deduction enacted in 2002 by the Job Creation and Worker Assistance Act, which is only applicable to "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone. All of the eligibility rules that applied to the 2002 deduction apply to the 2003 deduction.

Effective on and after July 1, 2003, the floor on corporate tax overpayment interest was eliminated. Prior to the legislative change, the interest rate on overpayment was 6.0 percent (4.0 percent on mandatory 25 percent prepayment of estimated tax). Additionally, interest charged on underpayment was increased to 5.0 percent plus the federal short-term interest rate from 3.0 percent plus the Federal short-term interest rate.

In conformity with New York State, the City's general corporation tax has been amended to disallow deduction expenses for royalty and interest payments made by a firm to a related entity or firm. The excluded payment deductions are related to expenses from the use of licenses, trademarks, copyrights, trade names and other intangible assets.

The City's higher rates for general corporate tax, currently at 8.85 percent on taxable income, 1.5 mills on business and investment capital, 0.75 mill on subsidiary capital and a \$300 fixed-dollar minimum tax are extended through tax year 2005.

2002

With the passage of the Federal Job Creation and Worker Assistance Act of 2002, taxpayers were allowed an additional 30 percent depreciation deduction in the first year “qualified property” is placed in service. A similar depreciation deduction for “qualified property” in the New York Liberty Zone (NYLZ) and the Resurgence Zone became allowed. The NYLZ generally encompasses the area in the borough of Manhattan below Canal Street and the Resurgence Zone encompasses the area between Canal Street and Houston Street. Additionally, the Act also allows NYLZ leasehold improvements to be depreciated over a five-year period using a straight line method as well as an additional first-year expense deduction of up to \$35,000 for “qualified NYLZ property”. To avoid a significant loss of revenue, New York City general corporation tax law was amended to limit the depreciation deductions to “qualified property” within the NYLZ and the Resurgence Zone only and to limit the additional first-year expense deduction to “qualified NYLZ property.”

The general corporation tax on publishers and broadcasters has been updated for special sourcing rules. Under the new rule, the income tax formula will apportion actual receipts from subscribers of cable television services rather than the old allocation method that sourced income based on audience location. Additionally, the sourcing rules for broadcasters were broadened to include “cable, direct or indirect satellite transmission and any other means of transmission” that parallels 1996 amendments to the UBT. These amendments are effective beginning in tax year 2002.

Under the Federal Small Business Job Protection Act of 1996, an S corporation that solely owns (100 percent) a Qualified Subchapter S Subsidiary (QSSS), is allowed to treat the financial assets and income of that QSSS as belonging to the parent company for federal tax purposes. The City’s general corporation tax has been amended to clarify that QSSS are to be treated as a separate corporate entity that must determine its income for tax filing without regard to the Federal QSSS election. These amendments to clarify the status of QSSS apply retroactively to tax years beginning after 1996..

2001

In an effort to remove ambiguity and clarify tax language, for City corporate tax purposes, the term “partnership” will mean any entity classified as a partnership for federal tax purposes.

In an effort to promote greater uniformity between the State and City corporate income tax laws, amendments were made to the City’s tax in 2001 which include: (1) the repeal of City tax provisions enacted in 1990 that penalized certain highly leveraged mergers, consolidation and acquisitions for tax years beginning after 1999; (2) the modification to the calculation of the mandatory first estimated tax installment to allow credits to be deducted in determining the amount of the prior year’s tax used to calculate the first installment; and (3) the amendment of various tax provisions governing deficiencies and overpayments attributable to net operating loss carrybacks to include deficiencies in overpayments attributable to carrybacks of capital losses.

The higher rates of the City general corporate tax, currently 8.85 percent on taxable income, 1.5 mills on business and investment capital, 0.75 mill on subsidiary capital and a \$300 fixed dollar minimum was through tax year 2003.

As a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due September 17, 2001 was extended to December 17, 2001.

2000

In the wake of the Gramm-Leach-Bliley Act of 1999, that eliminated restrictions on affiliations between banks and other financial services firms, the City permitted certain corporations that were subject to the corporate tax or banking corporation tax to continue the same taxable status to prevent an abrupt shift in taxable status. Firms that are 65 percent or more owned by a bank or a subsidiary of a bank can file under either the general corporation tax or the banking corporation tax.

The City's Economic Development Program has been expanded to enhance the benefit of REAP. The credit has been increased to \$3,000 per eligible employee from \$1,000, while excess credit beyond a taxpayer's liability is allowed to be carried forward for four years instead of five years under the prior provisions of the program.

1999

The Relocation and Employment Assistance Program (REAP) is extended for four years. A credit for \$1,000 for each eligible employee relocated from Manhattan South of 96th street or from any location outside New York City is extended to July 1, 2003. For details please refer to the Tax Exemptions, Deductions and Credits of this appendix. The State and City program includes a provision that would continue to provide a 50 percent reduction in property transfer taxes to existing REITs, with the benefits extended to September 1, 2002.

1998

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

1996

For tax years beginning on or after July 1, 1996, manufacturing firms are allowed to "double weight" the receipts factor in the allocation formula. This enables City-located manufacturers to allocate more of their income outside the City, thus reducing their City business income taxes and aiding their competitiveness.

For tax years beginning on or after July 1, 1996, the "place of business" requirement for allocation of taxable income for the general corporation tax has been repealed. Under City tax law, a business operating in the City with a place of business outside the City is allowed to apportion its business income according to a three-factor formula based on the share of its total property, payroll and receipts in New York City. The right to apportion income was previously not available to firms that sold goods or services throughout the country or the world, but only had a City business location. These firms were required to pay tax on all taxable income. All taxpayers conducting business outside the City are now allowed to allocate income with the elimination of the "place of business" requirement.

Legislation enacted in 1996 modified a 1994 legislation to promote REITs by making the 50 percent Real Property Transfer Tax (RPTT) rate reduction permanent during a two-year period for qualifying transfers of property made in connection with the formation of a REIT, and extended the benefit to certain transfers to preexisting REITs. Through legislative extensions, the reduced tax rate for transfer of real property into existing REITs has been continued until August 31, 2008.

1994

New York State enacted legislation in 1994 which allowed the formation of a new type of business entity in New York State, a limited liability partnership or company (LLC). LLCs have some of the limited liability aspects of corporations and the tax treatment of partnerships for Federal, State and local tax purposes. LLCs pay a fee to the State, and those conducting business in the City are subject to the City unincorporated business tax. Over time, the number of corporations is expected to decline as new businesses increasingly opt for the LLC business form.

The general corporation tax's income plus-compensation tax computation was modified by phasing out the officers' add-back requirement and by increasing the per-firm statutory deduction. For tax years beginning on or after July 1, 1996, 25 percent of officers' compensation was exempted from the add-back requirement. For tax years beginning on or after July 1, 1997, the per-firm statutory deduction was raised from \$15,000 to \$30,000. For tax years beginning on or after July 1, 1998, 50 percent of officers' compensation was exempt from the add-back requirement. The per-firm statutory deduction was raised from \$30,000 to \$40,000 effective July 1, 1998. For tax years beginning on or after July 1, 1999, officers' compensation is no longer included in the base for calculating the income-plus-compensation tax base. Compensation paid to individual shareholders owning at least five percent of the firm remains fully subject to the alternative tax.

In order to promote Real Estate Investment Trusts (REITs) as investment vehicles, legislation enacted in 1994 provided eligible REITs tax relief against the NYC Real Property Transfer Tax (RPTT). The measure was intended to encourage the purchase of NYC properties by REITs by providing a 50 percent RPTT rate reduction during a two-year period for qualifying transfers of property made in connection with the formation of a REIT. Conforming to federal tax treatment, REITs, which are subject to GCT, pays no City corporate tax on incomes pass through to shareholders. The dividend or distributed gain is taxed at the shareholder level. Any undistributed income the REIT possesses is subject to taxation. The tax liability of a REIT is determined by utilizing only the net income and fixed dollar minimum corporate tax base..

1993

The Federal Omnibus Budget Reconciliation Act of 1993 enacted a host of tax law changes including a number of provisions affecting corporate taxes which flow through to the City tax. Among the major provisions was a mark-to-market inventory valuation rule change for securities dealers, a reduction in the business meals and entertainment deduction, and an increase in the capital investment limit allowed for small businesses.

Effective July 1, 1990, the general corporation tax was amended by local law to conform the filing schedule for estimated payments to the schedule used at the Federal and New York State levels, making estimated payments for calendar year corporations due in September and December.

1987-1988

The City took steps to return the “windfall” created by the broadening of the corporate tax base through the Federal Tax Reform Act of 1986 by lowering its corporate tax rate by 0.15 percentage points, to 8.85 percent, effective for tax year 1987. In July of 1988, the State Legislature passed a bill to conform the City tax law to changes made as part of Business Tax Reform and Rate Reduction Act (BTRRRA). As part of this legislation, which became effective in tax year 1988, the City: (1) exempted real estate mortgage investment conduits from the tax; (2) established a ceiling on the alternative capital base of \$350,000; (3) amended the definitions of subsidiary, investment, and business capital to allow for the deduction of long-term debt; (4) required leased personal property to be included in the formula for calculating the business allocation percentage; (5) eliminated the deduction for franchise, income or similar taxes paid to other states and localities; and (6) repealed the interest add-back rule which required that 90 percent of the interest paid to a shareholder owning more than five percent of issued capital stock be added back to income when computing entire net income.

1986

The Federal Tax Reform Act of 1986 substantially broadened the State and City corporate tax base by limiting or eliminating various deductions (such as entertainment expenses and natural resource depletion allowances) and accelerating taxable income by requiring corporations to recognize income earlier than under previous law. In order to return the business tax “windfall” which was expected to result from this change, New York State passed the Business Tax Reform and Rate Reduction Act (BTRRRA) in 1987.

1982

In response to business tax reform initiatives at the Federal level, New York City altered the general corporation tax. The Federal Economic Recovery Tax Act of 1981 and the Tax Equity and Fiscal Responsibility Act of 1982 substantially altered Federal business taxes by instituting the Accelerated Cost Recovery System (ACRS) and more liberal leaseback provisions. Under the provisions of ACRS, property could be rapidly depreciated in the first few years of service. Since the general corporation tax uses the Federal definition of net taxable income as the starting point in determining tax liability, firms depreciating property under ACRS would have been able to drastically lower their New York City tax obligation. To avoid a substantial loss of revenue, the City uncoupled from the Federal ACRS in 1982 and required firms to depreciate assets under the Asset Depreciation Range. In 1985, however, the City joined with New York State in allowing New York State assets to be depreciated under ACRS. In 1994, ACRS was extended to property placed in service outside the State.

1978

Prior to 1977, the tax rate on net corporate earnings was 10.05 percent. In 1977, the rate was reduced to 9.5 and in 1978 the rate was again lowered to 9.0 percent. For tax years after 1978 the general corporation tax rate was reduced to 8.85 percent.

APPENDIX V

BUSINESS CORPORATION TAX

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APPENDIX V
BUSINESS CORPORATION TAX

1.
Tax Detail

TAX DETAIL

Calculation of Tax Liability

Classification of income and expenses

Investment Income

The unitary determination for corporations 20 percent or more owned is fact-specific, with no presumption. The one year holding period for stocks is measured across tax years. Where the holding period is split across tax years, a taxpayer may presume that it held the stock for more than one year, but, if the taxpayer does not own the stock at the time it actually files its original report for the taxable year in which it acquired the stock, the presumption shall not apply and the actual period of time the taxpayer owned the stock shall determine its character. If the stock is not held for more than one year, the dividends and gains and losses from the stock generated in year 1 and year 2 are required to be included as business income in year 2, and business capital must be increased in year 2 for the amount included as investment capital in year 1.

Attribution of Expenses

Taxpayers receiving dividends from unitary affiliates subject to tax under the City's Utility Tax, other than vendors of utility services, or affiliates that would have been subject to the City's former insurance corporation tax, are precluded from making the 40 percent election for those dividends and must perform actual expense attribution. The computation of interest expense attribution for a combined group is done on a "one company" basis. If the taxpayer chooses the 40 percent election, it applies to both the investment income and other exempt income of all members of the combined group.

Allocation of Business Income

Taxpayers with less than \$50 million of receipts allocated to the City will have a one-time election to continue, in their first tax year commencing on or after January 1, 2018, to use the 2017 three factor business allocation percentage formula – 93 percent sales, 3.5 percent property, 3.5 percent payroll – to allocate income in tax years beginning on or after January 1, 2018.

Business Income Base

Qualified manufacturing corporations must meet property and receipts tests: The taxpayer must have property in New York State that is principally used in the production of goods by manufacturing and either the adjusted basis of that property for federal income tax purposes is at least \$1,000,000 or more than 50 percent of all its real and personal property is located in the state, and The taxpayer must derive more than 50 percent of its gross receipts from the sale of goods produced by its manufacturing activity. In the case of a corporation that is a member of a combined group, the determination is made on a combined group basis. No modification for large manufacturing employer is included. The tax rate for qualified manufacturing corporations phases out between \$10 and \$20 million of allocated business income and \$20 and \$40 million of business income before allocation.

Small businesses qualify depending on their level of business income. The tax rate for small businesses phases out between \$1 and \$1.5 million of allocated business income and \$2 and \$3 million of business income before allocation.

Financial corporations are corporations, or combined groups, that have more than \$100 billion of total assets reflected on their balance sheet at the end of the taxable year, and: more than 50 percent of their overall receipts allocated pursuant to the rules under Code § 11-654.5(5), which allocate receipts from certain financial assets and certain financial activities, (including receipts from qualified and nonqualified financial instruments¹ and commodities, and registered broker-dealer services, credit and consumer cards, and investment company services), or a registration or classification as a financial institution (such as a bank, savings or thrift association registered broker dealer, or agency, branch or foreign depository) except that, in the case of a combined group, more than 50 percent of the assets of the group must be held by one or more corporations with a financial registration or classification.

Sourcing Rules

Former Sourcing Rules

Former sourcing rules continue generally for: Sales of tangible personal property, rentals of real and tangible personal property, broker/dealer activities, interest, fees, penalties, service charges, merchant discounts,

¹ *Qualified financial instruments (QFIs) are defined as financial instruments that are eligible or required to be marked to market under I.R.C. §§ 475 or 1256, excluding loans secured by real property.*

and credit card fees, services provided to a Regulated Investment Company (RIC); and advertising.

New Sourcing Rules for Allocating Income From Financial Instruments

If, in any particular year, only loans that are secured by real property are marked to market, then no loans are QFI for that year. If a financial instrument is not itself marked to market, but is in the same allocation category as another financial instrument that is marked to market, then it is also a QFI. In the case of a combined report, the definition of QFI is determined on a combined basis.

Combined Reporting

The captive REIT/RIC combination requirement is incorporated without any special exclusion for affiliated groups whose members own assets under \$8 billion. The combined reporting requirements for captive insurance companies is changed to require combination with captive insurance companies, where less than 50 percent of the captives' premiums are from arrangements that constitute insurance for federal income tax purposes. Combination across tax types remains prohibited. Eventual single receipts factor apportionment for all taxpayers (see Allocation of Business Income on page 69) allows aviation, railroad, and trucking companies to be included in the combined group.

Net Operating Loss (NOLs)

Prior Net Operating Loss Conversion (PNOLC) Subtraction

Taxpayers must first compute the value of the unabsorbed NOL for the base year. This is computed by applying the taxpayer's (or combined group's) 2014 business allocation percentage and tax rate to the 2014 pre-apportionment New York City NOL carryforward. The product is then divided by 8.85 percent or 9.0 percent, as applicable. The final result is referred to as the PNOLC subtraction pool.

Where two or more taxpayers and/or groups that existed and filed separately in tax year 2014 constitute one group in 2015, each taxpayer and/or group would compute its PNOLC subtraction separately based on its 2014 information; in 2015, the group's total PNOLC subtraction is the sum of the subtractions of each of its constituent taxpayers and/or groups. If a taxpayer leaves the group after 2015, the taxpayer takes its proportionate amount of the subtraction with it. If a taxpayer enters the group after 2015, its

proportionate amount of the subtraction is added to the group's remaining subtraction amount.

Bank-Specific Provisions

International Banking Facility Deduction²

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.

Beginning with Tax Year 2015, the NYS and NYC special treatment of IBFs is eliminated. Both New York City and State allow banking corporations to deduct the adjusted eligible net income of an IBF, and to exclude IBF payroll, receipts and deposits from the numerator and denominator of the income allocation formula, in calculating taxable income under their banking corporation taxes. Alternatively, a bank can elect to include its IBF's results in calculating its net income, but to exclude IBF payroll, receipts and deposits from the numerator (while including them in the denominator) of its income allocation formula. As a result, banking offices in New York can, through their IBFs, conduct transactions with foreign residents in a regulatory environment broadly similar to that of the Eurocurrency market without having to use an offshore facility.

²NYC Department of Finance Publication "Annual Report on Tax Expenditures" Fiscal Year 2015.

Modifications

The first modification is available to small thrifts and qualified community banks for holding a significant amount of New York City small business loans and New York City residential mortgages. Eligible taxpayers must choose between this modification and the third modification discussed below. The second modification is available to small thrifts and qualified community banks that maintained a REIT on April 1, 2014. Taxpayers that use this modification are precluded from using the two other modifications discussed above and below. The third modification is available to thrifts and qualified community banks holding a qualified residential loan portfolio. Eligible taxpayers must choose between this modification and the first modification discussed above. The fourth modification is available for taxpayers and combined groups that have less than \$150 billion of assets and make or purchase (immediate after origination) loans secured by residential real property in the City used for affordable housing or located in a low income community. A phase-out applies between \$100 billion and \$150 billion of assets. Taxpayers may not include loans in this modification that are incorporated into the first modification and may not include income in this modification that is included in the second modification.

Legacy GCT Provisions That Are Unique to New York City

ENI is modified to (1) exclude a partner's share of income, gain, loss, or deduction from a partnership that is subject to tax as a utility under Chapter 11 of Title 11 of the Code, (2) add back taxes paid under Articles 9 and 13-A of the Tax Law, (3) add back relocation expenses to the extent the taxpayer takes a Relocation Employment and Assistance Credit or a Lower Manhattan Relocation and Employment Assistance Program, (4) add back any deduction for a restricted stock option grant or exercise within the meaning of the IRC of 1954 unless the grantee disposes of the stock within 2 years from the grant date or 6 months from the stock transfer, (5) permit a deduction for certain expenses related to industrial waste treatment facilities and pollution control facilities, and (6) adjust the depreciation deductions attributable to certain sport utility vehicles. ENI does not include any modifications specific to publicly supervised utilities, which are exempt from tax under

the NYC Corporate Tax. Captive REITs and RICs that are combinable with insurance companies under Article 33 of the Tax Law (NYS Insurance Tax) are not excluded from tax under the NYC Corporate Tax. An exemption applies to all companies subject to the Utility Tax under Chapter 11 of Title 11 of the Code, not just those that are subject to tax under Articles 183 and 184 of the Tax Law. The exemption for vendors of utility services is proportionate to their share of receipts subject to tax under the New York City Utility Tax and is therefore partial. An exemption applies for certain entities that hold title to real estate for organizations that are exempt from tax under section 501(c) of the IRC. [Bill § 1, Code § 11-653(9)] Except for business income tax rates applicable to small businesses and manufacturers, and the capital tax rates applicable to subsidiaries of publicly supervised utilities and insurance corporations, the former tax rates applicable to income and capital continue to apply (see Business Income Base Tax Rates and Capital Base Tax Rates above). The three-factor business allocation percentage continues to phase out the property and payroll factors through the 2017 tax year, with the exception noted in Allocation of Business Income above. Depreciation recapture applies to certain assets that were eligible for New York City depreciation deductions in excess of federal depreciation deductions. The allocation of receipts from aviation does not include any subtraction from local receipts. No company subject to the Utility Tax under Chapter 11 of Title 11 of the Code is eligible for combination (except for vendors of utility services). Reports regarding federal or state changes include "or other basis of tax", war loss recoveries, waivers on restrictions to assessment and collection of federal or New York State tax, and changes to New York State sales or use tax liability. The default interest rate for underpayments is 7.5 percent. An initial installment equal to 25 percent of the tax liability for the preceding taxable year must be paid with the report for the preceding year (or application for extension of time to file. The default interest rate for overpayments related to the 25 percent installment is 4.0 percent and the default interest rate for extensions of time to pay installments of estimated tax is 7.5 percent.

APPENDIX V BUSINESS CORPORATION TAX

2. Legislative History

Business Corporation Tax: Legislative History

2016

The 2016-2017 New York State budget, Part Q of Chapter 60 of the Laws of 2016, changed the New York State tax filing deadlines to conform to changes made to federal filing deadlines enacted in Section 2006 of H.R. 3236, Public Law 114-41, the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015. New York City made similar changes to the filing deadlines for C corporations and sole proprietorships reporting on a federal schedule C.

For tax years beginning on or after January 1, 2016:

Annual returns and tax payments must be postmarked by April 15 of the following year, if the corporation chooses an accounting period that is based on the calendar year.

A corporation that uses an accounting period other than the calendar year (e.g., a fiscal year) must file a return on the 15th day of the fourth month after the close of its fiscal year.

Although the return deadline has been moved back to April 15 for C corporations, these entities are still required to remit the mandatory first installment (MFI) of estimated tax on or before the 15th day of the third month following the close of each taxable year, which is March 15 for calendar year filers. However, the amount of the MFI will now be a percentage of the tax from two tax years prior, instead of the preceding year's tax.

2015

Biotechnology Credit

Section 11-654 (21) of Part D of Chapter 60 of the Laws of 2015, makes the biotechnology credit applicable to C-corporations subject to the new NYC business corporation tax (NYC administrative code subchapter 3A). The credit was set to expire at the end of 2015, but chapter 60 of the laws of 2016¹ extends the credit through 2018.

Other Credits

Part D of Chapter 60 of the Laws of 2015 transitions all GCT credits into subchapter 3A, except obsolete credits.

¹The State has to extend the biotechnology credit against the Business corporation tax by amending the NYC administrative code. The NYC council has State authorizing legislation to extend the biotechnology credit against the GCT, and UBT.

APPENDIX VI HISTORY OF TAX COLLECTIONS

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APPENDIX VI
HISTORY OF TAX COLLECTIONS

History of Tax Collections

(\$ in Millions)

FY	Real Property	Comm. Rent	Mortgage Rec.	Real Property Transfer	Personal Income	General Corp.	Banking Corp.
1971	1,991	140	14	7	199	183	38
1972	2,100	153	26	13	443	240	69
1973	2,347	166	31	20	440	247	62
1974	2,489	177	27	18	455	255	59
1975	2,649	191	21	14	466	268	114
1976	2,966	198	16	15	528	417	202
1977	3,236	203	18	16	626	489	145
1978	3,230	194	24	22	700	467	136
1979	3,130	205	31	28	719	484	114
1980	3,196	219	33	36	879	533	190
1981	3,298	241	38	42	1,019	637	244
1982	3,603	282	71	60	1,159	698	205
1983	3,787	334	58	70	1,331	767	107
1984	3,957	355	110	106	1,547	798	162
1985	4,227	404	132	147	1,740	877	140
1986	4,600	447	179	150	1,816	881	170
1987	4,976	500	253	240	2,163	1,083	244
1988	5,382	554	201	211	2,088	1,143	258
1989	5,943	618	214	202	2,445	1,113	242
1990	6,543	640	154	210	2,532	954	129
1991	7,251	670	137	141	2,789	950	205
1992	7,818	649	120	123	3,223	963	310
1993	7,886	624	118	125	3,451	978	362
1994	7,773	629	134	149	3,530	1,193	497
1995	7,474	624	170	167	3,591	1,079	250
1996	7,100	531	147	175	3,908	1,209	361
1997	7,291	374	185	215	4,361	1,478	360
1998	7,239	358	232	288	5,117	1,552	515
1999	7,599	333	408	424	5,293	1,423	388
2000	7,790	344	403	483	5,153	1,779	347
2001	8,156	377	407	473	5,331	1,735	424
2002	8,648	380	477	425	4,019	1,330	320
2003	9,943	397	526	513	3,923	1,237	213
2004	11,445	426	817	767	5,444	1,540	415
2005	11,464	444	1,250	1,055	6,006	1,994	601
2006	12,471	477	1,353	1,295	6,965	2,379	656
2007	12,958	512	1,569	1,723	7,005	3,124	1,219
2008	13,062	545	1,138	1,408	8,584	2,932	628
2009	14,339	583	515	742	6,450	2,320	1,099
2010	16,184	594	366	615	6,858	1,976	969
2011	16,868	601	434	795	7,644	2,278	1,346
2012	17,945	630	537	912	7,953	2,447	1,278
2013	18,751	664	742	1,086	9,168	2,692	1,357
2014	19,977	710	961	1,527	9,539	2,767	1,227
2015	21,317	735	1,155	1,765	10,629	2,873	1,214

1. For detailed break-down of the Other Taxes see table on the next page.
Totals may not add up due to rounding.

History of Tax Collections (continued)

(\$ in Millions)

Uninc. Business	Sales	Utility	Hotel	Cig	All Other ¹	Audits	Total
17	494	50	9	34	297	NA	3,472
52	520	54	9	52	362	NA	4,093
45	551	63	11	52	344	NA	4,379
36	575	70	9	51	301	NA	4,522
42	791	90	9	45	339	NA	5,039
52	825	93	9	50	437	NA	5,808
76	868	100	10	60	461	NA	6,308
89	931	109	10	60	449	NA	6,421
89	1,005	108	11	62	429	NA	6,415
97	1,142	123	12	63	438	NA	6,961
124	1,311	145	19	63	547	NA	7,728
123	1,415	174	23	64	370	NA	8,247
145	1,515	202	24	61	353	NA	8,755
162	1,686	192	25	60	308	105	9,573
192	1,828	186	26	60	368	256	10,583
216	1,877	179	26	58	371	279	11,249
286	2,044	169	79	57	363	277	12,734
294	2,199	144	115	55	348	334	13,326
334	2,315	162	98	52	346	314	14,398
332	2,407	179	113	49	375	439	15,056
333	2,306	177	104	45	342	444	15,894
341	2,262	183	110	44	407	528	17,081
389	2,379	190	115	42	430	519	17,608
382	2,451	208	127	38	459	570	18,140
379	2,588	197	135	38	421	602	17,715
496	2,713	214	144	34	449	657	18,138
561	2,912	215	162	33	500	651	19,298
671	3,052	223	186	34	486	458	20,411
657	3,192	222	199	32	583	536	21,289
805	3,509	247	219	31	733	417	22,260
820	3,662	300	242	28	892	401	23,248
791	3,360	258	184	27	1,014	485	21,718
832	3,535	295	192	159	1,023	571	23,359
908	4,018	291	217	138	1,165	576	28,167
1,117	4,355	340	257	125	1,258	600	30,866
1,308	4,417	391	297	123	1,306	775	34,213
1,670	4,619	360	326	122	1,550	1,085	37,842
1,852	4,868	392	379	123	1,674	1,016	38,601
1,785	4,594	398	342	96	1,661	948	35,872
1,560	5,059	375	363	94	1,419	769	37,201
1,675	5,586	394	422	70	1,247	988	40,350
1,637	5,812	371	476	67	1,304	743	42,111
1,808	6,132	385	505	61	1,362	1,009	45,722
1,882	6,494	405	536	54	1,385	911	48,375
1,962	6,742	384	556	50	1,427	1,132	51,942

History of Tax Collections - All Other

(\$ in Millions)

FY	Vault ¹	COAD ²	CMVT	Stock-Trans. ³	Auto Use	Sec 1127 (Waiver)	PI-LOTS	Oth. Refunds	Horse Race	OTB	OTB SC	B&L	Taxi Med.	Liq. Lic
1971	-	-	12.2	258.6	-	-	9.4	-	-	-	-	-	-	-
1972	6.2	-	10.9	294.8	-	-	9.1	-	-	2.4	-	-	-	-
1973	4.0	-	10.4	246.1	-	-	8.9	-	1.0	34.3	-	-	-	-
1974	4.9	-	11.6	189.7	-	-	7.8	-	0.3	44.5	-	-	-	-
1975	3.9	-	11.4	184.8	16.3	-	7.2	-	0.2	67.2	-	-	-	-
1976	4.0	-	10.7	279.5	21.1	-	11.8	-	0.1	64.9	-	-	-	-
1977	3.6	-	11.0	279.3	21.7	0.4	10.8	-	0.2	68.0	-	-	-	-
1978	3.8	-	5.2	290.4	25.5	0.6	13.6	(0.8)	0.2	32.8	26.8	-	-	-
1979	3.8	-	5.4	274.3	26.8	0.7	18.1	(2.2)	0.1	34.5	28.5	-	-	-
1980	3.6	-	5.6	292.9	24.3	0.9	15.3	(0.5)	0.2	31.4	32.7	-	-	-
1981	10.0	-	5.7	344.9	26.3	1.5	16.3	(0.8)	0.1	25.2	33.6	25.0	3.4	4.5
1982	7.2	-	6.0	185.8	23.5	1.7	23.2	(0.7)	0.2	20.8	33.7	29.4	3.0	2.1
1983	6.8	-	5.8	171.4	21.9	3.3	26.4	(1.3)	0.2	14.7	35.8	31.3	3.9	2.2
1984	7.7	-	6.6	127.2	22.3	4.7	31.7	(1.1)	0.1	10.1	35.1	29.8	4.9	3.1
1985	7.6	2.6	9.2	123.1	22.3	5.8	39.1	(1.6)	0.0	9.7	34.7	29.4	5.4	3.9
1986	11.5	2.1	8.2	119.2	23.7	8.2	95.1	(1.3)	0.0	6.9	36.0	26.3	6.0	2.9
1987	9.9	2.4	8.3	117.6	24.9	8.4	79.9	(1.5)	0.1	12.7	34.9	27.6	5.7	2.6
1988	11.2	2.6	7.2	117.6	25.3	11.0	63.7	(2.4)	0.4	15.9	38.9	26.0	6.6	3.1
1989	10.8	3.2	9.5	86.2	27.7	14.1	103.1	(1.9)	0.1	7.2	36.4	25.4	6.0	3.0
1990	14.4	1.6	22.5	82.7	42.0	19.1	102.5	(2.3)	0.1	3.8	36.9	24.9	4.8	3.2
1991	7.7	1.6	27.6	55.7	31.9	22.5	104.1	(5.6)	0.1	2.9	33.5	23.1	4.1	2.8
1992	8.0	2.7	26.7	114.0	28.2	28.3	88.6	(7.9)	0.0	0.7	32.5	22.4	5.3	2.3
1993	8.4	1.8	26.1	114.0	28.1	32.6	103.4	(10.6)	0.1	-	28.8	22.2	4.3	2.6
1994	8.9	1.0	28.5	114.0	28.6	36.4	144.3	(12.1)	0.1	-	24.1	21.7	3.8	3.6
1995	7.1	0.8	32.5	114.0	28.0	40.6	117.4	(11.3)	0.1	3.5	24.1	21.1	3.4	2.5
1996	8.8	0.8	35.6	114.0	28.0	44.9	117.9	(14.7)	0.0	5.5	20.3	21.8	2.8	3.0
1997	8.4	1.0	40.0	114.0	28.1	47.7	134.8	(14.6)	0.0	10.1	20.4	20.5	3.3	3.2
1998	1.6	-	43.9	114.0	28.6	64.7	133.9	(12.9)	0.0	11.0	20.2	20.7	3.8	3.2
1999	0.4	-	33.8	114.0	32.7	55.6	135.8	(21.8)	0.0	11.4	19.8	20.9	3.6	4.1
2000	0.0	-	51.0	114.0	34.0	63.3	136.6	(17.9)	0.1	9.2	20.5	21.2	3.4	3.4
2001	0.5	-	47.9	0.2	33.9	63.6	170.6	(24.6)	0.0	12.5	20.9	21.5	3.1	3.7
2002	0.4	-	45.0	0.1	34.3	69.8	149.0	(15.9)	0.0	1.0	20.7	22.4	4.3	3.7
2003	0.5	-	47.4	5.8	32.4	77.3	146.3	(20.4)	0.0	-	19.9	21.9	6.1	4.2
2004	0.4	-	46.4	-	35.9	75.3	236.7	(26.9)	0.0	1.3	20.1	22.2	4.5	4.2
2005	0.3	-	42.3	-	28.5	76.0	210.1	(21.3)	0.0	-	19.5	22.1	5.8	4.4
2006	0.2	-	44.8	0.1	27.4	99.3	205.6	(25.1)	0.1	-	20.0	22.9	7.0	4.6
2007	-	-	46.5	-	28.0	89.0	229.4	(30.6)	0.0	-	19.0	22.6	6.9	4.7
2008	-	-	47.5	-	28.4	93.0	186.4	(28.9)	0.0	-	17.7	23.7	6.7	4.9
2009	-	-	47.7	-	27.7	116.4	221.0	(30.8)	0.0	-	3.6	23.5	11.3	4.7
2010	-	-	46.2	-	28.1	123.5	262.4	(27.4)	0.0	-	3.0	23.7	10.5	5.0
2011	-	-	47.1	-	28.0	120.2	276.1	(23.4)	0.0	-	1.3	23.6	11.0	5.3
2012	-	-	53.0	-	28.1	123.8	261.1	(31.4)	0.0	-	1.1	22.7	8.0	5.5
2013	-	-	47.7	2.8	28.2	128.7	265.2	(34.0)	0.0	-	1.4	24.0	9.8	5.5
2014	-	-	49.6	-	28.9	130.7	270.1	(28.6)	0.0	-	1.2	22.6	5.7	6.0
2015	-	-	60.3	-	29.7	145.4	304.6	(33.7)	0.0	-	1.0	24.6	3.4	5.9

¹ The vault charge was eliminated in June 1998.² Coin-operated amusement devices tax was eliminated in August 1997.³ The stock transfer appropriation was eliminated by the State in 2001.

Totals may not add up due to rounding.

History of Tax Collections - All Other (continued)

(\$ in Millions)

P&I Prop Cur Yr.	P&I Prop Prior Yr.	P&I Oth. Ref.	P&I Oth. Taxes	Led. Gas	Ins. Corp. Tax	Trans. Tax	Spl. Tax	Int. on Taxes	Oth. Taxes	Total Other Taxes	NYS STAR Prop.	NYS STAR PIT	All Other Taxes Total
-	-	-	-	-	12.1	0.4	4.5	-	-	297.2	-	-	297
-	-	-	-	8.0	13.1	0.6	2.4	14.1	-	361.7	-	-	362
-	-	-	-	11.1	13.1	0.7	0.4	13.9	-	343.8	-	-	344
-	-	-	-	11.7	13.3	0.7	0.3	16.7	-	301.4	-	-	301
-	-	-	-	9.7	18.2	0.7	0.7	19.1	-	339.2	-	-	339
22.4	-	-	-	5.8	15.1	1.0	0.7	-	-	437.1	-	-	437
42.8	-	-	-	7.2	15.0	0.8	-	-	-	460.9	-	-	461
41.1	-	-	1.0	7.1	-	1.2	-	-	0.2	448.7	-	-	449
29.9	-	-	0.8	6.4	-	1.6	-	-	0.3	428.9	-	-	429
24.0	-	-	1.1	4.8	-	1.4	-	-	0.2	437.7	-	-	438
42.9	-	(4.5)	4.4	4.3	-	3.6	-	-	0.1	546.5	-	-	547
25.9	-	(5.3)	8.3	3.4	-	1.6	-	-	0.1	369.8	-	-	370
28.4	-	(7.4)	5.0	3.1	-	1.5	-	-	0.1	353.2	-	-	353
23.3	-	(8.0)	6.6	2.1	-	1.9	-	-	0.1	308.3	-	-	308
-	28.1	48.7	-	-	-	-	-	-	-	368.1	-	-	368
-	31.2	(8.6)	-	1.5	-	2.1	-	-	0.1	371.1	-	-	371
-	33.0	(7.5)	-	0.8	-	3.1	-	-	0.3	363.0	-	-	363
-	29.6	(8.5)	-	-	-	-	-	-	-	348.3	-	-	348
9.4	21.2	(19.1)	-	0.1	-	3.0	-	-	0.2	345.8	-	-	346
13.4	21.4	(16.1)	-	-	-	-	-	-	-	374.8	-	-	375
-	52.7	(22.7)	-	-	-	-	-	-	-	342.0	-	-	342
20.4	51.5	(16.6)	-	-	-	-	-	-	-	407.0	-	-	407
-	87.0	(18.5)	-	-	-	-	-	-	-	430.4	-	-	430
20.5	65.8	(30.3)	-	-	-	-	-	-	-	458.6	-	-	459
4.4	44.4	(11.6)	-	-	-	-	-	-	-	421.1	-	-	421
7.7	62.6	(9.7)	-	-	-	-	-	-	-	449.5	-	-	449
11.4	77.8	(5.9)	-	-	-	-	-	-	-	500.1	-	-	500
11.8	65.7	(24.6)	-	-	-	-	-	-	-	485.6	-	-	486
12.0	46.0	(1.8)	-	-	-	-	-	-	-	466.6	31.8	85.0	583
11.0	39.2	(16.1)	-	-	-	-	-	-	-	473.1	59.9	200.0	733
10.3	36.8	(13.8)	-	-	-	-	-	-	-	387.2	89.4	415.0	892
11.4	45.8	(11.0)	-	-	-	-	-	-	-	381.0	112.4	521.0	1,014
14.0	31.8	(24.1)	-	-	-	-	-	-	-	363.1	119.6	540.0	1,023
18.4	51.5	(2.7)	-	-	-	-	-	-	-	487.4	137.3	540.0	1,165
23.0	65.0	(1.1)	-	-	-	-	-	-	-	474.6	151.7	632.0	1,258
14.1	29.1	(1.4)	-	-	-	-	-	-	-	448.5	165.4	692.0	1,306
11.7	35.0	(5.7)	-	-	-	-	-	-	-	456.5	165.1	928.0	1,550
13.6	28.2	(2.9)	-	-	-	-	-	-	-	418.3	142.2	1,113.0	1,674
19.6	31.1	(2.2)	-	-	-	-	-	-	-	473.5	148.8	1,039.0	1,661
13.5	29.5	(2.7)	-	-	-	-	-	-	-	515.1	185.9	717.7	1,419
12.3	34.5	(0.8)	-	-	-	-	-	-	-	535.4	218.1	493.9	1,247.4
11.7	30.8	(0.4)	-	-	-	-	-	-	-	514.0	212.2	577.8	1,304.0
14.1	40.5	(0.3)	-	-	-	-	-	-	-	533.4	219.1	610.0	1,362
19.6	44.6	(3.3)	-	-	-	-	-	-	-	547.2	224.6	613.0	1,385
19.5	37.1	(6.1)	-	-	-	-	-	-	-	591.8	201.0	634.5	1,427

APPENDIX VII STATE AND LOCAL TAX RATES

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APPENDIX VII
STATE AND LOCAL TAX RATES

Table 1.
Sales Tax Rates
NYS, NYC, Metropolitan Commuter Transportation District (MCTD)
and the Surrounding Region

Locality ¹	Base Tax Rate %	Aggregate ²
New York State	4.000%	—
MCTD	0.375%	—
New York City	4.500%	8.875%
MCTD Region		
Dutchess	3.750%	8.125%
Nassau	4.250%	8.625%
Orange	3.750%	8.125%
Putnam	4.000%	8.375%
Rockland	4.000%	8.375%
Suffolk	4.250%	8.625%
Westchester	3.000%	7.375%
Mount Vernon	4.000%	8.375%
New Rochelle	4.000%	8.375%
White Plains	4.000%	8.375%
Yonkers	4.500%	8.875%
Neighboring States		
New Jersey ³	7.00%	—
Connecticut ⁴	6.35%	—
Massachusetts	6.25%	—

1. As of August 1, 2015.

2. The aggregate sales tax rate includes the base tax rate, the State sales tax rate and the MCTD sales tax rate.

3. Sales tax may be charged at 3.5% on certain items in Urban Enterprise Zones and in Salem County. A luxury tax (9.0%) and alcohol consumption sales tax (3.0%) is imposed in Atlantic City. The State sales tax is adjusted so that the aggregate rate does not exceed 13.0%. Certain businesses in Cape May County must collect a 2.0% tourism sales tax on predominantly tourism-related retail sales in addition to the 7.0% State sales tax.

4. Sales tax at a rate of 7% applies to the following: the sale for more than \$50,000 of most motor vehicles, the sale for more than \$100,000 of a vessel, the sale for more than \$5,000 of jewelry (whether real or imitation), the sale for more than \$1,000 of an article of clothing or footwear intended to be worn on or about the human body.

Table 2.
Comparison of Sales Tax Rates Across Major U.S. Cities

Locality	Aggregate STX Rate
Chicago	10.250%
New Orleans	10.000%
Seattle	9.600%
Los Angeles	9.000%
New York City	8.875%
San Francisco	8.750%
Phoenix	8.600%
Houston	8.250%
Las Vegas	8.150%
Atlanta	8.000%
Miami	7.000%
Newark	7.000%
Boston	6.250%

1. Tax rates are as of July 19, 2016.

2. Sources : <http://taxfoundation.org/publications/historical-studies-reports>
<http://taxfoundation.org/article/sales-tax-rates-major-cities-midyear-2016>.

Table 3.
Personal Income Tax Top Tax Rates
NYS, NYC, the Surrounding Region and California

Locality	Top Tax Rate % Tax Year 2014
New York State	8.82%
<u>New York City</u>	<u>3.88%</u>
NYS and NYC Aggregate	12.70%
 Other States	
New Jersey	8.97%
Connecticut	6.70%
Massachusetts	5.20%
California	12.30%

Table 4.
Business Income Tax Rates
NYS, NYC, Metropolitan Commuter Transportation District,
the Surrounding Region and California

Locality	Corporate Tax Rate %	Bank Corporation Tax Rate %	Unincorporated Business Tax Rate %	Subchapter "S" Corporation Tax Rate %
New York State	6.5% ¹	N/A	N/A	Min Tax ²
MCTD Surcharge ³	1.82%	N/A	N/A	N/A
New York State - MCTD Region	8.32%	N/A	N/A	Min Tax
New York City	8.85% ⁴	N/A	4.00%	8.85
New York State & City	17.17%	N/A	4.00%	8.85
Other States				
New Jersey ⁵	9.00%	N/A	N/A	Min Tax ⁶
Connecticut ⁷	7.50%	N/A	N/A	Min Tax ⁸
Pennsylvania ⁹	9.99%	0.89/1.25%/11.5%	N/A	9.99% ¹⁰
California	8.84%	10.84%	N/A	S Corporations: 1.5% (3.5% Bank) LLCs: Minimum Fee Range

Note: Tax rates are as of January 1, 2016.

1. New York State tax rate for the Entire Net Income (ENI) base is 6.5% for general taxpayers, 0.0% for Qualified NY manufacturers, 5.499% for Qualified Emerging Technology Companies (QETCs), and 6.5% for Small Businesses.
2. Minimum tax ranging from \$22 to \$3,947 based on NY receipts for S corporations that are qualified NY manufacturers or qualified emerging technology companies. Minimum tax ranging from \$25 to \$4,500 based on New York receipts for all other S corporations.
3. Within the MCTD, a surcharge of 1.82% is added to the base rate, derived from applying a 28% surcharge on a current tax rate of 6.5%. Applies before credits.
4. New York City tax rates are 4.425-8.85% for qualified manufacturing companies, 6.5-8.85% for small businesses, 9.0% for financial corporations, and 8.85% for remaining taxpayers.
5. Tax rates for C corporations with income above 100k pay a rate of 9.0%, incomes ranging from 50k-100k pay a rate of 7.5%, and with incomes less than 50k pay 6.5%. C corporation minimum tax is as follows: less than \$100,000 in receipts are subject to a \$500 minimum tax. Corporations with receipts greater than \$100,000 but less than \$250,000, pay a minimum tax of \$750. Corporations with receipts greater than \$250,000 but less than \$500,000, pay a minimum tax of \$1,000. Corporations with receipts greater than \$500,000 but less than \$1 million, pay a minimum tax of \$1,500. Corporations with receipts more than \$1 million pay a minimum tax of \$2,000.
6. New Jersey s-corporations minimum tax ranges from \$375-\$1500. There is an exception which brings the minimum tax to \$2000. Any s corporation income that is subject to federal taxation is taxed at 9.0%.
7. Connecticut's tax is the greater of the 7.5% tax on net income, (maximum tax of \$1 million), or \$250 (the minimum tax). An additional 20% surtax applies through 2017 for corporations with \$100 million or more in gross income.
8. Connecticut imposes a business entity tax of \$250 for S Corporations, LLCs and LLPs, and an alternative minimum tax of \$250.
9. Pennsylvania's financial institutions that are banks or trust companies pay a shares tax of 0.89%. Title insurance companies pay a shares tax of 1.25% based on the book value of shares as of January 1st for tax returns due on the following March 15th of each year. Mutual thrift institutions are charged a tax rate of 11.5%, while credit unions are not subject to taxation.
10. Pennsylvania S corporations pay a corporate rate of 9.99% to the extent of built-in gains.