Tax Revenue Forecasting Documentation

Financial Plan Fiscal Years 2008–2012

THE CITY OF NEW YORK

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Mark Page
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September 10, 2008

TO OUR READERS

The City Charter requires that the Office of Management and Budget (OMB) publish documentation of forecasting methodologies used for projecting tax revenues for those taxes which account for five percent or more of total City tax revenues. The following taxes meet this criterion: the real property tax, the personal income tax, the general corporation tax and the sales and use taxes. In order to aid the public to better understand the City's tax base, non-Charter mandated taxes have been included in this report, as well.

OMB staff use the forecasting models detailed in this report, applying the latest economic forecasts and tax collection data available, to project tax revenues for the City's budget and financial plans. This report includes the latest updates to the tax law, most notably: the 421-a exemption for new multiple dwelling units, the replacement of the Industrial and Commercial Incentive Program (ICIP) real property tax expenditure program for the Industrial and Commercial Abatement Program (ICAP) for commercial and industrial constructions, the expansion of the City sales tax exemption for clothing and footwear to include purchases costing $110 and above and a new credit against the NYC personal income tax for child care.

I hope this report serves as a valuable aid to public understanding of our forecasting methodologies.

Sincerely,

Mark Page

TAX REVENUE
FORECASTING DOCUMENTATION
FINANCIAL PLAN

Fiscal Years 2008–2012

Table of Contents

INDRODUCTION

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 and general corporation taxes. 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.

Forecast of Tax Revenue Executive Budget Fiscal Years 2008–2009

($ in Millions)

	Fiscal Year			
Taxes	**2008**	**Share**	**2009**	**Share**
Real Estate-Related Taxes:				
Real Property	$13,009	33.6%	$13,838	38.0%
Commercial Rent	550	1.5	566	1.6
Real Property Transfer	1,414	3.7	1,063	2.9
Mortgage Recording	1,167	3.0	871	2.4
Income-Based Taxes:				
Personal Income	8,440	21.8	7,350	20.2
General Corporation	2,894	7.5	2,623	7.2
Banking Corporation	863	2.2	647	1.8
Unincorporated Business	1,929	5.0	1,668	4.6
Consumption and Use Taxes:				
Sales and Use	4,817	12.4	4,666	12.8
Utility	382	1.0	377	1.0
Cigarette	121	0.3	102	0.3
Hotel	371	1.0	394	1.1
All Other	423	1.1	405	1.1
Subtotal*	**$36,379**	**94.0%**	**$34,569**	**95.0%**
Tax Audit Revenue	1,059	2.7	577	1.6
STAR Aid	1,255	3.2	1,254	3.4
Proposed Tax Reduction Programs	___	___	(3)	0.0
Total*	**$38,693**	**100.0%**	**$36,398**	**100.0%**

**Total may not add due to rounding.*

ECONOMIC FORECASTING

ECONOMIC FORECASTING

Table of Contents

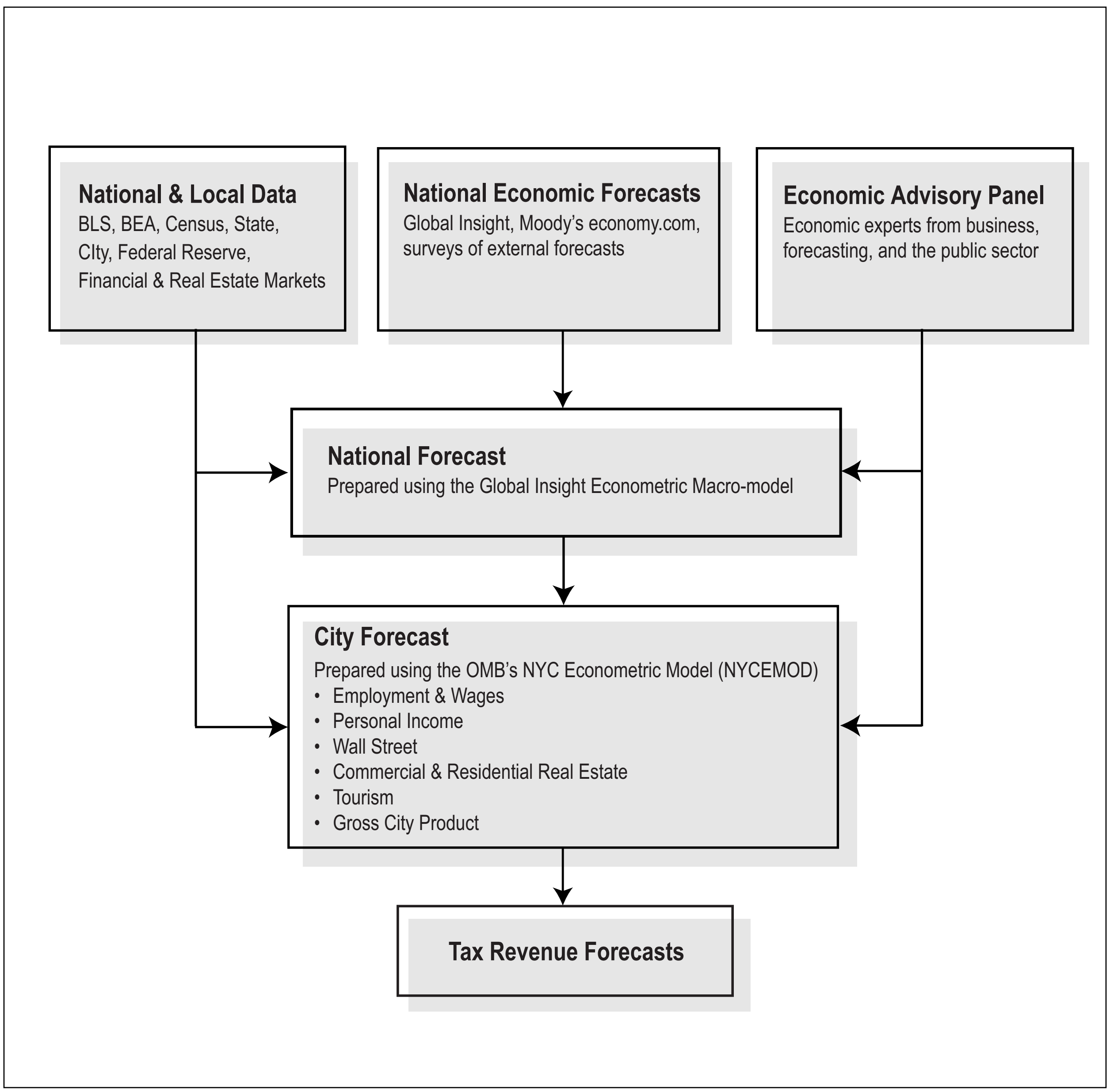
ECONOMIC FORECASTING

OVERVIEW

This section explains the fundamental methods used by OMB to forecast the New York City economy. The forecast for the City economy is then used to develop an estimate of the City's tax revenue. In simplified form, the City's forecast is derived by incorporating local and national data 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 outside macroeconomic consultants. The current source of the national forecast is Global Insight, Inc., which is a descendant of the Data Resources Inc. and Wharton Econometrics. The second component is OMB's internally developed model of the NYC economy, NYCEMOD.

Figure 1. Forecasting Process



The forecasting process begins with the national economy. Currently this forecast is derived from an econometric macro-model built by Global Insight. Global Insight produces a forecast of the national economy based on specific assumptions regarding the national economy, such as the path of monetary policy, oil prices, and corporate earnings. OMB analyzes the output of this model and incorporates additional assumptions from Moody's Economy.com, financial and futures markets, Federal government agencies, such as the Energy Information Administration and the Federal Reserve, as well as results from its own analyses.

To augment the other sources of forecast 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 the New York Federal Reserve Bank, investment banks, 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 issues 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 Global Insight 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 Bank, 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 come from the outputs of OMB's forecast using the Global Insight macro-model, other forecast providers (such as Moody's Economy.com), and the Economic Advisory Panel. The equations in NYCEMOD produce forecasts for the major sectors of the NYC economy, including employment and wages, personal income, Wall Street profits, commercial & residential real estate, tourism, and ultimately, Gross City Product. The equations in NYCEMOD are re-estimated as new data becomes available. More details of each NYCEMOD sector are discussed below.

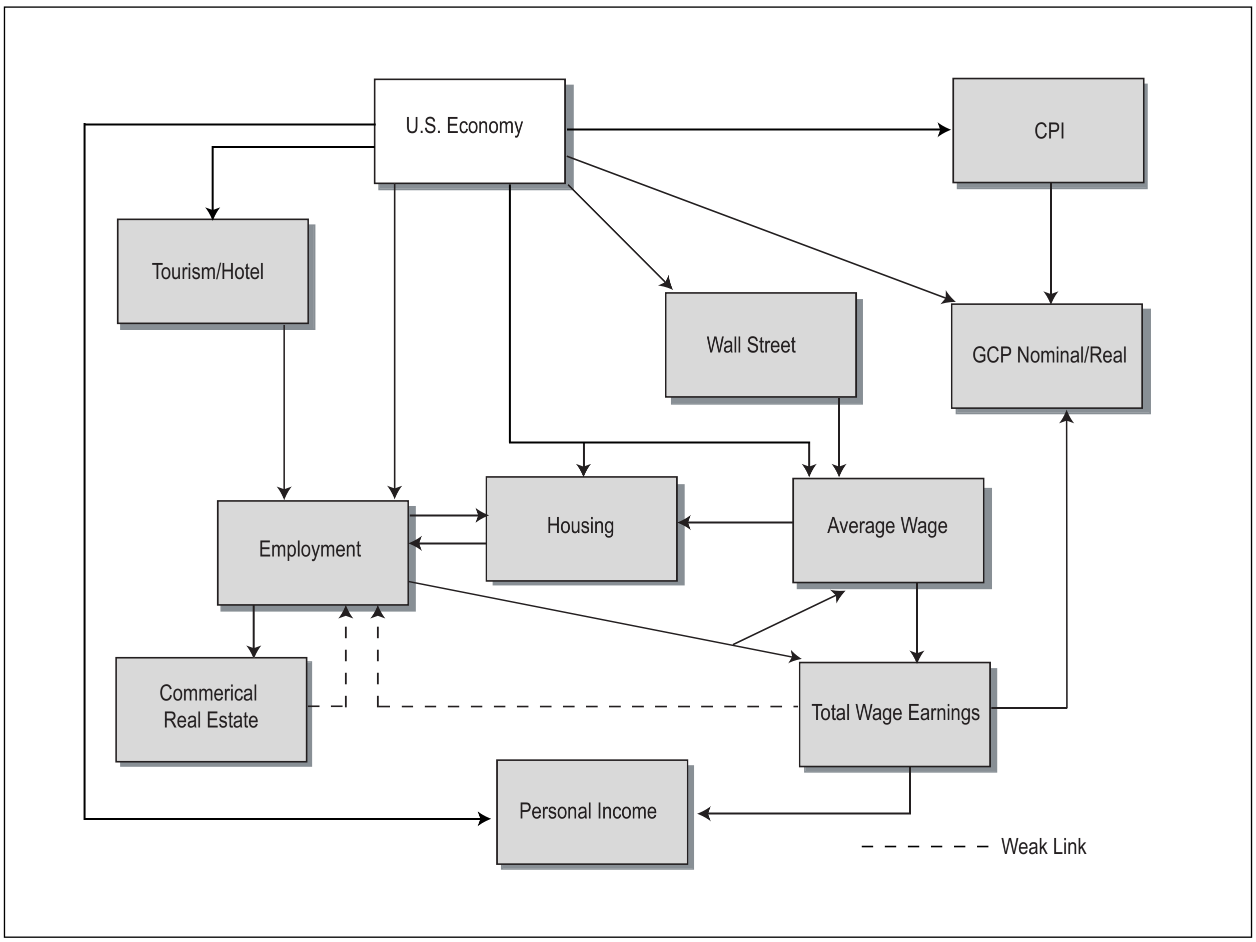
Certain adjustments to the City model are part of the forecasting process. One of the most difficult sectors to project is Wall Street's financial performance. OMB utilizes a combination of econometric techniques, a probability analysis of the pattern of historical growth rates of Wall Street profits, 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 are 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, which serve as inputs for the tax revenue forecast. NYCEMOD consists of over 100 equations and identities describing Wall Street, labor markets, wages, commercial & residential real estate markets, tourism, personal income 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 NAICS. Stochastic equations are periodically re-estimated as new data arrives 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.

Figure 2. NYCEMOD Flow Chart



WALL STREET

Due to the random 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, accounting for only five percent of the employment in the City, represents over 20 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 estimate 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 2-3 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 "Big Six" financial firms. The early three, consisting of Goldman Sachs, Lehman Brothers and Morgan Stanley, make the first announcements, followed by Citigroup (Smith Barney), Merrill Lynch and JPMorgan Chase. 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 starts with the view that equity prices reflect the market's rational, forward-looking guess of future earnings performance. Assuming that deviations from long run average P/E ratios will revert to mean trend implies a future earnings path. A second method determines the conditional probability of next year's outcomes by treating annual earnings as a high-order Markov process. Finally, out-year trend performance is determined by national influences such as projections of the S&P500 produced by Global Insight and Moody's Economy.com.

NYSE profits are then used within 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 various employment sectors. Generally, the structure of the model classifies the different employment sectors as 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 (NYS DOL). OMB applies the Census X12 statistical method to seasonally adjust the raw data. The core employment equations in 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:

CES Sector Employment = F(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 (BLS) and 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 Global Insight's 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:

Sector QCEW Mean Wage = F(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 size of employment in the sector, population growth, labor market conditions and/or other related factors. The one exception to this wage specification pattern is the securities sector. Wages in this sector are determined by Wall Street performance and profits.

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

Sector wage earnings = (QCEW sector employment) X (QCEW mean wage)

Because the model forecasts CES employment, it is necessary to estimate QCEW employment data based on the CES data. Generally this occurs by applying the year–over-year growth rates from the forecast of CES sectors to their 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 April for the year ending 17 months prior. The seven components of personal income (with 2006 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 2006, the latest available observation.

Figure 4

NYC Personal Income and Components	2006 Values ($ in Billion)	Share of Total PI
Personal Income	383.1	72.3%
Wage and Salary Disbursements	276.9	18.2%
Personal Current Transfer Receipts	69.8	
Proprietors Income	51.3	14.6%
Supplements to Wages and Salaries	52.8	13.8%
Dividends, Interest and Rent	63.0	16.4%
Less		
Adjustment For Residence	92.2	
Contributions For Government Social Insurance	38.4	

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 aggregate data is available monthly. 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.[1] The Class A market is broken down geographically into Midtown and Downtown.

The office market data comes from 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:

Inventory =F (Future Development)

Occupied Inventory = F (Office-Using Employment)

Asking Rents = F (Vacancy Rates)

Vacancy Rates = F (Inventory – Occupied Inventory)-/Inventory

There are further geographical relationships. The Midtown Primary market is assumed to be the central market. Therefore, Downtown conditions are partly driven off 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 has become 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 some 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 transaction price represents the average price of those sales. The product of these two gives the total gross quarterly value of residential sales.

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1 Asking Rents are only based on the asking rate for available, un-leased space.

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.

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

Price of 1-3 Family homes = F (Case-Shiller)
Price of Condo & Co-op = F (Single Family price, Sales of Condo & Co-ops)

Sales of 1-3 Family homes = F (U.S. home sales, NY Affordability,[3] Total Employment)
Sales of Condo & Co-op = F (Sales of 1-3 Family homes, Permits for Condo & Co-ops)

Permits = F (U.S. housing starts, NYC employment, Mortgage rates)
Completions = F (Permits, Average Prices)

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.[4] 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 estab-lishments. These two data series date back to 1980.

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 act-ivity. These latter two factors capture the relative price of accommodations. Room rates are then deter-mined as a function of contemporaneous occupancy rates.

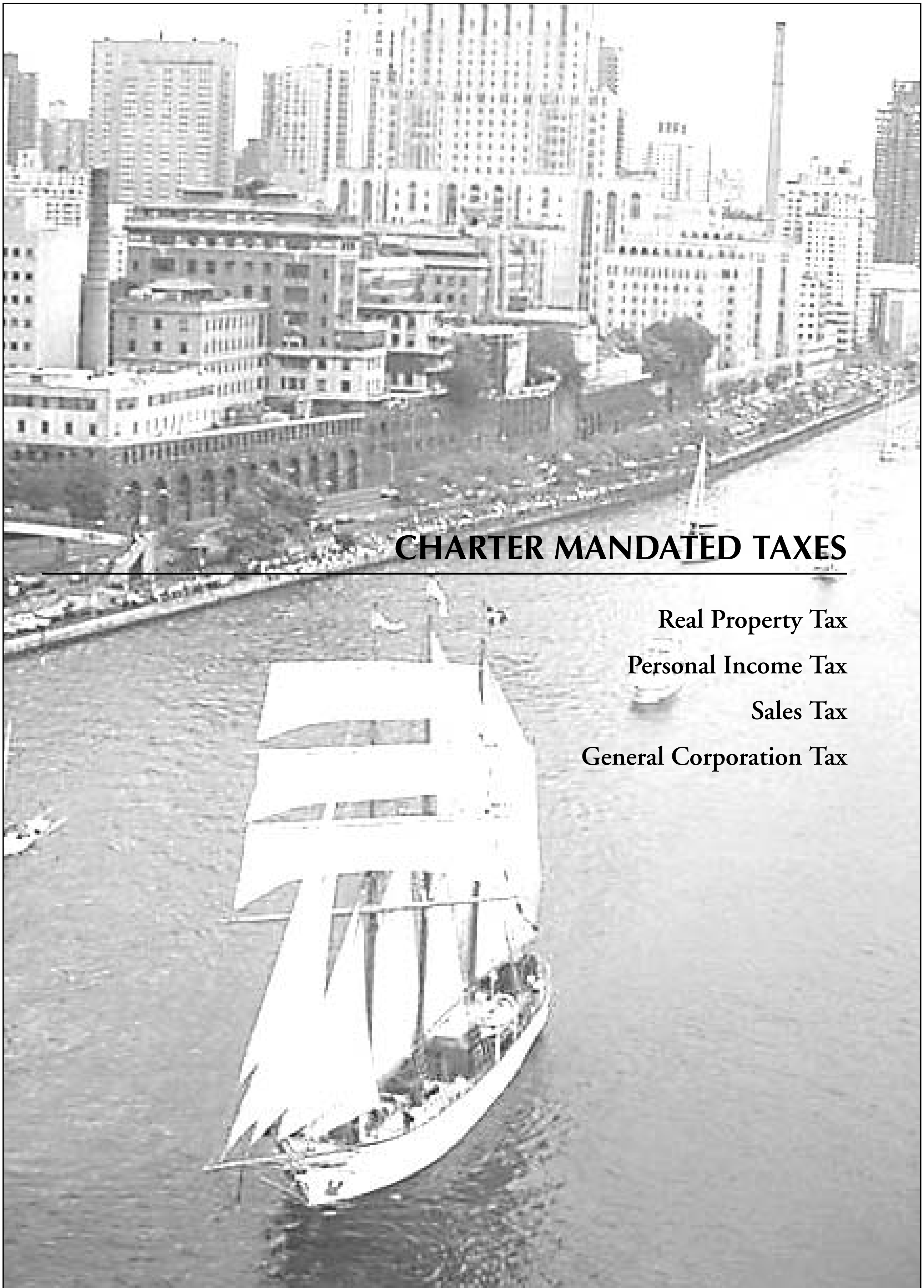
The inventory of hotel rooms is not forecast within NYCEMOD. Similar to projections of office building inventory, there is sufficient information outside of the model to estimate the number of new hotel rooms in the development pipeline. Price-waterhouse Coopers' lodging reports are an important source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

GROSS CITY PRODUCT

Gross City Product (GCP) is estimated using the wage earnings forecast generated by NYCEMOD. NYC real 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.

*[3] NY affordability is defined as the ratio: (1/3 * NYC wage) / (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.



CHARTER MANDATED TAXES

Real Property Tax

Personal Income Tax

Sales Tax

General Corporation Tax

REAL PROPERTY TAX

Table of Contents

REAL PROPERTY TAX

OVERVIEW

The real property tax is the largest single source of City tax revenue, accounting for 34.2 percent of New York City tax revenue in 2007, or $12,958 million.

State law requires the New York City Department of Finance (DOF) to assign every property to one of four tax classes. Class 1 consists of residential properties with up to three units and vacant land zoned for residential use. Class 2 comprises of all other residential properties including cooperatives and condominiums. Class 3 consists of utility properties. Class 4 represents all other properties including office buildings, factories and stores. There are about 988,420 parcels in the City, 70.55 percent of which are Class 1, the largest among the four tax classes. Class 2, Class 3, and Class 4 account for 20.88 percent, 0.03 percent and 8.54 percent, respectively in 2008.

Table 1

Distribution of Real Property
(By Class)

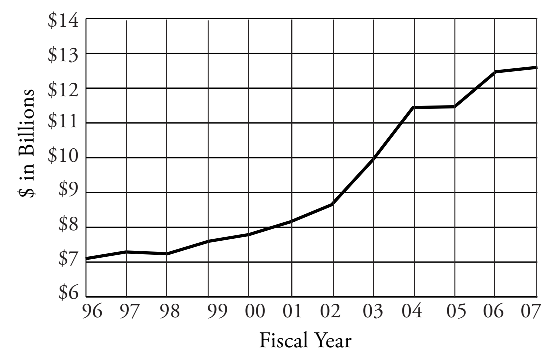
	Parcels *	% Share
Class 1	697,345	70.55%
Class 2	206,366	20.88%
Class 3	328	0.03%
Class 4	84,381	8.54%
Citywide	988,420	100.00%

**FY 2008 final roll*

State law also requires that all properties in each class are assessed at the same percentage of full market value, known as the assessment ratio. The assessment ratio is six percent for Class 1 and 45 percent for Classes 2, 3 and 4. The tax levy for a property is determined by multiplying the full market value by the assessment ratio applicable for that class of property and then multiplying the resulting assessed value by the appropriate class tax rate. The tax rates are different for each class and are set annually by the City Council at the beginning of the fiscal year. The practice in recent years has been that the City Council holds the average tax rate constant, allowing the class tax rates to fluctuate moderately. 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 tax levy less the reserve for uncollected taxes yields the annual property tax revenue.

Chart 1

Real Property Tax 1996-2007



PROPERTY TAX SUMMARY

The assessment of real property taxes 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. DOF administers the real property tax, determines the market value of all real properties in the City and collects the property taxes levied. 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 is determined, the actual assessed value of the property is derived by multiplying the full market value with the assessment ratio. 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 law also establishes restrictions on annual assessed value increases (six percent per year and 20 percent over five years for Class 1; eight percent per year and 30 percent over five years for Class 2 rental units and co-ops and condos of less than 11 units). For all other Class 2 and Class 4 properties there are no annual restrictions on actual assessed value increases. Instead, actual assessed value changes (both increases and decreases) are phased in over five years. There are no assessment caps or phase-in requirements for Class 3 properties.

The assessed value, after the applicable market value phase-ins, is referred to as the transitional assessed value. Increases in actual assessed value as a result of new construction, alterations or change in taxable status are reflected immediately in billable assessed value and are generally not subject to assessed value caps or phase-in requirements. The

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 Services, ORPS)
- 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. (ORPS)
- The final tax rates are set at budget adoption in June. (City Council)

taxable billable assessed value is the lower of the actual assessed value and the transitional assessed value, less any portion of the assessed value that is exempt from taxation.

The taxable status and assessed value of each property in the City is determined on January 5th for the subsequent fiscal year, which begins on July 1st. In mid-January a tentative assessment roll is produced and taxpayers are notified of their new assessment level. Taxpayers may protest this tentative assessment level by applying to the Tax Commission for a hearing. Owners of Class 2, 3 and 4 properties are required to file their applications before March 3rd; Class 1 property owners must file by March 17th. A taxpayer who does not wish to accept a Tax Commission decision may begin an Article 7 proceeding (tax certiorari) in the appropriate State Supreme Court.

All or a portion of the assessed value of a property may be exempt from taxation. 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. Residential property exemptions exist to encourage rehabilitation of existing housing and new construction or renovation. Commercial and industrial properties exemptions exist to encourage economic development. In addition, properties may qualify for individual assistance exemptions such as the veteran's exemption, the senior citizen homeowner's exemption and persons with disabilities exemption.

The share of the total tax levy that is borne by each tax class is regulated by the provisions of the NYSRPTL. The class share system was created by the enactment of Chapter 1057 of the Laws of 1981 (known as S. 7000-A). class shares fluctuate every year depending on how much each tax class increased or decreased its share of the citywide total market value. 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 new construction, demolition, alterations and change in taxable status or reclassification.

Once the class shares are determined and the class levy is set for each tax class, the tax rate for each tax class is then determined by dividing the levy for such tax class by the billable assessed value of the tax class.

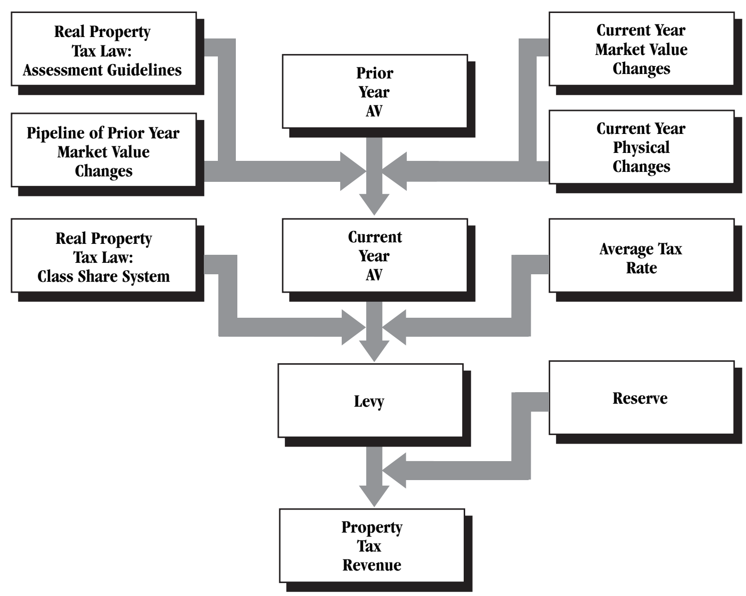
The tax rates are determined annually by the City Council at the adoption of the budget for the new fiscal year.

FORECASTING METHODOLOGY

The property tax revenue forecast starts with a forecast of billable assessed value. Then, the total 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 (levy less 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.

Chart 2

Real Property Tax Revenue Estimating Procedure



Billable Assessed Value Forecasting

The forecast of billable assessed value for the four classes of properties is subject to the limitations set forth by NYSRPTL.

The billable assessed value forecast begins with the determination of market value. Class 1 properties are valued based on sales of comparable properties. Class 2 and Class 4 properties are valued based on the capitalization of net income. Class 3 properties are valued based on replacement cost less depreciation. Once the market value is determined, the actual assessed value is calculated by multiplying the market value by the class assessment ratio. The actual assessed value is modified for assessment caps and phase-in requirements to yield the billable assessed value.

The assessed value forecast has three components: (1) changes to the actual assessed value due to market value changes in the current year, which are limited by caps and phase-ins; (2) phase-in of prior year market value changes into the current year assessed value for large Class 2 and all of Class 4 properties –the “pipeline”; and (3) changes in assessed value due to physical changes. Physical change can arise from: (a) reclassification of a property (b) restoration or removal of an exempt property to/from the roll and (c) changes due to new construction, alterations and demolitions. DOF takes into account legislative and administrative changes when reviewing these three components for each class. Increases in assessments due to physical change are generally not subject to any limitations.

The assessed value growth for Class 1 properties due to equalization (price) change is limited by law to six percent per year and 20 percent over five years. Class 2 assessment increases for rental buildings of less than 11 units and cooperatives and condominiums of less than 11 units are limited to eight percent a year and 30 percent over five years. The assessed value caps play a major role in the overall growth of the billable assessed value. For example, after three years of billable assessed value growth of eight percent per year, the growth in assessed value for the fourth and fifth years will be limited to a total growth of six percent because of the caps.

Class 2 properties (11 units and above) are generally valued by DOF as income-producing properties. The assessed value forecast for Class 2 properties is guided by the outlook for rental buildings' net operating income. NYSRPTL Sec. 581 mandates that the assessments of residential cooperatives or condominiums, which are generally not income-producing properties, are to be based on the value of comparable rental buildings, rather than a cooperative or condominium unit's sale price. Therefore, the allowable rent increases, set by the Rent Guidelines Board for rent-stabilized units and forecasts for changes in building expenses, drive the forecast for Class 2 assessed values. Rent regulated apartment units account for about 68 percent of the City's rental population. Beginning in FY 2009 the DOF has used the Gross Income Multiplier approach to value all apartment buildings, co-operatives and condominiums instead of capitalizing the net income.

Class 3 properties are unique in that three utility companies comprise the vast majority of the class tax base. Utility properties are classified as either special franchise properties (easements and rights of way) or Real Estate Utility Corporations (REUC - plant and equipment). The valuation of special franchise utility properties is done by the New York State Office of Real Property Services (ORPS). In appraising the full value of these properties, ORPS converts inventory information reported by the utility companies into a reproduction cost less depreciation basis valuation. The final assessment is determined by DOF by multiplying the ORPS certified full market value by the assessment ratio of 45 percent for Class 3 properties. The rest of Class 3 properties REUC's are valued by DOF.

Class 4 properties are assessed as income-producing properties, similar to Class 2 properties (11 units and greater). The starting point is data from income and expense statements required to be filed annually with DOF. The data is then adjusted for changes in economic conditions such as interest rates, vacancy rates and building conditions since the last filing date.

The billable assessed values for the four classes are totaled to provide the Citywide value. The total value is then multiplied by the average tax rate to yield the property tax levy.

Property Tax Levy = Total Billable Assessed Value x Average Tax Rate

Reserve Forecasting

The next step in forecasting property tax revenue is to forecast the reserve for uncollectible taxes. The levy less this reserve produces the total revenue forecast. The reserve provides for the portion of the tax levy which remains uncollected in the levy year for a variety of reasons. Delinquency arises from the failure of the taxpayers to pay their taxes in full by year-end and is accounted for in the reserve. Statutory abatement programs, which lower the amount of levied tax (e.g. cooperatives/condominiums abatement, SCRIE and J-51 programs), are also accounted for in the reserve.

Reductions in tax levy due to the Tax Commission and Law Department decisions are included in the refunds and cancellations component of the reserve. The forecasts for refunds and cancellations are based on an estimate of the number of outstanding petitions, the amount of reductions that will be granted and the changes in billable 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 year's 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.

Tax Revenue = Tax Levy – Reserve for Uncollectibles

Cash Flow Model

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

At the beginning of the fiscal year, a quarterly payment schedule for taxpayers is determined based on the amount of assessed value that falls into the semi-annual or quarterly payment schedules. If a parcel's actual assessed value is greater than $80,000, the real property tax is payable semi-annually in July and January. If the parcel's actual assessed value is

$80,000 or less, the real property tax is payable quarterly in July, October, January and April.

Once the breakout by billing schedule is set, a monthly cash plan is made for the upcoming fiscal year using historical data on the percentage of collections received each month. Other information is factored in, which affects the timing of collections such as administrative and legislative changes.

The historical monthly pattern for prior year collections (PYC's) and refunds is also considered as a guide. For prior year collections and refunds, however, July and August receipts are accrued back to the prior fiscal year. Therefore, the current year cash plan reflects the months of September through August.

A revenue shortfall or surplus against the monthly cash plan signals an incorrect reserve component as the real property tax levy is a fixed amount. 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.

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 property and small condominiums. Class 2 comprises of all other residential property, including multi-family cooperatives and condominiums. Class 3 accounts for utility real property. Class 4 consists of all other real property, such as office buildings, factories, stores, lofts and vacant land.

In terms of market value, Class 1 and Class 2 account for 53.6 percent and 22.1 percent respectively while Class 3 and Class 4 account for 2.5 percent and 21.8 percent respectively of the total market value. Among the residential properties, 38.8 percent of total residential units are Class 1, and the remaining 61.2 percent are Class 2.

All properties in the City are reassessed each year between June and January. Once the new market value is determined, it is multiplied by the assessment ratio to determine the new assessed value. In mid-January a tentative assessment roll is produced and taxpayers are notified of their property's new assessed value. The tentative roll is open for public inspection and examination from January 15th and and becomes final on March 1st for all residential properties and on May 10th for all other properties. Taxpayers can apply to DOF to correct factual errors relating to their property's assessed value. DOF's changes-by-notice are incorporated into the final roll which is normally released by late May. A change-by--notice must be mailed to the owner ten days before the assessment roll becomes final. Taxpayers can also appeal to the Tax Commission to challenge the assessments. For the 2009 roll the deadline for apartment, utility and commercial property owners to challenge their assessment with the tax commission is March 3, 2008 and for owners 1-, 2- and 3-family homes is March 17, 2008. The Tax Commission holds hearings on assessments beginning in April. Reductions in assessments 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 the appropriate State Supreme Court. The assessment may be protested because the underlying property is misclassified, or the underlying market value is alleged to be unlawful, unequal or excessive.

Determination of Market Value

The calculation of the new assessed value starts with the determination of market values. For Class 1 properties the primary basis for valuation is the sales 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 Computer Assisted Mass Appraisal (CAMA) model is used to estimate the market value of each Class 1 parcel every year. CAMA generated values are adjusted for factors not considered by the CAMA model to fine-tune the values.

For Class 2 and Class 4 properties, the primary basis of valuation is the income approach. This approach requires the assessors to estimate three variables: income, expenses and a capitalization rate; the rate of return an investor would reasonably expect. Income and expense statements are required to be filed each year by income producing properties with an actual assessed value of more than $40,000. Data from these statements are the starting point for the income 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). The assessors also take into consideration general conditions such as vacancy rates and building conditions. Finally, a cap rate is used to capitalize net income into a market value. The appropriate cap rate is determined based on the analysis of the location, property type and quality of the income stream.

For cooperatives and condominiums the valuation process is determined by NYSRPTL Sec. 581 which requires that these properties be valued as if they were rental buildings without regard to the sales prices of individually owned units. Cooperative and con-dominium buildings in prime real estate areas benefit from lower valuations resulting from this valuation method, since the income from many of the comparable buildings are rent regulated.

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 plant and equipment (known as Real Estate Utility Corporations, REUC's). The special franchise properties are assessed by ORPS using the replacement cost less depreciation approach while the REUC's are assessed by DOF using the cost less depreciation approach.

Assessment Ratios and Assessed Value

The property tax rate is levied on assessed value, which is a proportion of a property's full market value. 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 all the other classes' assessment ratio is 45 percent. Starting in 2006, increases in market value for Class 2 properties with ten or fewer units is limited to 15 percent (instead of 45 percent) provided that the market value increase is attributable to additions and improvements. This new limitation does not apply to new buildings or where the improvements or additions result in more than ten residential units. 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 assessed values for Class 1 and

Chart 3

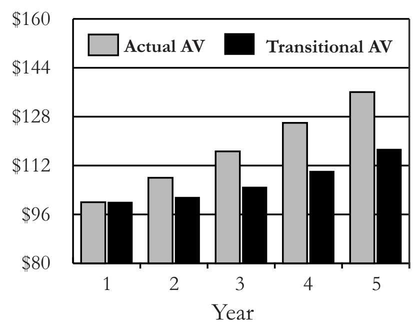
Types of Assessed Value

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

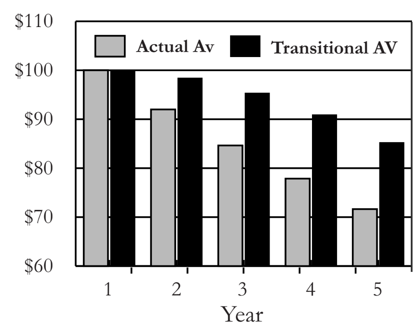
TRANSITIONAL ASSESSED VALUE - By law, increases and decreases in actual assessed values for Classes 2 and 4 must be phased in over a five-year period. The transitional assessed value represents the interim value during the phase-in period.

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



small Class 2 properties. Assessments of Class 1 properties may not increase by more than six percent annually or 20 percent over five years. For Class 2, assessment increases for parcels with buildings of less than 11 units (Class 2A for rentals with four to six units, Class 2B for rentals with seven to ten units and Class 2C for cooperatives and condominiums with two to ten units) may not increase by more than 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 reflected in actual assessments and are phased in over five years for tax purposes. Both increases and decreases are phased in. The interim assessed value during the phase-in period is called the transitional assessed value.

The billable assessed value in any given year is the lower of the actual assessed value or the transitional assessed value. Increases that are the result of new construction, demolition, alterations or change in taxable status (physical changes) are taxable immediately and are not subject to the assessed value "caps" or the phase-in requirement. There are no statutory limitations on annual assessed value changes in Class 3 properties.

The assessment ratios and caps discussed above have limited the impact of market value increases on the billable assessed value for Class 1 and small Class 2 (less than 11 units) properties. Class 1's share of total market value is 53.6 percent while its share of total billable assessed value is only 10.7 percent. Similarly, small Class 2 properties with less than 11 units' share of the market value is 7.3 percent while its share of the billable assessed value is 4.1 percent. See Appendix I: Real Property Tax for summary of assessed value by class.

Property Levy and Tax Fixing

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 billable assessed value for the class.

The class shares calculation is authorized by NYSRPTL under rules promulgated by the ORPS and the methodology has been unchanged since 1992. This methodology updates the class shares in existence in 1991 for price-related and physical alteration changes in market value since 1991. In addition, the class share calculation takes into account the statutory cap of five 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 two percent. In 2008, the cap was lowered to zero percent.

Chart 4

Calculation of Adjusted Base Proportions

	Base Year (FY 1990)	FY 2008
Given:	ORPS: Class Equalization Rate DOF: Assessed Value by Class *(FY90 Roll)*	ORPS: Class Equalization Rate DOF: Assessed Value by Class *(This calculation uses the rate and AV for the prior year's roll)*
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:

$\frac{\text{Current \%}}{\text{Base \%}} \times$ Local Base Proportion (FY91 Share) $=$ Current Base Proportion → Adjustment for Physical Change → Adjusted Base Proportion (FY08 Class Shares)

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 an 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.

$ in Millions

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

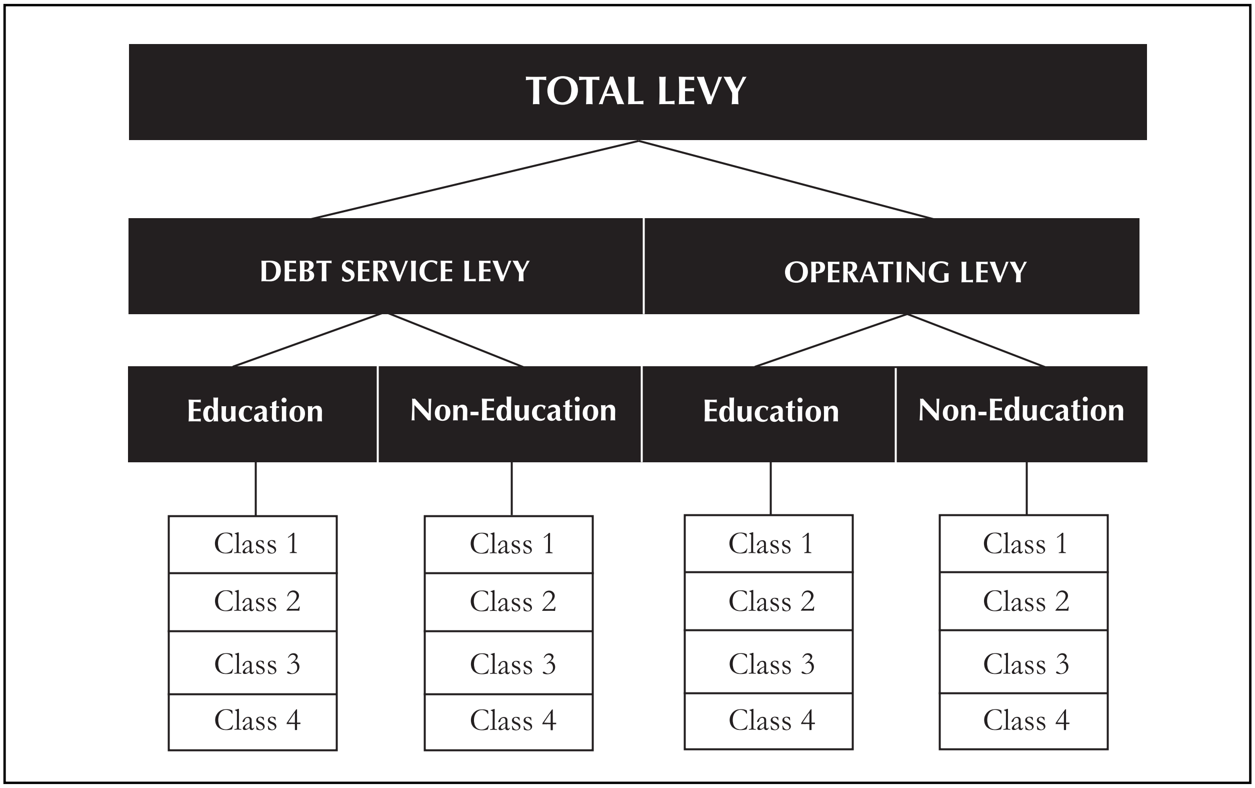
Chart 4 illustrates the methodology used to calculate class shares. The base year percentages used in all subsequent annual calculations were determined in 1992. The market value for the base year was calculated by dividing the taxable assessed value from the DOF's 1990 final roll by the class equalization rate. ORPS calculated class equalization rates for this roll based on the 1986 market value survey. The result reflects 1986 market value in terms of the physical characteristics of the 1990 roll. The resulting market value for each class was adjusted to reflect the reclassification of parcels between 1990 and 1991. This 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 ORPS's methodology, the market value is determined by dividing the taxable 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 2008 current percentage, the calculation will use the 2007 assessed value by class (fiscal year 2007 roll) and the class equalization rates for that roll. (ORPS refers to these as the class equalization rates for the calendar 2006 assessment roll.)

The 1991 class shares are designated to be the local base proportions. Each year these class shares are 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[1] for each class. Since the current base proportion for any class cannot exceed the class' prior year adjusted base proportion by more than five percent, any excess must be distributed to other classes. The City Council has 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 percentages are adjusted for physical alteration and related market value changes (physical changes such as new construction, renovation, additions and

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

Chart 5



demolitions) to arrive at the adjusted base proportions.

Components of the Tax Levy

The property tax levy computation involves determining the individual class levies for the four different classes which are calculated based on the class shares. 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 to 2.5 percent of the average of the five-year-full-value of taxable real property in the City (See Table 3). 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 for purposes of calculating the tax they pay for non-education purposes. They are, however, required to pay the full amount of their levy for education purposes. The result of these restrictions is that the levy is broken into 16 parts; four class levies which are broken down into four pieces each (See Chart 5).

The real property tax is 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 amount of real property tax that can be raised for operating purposes. This operating limit is equal to 2.5 percent of the average full value of taxable real estate for the current and prior four years less payments for City short-term debt and business improvement district levies. In addition, there is a limit to total debt outstanding, including business improvement district debt, which may not exceed ten percent of the five-year average full value of real property in the City. ORPS estimates full value as of January 1st for each of the five years of the average.

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 appropriations for expenses and the Mayor's best estimate of revenues from all sources including tax revenue, miscellaneous revenue and state and federal aid, but excluding the property tax. Once the property tax revenue is estimated, the tax levy that is necessary to yield this revenue is calculated by adding back the reserve for uncollectibles on taxes. The total tax levy is then distributed by class based on the class

Table 4

Class Tax Rates
(Rate per $100 of Assessed Value)

FY	Class 1	Class 2	Class 3	Class 4	Avg. Tax Rate
2002	$11.609	$10.792	$10.541	$9.712	$10.366
2003 1st half	11.936	10.564	10.607	9.776	10.366
2003 2nd half	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

shares. The class shares determine the share of the total levy that each class must pay. The individual class levy is then divided by the 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. Uncollectible taxes fall into three general categories: delinquency, cancellation of tax liability due to reductions in assessed value and tax expenditures for a number of housing and economic development programs. In addition, there are significant cash inflows and outflows affecting the reserve, including refunds of current and past year payments due to overpayments resulting from assessed value, collections against prior year levies and payments from exempt property restored back to taxable status.

Class Tax Rate = Class Levy/
Class Billable Assessed Value

Delinquency, Cancellations 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, the delinquency rate declined to 2.1 percent by 2007.

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

The City's property tax expenditure programs generally fall into the following categories: (1) Residential - incentives for spurring residential construction and renovation; (2) Commercial - economic development; and (3) Individual assistance - tax relief to classes of individual homeowners or tenants.

Residential: Housing benefits comprised 48 percent of property tax expenditures, valued at $1,557 million in 2007. Different programs provide incentives for new construction, rehabilitation of small homes and/or multi-family buildings. Program benefits vary on the basis of geographic criteria. The exemption benefits granted to residential properties are frequently extended to commercial space within the same building.

Economic Development: The value of economic development incentives totaled $975 million in 2007, or 30 percent of total property tax expenditures. The City provided these benefits through 8,022

Table 5

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	
2006-A	35.9	32.8	24.7	

exemptions and 831 abatements. Properties assisted by the commercial programs range from hotels, retail space and office buildings to properties involved in manufacturing and distribution activities, such as factories and warehouses. These programs typically provide greater benefits to industrial construction and renovation.

Individual Assistance: The programs for individual assistance totaled $727 million in 2007. Almost 98,925 exemptions reduced taxes for veteran and senior citizen homeowners, while the Senior Citizen Rent Increase Exemption (SCRIE) provided relief to senior citizen renters. Senior citizen programs are based on the income of the qualifying individual who legally owns or occupies the property.

Administration

The real property tax is administered by DOF, which assesses property values annually, issues bills, collects revenues and conducts enforcement. ORPS assesses special franchise properties and approves current and adjusted base proportions. All properties with an actual assessed value of $80,000 or less (or in the case of cooperatives, a per unit assessed value of $80,000 or less) pay quarterly installments. All other properties with an actual assessed value of more than $80,000 pay semi-annual installments. Quarterly installments are due on July 1st, October 1st, January 1st and April 1st while the semi-annual payments are due on July 1st and January 1st. 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), they receive a 1.5 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 one 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 0.5 percent discount on the balance paid. Interest on the outstanding amount of property tax 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 $80,000, the interest rate is nine percent 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 terms of the lien sale, 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 holders of the senior position 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 5 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 4 properties the tax liens are eligible for sale if the real property tax component of the tax liens remained unpaid for one year. Other liens such as water and sewer can be sold even when there is no qualifying property tax lien.

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 and December 2007. The lien law was amended in 2001 to close a loophole. Certain taxpayers, after being notified of inclusion in the lien sale, paid only the property tax lien which removed them from the sale but left other tax liens unpaid, principally water liens. These amendments allowed the sale of Class 2 (excluding residential cooperatives and condominiums), Class 3 and Class 4 liens remaining unpaid after the publication of the first notice of sale whether or not they included a real property tax component. In addition, the law also amended the sale of sewer and water liens on Class 4 properties independent of whether there is a real property lien on the property. Similar amendments were made for the sale of subsequent tax liens.

The new lien sale law that reauthorized the authority to sell tax liens until December 2010 also expanded the authority to sell water and sewer charges. These amendments would allow the city to sell the delinquent water and sewer charges even if there is no qualifying property tax lien.

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. The law also included new restrictions on the city's authority to sell tax liens-restrictions that apply both to real property tax liens (for certain senior citizen, disabled and low income home owners in Class 1) and to water and sewer liens (for any 1-family property in Class 1 and for certain senior citizen, disabled and low-income homeowners). The new law also requires a longer notification period, 90 days extended from 60 days.

On a fiscal year basis, the real property tax portion of the liens yielded revenues of $169.1 million in 1996, $51.5 million in 1997, $22.5 million in 1998, $127.0 million in 1999, $73.0 million in 2000, $210.9 million in 2001, $44.5 million in 2002, $22.6 million in 2003, $89.8 million in 2004, $37.7 million in 2005, $83.0 million in 2006 and $40.0 million in 2007.

SIGNIFICANT LEGISLATIVE & ADMINISTRATIVE CHANGES

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 property, 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 property and small condominiums; Class 2, consisting of all other residential property, including multi-family cooperatives and condominiums; Class 3, consisting of utility real property; and Class 4, consisting of all other real property, 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 fiscal year 1983, but has dropped over time to eight percent. It further dropped to six percent in fiscal year 2006. The Class 2 and Class 4 assessment percentage was reduced to 45 percent from 60 percent in 1985. Class 3 properties are assessed either by the DOF or by the SBRPS. Prior to 1994, locally assessed property (plant and equipment, known as Real Estate of Utility Corporations, or REUC's) 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) is assessed by SBRPS using the State equalization ratio, which fell 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

The S. 7000-A law also established restrictions on annual assessment increases. Assessments of Class 1 properties may not increase by more than six percent annually and 20 percent over five years. Class 2 assessment increases for rental buildings of less than 11 units, and since 1994, cooperatives and condominiums of less than 11 units as well, are 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 reflected in actual assessments and are phased in over five years for tax purposes. Both increases and decreases are phased in. The interim value during the phase-in period is represented by the transitional assessment.

In addition to these legislative changes, the assessment procedure for certain residential types was altered beginning in 1989 by the phased in implementation of a Computer Assisted Mass Appraisal (CAMA) system. The CAMA system maintains more accurate and up-to-date inventories of existing properties and also tracks improvements to properties resulting in greater uniformity in assessment.

The CAMA system has been used to generate values for non-condominium Class 1 properties since 1989. Starting in 1991, values for Class 1 condos are also generated by CAMA. Under DOF's valuation procedure for residential properties, CAMA-generated assessments serve as the initial assessments. These assessments may be updated during field inspections for alterations and new construction.

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 SBRPS for relative changes in market values among the four classes as well as for physical change. While the adjustment for physical change 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 also substituted the 1984 class shares for the 1981 base proportions in calculating market value changes. Legislation passed in the spring of 1989 amended S. 7000-A, changed the mechanics of the market value adjustment and further postponed it until 1992 in order to prevent a significant shift in tax burden towards Class 1 taxpayers in fiscal year 1990. From 1983 to 1991 the City apportioned the tax levy by using the 1981 proportions, as adjusted annually for physical change. In addition, during this period the City Council had discretion in setting class shares as long as each class' share was within five 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 five percent over the prior year's share) in addition to physical change. The resulting shares are called adjusted base proportions. In 1993 and 1995 through 2004, State legislation lowered the five percent cap. In 2005, however, the cap remained at five percent.

Assessment 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 purchase 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 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 and instead relied primarily upon the income 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 favor 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.

PERSONAL INCOME TAX

Table of Contents

PERSONAL INCOME TAX

OVERVIEW

The personal income tax accounted for 18.5 percent of City tax revenue in fiscal year 2007 or $7,005 million.

The personal income tax is imposed on the taxable income of NYC residents, estates and trusts. The tax conforms to the New York State (NYS) personal income tax with respect to the determination of taxable income. The starting point for determining taxable income is Federal adjusted gross income (AGI). This is adjusted for statutory modifications to yield NYS AGI. Taxable income results from subtracting the New York deduction and exemptions from NYS AGI. Taxpayers may claim either the NYS standard deduction or the itemized deductions. The City tax rates are imposed directly on NYS taxable income of City residents. Additionally, credits are given to City taxpayers against their personal income tax liability.

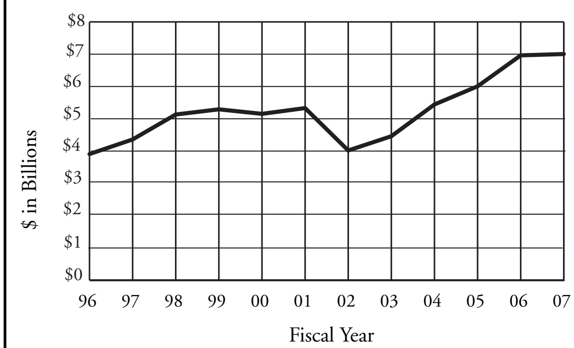
The City's personal income tax rates and brackets have changed over the years. The top rate for tax year 2007 is 3.648 percent (see Appendix II:PIT). The City rates are lower than the State rates and are paid by City residents, who are also responsible for Federal and State income taxes. State authorization is required to change the City's rates and brackets. Current rates are extended every two years.

FORECASTING METHODOLOGY

Several data sources and techniques are used to forecast the NYC personal income tax. Total personal income tax liability on a tax year basis is forecast using a micro-simulation model and the most recent personal income tax study file available from the NYS Department of Taxation and Finance. Prepayments (withholding payments and estimated payments) are forecast employing a series of econometric models. Both payment types utilize current year tax laws and a forecast using micro-simulation of their components. The residual of the total liability less the prepayments, the settlement payments (the sum of final returns, refunds, City/State offsets and extension payments) are forecast by analyzing the historical relationship between the levels of the total settlement and prepayments. Predicting personal income tax is not a mechanical process; modeling and analysis of factors affecting tax revenue are factored into the forecast.

Chart 6

Personal Income Tax 1996–2007



Note: Personal income tax revenue includes Transitional Finance Authority retention.

The components of income, wage earnings, Federal, State and local tax rates, as well as strengths of the equity and real estate markets are also considered. (See Chart 7 and Table 6).

Total Liability

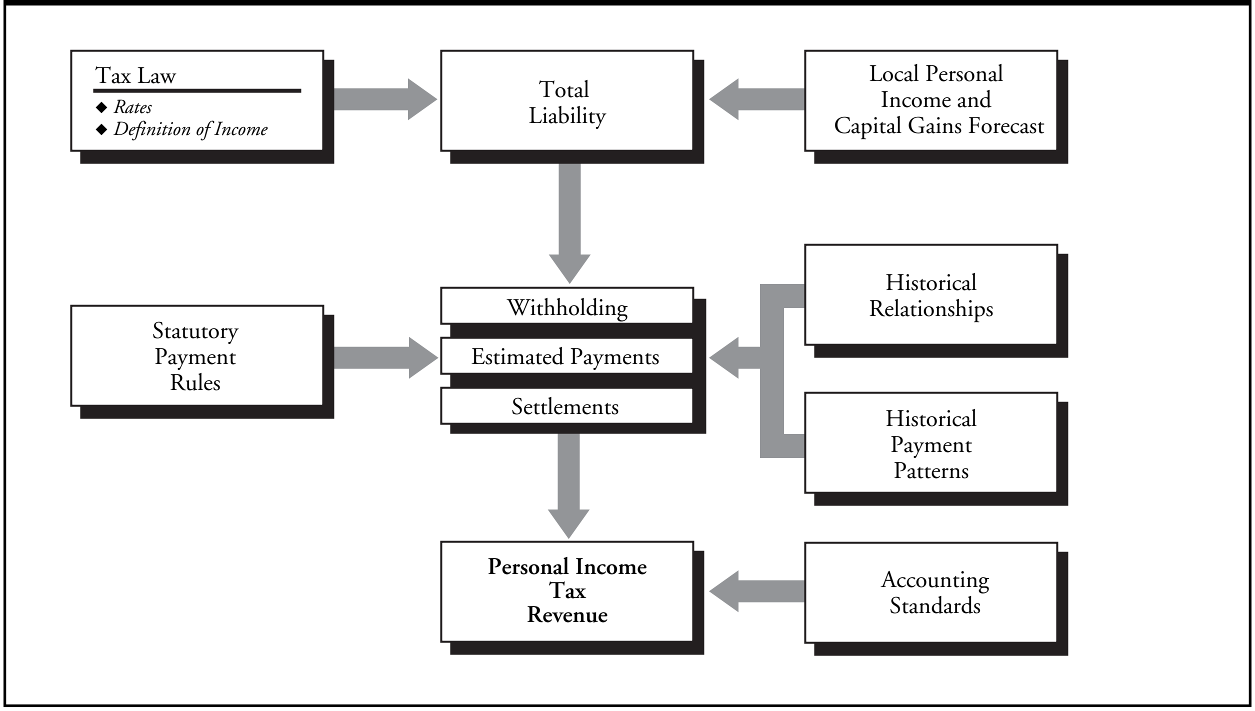
A micro-simulation model using projections of taxable income derived from the current year tax law and the most recent sample of taxpayers provided by the NYS Department of Taxation and Finance (currently tax year 2005) is used to forecast total tax liability. The NYS personal income tax study file for tax year 2005 contains a stratified random sample of approximately 620,192 NYS tax returns, of which nearly 125,263 were NYC taxpayers. Since the NYS tax return includes the NYC tax return for NYC residents, the study file provides an estimate of the population of NYC taxpayers. The micro-simulation model uses actual base year components of income for the estimated population of filers to project into future tax years using a forecast of the components of income. The future year tax liability is calculated for all filers using the applicable tax law for that year. Individual liabilities are then aggregated to yield total City personal income tax liability.

Prepayments

Prepayments consist of withholding and installment payments. Prepayments are tax payments for the current period in which income is being earned. Withholding refers to the amount of an employee's income that an employer remits directly to NYC (administered by NYS) as partial payment of the individual's tax liability for the year. In

Chart 7

Personal Income Tax Forecast Methodology



general, estimated tax is the payment of taxes on income from self-employment or partnership income. Filers who receive a pension, annuity or any other income from which taxes are not withheld are also required to make estimated income tax payments.

Withholding

Withholding is forecast as a function of wage earnings in the City and the City tax rate. Nonwage income, such as dividends, interests and rental income, also affects withholding since taxpayers may adjust withholding to reflect changes in their nonwage income. The final forecast is adjusted for any withholding table changes (see Appendix II: PIT). The withholding equation takes the following form:

LOG (WITHHOLDING)=
a + b1 * log (Wage Earnings + Dividends, Interest and Rental Income)
+ b2 * log (Maximum City PIT Rate)

The forecast of withholding is supplemented with a monthly withholding pattern analysis, particularly the change in the daily average of withholding collections. This is especially more accurate during the bonus period months from December through March.

Estimated Payments

Estimated payments, the sum of installments and extension payments, are paid predominantly by taxpayers with nonwage income and are a function of prior year nonwage income, current year capital gains realizations, and the prior year maximum City tax rate. Nonwage income includes income from interest, dividends, rent, capital gains realizations, proprietorships, partnerships and subchapter S corporations, retirement (pension/annuity income) and lottery and prize winning proceeds. Capital gains realizations, in particular, have led to large swings in estimated payments. The installments payments equation is as follows:

INSTALLMENTS PAYMENTS =
a + b1 (NYC Dividends, Interest and Rental Income) [-1]
+ b2 (Net Capital Gains Realizations)
+ b3 (Maximum City PIT Rate) [-1]

Certain taxpayers request extensions by filing NYS Form IT-370, which automatically extends the due date of a taxpayer's final return by an additional six months, provided the IT-370 is filed on or before the April 15th filing date. If the taxpayer owes tax, an estimate of tax due must be paid by the April 15th final return deadline. The extension does not lengthen a taxpayer's time to pay. Therefore, when liability

Table 6

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 NYC Dividends, Interest & Rental Income Maximum NYC PIT Rate
Installments (Prepayments)	Econometric Equation	NYC Capital Gains NYC Dividends, Interest & Rental Income Maximum NYC PIT Rate
Settlement Payments	Total Liability less Prepayments	N/A

growth is high or accelerating, liability often slips from installments payments into extension payments. Since extension payments are made primarily by the same taxpayers who make installments payments, an equation similar to the installments payments equation is used to forecast the estimated payments, the sum of installments and extension payments.

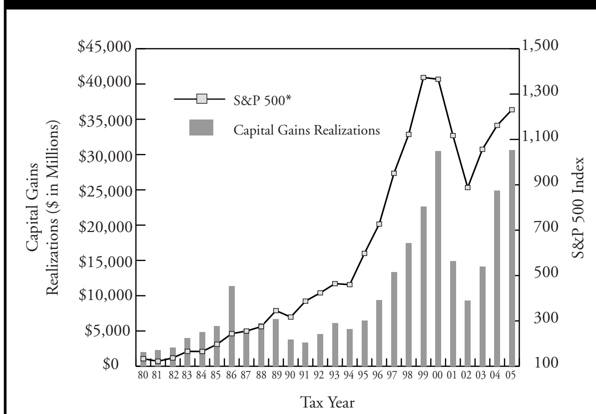
Capital Gains

The realization of capital gains is a major source of income for a number of high net worth NYC residents. A significant portion of NYC residents' estimated payments liability is based on capital gains realizations. An econometric equation is used to forecast capital gains realizations, the most important independent variable used in the forecast of the estimated payments equations. The capital gains equation is as follows:

LOG (NET GAINS REALIZATIONS)=
a + b1 * log (Value of Corporate Equity Held by U.S. Households)
+ b2 * log (Value of Large Commercial Real Estate Transactions in NYC)
+ b3 * log (Sum of Federal CG rate, NYS, and NYC top tax rates)
+ b4 * log (Value of Corporate Equity Held by U.S.Households/Value of Corporate Equity Held by U.S. Households [-3])
+ b5 * (Dummy for Federal Tax Law Change in 1987)

Chart 8

Capital Gains Show Extreme Volatility



**Represents the average value of the fourth quarter of the year.*

Settlement Payments

Settlement payments (the sum of final returns, refunds, City/State offsets and extension payments) are the residual of total tax liability less prepayments (withholding and estimated payments) made throughout the liability year.

Settlement payments are forecast based on their correlation with prepayments and economic growth. Historically, total settlements have been positive and its growth tends to move parallel with prepayments. Refunds, the largest component of the settlement payments, traditionally have been a consistent percentage of liability year withholding. While these historical relationships are used as guidelines in developing the forecast, many of the relationships are distorted as a result of the combined effects of City, State and Federal tax law changes.

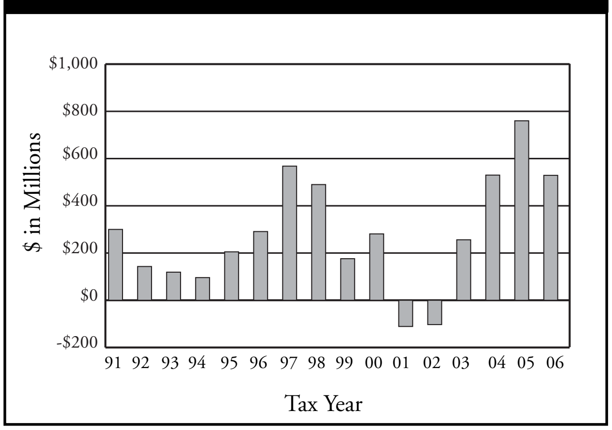
Settlement payments can be volatile from year to year, especially as a consequence of tax law changes. For example, the high settlements in 1990 and 1991 were due to the retroactive implementation of the City's tax rate increases. In both years, the withholding rate was not changed until October of the tax year affected, creating a surge in settlement payments as they became the means through which a significant portion of the retroactive tax was collected. After the first year of the implementation of the tax programs, the majority of the increases were collected through withholding and installment payments. Therefore, settlement payments fell after 1991.

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

Economic swings also affect settlement payments. In years when taxpayer liability grows faster than taxpayer prepayments, the settlement payments significantly rise. This explains, in part, the high settlements seen in tax years 1996 through 2000, as well as in tax year 2005. Conversely, when taxpayer liability falls faster than taxpayer prepayments, settlement payments collapse. This phenomenon is last seen in tax years 2001 and 2002.

Chart 9

Cash Settlements



Tax Program Estimates

Personal income tax liability and prepayments are forecast on a common rate and base. Tax liability on a collections basis is estimated after layering on the impact of tax programs.

The revenue impact of tax programs are estimated using two different methods: (1) rate-based tax programs (generally the larger tax programs) are estimated by using the micro-simulation model to derive the tax program as an algebraic function of actual collections and the current forecast; and (2) fixed tax programs, also known as credits, are micro-modeled and estimated 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 variation of actual monthly collections from the cash plan is the main determinant 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 component are also adjusted for non-recurring collections and tax law changes.

Collections Analysis

Collections are monitored regularly for accurate forecasting. Different components of 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 years. Also, NYC withholding as a share of NYS withholding is monitored daily to detect any fluctuation in payment patterns or in the composition of income.

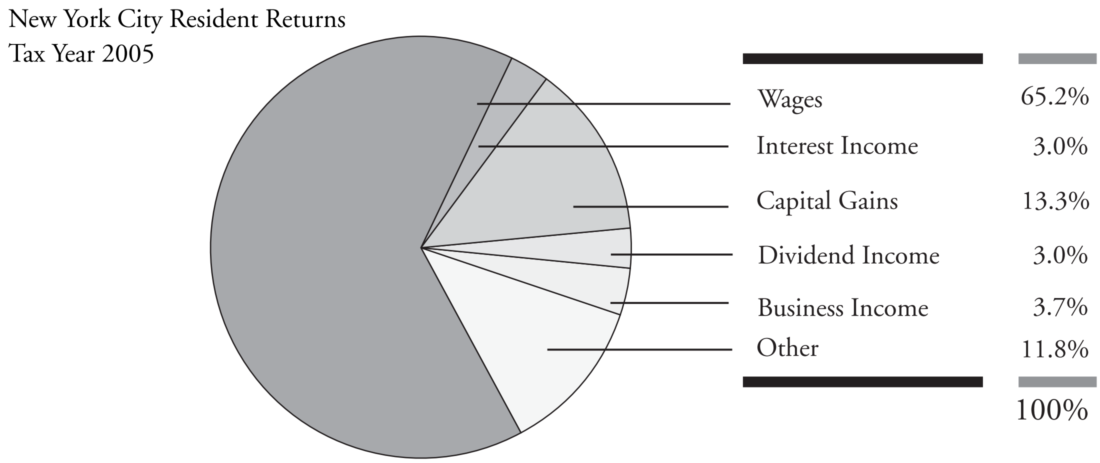
Weekly installment payments: Installment payments are tracked weekly during the months of September, December, January, April and June when quarterly payments are due and compared to the same period in prior years.

Weekly settlement payments: Settlement payments are tracked weekly during the April through June period when the majority of the 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. Each year, the State determines the share of final returns from the state pool that will be disbursed to the City. The City forecasts the final returns based on the predetermined

Chart 10

Components of Income



Source: NYS Dept. of Taxation and Finance, Office of Tax Policy Analysis

share, collections to date, and overpayments or underpayments of final returns made by the State in prior years.

Transitional Finance Authority (TFA)

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

Debt Service Administration: The TFA has the first claim on personal income tax revenue to meet its debt service and administrative costs with the remaining personal income tax revenue distributed to the City by the end of each month. There are four debt service retention periods beginning the first of November, February, May and August. Beginning on the first day of the first month of a retention quarter, personal income tax collections are retained by the TFA until one-half of the projected debt service for the quarter following the retention quarter has been collected. The remainder of the personal income tax collections is distributed to the City. The same procedure is followed in the second month of the retention quarter, and if collections in the second month are not adequate to cover projected debt service in the following quarter, collections from the third month are retained until the total projected debt service is 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 were recognized on an accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22. Final returns, refunds, assessments and audits, are recognized with a 60-day accrual. As of 2001, taxes are recognized on an accrual basis as required by GASB Statement No. 33.

TAX DETAIL

Tax Base

The City personal income tax base consisted of 3.4 million filers in 2005. The tax base is analyzed and is considered both in the forecast of personal income tax revenue and in the impact of policy changes. The tax base information is obtained from the most recent sample of taxpayers available from the NYS Department of Taxation and Finance.

Components of Income

Wages are the largest and most stable share of income. In 2005, wage income was 65.2 percent of total reported income on resident returns. Capital gains realizations are another major, yet very volatile, share of income. In 2005 capital gains realizations accounted for 13.3 percent of income. Other components of income include business, dividend and interest, and other income. Net business income consisted of 3.7 percent of total reported income. Interest income accounted for approximately three percent of total reported income. Dividend income consisted of three percent of total income while the remaining 11.8 percent formed the other income category.

History of Components of Income

Wages have always been a fairly consistent share of the income from 1988 through 2005, ranging between a low of 65.2 percent (2005) to a high of 74.3 percent (1994). Income from capital gains realizations, the most volatile source of income, has ranged between 3.5 percent (1991) to 14.7 percent (2000). The shares for other components of income are as follows:

Chart 11

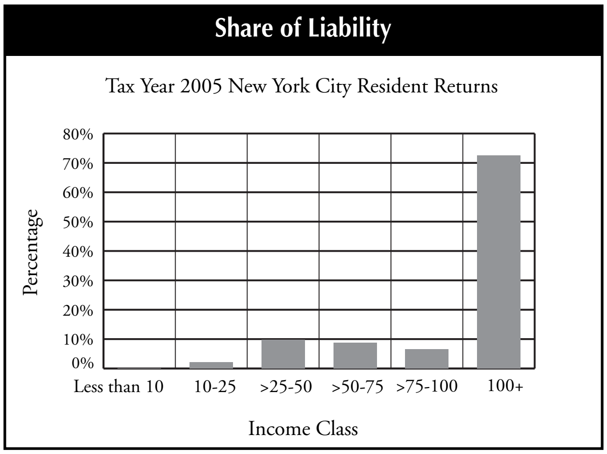
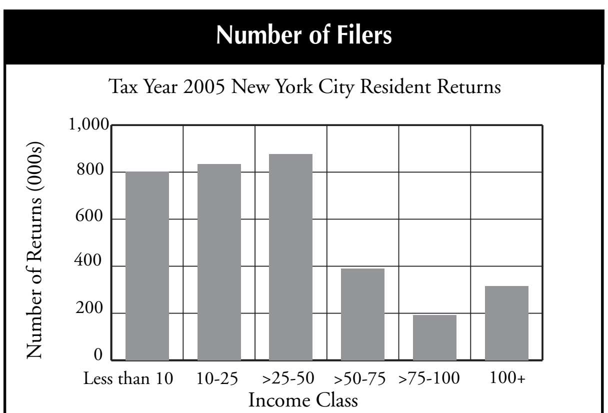


Chart 12



Source: NYS Dept. of Taxation and Finance, Office of Tax Policy Analysis

interest income ranged between 2.3 percent (2004) to 9.2 percent (1989); dividend income share varied between 2.1 percent (2002) and 3.4 percent (1998); and net business income's share ranged from 2.8 percent (2000) to 3.8 percent (2004).

Distribution of Filers

In 2005, there were 3.4 million tax returns filed. From a sample of 2005 tax returns, it can be seen that the majority of resident returns were filed by taxpayers with adjusted gross income less than $50,000. Taxpayers with income under $50,000 account for 74 percent of filers and 12 percent of tax liability. 26 percent of filers have income greater than $50,000, and paid 88 percent of the tax. Generally, higher income taxpayers earned most of the nonwage income in the City. One percent of filers have incomes greater than or equal to $500,000 and account for 49 percent of tax liability. 25 percent of filers earn between $50,000 and $500,000 and account for 39 percent of tax liability.

The taxable income threshold is higher than the filing threshold. Therefore while there were 3.4 million tax returns filed in 2005, the number of taxable returns was only 2.3 million.

Calculation of Tax

The starting point for determining taxable income is Federal AGI. This amount is adjusted for statutory modifications to yield NYS AGI. Taxable income results from subtracting the New York deductions and New York exemptions from 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. There are different tax rate schedules for single (and married taxpayers filing separately), head of household, and married taxpayers filing jointly. These separate schedules were introduced in 1987. Tax liability for NYC residents is calculated on their NYS AGI.

Table 7

NYC Personal Exemptions and Deductions - Tax Year 2005

Filer Type	Exemption	Standard Deduction	Average Itemized Deduction
Single	None	$7,500	$18,154
Head of Household	$1,000 for each dependent	$10,500	$19,318
Joint	$1,000 for each dependent	$15,000	$34,825

Current Tax Rates and Brackets

There are four income brackets and rates for tax year 2008. 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 3.648 percent (base tax of 3.2 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 brackets are $50,000, $90,000, and $60,000 for single, joint and head of household filers, respectively.

Withholding Tables

Withholding tables are adjusted to reflect changes made to tax rates, standard deductions and the dependent exemption. Currently there are six withholding table brackets. The withholding table rate ranges from 1.9 percent to four percent for tax year 2008.

14 Percent Additional Tax

The current NYC personal income tax rates were set by law in 2002, consisting of a base tax 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 reimposed effective January 1, 2006.

Minimum Income Tax

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

Filing Eligibility

The personal income tax is imposed on the taxable income of NYC residents, estates and trusts. The tax conforms to the NYS personal income tax with respect to the determination of taxable income.

Part-Year Resident Tax

If a filer has a change of resident status during the year by moving in or out of the City, the filer is considered a part-year resident for the year. In order to be considered a part-year resident, the number of days of stay in the City has to be 183 days or less for the year. The tax is based on NYS AGI for the filer's 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 0.45 percent on wages and 0.65 percent on net earnings from self employment. Retroactive to January 1, 1999, the City's nonresident earnings tax was repealed. (See Appendix II:PIT, Legislative History, 1999).

Table 8

New York City Credits

Credit	Type	Effective
Child Care	Refundable	2007
* Middle Class STAR	Refundable	2007
** Enhanced STAR	Refundable	2006
EIC	Refundable	2004
STAR	Refundable	1998
UBT	Nonrefundable	1997
Household	Nonrefundable	1987

* Replaced Enhanced STAR credit.

** Replaced original STAR credit..

Credits

NYC currently has five credits against a filer's personal income tax liability to lower the tax payment. These credits are: the earned income credit (EIC), the Middle Class STAR credit, the unincorporated business tax (UBT) credit, the NYC household credit and the NYC child care credit. While EIC, STAR and the child care credits are refundable, the UBT and the household credits are nonrefundable. STAR and UBT credits are designed to reduce tax liability of taxpayers of all income brackets based on certain eligibility criteria; the child care, EIC and the household credits, on the other hand, are intended for low-income taxpayers only.

The EIC became effective on January 1, 2004. NYC residents are allowed a credit against the City's personal income tax equal to five percent of their Federal earned income tax credit allowed for the same taxable year. 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 prorated based on the AGI for the period of residence as a share of the AGI for the full year. (See Table 9).

Table 9

NYC Earned Income Credit - Tax Year 2007

Filer Type	Qualifying Children	Earned Income: Range for Maximum Credit	Earned Income: Cut-off-level	Credit: Maximum
Single	None	$5,550 - $7,000	$12,600	$21
	One	$8,350 - $15,400	$33,250	$143
	More Than One	$11,750 - $15,400	$37,800	$236
Head of Household	None	$5,550 - $7,000	$12,600	$21
	One	$8,350 - $15,400	$33,250	$143
	More Than One	$11,750 - $15,400	$37,800	$236
Joint	None	$5,550 - $9,000	$14,600	$21
	One	$8,350 - $17,400	$32,250	$143
	More Than One	$11,750 - $17,400	$39,784	$236

The child care credit is the most recently enacted credit, effective January 1, 2007. This refundable 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 for taxpayers with household gross income between $25,000 and $30,000. There is no credit for families with income over $30,000.

Administration

The NYC personal income tax has been administered by NYS since 1976. The NYS Department of Finance and Taxation generate all aspects of collection information. Within that department, the Office of Tax Policy is responsible for generating and providing the City with the daily collections and refund reports. At the end of the month, the City receives a letter from the State Comptroller verifying the final amount of personal income tax revenue by component due to the City for that month.

Prepayment Rules

NYC withholding collection is administered by NYS. Employers with withholding of $15,000 or more for the calendar year preceding the previous calendar year are required to file withholding with the State within three business days following the payroll that caused the total accumulated tax withheld to equal or exceed $700. For those withholding less than $15,000 during such period, and for higher educational organizations 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 the first month of the following calendar or fiscal year.

A filer is not required to make an estimated payment if the taxpayer's withholding payments are at least 90 percent of total tax due for the year; or, is at least 100 percent of total tax liability from the prior year; or, 110 percent of the taxpayer's liability from the prior year if the taxpayer's NYS AGI is over $150,000; or 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 2007 the administrative charges paid by the City was $47 million.

Final Returns

Unlike the other components of the tax, final returns are initially distributed to the City based on a percentage of the State pool of final returns. The distribution percentage is based on the City's historical share of total statewide final returns. Adjustments are then made for prior distributions, changes to State and City tax laws and relative rates of economic growth.

SALES TAX

Table of Contents

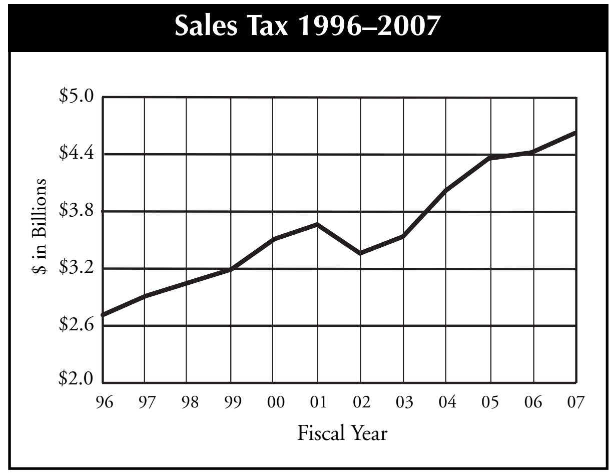
SALES TAX

OVERVIEW

The sales tax accounted for 12.2 percent of City tax revenue in fiscal year 2007, or $4,619 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. Effective June 1, 2005 the NYC sales tax rate is four percent, the State rate is four percent and an additional 0.375 percent rate is levied in all localities located within the Metropolitan Commuter Transportation District (MCTD), making the aggregate sales tax rate in NYC 8.375 percent. Exemptions include food, clothing and footwear, rent, prescription and non-prescription drugs, textbooks for college students and public transportation. The exemptions are designed to reduce the regressivity of the tax. Sales tax is also applied to charges for parking, garaging or storing motor vehicles, at a rate of six percent, including an additional eight percent surcharge for the borough of Manhattan, bringing the aggregate parking tax rate in Manhattan to 18.375 percent.

Chart 13



FORECASTING METHODOLOGY

General Consumption

An annual linear regression model is used to forecast sales tax revenue. This model is 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 data as well as national same store sales data, durable and nondurable goods sales, consumer confidence and consumer installment debt are significant factors considered in the forecast process.

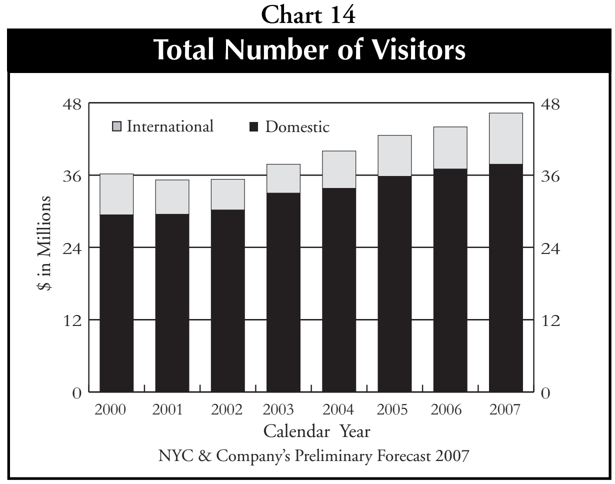
The dependent variable is actual historical sales tax collections adjusted for changes in the tax law. The explanatory variables are City total employment, City wage rate and real property transfers. The separation of wage rate and employment has proved more sensitive than wage income alone. The sales tax revenue equation takes the following form:

SALES TAX REVENUE =
a + b1 (NYC Wage Rate)
+ b2 (NYC Total Employment)
+ b3 (Real Property Transfers)

Tourist Consumption

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

Chart 14



Cash Flow Model

The City's cash flow forecast for the sales tax represents sales tax prior to any Municipal Assistance Corporation (MAC) retention and is on a revenue recognition basis (For MAC defined see Appendix III: Sales Tax Legislative History: 1975). For example, sales tax collections released to the City on September 4th and September 12th are counted as August revenue. Estimates for monthly revenue from sales tax are determined based on each month's historical share of total collections. The third month of each quarter is larger than the other two since quarterly filers must file in that month. Analysis of collections in the first two months of the quarter has proven to be a poor predictor of current collection activity because these collections reflect prior year collections rather than current year activities. Analysis of collections over the entire quarter has proven to be more helpful in monitoring collections against current year revenue forecasts.

MAC and NYC

Collections from the MAC and NYC components are driven by economic forces. More than half of the sales tax base is non-retail trade related, in the form of services, electricity and gas sales, purchases made by manufacturing, communications and construction firms and wholesale purchases.

Because most City sales tax revenues are dedicated to repayment of MAC bonds, the actual City cash flow is less than the projected revenue. Generally collections from the City MAC sales tax base are certified by the State Comptroller and then held in the Municipal Assistance Tax Fund (which includes the MAC Bond Payment Fund and Bond Reserve Fund) for one quarter until the MAC dedication (debt service, capital reserve and operating expenses) is certified, whereupon the remaining monies are 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 will continue 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.

Prior Period Adjustments (PPAs)

The State, which administers the NYC sales tax, is not always in possession of complete quarterly information at the end of each quarter from all reporting vendors. As this information becomes available, it becomes necessary to adjust the original distribution of revenue among localities. This adjustment (PPA) may be positive or negative, depending on whether the previous distribution is determined to be too large or too small. PPAs can also result from late payments or audits.

Assessments

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

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:

Locality Administrative Fee = (Locality Sales Tax Receipts/Statewide Sales Tax Receipts) x Total Administrative Charges

The administrative charges, which include direct and indirect costs such as salaries, fringe benefits, materials, printing and mailing are tallied by NYS Department of Taxation and Finance's Office of Business Administration. Indirect costs refer to locality-specific charges which are generally charges to localities for special mailings to vendors in the specific locality and usually relate to legislative changes and/or rate changes. Indirect costs account for approximately four percent of total administrative charges to the City.

Administrative charges are billed to the localities quarterly. In 2007, the charges paid by the City were $23.4 million.

GASB

Beginning in 1994, City taxpayer assessed taxes were recognized on an accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22. Late sales tax payments, State assessments and City audits are recognized with a 60-day accrual. As of 2001, taxes are recognized on an accrual basis as required by GASB Statement No. 33.

TAX DETAIL

Tax Base

MAC Sales Tax Base

The components of the MAC sales tax base are detailed in Chart 15. Prior to March 2000, the sectors were classified according to SIC 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. The next largest sector consists of professional, administrative, healthcare, art, entertainment and recreational, accommodation and food services, which make-up the business services component. The growth of the wholesale trade, construction, communication, and energy sectors continue to increase due to the cyclical nature of the City's economy.

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.

Non-MAC Sales Tax Base

In addition to the MAC sales tax base, New York City's sales tax base includes parking, garaging, and storing of vehicles with an additional surcharge for the borough of Manhattan, 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, whether or not tangible personal property is transferred in conjunction with the services performed. Additionally, the City is authorized by the State to impose a four percent tax on protective and detective services, credit services for rating, reporting, adjustments and collection services, maintaining, servicing, or repairing real property, and for services that consist of interior cleaning or maintenance on a regular contractual basis for a term of 30 days or more, other than window cleaning, rodent and pest control, and trash removal from buildings.

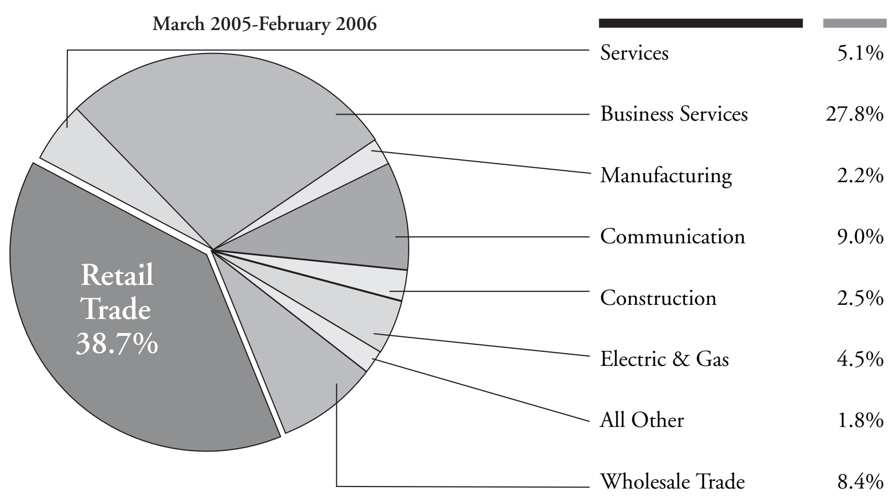
Calculation of Tax

Tax Rates

From June 4, 2003 through May 31, 2005, the City's aggregate sales tax rate was 8.625 percent. This was comprised of the local tax rate of 4.125 percent, (effective June 4, 2003 through May 31, 2005) State sales tax rate 4.25 percent (effective June 1, 2003 through May 31, 2005), and a 0.25 percent sales tax

Chart 15

Components of Sales Tax Base



Source: NYS Dept. of Taxation and Finance, Office of Tax Policy Analysis in the Metropolitan Commuter Transportation District (MCTD). However, after May 31, 2005 State legislation has allowed the MCTD tax rate to increase 0.125 percent from 0.25 percent to 0.375 percent. Additionally, after May 31, 2005 both the City and State tax rates reverted back four percent, bringing the aggregate sales tax rate in the City to 8.375 percent.

Table 10

Sales Tax Rates

	Through 5/31/03	After 5/31/03	After 5/31/05
New York City	4.000%	4.125%	4.000%
New York State	4.000%	4.250%	4.000%
MCTD	0.250%	0.250%	0.375%
Total	**8.250%**	**8.625%**	**8.375%**

From 1934 to 1974, the City was authorized by State laws to impose the sales tax. Upon the establishment of the Municipal Assistance Corporation (MAC) in 1975, the City's authority to impose the sales tax was suspended. A similar tax was imposed by the State and these sales tax revenues are subject to appropriation by the State Legislature to provide funds to pay for MAC obligations. MAC is required to certify to the State Comptroller each quarter what portion, if any, of sales tax revenues is needed by MAC to make payments on all of its outstanding debt obligations and its other expenses (collectively known as the "MAC Funding Requirements"). Revenues derived from future expansions of the City's sales tax base are not subject to appropriation. MAC's outstanding debt obligations are scheduled to mature on or before July 1, 2008. At that time, or when all MAC Funding Requirements are satisfied, the sales tax imposed by the State will expire, and the sales tax imposed by the City will again be in effect and sales tax revenues will no longer be subject to State or City appropriation. Additionally, due to the expiration of certain State legislation, the City imposed sales tax will take effect at the rate of three percent on July 1, 2008 or the last day of the month when all MAC Funding Requirements are met. The City received State authorization to impose the local sales tax at a rate of four percent effective August 1, 2008.

Parking Tax Rates

A sales tax applies to the charges for parking, garaging and storing of motor vehicles. NYC imposes a six percent tax while the State and the MCTD impose taxes at the rates of four percent and 0.375 percent, respectively. In addition, an eight 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 long-term rented space are exempt from the eight percent surcharge.

Table 11

Manhattan Parking Tax

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

Table 12

History of Sales Tax Exemptions on Clothing and Footwear[1]

	State Tax	City	MCTD Tax
Pre - March 1, 2000	4.000%	4.000%	0.250%
March 1, 2000 - May 31, 2003	Exempt	Exempt	Exempt
June 1, 2003 - May 31, 2005[2]	4.250%	4.125%	0.250%
June 1, 2005 - August 31, 2005	4.000%	4.000%	0.375%
September 1, 2005 - March 31, 2006	4.000%	Exempt	0.375%
April 1, 2006	Exempt	Exempt	Exempt
September 1, 2007[3]	4.000%/Exempt	Exempt	0.375%/Exempt

These rates do not include various sales tax free weeks since 1996.

[1] *Sales tax exemptions are for clothing and footwear purchases under $110.*

[2] *The City's additional 0.125 percent tax did not take effect until June 4, 2003.*

[3] *Effective September 1, 2007, sales of clothing and footwear costing $110 and above are exempt from the City sales tax. NYS, NYC, and MCTD exemptions for sales under $110 are still in effect.*

Exemptions

Exemptions include food (except certain drinks, candies and alcoholic beverages), rent, prescription drugs, newspapers and periodicals, textbooks for college students, and public transportation. These exemptions are intended to reduce the degree of regressiveness of the tax. 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, transmission and distribution of energy, certain promotional materials, internet access services, interstate and international telecommunications services and clothing and footwear purchases under $110 through March 31, 2003. The clothing and footwear exemptions for the City, State, and MCTD were repealed effective June 1, 2003 through March 31, 2007 (see Table 12). The City exemption was reinstated September 1, 2005. The State and MCTD exemptions were reinstated April 1, 2006. The City however, reimburses half of the 0.375 percent MCTD tax for the recovery that is forgone. The State will reimburse the remaining half.

On September 1, 2007, the City expanded its clothing and footwear exemption to include purchases costing $110 and above. The State and MCTD Sales tax rates are still in effect. However, the State and MCTD exemptions are still in effect for purchases under $110.

Administration

Filing Procedures

New York State and local sales tax laws provide that the NYS Department of Taxation and Finance will administer the taxes imposed by both the State and the localities. A general sales tax is collected from approximately 600,000 registered vendors in New York State. Vendors are responsible for collecting the sales tax from buyers 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.

Beginning December 1, 1992, State law mandated the implementation of the electronic funds transfer (EFT) program (PROMP Tax Program) for large sales tax vendors. Taxpayers with annual tax liability exceeding $5 million were required to make monthly payments of tax liability by electronic funds transfer. This program did not affect the filing or remittance schedule of other sales tax vendors. The system resulted in the earlier collection and distribution of revenue to localities. This shift in timing for large vendor remittances caused an overlap of sales tax payments in December 1992, resulting in a one-time boost to City revenue of $45 million. The $5 million threshold for mandatory participation was lowered to $4 million in December of 1994 and to $1 million in December of 1995 and resulted in one-time boosts to City revenue of $4 million and $20 million, respectively. Effective September 1, 2002, the threshold was lowered to $500,000, resulting in a one-time boost to City revenue of $19 million. The threshold remains unchanged for taxpayers remitting prepaid sales and use taxes on motor and diesel fuel and for taxpayers remitting motor fuel and petroleum business taxes.

Monthly EFT Filers

EFT filers are defined as vendors with annual tax liability of $500,000 or more for the twelve-month period prior to June 1st of the current fiscal year. Effective December 1, 2001, State tax law was amended changing the PROMP Tax Program stating that vendors are no longer required to file the New York State and Local Sales and Use Tax Return for Part-Quarterly Filers (form ST-809) each month. They are now required to file the New York State and Local Sales and Use Tax Return Quarterly for Part Quarterly Filers (form ST-810). Additionally, these taxpayers will no longer remit payment using paper checks, but will remit any tax due as part of their PROMP Tax payment each month. The PROMP Tax payment due date remains the third business day after the 22nd of each month, but the payment now must include the prior month's day-23 through the end of the month's liability in addition to the current month's day-1 through day-22 liability.

Monthly Non-EFT Filers

Non-EFT filers are vendors who collect $300,000 or more in tax or who sell 100,000 or more gallons of automotive fuel in any one of four successive quarters. These vendors file by the 20th of each month for collections from the previous month.

Monthly filers must file two "part-quarterly" returns and one "recap" return each quarter. The "part-quarterly" returns can be based on actual sales data, or may be a "short-form" return in which the tax 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 is filed after the last month of each quarter, and 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.

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.

Quarterly Filers

Vendors with less than $300,000 in tax liability or that sell less than 100,000 gallons of automotive fuel, but collect $3,000 or more in sales taxes for the twelve-month period ending May 31st must file by the 20th of March, June, September, and December for the three-month period which ends during the previous month.

Annual Filers

Vendors who collect less than $3,000 in sales taxes for the twelve-month period ending May 31st must file by June 20th.

Sales Tax Distribution

Because a large percentage of monthly sales tax collections for the "part-quarterly" months is 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 in 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 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 revenues on collections due to localities in these months. This is because 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 the 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 fourth of the following month.

The collections distributed on the 12th day of every month are net of administrative charges and Prior Period Adjustments (PPAs).

GENERAL CORPORATION TAX

Table of Contents

GENERAL CORPORATION TAX

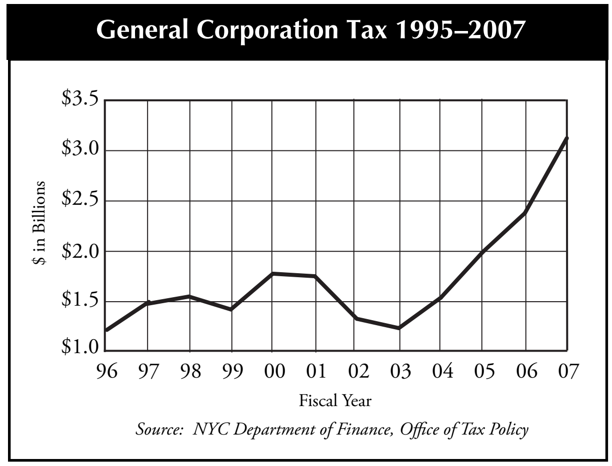
OVERVIEW

The general corporation tax accounted for 8.3 percent of City tax revenue in fiscal year 2007 or $3,124 million.

The tax was first enacted in 1966 and is imposed on all corporations, domestic and foreign, for the privilege of doing business, employing capital, owning or leasing property, or maintaining an office in the City. To determine its tax liability, a corporation is required to make three alternative calculations, compare these to a fixed minimum tax, 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. Banking corporations are subject to City bank tax and therefore do not pay the general corporation tax. Insurance firms, nonprofit corporations, and Residential Mortgage Insurance Corporations (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 the activities in New York City are limited solely to investing or trading in stocks, securities, or commodities for its own account.

The New York City Department of Finance (DOF) administers the general corporation tax, but New York State must authorize most changes to the City's general corporation tax law, including tax rate increases, tax base changes, and tax rate extensions. The State must extend GCT rates every two years.

Chart 16



FORECASTING METHODOLOGY

Forecast of Annual Tax Liability

DOF reports annual general corporation tax liability on a three-year lag, and from this actual liability, annual general corporation tax liability is forecast using linear regression models. Total liability (reported on a calendar year basis) is then fiscalized.

The linear regression models, however, serve as only a starting point for forecasting general corporation tax liability. Predicting corporate tax collections is not a mechanical process but reflects both modeling and analysis of other factors affecting the tax.

The following sources provide critical data which complement the econometric models: (1) Securities Industry Association reports detail Wall Street activity by significant market segments, expense items, and trends in compensation and employment; (2) major investment bank quarterly and annual income statements; (3) DOF "top taxpayer" reports, which provide liability and overpayment on account estimates for the finance and media sectors; and (4) DOF monthly collection reports, which present business tax collections data by industry sector and tax year.

Annual tax liability is disaggregated into finance and non-finance liability and modeled separately on a liability year basis. This approach has two advantages. First, liability year tax information more accurately reflects economic activity than fiscal year collection data because the latter includes payments from more than one liability year. Second, the disaggregated approach captures the often divergent responses to economic conditions by the finance and non-finance sectors. The finance sector, representing approximately one-fourth of total liability, is highly volatile because it often responds immediately to factors affecting the financial markets, such as interest rate movements. Such factors affect firms from other sectors with a lag as the economy adjusts. The non-finance sector, accounting for approximately three-fourth of GCT liability, is more closely linked to general profit conditions nationwide.

DOF has provided annual tax liability data by sector from 1981 to 2004. The finance and non-finance series were extended back to 1975 by backcasting, using growth in liability of the State's Article 9 taxpayers (which is available by sector).

Finance Liability

An annual linear regression model is used to forecast finance sector liability. The explanatory variables for finance liability are NYSE member-firm profits and gross domestic product (GDP). Overall, these variables serve to capture finance sector profits allocated to the City. The finance sector equation is as follows:

FINANCE LIABILITY =
a + b1 (NYSE Member-Firm Profits)
+ b2 (Gross Domestic Product)

Non-Finance Liability

An annual linear regression is also used to forecast liability in the non-finance sector. The explanatory variables are gross city product (GCP), before-tax national corporate profits/GDP ratio, and employment in professional services. GCP measures local economic activity, and the national corporate profits/GDP ratio measures the change in national corporate profits relative to GDP. The third variable, employment in professional services, explains changes in liability due to changes in employment for the finance and professional services sectors. The non-finance sector equation is as follows:

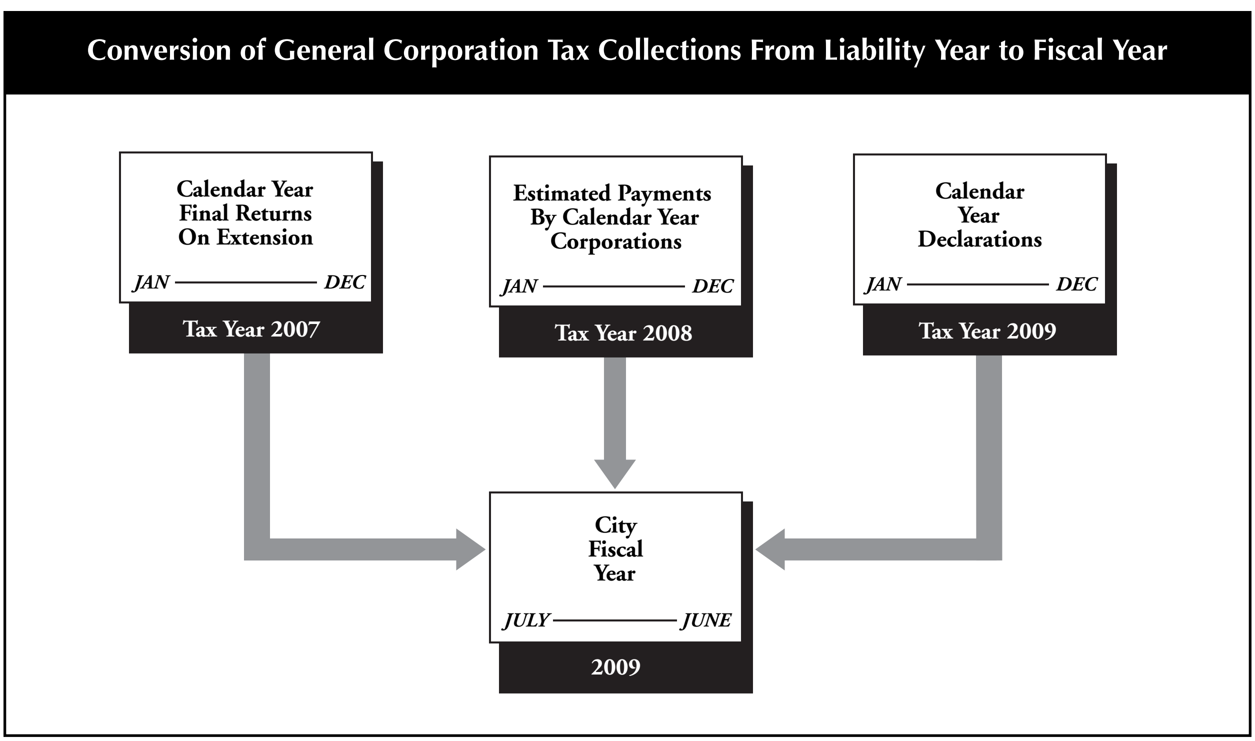
NON-FINANCE LIABILITY =
a + b1 (Gross City Product)
+ b2 (Before-Tax Corporate Profits/GDP)
+ b3 (Employment in Professional Services)

The separate liability forecasts are combined, yielding a forecast of total general corporation tax liability, which is then fiscalized and tax programs are applied.

Chart 17 details the complexity of the fiscal year forecast for the general corporation tax. In any given fiscal year there are payments on at least three different liability years. For example, in fiscal year 2008, calendar year corporations file final returns on extension for tax year 2006. Firms that file an extension in March instead of a final return are granted a six-month extension and generally file the final return in September.

Historically, the final returns on extension for prior year liability represent 21 percent of fiscal year collections. Calendar year filers also make estimated payments in September and December for tax year 2007. Any residual amount owed on tax year 2007 is paid in March along with the mandated 25 percent prepayment towards tax year 2008. These payments make up the majority of the fiscal year revenue, accounting for 64 percent of the total. Finally, in June, calendar year corporations make the first estimated payment on tax year 2008. This payment represents 15 percent of the fiscal year total. Since calendar year corporations represent 65 to 70 percent of the total tax liability, most of the tax is collected in September, December, March and June. Fiscal year filers (firms whose fiscal year begins on a date other than January 1) account for 30 to 35 percent of the

Chart 17



total tax liability. These firms are required to make the same four types of payments at the same intervals, but their payment schedules are shifted according to their fiscal period.

The next step in the process is to determine net fiscal year revenue after taking refunds into consideration. General corporation tax refunds are forecast using the historical percentage of refunds to prior year gross revenue. Any extraordinary items are recognized but are usually not incorporated into the projection of future refund levels.

Cash Flow Model

Cash Plan Analysis

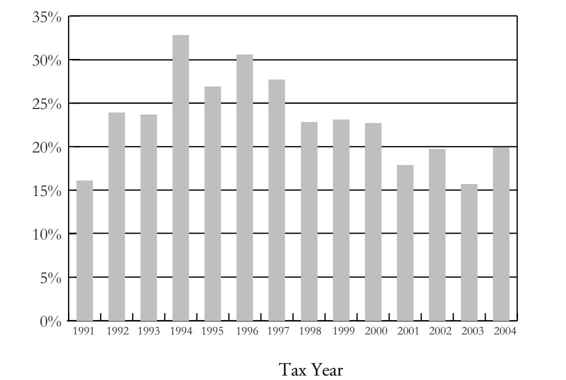
Once revenue is forecast, a monthly cash plan, which reflects the seasonality of the collections and the complexity of the fiscal year cash flow, is derived. The monthly cash plan takes into consideration payment expectations for both calendar year and fiscal year filers. The following are closely monitored and analyzed in developing the monthly cash plan: growth rates over prior year collections, monthly and quarterly implied closes, monthly and quarterly historical shares of the year's collections, taxpayer overpayments and refund request reports. Wall Street profits are analyzed as well, in addition to being factored into the finance sector liability equation. Because the aggregate NYSE member-firm quarterly profit number is released approximately 12 weeks after the end of each quarter, several investment banks' income statements are analyzed each quarter so that the cash plan can be adjusted according to timely data. The plan is also adjusted to reflect current or expected trends resulting from legislative or identifiable behavioral changes.

GASB

Beginning in 1994, City taxpayer assessed taxes were recognized on an accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22 and beginning in 2001, as required by GASB Statement No. 33 (GASB Statement No. 33 is assumed to equal GASB Statement No. 22). Gross collections, audits and refunds are recognized with a 60-day accrual.

Chart 18

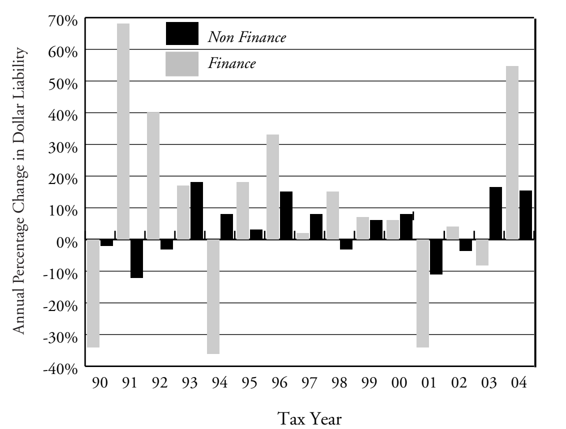
GCT Finance Liability as a Share of Total Liability



Source: NYC Department of Finance, Office of Tax Policy

Chart 19

The Finance Sector is More Volatile Than the Non-Finance Sector



Source: NYC Department of Finance, Office of Tax Policy

TAX DETAIL

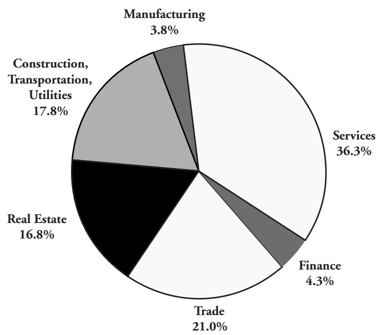
Tax Base

Industrial Mix of Filers and Liability

Charts 20 and 21 are based on data from a statistical report of corporate returns for tax year 2004 (the latest year for which data is available from DOF). They reflect the distribution of City tax liability and number of filers by industrial sector. In 2004, the service sector (information, professional/technical/managerial and other services) and finance sector accounted for over half of GCT liability. The service and trade sectors accounted for the largest number of taxpayers, 36.5 percent and 21 percent, respectively. The finance sector fluctuates with Wall Street profits and is therefore volatile (see Charts 18 and 19). The non-finance sector has seen stable growth since 1990 but is sensitive to recessions.

Chart 20

Number of Taxpayers by Industry
(Tax Year 2004)



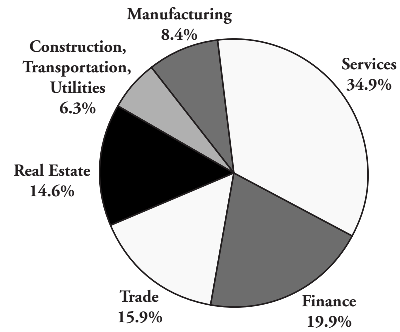
Distribution by Number of Taxpayers

Industry	Number of Taxpayers	% Total
Services	97,263	36.3%
Finance	11,469	4.3%
Trade	56,244	21.0%
Real Estate	45,048	16.8%
Construction, Transportation, Utilities	47,548	17.8%
Manufacturing	10,110	3.8%
Total	**267,682**	**100.0%**

Source: NYC Department of Finance, Office of Tax Policy

Chart 21

Liability Paid by Industry
(Tax Year 2004)



Liability Distribution ($ in Thousands)

Industry	Liability of Taxpayers	% Total
Services	$ 667,638	34.9%
Finance	381,829	19.9%
Trade	305,649	15.9%
Real Estate	280,599	14.6%
Construction, Transportation, Utilities	120,117	6.3%
Manufacturing	161,716	8.4%
Total	**$1,917,548**	**100.0%**

Source: NYC Department of Finance, Office of Tax Policy

Since 1990, GCT total liability has increased 97 percent from $972 million in 1990 to $1,918 million in 2004. A large portion of the growth in liability is a result of growth in the finance sector, more specifically in securities and commodities firms. Securities and commodities liability has grown 362 percent from $65 million in 1990 to $300 million in 2004. Finance sector now accounts for 19.9 percent of GCT liability up from seven percent in 1990.

During the 1990s, the securities industry grew rapidly in New York City. Strength in the stock market and robust earnings for investment banking firms increased tax liability. In addition to the finance sector, the real estate sector grew significantly during the 1990s. Real estate liability more than doubled and the number of firms steadily increased as well.

The number of firms paying the GCT increased from 203,223 in 1990, to 267,682 in 2004. However, not all sectors have been growing.

Manufacturing firms have been steadily moving out of the City. In 1990, 18,115 manufacturing companies accounted for almost nine percent of GCT liability. In 2004, there were 10,110 manufacturing companies in New York City, accounting for only 8.4 percent of GCT liability.

Comparisons of liability between years are estimated due to changes in the classification of companies and categories. Until 1998 liability was reported in five main categories with 27 subcategories. In 1998, reported liability was broken into eight categories with 40 subcategories. Prior to 1998, the industrial sectors were classified according to SIC (Standard Industrial Classification) codes; now they are grouped according to NAIC (North American Industrial Classification) codes. Definitions for certain categories were also changed in 1998.

Calculation of Tax Liability

Four Alternative Bases

To determine tax liability, a corporation is required to make three alternative calculations and compare these to a fixed minimum tax of $300. 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) 2.655 percent of the sum of allocated net income plus compensation paid to all stockholders owning more than five 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 13 for distribution of taxpayers by tax base). There is an additional tax on subsidiary capital allocated to the City, at the rate of

Table 13

Distribution by Tax Base (Tax Year 2004) ($ in Thousands)				
Tax Base	Number	% of Total	Liability	% of Total
• Entire Net Income Allocated to the City	66,415	24.8%	$1,537,141	80.2%
• Allocated Net Income + Compensation Paid to All Stockholders Owning More Than 5% of Capital Stock	25,097	9.4	197,548	10.3
• Alternative Tax on Business and Investment Capital Allocated to the City	15,616	5.8	80,466	4.2
• Fixed Minimum Tax	158,232	59.1	48,694	2.5
• Not Available	2,322	0.9	53,698	2.8
Total	**267,682**	**100.0%**	**$1,917,548***	**100.0%**

Source: NYC Department of Finance, Office of Tax Policy

** Totals may not add up due to rounding.*

0.075 percent. The sum of the liability paid on the highest of the four alternative bases and the tax on subsidiary capital is the firm's total tax liability.

The starting point for determining the entire net income base, 80.2 percent of corporate liability in tax year 2004, 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 (allocated net income) activities and income derived from activities outside of the City.

Business income is defined as the firm's entire net income less its investment income (dividends and interest from non-subsidiary operations). The allocation formula used by most firms for business income is 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 are allowed to "double weight" the receipts factor for tax years beginning on or after July 1, 1996. Of firms that paid the general corporation tax in tax year 2004, only 11.2 percent had operations both inside and outside the City and therefore allocated their business income according to this formula. However, these multi-jurisdictional firms paid over 59 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.

The income-plus-compensation base accounted for approximately 10.3 percent of corporate tax liability in tax year 2004. 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 five percent of the corporation's outstanding stock. After a statutory deduction of $40,000 is taken, the firm applies the 8.85 percent rate to 30 percent of this base (hence the 2.655 percent effective tax rate).

The alternative tax on allocated business and investment capital accounted for approximately 4.2 percent of corporate tax liability in tax year 2004.

This base is designed to tax firms which 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.

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. Every taxpayer is eligible to allocate subsidiary capital.

Tax Exemptions and Credits

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

- Energy Used in Manufacturing
- Parts and Tools Exemption (Production-Related Machinery, Equipment, Parts, Tools, Supplies, and Services)
- Relocation and Employment Assistance Program (REAP)
- Employment Opportunity Relocation Costs Credit (EORC)
- Real Estate Tax Escalation Credit (RETE)
- Energy Cost Savings Program (ECSP)
- Nested Credit (Personal Income Tax Credit for Unincorporated Business Tax Payments)
- Film Production Credit
- Industrial Business Zone (IBZ) Relocation Tax Credit

Tax Treatment of Special Corporations

S Corporations

The New York State corporation franchise tax levied by Article 9-A of the tax law applies different tax treatments to S and C corporations. However, under NYC general corporation tax law, S and C corporations are taxed the same way.

Limited Liability Companies (LLCs)

In July 1994, New York State passed legislation allowing the formation of 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. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In NYC, LLCs 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. However, a RIC's entire net income is defined by the Federal classification of "investment company taxable income" plus any net undistributed long-term capital gains. Because "investment company taxable income" is calculated for Federal tax purposes after a deduction for dividends paid, a RIC tends to be taxed only on any undistributed income or long-term capital gain. Further, under GCT law, 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 as defined above, income plus compensation, and the fixed minimum dollar bases).

Real Estate Investment Trusts (REITs)

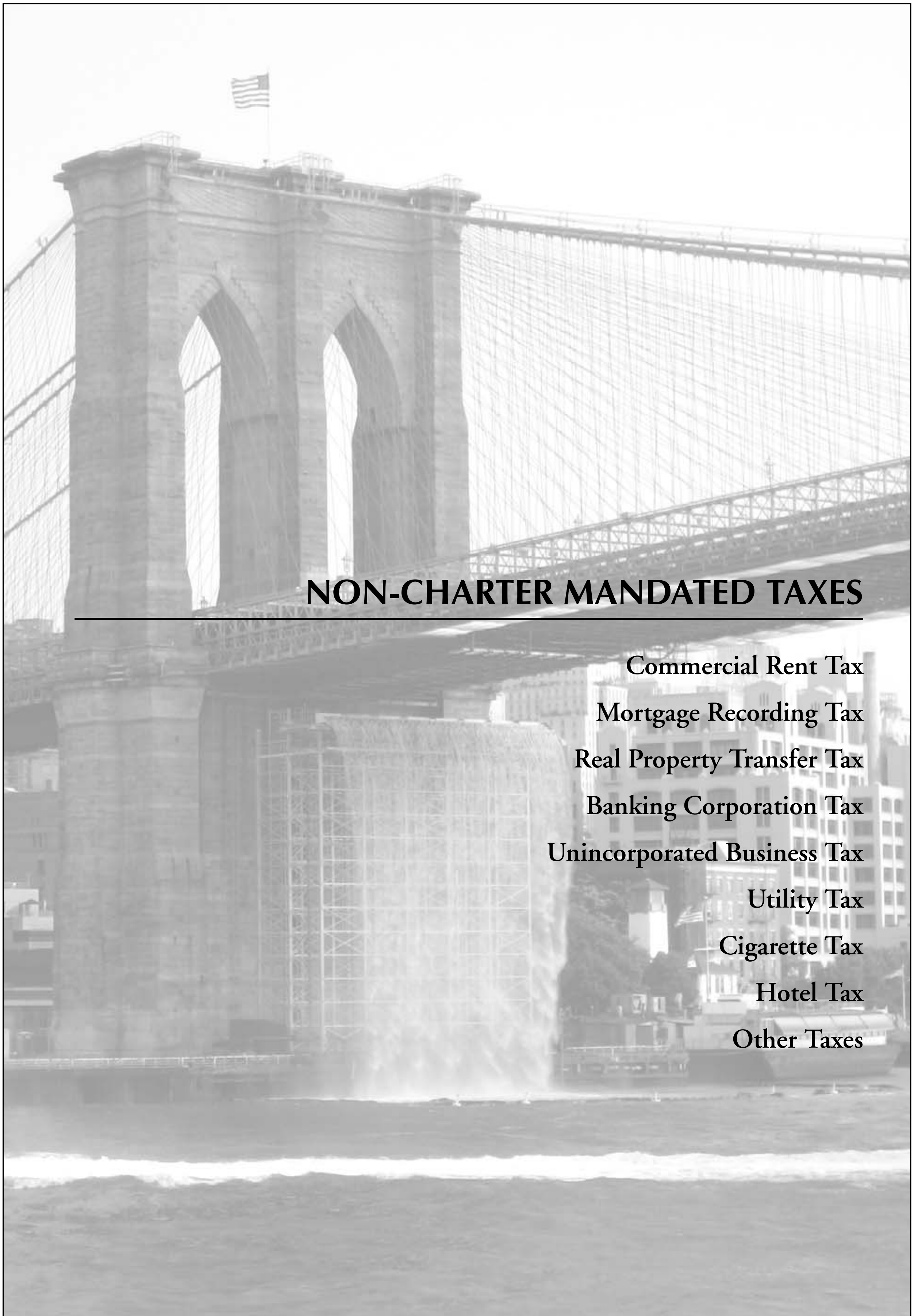
A REIT, as defined by Federal tax law, is subject to the GCT. However, REITs generally pay little or no income tax and are subject to special requirements to receive such tax treatment. New York City conforms with Federal tax treatment of REITs. To the extent that the REIT passes through its income to the shareholders, the REIT pays no City corporate tax on that income. The dividend or distributed gain is taxed at the shareholder level. Any undistributed income the REIT possesses is subject to taxation. To the extent that they are taxable, REITs are subject to only two of the four alternate tax bases that apply to other GCT taxpayers. The tax liability of a REIT is determined by utilizing only the net income and fixed dollar minimum corporate tax base.

Administration

The general corporation tax is administered by the New York City Department of Finance. Firms subject to the tax must file according to a payment schedule which conforms to Federal and State filing dates.

For firms which have a fiscal year beginning January 1, final returns and a prepayment on current year liability equal to 25 percent of prior year liability are due in March, the annual declaration of estimated tax (the first installment) is due in June and estimated payments are made in September and December. 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.

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.



NON-CHARTER MANDATED TAXES

Commercial Rent Tax

Mortgage Recording Tax

Real Property Transfer Tax

Banking Corporation Tax

Unincorporated Business Tax

Utility Tax

Cigarette Tax

Hotel Tax

Other Taxes

COMMERCIAL RENT TAX

Table of Contents

COMMERCIAL RENT TAX

OVERVIEW

The commercial rent tax accounted for 1.4 percent of City tax revenue in fiscal year 2007, or $512 million.

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 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 Manhattan vacancy rates and asking rent for both the primary and secondary office market. 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 under Chapter 7 of Title 11 of the NYC Administrative Code on the rental of space in NYC for commercial or professional purposes. The tax is levied only on tenants who rent space in Manhattan south of 96th Street at an effective rate of 3.9 percent. Tenants whose base rents are less than $250,000 per year do not pay this tax; those whose base rents are in excess of $250,000 but less than $300,000 receive a sliding-scale credit.

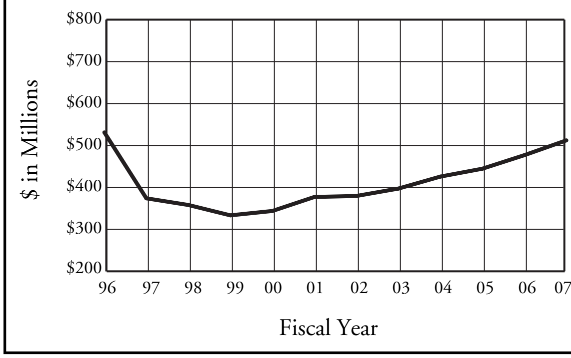
LEGISLATIVE HISTORY

The commercial rent tax was first imposed in 1963 at a rate of five percent on annual base rents of $2,500 and over. On June 1, 1970, a graduated rate schedule was adopted:

Base 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%

Chart 22

Commercial Rent Tax 1996-2007



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 six percent in 1981. Effective June 1, 1981, a tenant whose annual base rent was less than $5,000 was exempt from the tax. The base rent exemption was increased to $8,000 on June 1, 1984 and to $11,000 on December 1, 1984.

In 1985, the City instituted a tax reduction program, which lowered the commercial rent tax for taxpayers in certain locations. As of January 1, 1986, the base rent for taxable premises located in Manhattan north of 96th Street, The Bronx, Brooklyn, Queens and Staten Island was reduced by 10 percent. The base rent was reduced by 20 percent as of June 1, 1987, and by 30 percent as of June 1, 1989 for a total reduction worth $34 million in 1995. In 1994, a 25 percent tax credit was granted to taxpayers located in Manhattan below 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. In 1995, this credit was expanded to a full exemption for taxpayers with base rent up to $21,000 in central and lower Manhattan and up to $30,000 elsewhere.

Beginning in 1996, legislation raised the base rent exemption to $31,000 in central and lower Manhattan and $44,286 elsewhere. In addition, primary tenants became eligible to deduct the rent received from sub-tenants, even if the sub-tenants were exempt from tax. This legislation raised the base rent exemption for tenants located in Manhattan south of 96th Street to $40,000 in 1997, allowed a sliding scale of credit for base rents ranging between $40,000 and $59,999, and completely eliminated the commercial rent tax in the rest of the City. However, legislation passed in 1995 accelerated the effective date of these changes to September 1, 1995. The 1995 legislation further allowed tenants to reduce rent subject to the tax by 15 percent for the tax period from March 1, 1996 through May 31, 1996, and by 25 percent for tax years beginning on or after June 1, 1996, lowering the effective tax rate to 5.1 percent as of March 1, 1998 and to 4.5 percent as of June 1, 1998.

For tax years beginning on or after June 1, 1997, tenants with annual base rents of less than $100,000 were exempt from the tax, and a sliding scale credit was allowed for base rents ranging between $100,000 and $140,000. From September 1, 1998, tenants were allowed to reduce their base rent subject to tax by 35 percent, which lowered the effective tax rate further to 3.9 percent.

Effective December 1, 2000, the base rent exemption was increased to $150,000 with a sliding scale credit up to $190,000. The base rent exemption was again increased to $250,000 with a sliding scale credit up to $300,000, effective June 1, 2001.

Under the Commercial Revitalization Program, qualifying tenants in the lower Manhattan abatement zone are eligible for a three- or five-year special reduction to their commercial rent tax liability. The tax reduction period is determined by the number of employees the tenant employs, the length of the initial lease term and the lease execution date. Effective August 31, 2005, new or renewal leases (except sub-leases) for businesses located in the World Trade Center area (including the former Deutsche Bank Building and 7 World Trade Center) are exempt from the commercial rent tax. Similarly, the retail space area located south of Murray Street is also exempt effective December 1, 2005 as a result of the recently enacted expansion of the Commercial Revitalization Program.

MORTGAGE RECORDING TAX

Table of Contents

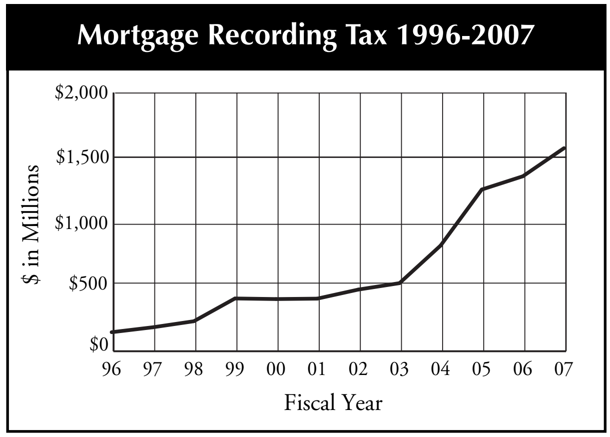
MORTGAGE RECORDING TAX

OVERVIEW

The mortgage recording tax accounted for 4.1 percent of City tax revenue in 2007, or $1,570 million.

The mortgage recording tax (MRT) 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 transactions, which are taxed differently. Residential transactions include Class 1 and Class 2 properties sold as individual units. 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 triggers the mortgage recording tax liability.

Chart 23



FORECASTING METHODOLOGY

Mortgage recording tax revenue is a function of the number of deeds registered and the value of the mortgage (price) per deed. The number of residential deeds and prices are closely correlated to employment 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 interest rate environment to capture the refinancing factor that drives the collections for both the residential and commercial markets. The tax revenue forecast begins by analyzing the activity (number of transactions) and average tax payments and comparing them to its history. The Mortgage Bankers Association (MBA) provides a forecast of mortgage origination, which serves as a guide for the collection forecast. 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, as the two are highly correlated.

TAX DETAIL

Tax Base

The tax rate ranges from one percent for mortgages securing a debt of under $500,000 to 1.75 percent for commercial mortgages securing a debt of $500,000 or more. In addition, the State imposes a 1.05 percent tax, of which 0.55 is dedicated to the Metropolitan Transportation Authority (MTA) and the State of New York Mortgage Agency

Table 14

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 Taxes			
NYC General Fund	0.500%	0.500%	0.500%
MTA/SONYMA	0.550	0.550	0.550
City Taxes			
NYC General Fund	1.000	1.125	1.125
NYCTA, Paratransit and Franchised Bus Operators	—	—	0.625
Total	**2.050%**	**2.175%**	**2.800%**

(SONYMA). There is no tax liability when financing the purchase of a cooperative apartment since this financing is technically not a mortgage. However, the tax liability does apply to refinance mortgages on a cooperative apartment even though there is no corresponding deed transfer.

LEGISLATIVE HISTORY

The City's mortgage recording tax revenue is composed of two separate taxes, one levied by the State and the other a City tax established by local law under State authority. The State mortgage recording tax was established in 1906 at a rate of 0.5 percent on the amount of the mortgage. The tax was imposed statewide, with the law calling for the proceeds to be paid to county treasurers in counties outside of NYC, and in the case of NYC, to the general fund.

In 1969, a surcharge of 0.25 percent of the amount of the mortgage was added to the statewide tax. Inside the Metropolitan Commuter Transportation District (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.

In 1979, another 0.25 percent surcharge was imposed, with the funds 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.

The NYC mortgage recording tax dates from 1971, when the rate was set at 0.5 percent on the amount of the mortgage. In 1982, the tax was increased for mortgages securing a debt of $500,000 or more. For these large mortgages, the rate on one-, two- and 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 nonresidential mortgages was paid to the City's general fund, and the other half was dedicated to the NYC Transit Authority (NYCTA), the City Paratransit system and certain private bus operators franchised by the City.

Effective July 1, 1989, several "loophole-closing" provisions were enacted with regard to the City and State mortgage recording taxes. The 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 as 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.

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. The combined City and State mortgage recording tax rates for mortgages recorded in NYC are two percent for mortgages under $500,000, 2.125 percent for residential mortgages of $500,000 or more, and 2.75 percent for large commercial mortgages.

Beginning in 1996, credit line mortgages (i.e. mortgages which allow a series of advances, repayments, and re-advances) under $3 million are not subject to additional 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.

Effective June 1, 2005, the mortgage recording tax rate for counties located in the MCTD was increased from 0.25 percent to 0.3 percent.

REAL PROPERTY TRANSFER TAX

Table of Contents

REAL PROPERTY TRANSFER TAX

OVERVIEW

The real property transfer tax accounted for 4.6 percent of City tax revenue in 2007, or $1,723 million.

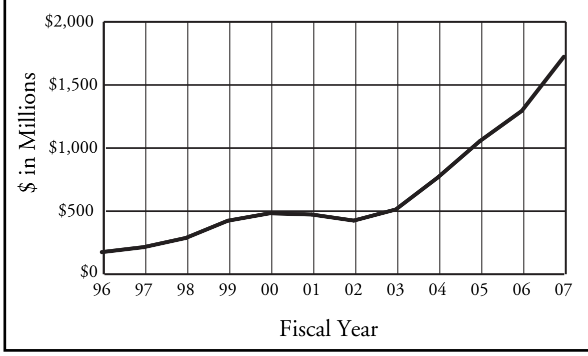
The real property transfer tax (RPTT) is imposed upon the conveyance of real property at closing but is typically not collected until the deed is registered with the City. For non-deeded transactions, payments are made directly to the Department of Finance (DOF), which administers the tax. Such transfers include: conveyance of real property, assignments of leasehold interests, economic interest in real property and shares of stock in cooperative housing corporations. 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 comprise Class 1 and 2 properties sold as an individual unit. Commercial properties comprise Class 3 and 4 properties as well as any Class 2 properties sold in its entirety (i.e. the sale of buildings as a whole.)

FORECASTING METHODOLOGY

Real property transfer tax revenue is a function of the number of conveyances (transfers) and the consideration (price) per conveyance. Residential transfers and prices are determined by employment and mortgage interest rates while the commercial conveyances and prices are determined by long term interest rates, office vacancy rates and asking rents. The real property transfer tax is forecast dichotomously to capture the individual economic factors that drive the collections from both markets.

Chart 24

Real Property Transfer Tax 1996-2007



The residential revenue forecast begins by analyzing the number of transactions and average tax payments. The residential sales price forecast is based on the sales price index for 1- to 4-family homes of repeat home sales, published by Economy.com for the New York region. This forecast captures changes in repeat home sales due to changes in supply, income and demographics. The Class 1 (1- to 3-family) residential forecast is modeled after the Economy.com forecast. A price forecast is derived by regressing the log of quarterly average prices on the log of Economy.com's repeat sales forecast. In conjunction, a volume forecast is derived by regressing quarterly average prices on data provided by Global Insight for existing single family homes, a three quarter lag of an affordability index and NYC total employment. The Class 2 (cooperative and

Table 15

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
State Tax			
NYS General Fund[1]	0.400%	0.400%	0.400%
City Tax			
NYC General Fund	1.000	1.425	1.625
NYCTA, Paratransit and Franchised Bus Operators–	—	—	1.000
Total	**1.400%**	**1.825%**	**3.025%**

(1) The State real estate transfer tax includes an additional tax of one percent on residential transfers valued at over $1 million.

condominium) residential sales price is forecast using a similar method but incorporates greater volatility than the Class 1 forecast. Empirically, Class 1 and Class 2 tend to be highly correlated. Hence, quarterly average price data is regressed on the Class 1 forecast and Class 2 volume to derive the price forecast for Class 2. The volume forecast is derived by regressing quarterly Class 2 volume on Class 1 volume, NYC total employment, two-year lag of NYC volume of construction permits and a dummy variable. These two forecasts are combined to derive the citywide residential sales forecast. Similarly, the residential sales volume forecast is based on Global Insight's national forecast and incorporates a greater volatility for Class 2.

The commercial forecast similarly begins with analyzing the activity (number of transactions) and average tax payments. The analysis takes into account the number of large value transactions, quarterly trends, office vacancy rates and inflation.

TAX DETAIL

Tax Base

The tax is payable when the consideration for the sale or transfer is more than $25,000. The rate is one percent of the sales price for residential properties of $500,000 or less. For residential properties of more than $500,000 and for commercial sales of $500,000 or less, the rate levied is 1.425 percent. For large commercial transactions, the rate is 2.625 percent of the sales price or consideration. These rates are effective since August 1, 1989. Of the tax collected from large commercial transactions, 38.1 percent goes to a special fund for the New York City Transit Authority (NYCTA), the City paratransit system and certain private bus operators franchised by the City. This amounts to a rate of one percent of the consideration on these transactions. The State also imposes a real estate transfer tax on deed recordings at a rate of 0.4 percent. Taxpayers must pay the tax within 30 days after the transfer and file a return at the time of payment.

LEGISLATIVE HISTORY

The real property transfer tax became effective in 1959. In 1982, the tax was raised from the initial rate of one percent to two percent for transfers with a sale price of $500,000 or more. Revenue from the rate increase 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.

Legislation further 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 as well as subsequent transfers (resale) were also made subject to the "Pan Am" tax.

In August 1989, general fund revenue was increased by raising the transfer tax rate from one 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 increased from one 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 June of 1994, a State law was passed which provided a temporary 50 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, a 50 percent reduction is applicable to transfers to pre-existing REITs occurring between July 13, 1996 and August 31, 2008, provided the transferer receives and retains for at least two years ownership interest in the REIT.

Starting July 1, 1997, a deduction on the real property transfer tax payable on the transfer of a one- to three-family home, or an individual residential co-op or condo unit, is allowed for the amount of any mortgage assumed by the transferee.

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.

BANKING CORPORATION TAX

Table of Contents

BANKING CORPORATION TAX

OVERVIEW

The banking corporation tax accounted for 3.2 percent of City tax revenue in fiscal year 2007, or $1,219 million.

The tax was first enacted in 1966 and is imposed on banking corporations for the privilege of doing business in New York City. Corporations subject to the tax include commercial banks, savings banks, savings and loan associations, bank holding companies and foreign banks.

Banking corporations are defined as follows: (1) Corporations or associations that are organized under New York law, 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 and savings banks, savings and loan associations, and trust companies; (2) Bank holding companies 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 might legally conduct or a business that is so closely related to banking or managing or controlling banks 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 banking corporation tax: (1) Trust companies wherein 20 or more savings banks that are 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 under Article 33 of the New York State Tax Law, other than savings and insurance banks.

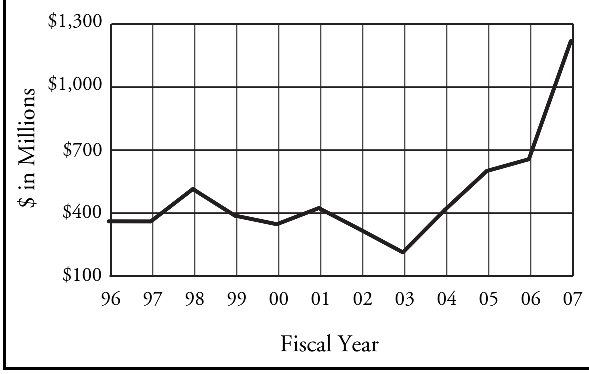
The New York City Department of Finance (DOF) administers the banking corporation tax, but New York State must authorize most changes to the City's banking corporation tax law, including tax rate changes, tax base changes, and tax rate extensions. Banking corporation tax rates must be extended every two years by the State.

FORECASTING METHODOLOGY

The banking corporation tax is forecast using reports provided by DOF, which present summary payment and liability data regarding the "top taxpayers," those which have historically paid the highest taxes in each of the major banking sectors,

Chart 25

Banking Corporation Tax 1996-2007



clearing house, commercial and foreign banks. The forecast is derived from a historical analysis of trends in payments by sector and the recent history of liability growth, cash overpayments on account and refund requests. Predicting bank tax collections is not a mechanical process, but reflects both trend analysis and other factors affecting the tax. The national economy, interest rates, earnings of top City banks, and strength of the real estate market are significant factors considered in the process.

Cash Flow Model

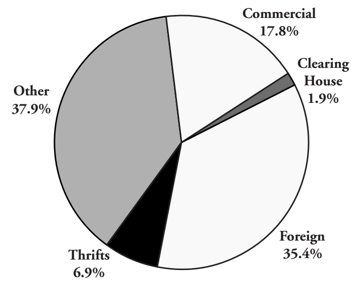
Once revenue is forecast, a monthly cash plan, which reflects the seasonality of the collections and the complexity of the fiscal year cash flow, is derived. The monthly cash plan takes into consideration payment expectations for both calendar year and fiscal year filers. The plan is adjusted to reflect current and expected trends resulting from legislative or identifiable behavioral changes.

GASB

Beginning in 1994, City taxpayer assessed taxes were recognized on an accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22 and beginning in 2001, as required by GASB Statement No. 33 (GASB Statement No. 33 is assumed to equal GASB Statement No. 22). Gross collections, audits and refunds are recognized with a 60-day accrual.

Chart 26

Number of Tax Payers by Bank Sector (Tax Year 2004)

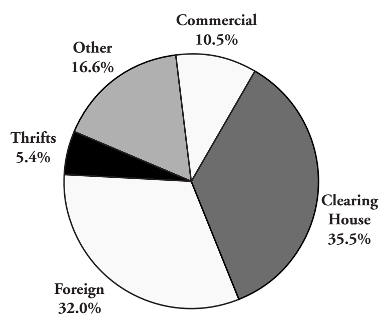


Bank Sector	Number of Taxpayers	% Total
Commercial	93	17.8%
Clearing House	10	1.9%
Foreign	185	35.4%
Thrifts	36	6.9%
Other	198	37.9%
Total	**522**	**100.0%***

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

Chart 27

Liability Paid by Bank Sector ($ in Thousands) (Tax Year 2004)



Bank Sector	Liability of Taxpayers*	% Total
Commercial	$56,943	10.5%
Clearing House	192,957	35.5%
Foreign	174,340	32.0%
Thrifts	29,317	5.4%
Other	90,596	16.6%
Total	**$544,152**	**100.0%**

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

TAX DETAIL

Tax Base

Data from a statistical report of banking corporation tax returns for tax year 2004 (the latest year for which data is available from DOF) show that commercial and clearing house banks accounted for over 46 percent of tax liability in tax year 2004 (see Charts 26 and 27). Foreign banks accounted for the largest number of taxpayers, more than 35.4 percent, and nearly 32 percent of tax liability in tax year 2004. Since tax year 1999 (the earliest data made available by DOF), foreign banks have remained a constant share of total taxpayers (39 percent in tax year 1999) but their share of liability has declined (42 percent of banking corporation tax liability in tax year 1999). While clearing house banks accounted for nearly 35.5 percent of the liability in tax year 2004, they represented only 1.9 percent of the total banking corporation taxpayers in tax year 2004.

Banking corporation tax revenues can be difficult to predict because a small number of taxpayers account for a majority of the total liability owed. In tax year 2004, 14.8 percent of taxpayers, the 77 taxpayers that owed more than $1,000,000 in taxes, accounted for 89.3 percent of the total banking corporation tax liability owed (see Table 16).

Calculation of Tax Liability

Banks make three calculations of tax liability, compare the results to a fixed minimum tax of $125 and pay whichever amount is greatest. The three alternative calculations are: (1) nine of entire net income allocated to the City (Federal taxable income with certain New York modifications); (2) three percent of alternative entire net income allocated to the City (entire net income adjusted to eliminate the effect of certain tax benefits allowed in the calculation of entire net income); and (3) one-tenth of a mill of each dollar of taxable assets located in the City. Ailing thrifts are exempt from the last alternative, and foreign banks must calculate this base as 0.26 percent of the face value of issued capital stock allocated to the City.

LEGISLATIVE HISTORY

The banking corporation tax has been imposed since 1966. The current law was enacted in 1985 and closely resembles NYS bank tax law.

In July 1985, State legislation was enacted which restructured the banking corporation tax, effective 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 nine 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

Table 16

Distribution of Filers and Liability (Tax Year 2004)

($ in Thousands)

Liability Per Taxpayer	Number	% of Total Taxpayers	Liability	% of Total Liability	Average Tax Per Filer
< = $50,000	265	50.8%	$2,014	0.3%	$ 8
$50,000.01 - $500,000	143	27.4%	29,677	5.5%	208
$500,000.01 - $1,000,000	37	7.1%	26,480	4.9%	716
> $1,000,000	77	14.8%	485,983	89.3%	6,311
Total	**522**	**100.0%**	**$544,152***	**100.0%**	**$1,042**

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

was replaced by formula allocation, based on payroll, 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 are 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 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 on holdings of obligations of the United States, NYS and localities within the State. Taxable assets are the average value of assets reflected on a bank's balance sheet.

The 1985 changes maintained the 1978 provisions authorizing an exemption for net income generated by 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.

Effective in tax year 1987, the banking corporation tax was uncoupled 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 an addition 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. Uncoupling 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 eight percent.

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.

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

As a result of major revisions in the Federal bad debt deduction guidelines applicable to thrifts passed in tax year 1996, the City and the State decoupled from the Federal bad debt deduction guidelines in order to preserve the status quo and to avoid an increase in the City tax liability of thrifts (effective for tax years beginning on or after January 1, 1996). The existing New York methodologies were maintained.

For years banks had faced competition from securities firms whose product innovations in debt underwriting, loan syndication and brokerage offerings put pressure on the traditional bank profit centers of commercial lending and retail saving. In response, banks pushed for reform of the Glass-Steagall Act and sought to expand on their ability to underwrite some bonds, underwrite 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 altered the playing field for banks and securities firms. Provisions that are related to the enactment of the Gramm-Leach-Bliley Act of 1999 (applicable in tax years beginning after 1999 and before 2006) generally require that certain banking corporations be taxed during each of the transition years under whichever of the general corporation tax or the banking corporation tax applied to that corporation for its immediately preceding taxable year. These provisions generally also allow corporations that were formed after 1999, and that are financial subsidiaries owned by a financial holding company, to elect to be taxed under the general corporation tax or the banking corporation tax in their first year but require them to be taxed under the tax elected for each subsequent transitional year.

The receipts factors of the income allocation formula of the City's banking corporation tax were amended, effective for tax years beginning on or after January 1, 2000, to permit receipts from management, administration or distribution services performed for regulated investment companies (mutual funds) to be allocated based on the domicile of the mutual funds' shareholders.

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. A similar depreciation deduction for "qualified property" in the New York Liberty Zone (NYLZ) and the Resurgence Zone is allowed as well. 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, NYC banking 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 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.

As previously stated in the beginning of the "Legislative History" section, the NYC and NYS banking corporation taxes were extensively revised in 1985. A number of these provisions were subject to sunset and have periodically been extended, currently through November 2007. Additionally, certain transitional provisions relating to the City/State corporate tax treatment of financial services companies in light of the enactment of the Federal Gramm-Leach-Bliley Act (which deregulated certain financial services activities) have been extended through December 31, 2007.

Effective January 1, 2008, new legislation authorized certain banking corporations that no longer meet the definition of a banking corporation to pay franchise tax on banking corporations in NYS and NYC for two years instead of the franchise tax on corporations. The provision will last until 2010.

UNINCORPORATED BUSINESS TAX

Table of Contents

UNINCORPORATED BUSINESS TAX

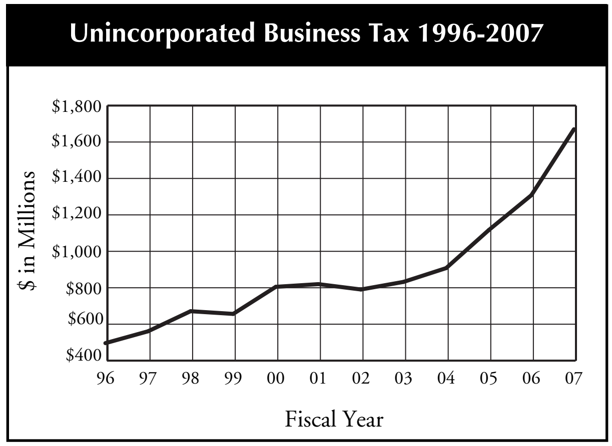
OVERVIEW

The unincorporated business tax (UBT) accounted for 4.4 percent of City tax revenue in 2007, or $1,670 million.

New York City's unincorporated business tax is levied on the NYC-allocated taxable income of all proprietorships, partnerships and limited liability companies doing business in New York City. 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 four percent since its imposition in 1966. An unincorporated business is required to calculate its gross income to determine if the business should make estimated quarterly tax payments or file a final return.

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.

Chart 28



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. These regression models forecast liabilities for two sectors, finance and non-finance. Total liability is then fiscalized. Predicting unincorporated business tax collections is not a mechanical process, but involves consideration of both trend analysis and other factors affecting the tax. Employment in finance and non-finance, wage income in finance and non-finance, real estate and NYSE member-firm profits are significant factors considered in the process.

The approach of disaggregating finance and non-finance liabilities and forecasting such liabilities separately on a liability year basis 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 the finance and non-finance sectors. The finance sector liability, representing about 33 percent of total UBT liability in tax year 2004, is highly volatile and often responds immediately to factors affecting the financial markets, such as interest rate movements. The non-finance sector generated 67 percent of UBT liability in tax year 2004 and is more closely connected to overall regional or national business profit conditions. DOF provides annual UBT tax liability data by sector from 1981 through 2004. The data are used in the econometric forecast equations to predict future UBT liability growth.

Finance Liability

An annual linear regression model is used to forecast finance sector liability. The dependent variable is the City's UBT liability. The explanatory variables are NYSE member firm profits, finance sector wage rate and employment in finance, real estate, rental and leasing. These variables serve to capture finance sector business income allocated to the City.

The finance liability equation is as follows:

FINANCE LIABILITY =
a + b1 (NYSE Member-Firm Profits)
+ b2 (Finance Sector Wage Rate)
+ b3 (Employment in Real Estate, Rental and Leasing)

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 wage rate variable measures local economic activity. Private non-finance employment is used to measure non-finance area business activities in the city.

The non-finance sector equation is as follows:

NON-FINANCE LIABILITY =
a + b1 (Private Non-Finance Wage Rate)
+ b2 (Private Non-Finance Sector Employment)

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

In any given fiscal year there are payments on at least three different liability years. For example, in fiscal year 2008, calendar year filers submit final returns on extensions from tax year 2006. Firms that file six month extensions in March will file their final returns in September. Historically, such a portion has represented 14 percent of the fiscal year total. Calendar year filers also make estimated payments for tax year 2007 in September and December. Any residual amount owed on tax year 2007 is paid in April along with prepayments for declarations on tax year 2008. Historically, these payments have accounted for 62 percent the of the fiscal year revenue. Finally, in June, calendar year filers make their first estimated payment on tax year 2008. This payment accounts for 24 percent of fiscal year 2008 revenue.

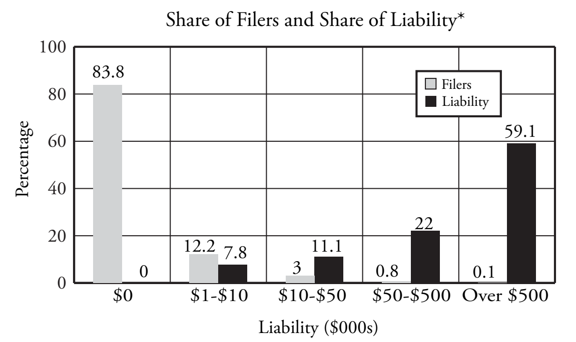
Cash Flow Model

Cash Plan Analysis

Once 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, taxpayers' overpayments on account and the refund request pipeline report are also taken into consideration.

Chart 29

Unincorporated Business Tax (Tax Year 2004)



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

GASB

Beginning in 1994, City taxpayer assessed taxes were recognized on an accrual basis as required by GASB (Governmental Accounting Standards Board) Statement No. 22 and beginning in 2001, as required by GASB Statement No. 33 (GASB Statement No. 33 is assumed to equal GASB Statement No. 22). Gross collections, audits and refunds are recognized with a 60-day accrual.

TAX DETAIL

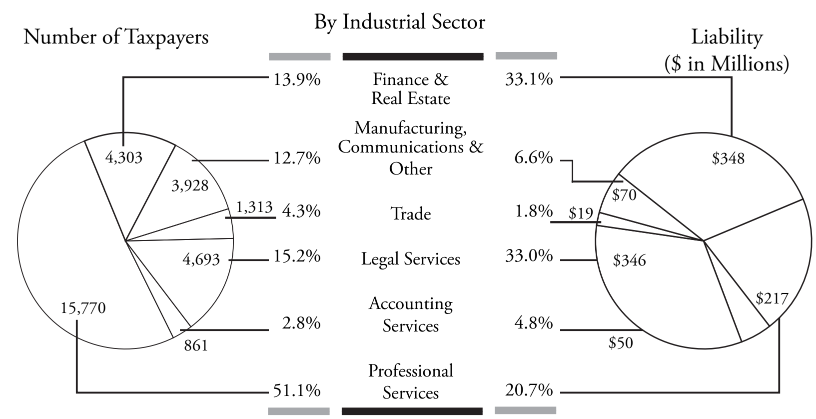
Tax Base

Industrial Mix of Filers and Liability

In 2004, there were 190,425 partnership and sole proprietorship filers of which 30,868 paid UBT tax. Sole proprietorships comprised 71.2 percent of all taxpayers but paid only 13.2 percent of total liability. Partnerships accounted for 28.8 percent of all taxpayers and paid 86.8 percent of total liability. With the provision of tax credits and exemptions, 83.8 percent of UBT filers in 2004 were exempted from the tax. Proprietorships with net income less than $25,000 (53.6 percent of all filers) paid no unincorporated business tax. The additional exemption for each partner creates higher thresholds for partnerships (30.2 percent of all filers in 2004 were partnerships with no liability). The service sector, including legal services, accounting and professional services, accounted for 69.1 percent of taxpayers and 58.4 percent of total unincorporated business tax liability. Legal services, finance and real estate comprised only 29.1 percent of taxpayers but incurred 66.1 percent of total liability. Until 1998, liability was reported in five main categories with 27

Chart 30

Unincorporated Business Tax (Tax Year 2004)



Source: NYC Department of Finance, Office of Tax Policy

subcategories, classified according to SIC (Standard Industrial Classification) codes. Starting in 1998 reported liability was broken into eight categories with 40 subcategories. Now they are grouped according to North American Industrial Classification (NAICs) codes. Definitions for certain categories were also changed in 1998 (See Chart 30).

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. Income is allocated in instances that business is conducted both inside and outside the City. Income allocation is determined either by a separate accounting method or by a three-factor formula based on payroll, property and receipts. After income is determined and allocated, a taxpayer is allowed a deduction equal to reasonable compensation for the taxpayer's personal services. This deduction equals the lesser of 20 percent of allocated income or $5,000 per individual or active partner. In addition, taxpayers are allowed to exempt the first $5,000 of income from taxation. The tax rate of four percent is applied to the remaining base. Beginning with tax year 1997, taxpayers whose liabilities of $1,800 or less are entitled to a credit which eliminates their liability. The credit is reduced for taxpayers with liabilities between $1,800 and $3,200, and for liabilities of $3,200 and above no credit is allowed.

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 $1,800. Final returns must be filed by every partnership having unincorporated business gross income exceeding $25,000 or having unincorporated business taxable income exceeding $15,000. Unincorporated businesses other than partnerships must file final returns if their unincorporated business gross income exceeds $75,000 or their unincorporated business taxable income exceeds $35,000.

LEGISLATIVE HISTORY

Since its imposition in 1966, the tax rate has remained at four percent. 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.

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.

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.

Also 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. For New York State tax purposes, LLCs pay a $50 per partner fee, with a minimum fee of $350 and a maximum of $10,000. In New York City, LLCs pay the unincorporated business tax. It is expected that businesses will increasingly opt to form LLCs rather than corporations. As a result, a shift of taxpayers is expected from the general corporation tax base to the unincorporated business tax base and unincorporated business tax revenues are expected to increase by $77 million per year starting in 2006 through 2010.

The City's 1996 tax program made several important changes to 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.

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 irrevocably to continue in that status.

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.

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 after, 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 unincorporated business tax for sole proprietors with net income up to $55,000. Partnerships have similar benefits, with the "no tax threshold" varying with the number of partners. In addition, beginning in tax year 1997, unincorporated business owners are able to take a partial credit against their City resident personal income tax liability for their share of the business' unincorporated business tax payments. The credit ranges from a maximum of 65 percent of the unincorporated business tax paid (the distributive share for partners) for personal income taxpayers with taxable income of $42,000 or less, to 15 percent for those with taxable income of $142,000 or more.

Effective for tax years beginning January 1, 2000 and thereafter, the receipts factor of the income allocation formula of the City's unincorporated business tax 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.

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.

The Federal Job Creation and Worker Assistance Act of 2002 allows 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 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 only and to limit the additional first-year expense deduction to "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.

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 five percent of specified production costs incurred in producing a qualified film or television program in the City, in addition to the ten percent credit they can claim against the State's Article 9-A franchise tax or personal income tax. The total amount of credits to be allocated per calendar year was originally $12.5 million; if the total amount of allocated credits applied exceeds the maximum amount of credits allowed ($12.5 million), the excess is treated as having been applied for 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. The former allocation policy was kept in place: allocated credits that exceed $30 million per calendar year can be carried over to the following year. The tax credit was also extended through December 31, 2011. The total amount of credits to be allocated 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.

Legislation enacted in 2005 amended both State and local tax law to remove several disincentives for establishing unincorporated business entities in the City. First, phased-in over four years, effective January 1, 2006, the method was changed for determining the location of service receipts from the office where the employee performing the service works to the location where the service is performed (applicable to all taxpayers starting in tax year 2009). Second, effective January 1, 2006, the three-factor (payroll, property and receipts) formula allocation became the preferred method of apportioning taxable income, conforming to the GCT and national business income taxation methods. Tangible personal property rented to a taxpayer is included for taxpayers using the formula allocation method. Certain existing partnerships are allowed to continue to use the books and the records allocation method for a seven-year period. Third, the provisions of the UBT relating to leveraged buyout transactions were repealed, retroactive to tax year 2000.

Effective for tax years beginning January 1, 2007 and thereafter, a $10,000 unincorporated business per partner (and proprietor) deduction in lieu of the deduction of partnership salaries from firm's net income is allotted (provided that the total amount deductible does not exceed 20 percent of the firm's taxable income). Prior to this change the deduction limit had been $5,000 since the City Tax was enacted in 1966.

UTILITY TAX

Table of Contents

UTILITY TAX

OVERVIEW

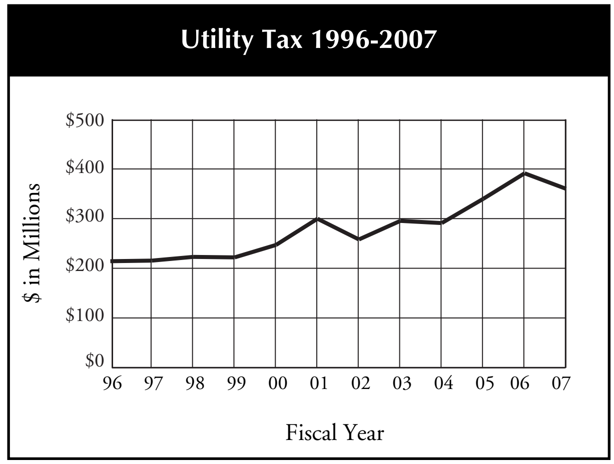
The utility tax accounted for 0.95 percent of City tax revenue in 2007, or $360 million. The City imposes a tax on all utilities and vendors of utility services that does business in New York City, including operators of omnibuses. The tax is levied at a rate of 2.35 percent on the gross income of taxpayers. "Utilities" are defined as companies that are subject to the supervision of the New York State Public Service Commission (PSC). They include gas and electric companies, telephone companies, and certain transportation companies. Additionally, companies that derive 80 percent or more of their gross receipts from mobile telecommunication services are also considered utilities. These companies do not have to be supervised by the PSC to be considered a utility. Vendors of utility services sell gas, electricity, steam, water, refrigeration, or telecommunication services; or they operate omnibuses, whether or not these activities represent the vendor's main business.

FORECASTING METHODOLOGY

Utility tax revenue is forecast using actual utility tax revenue collected each month from the major electric, gas, and telephone companies in NYC. Data provided by the Department of Finance (DOF) allows utility tax collections to be broken down into each individual source and to be forecast separately using forecast energy and telecommunication growth rates. For the forecast of natural gas revenue, the most recent forecast of prices and heating degree days are the decisive variables. For the forecast of both electricity and natural gas revenues, the most recent forecast of prices, and cooling and heating degree days are the most important variables. For the forecast of telecommunication revenue, the most recent industry trends and overall inflation are considered. The growth in employment in the City is also taken into account for all forecasts of the major utility tax collection sources. Higher employment growth leads to higher demand of utility services. Tax programs such as the Energy Cost Savings Program (ECSP) and tax law changes are also taken into account, and the forecast is adjusted accordingly.

Once revenue is forecasted, a monthly cash plan, which reflects the seasonality of revenue collections, is derived. The plan is further adjusted to reflect current or expected trends resulting from tax law changes, weather patterns and energy pricing patterns.

Chart 31



TAX DETAIL

Tax Base

The City imposes a tax on all utilities and vendors of utility services, including operators of omnibuses. The tax is levied at a rate of 2.35 percent 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.. Other telecommunication companies that pay the City tax are: Broadview Networks, Inc.; CIS Connected; Metropolitan Telecommunication; RGT Utilities, Inc.; Telstra America; and ARC Networks, Inc.

LEGISLATIVE HISTORY

Enabling legislation allowed New York City to levy a gross income tax on utilities and vendors of utility services. The current rate of 2.35 percent was imposed on January 1, 1966.

Since 1985, utility tax collections have been reduced by ECSP which granted a 30 percent rebate on electricity charges and a 20 percent rebate on natural gas charges to eligible nonresidential users operating in Brooklyn, The Bronx, Queens, Staten Island and Manhattan north of 96th Street. Non-retailers outside the City which relocate to the designated areas (after May 3, 1985) are also eligible.

Effective November 1, 2000 legislation changed the ECSP rebate 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 electricity charges and 35 percents of eligible natural gas charges 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 benefit program participants received with the revised rebate percentages were less than if original percentages were applied.

Effective June 1, 2001, the Department of Business Services 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. Currently, there are approximately 900 companies participating in the rebate program.

A similar program, the Lower Manhattan Energy Program (LMEP), was incorporated into the Commercial Revitalization Program (effective 1995) and focused on stimulating economic development in lower Manhattan. The program offers a 12-year (13 years for buildings designated as landmarks) rebate on the electric bills of building owners who have improved their buildings by at least 20 percent of assessed value. Effective June 2005, both the ECSP and the LMEP were extended through June 30, 2007.

Effective 2007, the sunset date for new applicants to qualify for benefits under the City's LMEP and ECSP has been extended from July 1, 2007 to July 1, 2010. Under these programs, energy suppliers sell discounted energy to eligible businesses and are reimbursed for their forgone revenue by means of credits against their City utility taxes.

The deregulation of the energy industry and subsequent legislative actions have, and are forecast to continue to have, minimal impact on the utility tax revenue forecast. 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.

The Public Service Commission (PSC) is a New York State regulatory agency that regulates the State's electric, gas, steam, telecommunications and water utilities. The PSC also oversees the cable industry. The PSC through law is responsible for setting rates and ensuring that adequate service is provided by the utilities in New York State. Additionally, the PSC exercises jurisdiction over the sighting of major gas and electric transmission facilities and has responsibility for ensuring the safety of natural gas and liquid petroleum pipelines. The PSC consists of up to five members, each appointed by the Governor and confirmed by the State Senate for a term of six years. The Chairman, who is selected by the Governor, is the chief executive officer of the PSC.

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 percent electric rate reduction for Con Ed's largest industrial customers, a ten 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 superceded the prior 1995 rate agreement as of March 31, 1997, and the revenue requirement increase for the third rate 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 by three years 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.

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 completed the process of divesting itself from all its generating capacity.

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.

CIGARETTE TAX

Table of Contents

CIGARETTE TAX

OVERVIEW

The cigarette tax accounted for 0.3 percent of City tax revenue in 2007, or $122 million.

The sale of cigarettes within NYC is regulated by State and local law and enforced by the NYC Department of Finance (DOF). The cigarette tax is paid by an agent or distributor and passed along to the consumer in the cost of each pack of cigarettes.

FORECASTING METHODOLOGY

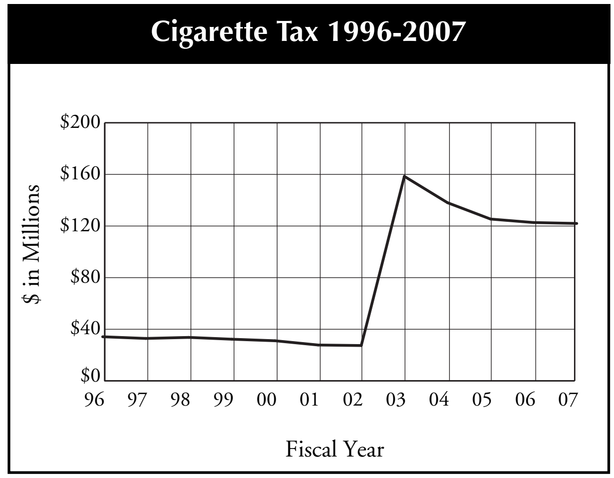
Revenue for the current year is based on the analysis of number of packs sold each month, derived from historical actual stamp data. A forecast for the remainder of the month is made using the current trends. The number of packs sold is then multiplied by the current cigarette tax rate of $2.75. In addition, as part of an agreement with New York State, the City allows the State to retain 46 percent of the City's revenue. This State retention is then subtracted from the total revenue estimates to forecast the City cigarette tax revenue. The out-year forecast for cigarette tax revenue assumes long-term decline of 2.4 percent based on the negative elasticity of demand.

TAX DETAIL

Tax Base

Under Title 11, Chapter 13, of the NYC Administrative Code, 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 and cancelled. 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 are also exempt.

Chart 32



LEGISLATIVE HISTORY

The City has imposed a tax on the sale of cigarettes since 1952. Effective July 2, 2002, the City raised the cigarette tax from $0.08 to $1.50 per pack of 20 cigarettes. This tax is imposed in addition to a State cigarette tax which is currently $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 hold the NYS budget harmless for the projected decline in State cigarette and sales tax revenues on cigarette purchases in the City resulting from the City tax rate increase. 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 percent thereafter. Other tobacco products are not subject to the tax.

New York State enacted a cigarette tax increase of $1.25 per pack as part of the 2008-2009 budget agreement that increased the State cigarette tax from the current $1.50 per pack to $2.75 per pack effective June 3, 2008. The State's cigarette tax increase raises the combined City/State cigarette taxes paid in the in the City from $3.00 per pack to $4.25 per Pack. The increase in the retail price of cigarette is expected to result in a decline in the number of packs sold with in the City, from both smoking cessation and diversion of purchases outside the City to jurisdictions with a lower cigarette tax rate. In addition, effective July 1, 2008, the little cigars, which look like cigarettes except they are wrapped in brown paper that is partly made from tobacco, will be classified as cigarettes and be subjected to the city tax of $1.50 per pack.

HOTEL TAX

Table of Contents

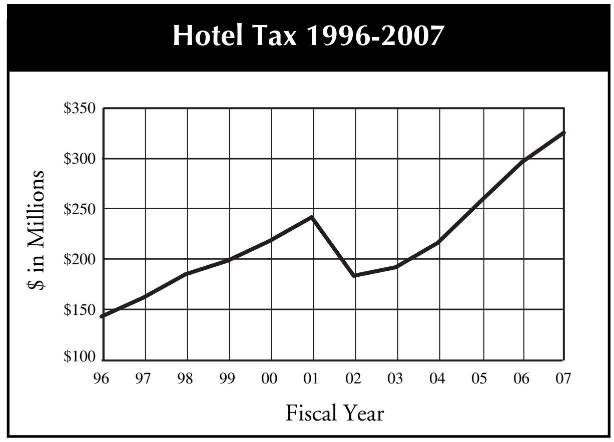
HOTEL TAX

OVERVIEW

The hotel tax accounted for 0.9 percent of City tax revenue in 2007, or $326 million.

The City has imposed a hotel room occupancy tax since 1970. The current City hotel tax is a five percent tax on rent room charge. The City also charges a flat fee for rooms over $40 a night at the rate of $2.00 per day along with a hotel unit fee of $1.50 per unit per day. The hotel tax is levied in addition to the combined City, State, and MCTD sales tax (at four percent, four percent, 0.375 percent, respectively), bringing the aggregate hotel occupancy tax and sales tax on a hotel rental in the City to 13.375 percent.

Chart 33



FORECASTING METHODOLOGY

The hotel tax forecast is a function of growth in occupancy rates, room rates and hotel room inventory. A quarterly linear regression equation is used to forecast occupancy and a first difference equation is used to forecast room rates. The equations are as follows:

1) Occupancy = a+ b (Rooms filled / Inventory)
2) First difference (room rate) = First difference (Occupancy) * Dummy period

The growth rates used to forecast the variable for the rooms filled follows growth in real GDP. The hotel room inventory forecast is based on current information available pertaining to new hotels under construction and their completion dates as well as hotels and hotel rooms in the reconstruction pipeline from published reports.

Once revenue is forecast, a monthly cashplan reflecting the seasonality of the collections and the fiscal year cashflow is derived. This monthly cashplan takes into consideration the most recent information on occupancy and room rates.

Predicting hotel 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 is 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 five percent. In addition, the City and the State each impose a four percent sales tax along with the 0.375 sales tax imposed by the MCTD, making the total tax imposed on hotel occupancy 13.375 percent. The City also levies a flat fee for rooms that cost over $40 a night at the rate of $2.00 per day and a hotel unit fee in the amount of $1.50 per unit per day on hotel occupancy, making the total fee $3.50 for rooms over $40 a night.

LEGISLATIVE HISTORY

New York City has imposed a hotel occupancy tax since 1970, in addition to the City and State sales tax. Until 1986, the 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 $0.50 up to $2.00 per day for rooms priced at $40 or more. An additional five percent tax on the rent or charge was imposed in July 1986. Subsequently, tax collections increased from $26 million in 1986 to $79 million in 1987.

The State introduced a special hotel occupancy tax of five percent (effective June 1, 1990) on rooms costing $100 or more per day. The City rate was increased to six percent on September 1, 1990. The total tax rate payable on rooms priced over $100 in the City was 19.25 percent, including State and City sales taxes, in addition to the $2.00 flat fee. One-quarter of the revenue collected from the additional

City one percent tax rate increase was earmarked for the development of tourism. Of this dedicated revenue, seven-eights 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. In 1994, the tourism portion totaled $4 million.

In 1994, both the State and City acted to reduce the hotel occupancy tax burden. Effective September 1, the State eliminated its five percent tax. Effective December 1, the City repealed its one percent tax increase, including the dedication of the one quarter percent to tourism, returning the rate to five percent. This lowered the total tax rate on hotel rooms priced at $100 to 13.25 percent, including State and local taxes, in addition to the $2.00 flat fee.

Effective April 1, 2005, the State imposed a hotel unit fee in the amount of $1.50 per unit per day on hotel occupancy within New York City. 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.

Effective June 1, 2005, the sales tax for the City and State reverted back to four percent while the sales tax for the MCTD increase to 0.375 percent making the current total hotel tax rate combined with the sales taxes 13.375 percent.

OTHER TAXES

Table of Contents

OTHER TAXES

All other taxes are projected to account for 1.2 percent of City tax revenue in 2007, or $457 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 $28 million in 2007.

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 charged at different rates, based on the purpose for which 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 $46.5 million in 2007.

Taxi Medallion Transfer Tax

This tax is imposed at a rate of five percent of the consideration paid for transfers of taxicab licenses (medallions). Revenue from this tax was 6.9 million in 2007.

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 percent. The City does not impose a tax on wine. The tax is administered by NYS. Revenue generated from this tax was $22.6 million in 2007.

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 $4.7 million in 2007.

Horse Race Admissions Tax

A three 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 $0.03 million in 2007.

Off-Track Betting Surtax

A surcharge is exacted 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 $19 million in 2007

MISCELLANEOUS

Other Refunds

Other refunds are primarily paid out on the commercial rent tax and waiver. The paid out refunds were $30.6 million in 2007.

PILOTS

Payments in lieu of taxes (PILOTs) are contractual agreements between public agencies and private property holders which result in 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. PILOT's 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 owner: (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 $229.4 million in 2007.

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.

Section 1127

Under section 1127 of the New York City Charter, the City may collect payments from nonresident 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 residents. Revenue from this tax was $89.0 million in 2007.

Prior Year and Current Year Penalty and Interest - Real Estate

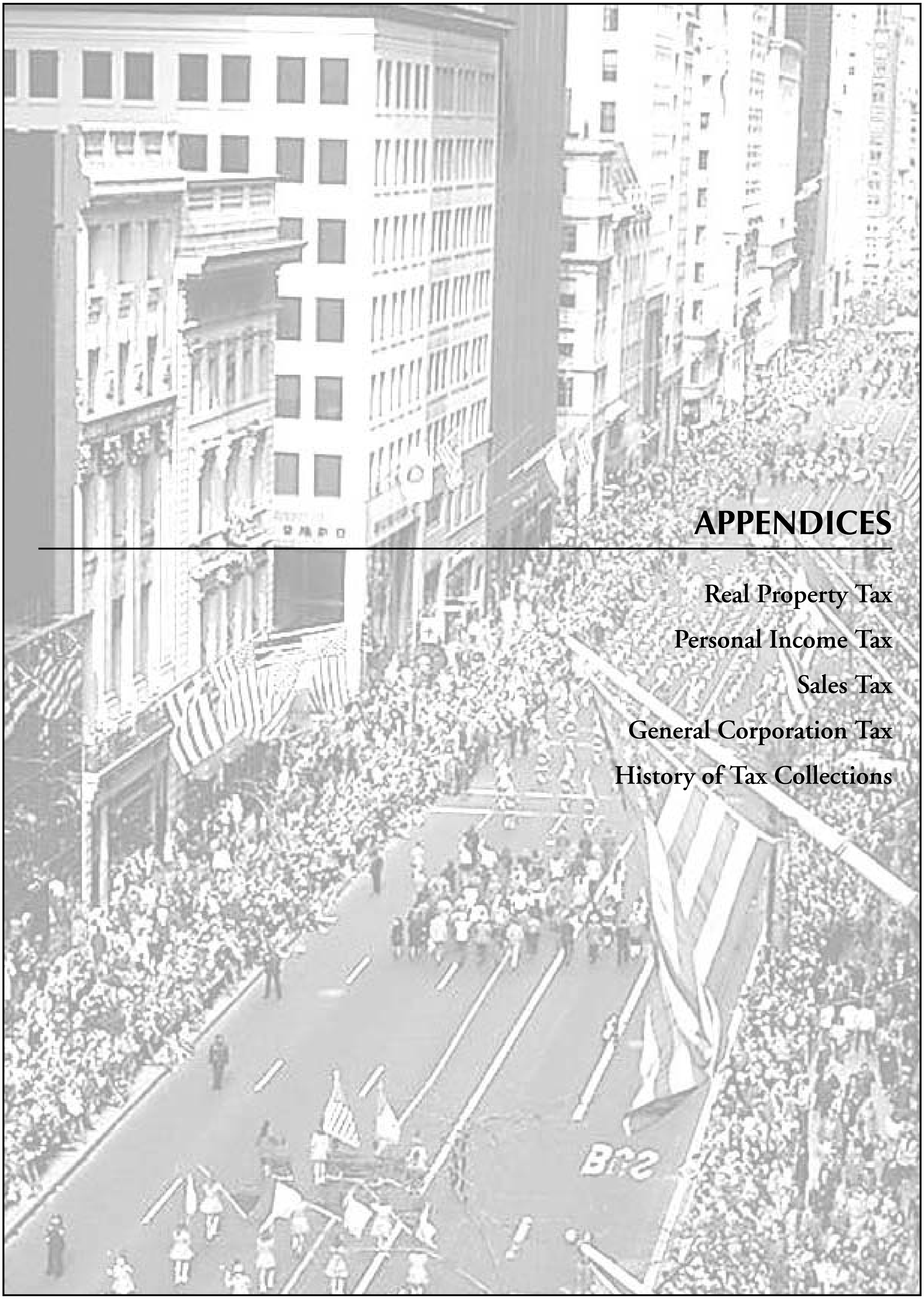
Taxpayers who do not pay their real property tax on time are liable for interest charges on outstanding balances. The interest rate for a late payment depends on the assessed value of the property. If the assessed value of the property is $80,000 or less and if the property is not vacant land, the interest rate is 9 percent. If the assessed value of the property is over $80,000 or if the property is vacant land, it is 18 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 $46.7 million in 2007.

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 the 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 refund for 2007 was $5.7 million.

TAX ENFORCEMENT REVENUE

DOF targets delinquent taxpayers through agency audit activities, selected use of collection agencies and computer matches. Revenue for this tax was $1,085.2 million in 2007.



APPENDICES

Real Property Tax

Personal Income Tax

Sales Tax

General Corporation Tax

History of Tax Collections

APPENDIX I
REAL PROPERTY TAX

Table of Contents

APPENDIX I
REAL PROPERTY TAX

1.
Estimated Value of Real Property
Tax Exemptions and Abatements

Estimated Value of Real Property Tax Exemptions and Abatements 1996-2007

($ in Millions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Economic Development Exemptions												
I.C.I.B./I.C.I.P.	$105.7	$99.3	$111.9	$132.5	$144.6	$177.7	$193.4	$249.2	$315.4	$371.8	$401.5	$409.5
Battery Park City Authority*	94.2	87.2	81.6	79.5	71.2	79.8	72.8	89.3	31.9	78.6	71.9	66.0
Industrial Development Agency*	48.5	47.2	47.8	61.5	84.5	66.0	66.6	62.8	82.2	101.5	82.1	105.2
Urban Development Corp. (U.D.C.)*	77.0	76.9	80.0	84.5	101.0	107.6	113.1	141.1	165.2	169.9	183.8	186.4
Economic Development Corp.*	3.7	3.4	4.1	7.4	3.8	3.9	7.1	11.5	12.8	10.9	6.2	3.9
World Trade Center*	79.8	64.0	54.7	61.5	60.5	59.0	5.4	n.a.	n.a	n.a	n.a.	n.a.
Teleport, Port Authority*	2.2	1.1	1.3	1.5	6.7	6.7	6.9	6.9	7.2	7.4	7.6	7.6
Madison Square Garden	8.8	8.7	8.6	8.7	8.5	8.3	8.8	10.6	11.1	12.0	12.0	12.0
Commercial Revitalization and Expansion Programs	n.a.	1.3	3.6	7.0	14.1	18.1	19.3	15.4	12.6	13.4	11.5	11.8
Subtotal	**$419.9**	**$389.1**	**$393.6**	**$444.1**	**$494.9**	**$527.1**	**$493.4**	**$586.8**	**$638.4**	**$765.5**	**$776.6**	**$802.4**
Residential Exemptions												
Public Housing												
NYC Housing Authority*	$281.7	$264.0	$255.3	$241.2	$239.5	$244.0	$254.1	$297.5	$328.9	$334.6	$366.7	$390.4
Private Housing												
J-51 (exemption)	67.9	59.5	54.6	54.9	55.9	60.8	65.9	78.0	91.5	97.5	107.0	115.7
J-51 (abatement)	108.7	105.4	104.6	105.7	106.9	99.5	96.5	97.8	97.6	101.6	103.2	104.8
421-a - New Multiple Dwellings	103.4	96.5	87.9	78.9	104.8	111.3	130.0	181.6	251.8	322.5	408.3	500.5
421-b - New Private Housing	10.3	9.9	9.5	9.8	10.5	11.7	14.6	13.9	23.8	28.1	27.3	32.4
Senior Citizen Homeowner Exemption	17.2	18.2	19.8	21.1	25.6	26.7	28.4	27.8	34.2	39.4	43.1	46.7
Senior Citizen Rent Increase Exemption (abatement)	91.9	54.1	61.0	62.5	63.5	63.5	80.2	66.5	80.2	73.6	85.9	85.8
HPD Division of Alternative Management	3.7	4.0	4.3	4.6	5.4	5.8	6.7	8.5	9.8	11.1	13.0	15.1
Veterans' Exemption	9.1	10.0	11.0	16.1	18.0	18.5	19.0	16.1	19.8	17.7	24.3	26.8
Co-op/Condo Abatement	n.a.	9.0	91.8	152.7	157.8	170.2	181.3	215.0	250.6	257.8	282.9	311.2
Homeowner Rebate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	256.6	252.6	255.5
Lower Manhattan Conversion	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	19.9	22.7	31.1	31.2	38.2	39.0
Other**	270.3	257.7	252.1	234.2	235.8	236.7	248.2	298.1	324.9	349.6	374.5	400.6
Subtotal	**$964.2**	**$888.3**	**$951.9**	**$981.7**	**$1,023.7**	**$1,048.7**	**$1,144.8**	**$1,323.5**	**$1,544.2**	**$1,921.7**	**$2,127.0**	**$2,324.5**
Other Exemptions												
Utility												
NY Power Authority	$34.5	$35.5	$38.5	$41.3	$44.7	$49.4	$50.3	$80.1	$86.3	$98.1	$111.3	$108.6
Jamaica Water Supply	7.2	7.4	7.8	8.2	8.6	9.5	9.5	10.4	11.2	___	___	___
Trust for Cultural Resources	4.8	4.8	5.7	5.7	5.7	5.8	5.7	6.1	6.8	6.8	8.6	9.2
The Chrysler Building	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.5	13.6
Subtotal	**$46.5**	**$47.7**	**$52.0**	**$55.2**	**$59.0**	**$64.7**	**$65.5**	**$96.6**	**$104.3**	**$104.9**	**$132.4**	**$131.4**
TOTAL	**$1,430.6**	**$1,325.1**	**$1,397.5**	**$1,481.0**	**$1,577.6**	**$1,640.5**	**$1,703.7**	**$2,006.9**	**$2,286.9**	**$2,792.1**	**$3,036.0**	**$3,258.3**

Source: Department of Finance

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

** *"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) and persons with disabilities and low incomes.*

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.*

DESCRIPTION OF TAX EXPENDITURE PROGRAMS

A. ECONOMIC DEVELOPMENT

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

ICAP replaces the Industrial and Commercial Incentive Program (ICIP) created in 1984 to stimulate economic development by encouraging new construction and the modernization of existing industrial and commercial structures by providing exemptions, deferrals and abatements from real property taxes. Benefits period ranged from eight to 25 years. An additional "inflation protection" benefit allowed tax increases due to market value increases to be exempted as well. These incentives were granted "as-of-right" based on geographic location, i.e. projects are automatically eligible for the benefits if they meet specific eligibility requirements and complete the appropriate legal and administrative requirements. This program has been modified to address the needs arising from New York City's ever-changing economic climate. Effective July 1, 2008, the new ICAP program would provide abatement of real property taxes for eligible industrial and commercial buildings that are newly built, modernized, rehabilitated, expanded or otherwise physically improved. The submission of ICAP application is available until March 1st 2011.

The ICAP abatement base is calculated as the difference between post-completion tax[1] 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 (30 percent of the initial taxable assessed value) within four years from the date of issuance of the building permit or start of construction if no permit is required. In additional construction is required to be completed within five years from the date of issuance or commencement of construction.

Inflation protection is an additional benefit that prevents significant increase in tax as a result of substantial change in market value. Inflation protection provides benefits during years two through 13. For construction work other than industrial work, it is equal to zero if the taxable assessed value grows less than five percent, and is equal to the change in taxable assessed value above annual five percent otherwise. Abatement base will not be increased by inflation protection if the taxable assessed value in any year increases by more than five percent as a result of physical changes (such as additional renovation not including in ICAP application or alternation finished after four years from issuance of the first building permit).

The preliminary application must be filed preceding issuance of building permit, or if no permit is required, the commencement of construction. ICAP application filed after the starting of construction or building permit issuance must automatically be denied. The final application is filed within one year after the building permit is received.

The New York City Department of Finance (DOF) administers the ICAP. The new ICAP can be classified under the following five categories:

1a. Industrial Buildings

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 phase-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 assembling 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 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 at least 30 percent of the initial taxable assessed value of the project. The industrial buildings are eligible for inflation protection, which is given by the full annual percentage increase in the building taxable assessed value.

[1] The post-completion tax is determined by multiplying the initial tax rate by the final taxable assessed value, without regarding to any exemptions, what would be shown on the assessment roll but for the abatement.

1b. Industrial Projects (Additional Industrial Abatement)

Industrial projects that meet a higher minimum required expenditure (40 percent rather than 30 percent) is eligible for an additional abatement based on the initial tax. This abatement provides a 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 year between year five and 12. The inflation protection is not available for additional industrial abatement.

2. Commercial Projects (Regular Abatement Areas)

Commercial projects in regular abatement areas, which include areas in Manhattan north of the centerline of 96th Street, and in The Bronx, Brooklyn, Queens and Staten Island, will be eligible for tax benefits for a period of 15 years. They 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 taxable assessed value of the building at the start of the project

3. Commercial Projects (Regular Abatement Areas)

Commercial projects in designated special abatement areas enjoy total of 25 years of tax abatement. The first 16 years of full tax abatement on the increased assessed value due to physical changes followed by nine years of declining abatement phased out at ten percent each year from year 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 percent full abatement for the first 11 years followed by a phase-out of benefits declining at 20 percent each year between year 12 and 15.

The minimum required expenditure is 30 percent of the initial assessed value. The buildings are eligible for inflation protection.

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 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. For renovation area south of 59th Street, excluding the lower Manhattan and Garment District areas, the projects get ten years benefit with 100 percent abatement in the first five years followed an additional four years of abatement declining by 20 percent each year from year six to nine. The tenth year abatement equals to 20 percent. This benefit is available for all eligible constructions and buildings with portion of its use for retail purposes up to five percent.

Renovation constructions located in lower Manhattan and Garment District gets total of 12 years 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 year nine through 12.

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

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

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.

In order to qualify, these "smart buildings" must meet certain construction standards (specified in the program guidelines) to accommodate advanced computer and telecommunications equipment and have enhanced electrical capacity and emergency back-up power (see table on page I-23 for the definition of a "smart building").

The minimum required expenditure is 30 percent of the initial assessed value.

ICAP does not provide benefits for utility property, which includes all property used by utility in the ordinary course of business, as well as land and buildings owned by utility companies.

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

The Commercial Revitalization Program was revised to address the problems of high vacancy and obsolescence, primarily in the downtown Manhattan area. Prior to 1997 amendments, the program was to expire March 31, 1998. The amendments extended the program to March 31, 2001. Currently, this program sunsets on March 31, 2010.

In 1997, this program was also modified to provide enhanced benefits 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 1, 1997.

This program offers a number of tax incentives intended 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. Properties located in the abatement zone (the 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) are expected to realize significant benefits as a result of a reduction in their occupancy costs resulting from targeted reductions in their property, commercial rent and energy taxes.

This program also extends real property tax reductions to qualifying properties in boroughs other than Manhattan. This program is administered by DOF and includes the following tax incentives which are detailed on page I-24.

1. Real Property Tax Abatement

Property tax abatements are available for pre-1975 buildings located in the statutorily designated abatement zone and leased for commercial office space or retail space between April 1, 1997 and March 31, 2010, with the benefit period to expire March 31, 2016.

Eligible leases range from three- to ten-year depending on the number of people employed. Leases employing 125 or fewer people must sign lease term with a minimum of three- to five-years. Leases employing more than 125 people must sign leases with a minimum of ten years. The CRP property tax property tax benefit is either a three- or five-year tax abatement basing on the lease. The abatement is measured in tax liability per square foot with the maximum of $2.50 per square foot in year one of a three-year lease or years one through three of a five-year lease. In years two and three of the three-year lease and four and five of the five-year lease the abatement is equal to two-thirds and one-third, respectively, of the abatement in the initial year. Leases employing more than 125 people must sign leases with a minimum of ten years.

The qualifying conditions for properties outside Lower Manhattan are more liberal (see page I-24 for details).

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 pre-1975 buildings (including government-owned buildings) in lower Manhattan in which leases for commercial office space or retail space have been executed between April 1, 1995 and March 31, 2010.

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 program modifications reduced the minimum lease term requirement for tenants with fewer than 125 employees to five years for leases commencing on or after July 1, 1996, and to three years for leases commencing on or after April 1, 1997.

Effective July 1, 2005, this program was expanded to include buildings south of Canal Street that received a certificate of occupancy after 1975. The expanded program provides a base rent reduction for the first five years of the lease. The expanded program is available for leases (but not subleases) having a term of at least five years, beginning July 1, 2005 until June 30, 2012.

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 all existing building’s assessed value), occupancy of premises in the building by eligible users (generally commercial tenants) and compliance with certain submetering and notice requirements.

The reduction in energy charges is provided as a rebate in the form of reduced energy bill from the utility to the building's landlord; who in turn, is required to pass along the benefit to eligible tenants. The rebate is equal to 30 percent of eligible charges for the first eight years, 24 percent for the ninth year, 18 percent for the tenth year, and 12 percent for the eleventh and twelfth year. Buildings designated as landmarks are entitled to an extra year at the 30 percent rate.

4. Residential Conversion Tax Exemption (421-g)

This program encourages owners of commercial office buildings located in the statutorily defined Lower Manhattan Abatement Zone that can no longer meet the needs of commercial tenants to convert their properties to residential use. The program offers 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 receive 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 are subject to rent control while the building is receiving a tax exemption and/or abatement. This program expired on June 30, 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 is 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 are subject to rent stabilization during the benefit period. This program expired on July 31, 1999.

Commercial Expansion Sections (499-aa to 499-hh)

Modeled on the success of the Commercial Revitalization Program, this new 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 following is the brief description of benefits offered under this program.

Real Estate Tax Abatement for Commercial and Industrial Leases: This program provides real estate tax abatements for new, renewal or expansion leases for commercial office or industrial space, 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 following conditions must be met to qualify for this abatement: (a) leases must commence between July 1, 2000 and June 30, 2007; (b) the premises must be in a non-residential or mixed-use building that was built before January 1, 1999 and has an aggregate floor area of 25,000 square feet or more; and (c) meet minimum required improve-ments which vary depending upon the length of the lease and the number of employees that will be located at the premises. Qualifying leases with a term of five years or more are eligible for a five-year tax abatement.

The 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 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 real estate tax, respectively, of the initial tax abatement.

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 promotes rehabilitation of existing multiple dwellings or conversion of non-residential buildings to Class A residential multiple dwellings by providing a 14-year exemption on the increased assessed value resulting from the improvements, alterations or rehabilitations (certain government-assisted rehabilitations of vacant City-owned buildings are eligible for a 34-year exemption) and an 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.

The amount and duration of benefits granted are determined by the type of "renovation category" into which the project falls. All conversions, alterations, and improvements must be completed prior to December 31, 2011 to qualify for benefits under this program. 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.

In 2003, the program was expanded to allow exemption (but not abatement) benefits for projects that result 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.

Eligibility Requirements

The following list details the conditions for eligibility for J-51 benefits:

- All renovation and rehabilitation must fit into one of the renovation categories described in the table on page I-25.
- All work must be completed in three years, or within five years if government-assisted.
- The pre-rehabilitation assessed value cannot exceed $40,000 per dwelling unit for all conversions north of 110th Street and the post-rehabilitation assessed value per dwelling unit cannot exceed $38,000 per dwelling unit for conversions in Manhattan south of 110th Street. 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.
- 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 Zone[1] 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 Zone[2] 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.

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. the 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 will be ineligible for benefits, unless the project is carried out with substantial government assistance.
- Buildings receiving benefits under section J-51

[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.*

are not eligible for the following exemptions: School Tax Relief, Senior Citizen Homeowner Exemption and the Veterans' Exemption.

- Any property where the improvement is assessed at $1,000 or less at the start of the renovation process will not qualify for the program, unless the project is carried out with substantial government assistance.
- Single Room Occupancy (SRO) conversions cannot receive J-51 exemption or abatement benefits if the project is not carried out with substantial government assistance.

J-51 exemption (but not abatement) benefits are available for projects that result 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.

In Manhattan between 110th Street and Chambers Street, such projects can qualify for exemption benefits only if they are aided by a grant, loan or subsidy from a Federal, State or local agency.

The renovation categories and corresponding exemption and abatement schedules are shown in the table on page I-25.

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 to spur housing development at a time when many developers were reluctant to invest in new housing in the City. The 421-a exemption provides a declining scale of exemptions on the assessed value of new constructions. Designed to promote construction of multiple-family residential buildings with at least three dwelling units, the 421-a program was created to stimulate the supply of affordable housing to low- and moderate-income New Yorkers. However, the City and its real estate market have changed dramatically since that time. In recognition of the need to reform the program, the Mayor formed a task force to examine the existing 421-a program and suggest changes that would better align with the current real estate environment.

Location	As-of-Right Benefit[1]	With Certificates[2]	80/20 Rental[3]
Manhattan GEA	N/A	10yrs	20yrs
Manhattan Non-GEA South of 110th Street	10yrs	N/A	20yrs
Manhattan Non-GEA North of 110th Street	15yrs	N/A	25yrs
Outer Boroughs	15yrs	N/A	25yrs
Greenpoint-Williamsburg (GW)	N/A	15yrs	20yrs

Under the old program, four different exemptions with different exemption periods of ten, 15, 20 and 25 years were provided depending on the location of the project and the qualifying requirements. Properties except in Manhattan Geographic Exclusion Area (GEA), defined 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 2005 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.

Prior to the recent reform, 421-a benefit was available as follows:

In February 2006, the Mayor convened taskforce to examine 421-a. In October 2006, the taskforce issued a final report. The reformed 421-a tax exemption program was signed into law on February 21, 2008.

The following are the major programmatic changes:

1. The existing GEA was further expanded - the new GEA includes:

1. As-of -Right Benefit: Developers receive a partial tax exemption for new construction projects that are 100% market rate.

2. Affordable Housing Certificate Program: HPD grants builders of affordable housing, negotiable certificates for each housing unit that they construct. The affordable housing units must be created either through new construction or substantial rehabilitation outside the GEA. The number of certificates can vary from four to six certificates depending upon the income level of the tenants. Each of the certificates offers developers a ten- to15-year tax benefit for one market rate unit of up to 1,200 square feet.

3. 80/20: The 80/20 program uses tax-exempt bonds to create affordable housing for low-income tenants in generally desirable locations throughout the city. The use of tax-exempt bonds to finance the construction of large residential buildings significantly reduces costs. In exchange for the low-cost financing, 20% of the apartment units are reserved for low-income tenants earning no more than 50% of area median income.

• In Manhattan: all of Manhattan

• In The Bronx: south of 136th Street in West Harlem, south of 126th Street in Central Harlem and south of 117th Street in East Harlem.

• 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.

2. Elimination of as-of-right 25-year benefits in NPP/REMIC areas: Under the old program, properties were eligible for a 15-year as-of-right exemption or a 25-year enhanced exemption if the developments were located in designated Neighborhood Preservation Program (NPP) or in locations eligible for Rehabilitation Mortgage Insurance Corporation (REMIC) insurance. The reformed 421-a program eliminates these benefits for NPP and REMIC areas. Only developments that meet on-site affordability requirements or receive substantial governmental assistance pursuant to an affordable housing program are eligible to receive 25-year benefits. Projects located in the NPP/REMIC area must 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 establishes a maximum per unit exempt building assessed value of $65,000. The assessed value above this threshold is ineligible to receive 421-a benefit. The $65,000 cap will be increased by three percent compounded annually, on each taxable status date following the first anniversary of the effective date of the State law. Projects that qualify for extended benefits will not be subject to the assessed value cap.

4. Elimination of the negotiable certificate program: Any property within the GEA must provide affordable housing onsite 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 dedicated fund for affordable housing: Approximately $400 million affordable housing fund will be created and used to finance the development and rehabilitation of affordable housing outside the GEA, targeting primarily the 15 highest poverty districts in the City.

6. Reservation 421-a tax benefits for building with a minimum of four units: Three-unit buildings are 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 will 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, within the GEA, a) an affordable unit 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 can not be smaller than one bedroom; or c) the 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 at 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 tenant's 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 will appoint members to the boundary review commission who will reassess the GEA every two years to determine whether the existing boundaries should be revised. The commission will 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. The first such report is due by December 1, 2008.

New Private One- and Two- Family Housing Exemption, 421-b Program (NYSRPTL, Section 421-b)

The 421-b program is an incentive program for the construction of new owner-occupied one- and two-family homes. This program offers a declining eight-year tax exemption applicable to the assessed value of the new construction. The property owner must continue to pay taxes on the full, pre-construction assessment. 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. 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. To be eligible for the exemption, construction must begin on or after July 1, 2002 and before July 1, 2006 and be completed no later than July 1, 2008. 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. The exemption is effective for 32 years and is based on any increase in 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 already expired on December 31, 2007.

Non-Profit Housing Development Companies Providing Low-Income Housing Accommodation (NYSRPTL, Section 420-c)

The 420-c tax incentive program provides a complete exemption from the real estate taxes for the term of the regulatory agreement, up to 30 years. 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.

C. INDIVIDUAL ASSISTANCE

School Tax (STAR)(NYSRPTL, Section 425)

In 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. During the first year, the exemption was limited to properties owned by senior citizens who met income eligibility.

All other homeowners became eligible in the 1999-2000 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 65 or older with less than $70,650 in household income.

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 is available for Mitchell-Lama co-op apartments equal to one-third of the exemption amount for both basic and enhanced STAR.

The application deadline for both the basic and enhanced STAR benefit is March 15th starting from fiscal year 2008.

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 and who have a total household income of no more than $35,400 per year. 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; and $34,400 in 2006. In 2007, the maximum qualifying income threshold was raised to $35,400.

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, a veteran's disability compensation is excluded from the definition of income for purposes of determining eligibility and the level of exemption benefits. Effective January 1, 2002, localities are authorized to provide school tax exemption in a case where a child residing at a property that is granted SCHE benefits attends a public elementary or secondary school.

The application deadline for benefits beginning July 1, 2007 was March 15, 2007.

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 $70,650 is $50,000. 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 tax saving is shown in the following table:

Fiscal Year	2002	2003	2004	2005	2006	2007	2008-12
Senior Citizens	$326	$347	$383	$376	$377	$357	$360
Others	$195	$209	$229	$226	$225	$219	$190

Senior Citizen Homeowner Exemption Schedule

Household Income	Exempt Share of Assessed Value
Less than $27,000	50%
$27,001- $27,999	45%
$28,000- $28,999	40%
$29,000- $29,999	35%
$30,000- $30,899	30%
$30,900- $31,799	25%
$31,800- $32,699	20%
$32,700- $33,599	15%
$33,600- $34,499	10%
$34,500- $35,399	5%
$35,400- and greater	0%

Senior Citizen Rent Increase Exemption (SCRIE) (NYSRPTL, Section 467-b)

The Senior Citizen Rent Increase Exemption program provides an exemption from future increases to tenants who are 62 years of age or older, residing in a rent-controlled, rent-stabilized or Mitchell-Lama unit and paying one-third of their household income in rent.

In order to qualify for the program, senior citizens must have a combined household income of no more than $24,000 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 and to $25,000 beginning July 1, 2005 and thereafter increasing $1,000 a year to $29,000 starting July 1, 2009.

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.

The administration of this program was transferred from the of Housing Preservation and Development (HPD) to the Department for the Aging (DFTA) on June 17, 1992.

Disabled Homeowners Exemption (DHE) 459-c Program (NYSRPTL, Section 459-c)

The 459-c program establishes a new partial tax exemption 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. 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 $27,000. For disabled property owners with incomes between $27,000 and $35,399, the program allows an exemption as shown in the table below.

Homeowners with Disability Exemption Schedule

Household Income	Exempt Share of Assessed Value
Less than $27,000	50%
$27,001- $27,999	45%
$28,000- $28,999	40%
$29,000- $29,999	35%
$30,000- $30,899	30%
$30,900- $31,799	25%
$31,800- $32,699	20%
$32,700- $33,599	15%
$33,600- $34,499	10%
$34,500- $35,399	5%
$35,400- and greater	0%

The program commenced in 2000 with the income eligibility for a 50 percent exemption of $18,501 and the maximum income eligibility for the program of $26,900. The eligible population was extended to include persons certified to receive a United States Postal Disability Pension effective in 2000.

Furthermore, 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, and to $26,000 effective in 2006. In 2007, the income threshold was raised to $27,000.

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 deadline for benefits beginning July 1, 2008 was March 15, 2008.

Veterans' Exemptions (NYSRPTL, Sections 458 to 458-a)

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 $5,000, but the property is fully subject to tax for educational purposes. An additional exemption of up to $10,000 is provided for handicapped designed housing required as the result of the disability. New applications for Section 458 benefits are no 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 percent of assessed value and an additional 10 percent granted to those who served in a combat zone.

A disabled veteran is entitled to an additional exemption of up to 50 percent of the assessed value, based upon the veteran's disability rating. These exemptions do not apply to school taxes, and are subject to caps specified in the governing legislation.

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)

Beginning in 1997, an abatement program was implemented 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). In the case of properties where the average assessment was $15,000 or less per unit, a tax abatement of four percent, 16 percent, and 25 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 1999 abatement levels were extended by an additional two years through June 30, 2001, in 2001 by an additional three years through June 30, 2004, in 2004 by an additional four years through June 30, 2008, and in 2008 by an additional four years through June 30, 2012. The abatement is restricted to owners who own no more than three units held in the condominium or cooperative form of ownership.

Properties that are already receiving tax benefits under 421-a, J51 or 421-b are not eligible to receive the benefits under the STAR program. The application deadline for benefits beginning July 1, 2006 was February 15, 2006.

Real Property Tax Rebate

Owners of one-, two- and three-family homes and Class 2 cooperative and condominium apartments are eligible for an annual real estate tax rebate of $400 or the annual real estate tax on the property, 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 is September 1st following the end of the fiscal year for which the rebate is claimed. This program which was scheduled to sunset in 2007 has been extended for three additional years through 2010. No separate application is necessary if the owner is already receiving the STAR benefit exemption or the exemption for veterans, senior citizens or disabled persons.

Disability Rent Increase Exemption (DRIE)

A new benefit program referred to as Disability Rent Increase Exemption (DRIE) for disabled renters with limited income regardless of their age allows them to qualify for a rent increase exemption if they currently receive either 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 benefit began on October 10, 2005.

Currently, in order to qualify for this program, the household's aggregate disposable annual income should be less than or equal to $18,396 for individuals and $26,460 for households with two or more members. Households currently receiving SCRIE benefits are not eligible for DRIE benefits.

APPENDIX I
REAL PROPERTY TAX

3.
Real Property Tax
Detailed Schedules of Benefits

Schedules of Abatement Under ICAP

Type of Project	Full Abatement	Declining Exemption	Minimum Required Expenditures	Area Boundaries	Additional Provisions
INDUSTRIAL					
All Industrial	100% of abatement for 16 yrs	Phased out at 10% per year for years 17-25 Example Yr. 17 90% Yr. 18 80% Yr. 2 20% Yr. 25 10%	30% of the Initial assessed value	Projects throughout the City	"Inflation Protection" benefit is available.
Additional Industrial Abatement	50% of the initial tax amount for 4 yrs	Phased out at 10% every two years for years 5-12 Example Yr. 5 40% Yr. 6 40% Yr. 7 30% Yr. 12 10%	40% of the Initial assessed value	Projects throughout the City	"Inflation Protection" benefit is not available.
COMMERCIAL					
Regular Abatement Area	100% of abatement for 11 yrs	Phased out at 20% every years for 12-15 Example: Yr. 12 80% Yr. 13 60% Yr. 14 40% Yr. 15 20%	30% of the Initial assessed value	Projects include areas in Manhattan north of the 96th Street, and in The Bronx, Brooklyn, Queens and Staten Island	"Inflation Protection"for benefit is not available.
Special Abatement Area	100% of abatement for 16 yrs	Phased out at 10% per year for years 17-25 Example Yr. 17 90% Yr. 18 80% Yr. 24 20% Yr. 25 10%	30% of the Initial assessed value	Areas designed by the Boundary Commission	"Inflation Protection" benefit is available.
Renovation Areas	100% of abatement for 5 yrs	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 the lower Manhattan and Garment District.	"Inflation Protection Protection" benefit is not available and benefit is restricted to the renovation of existing buildings only.
Renovation Areas	100% of abatement of 8 yrs	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 and Garment District.	"Inflation Protection" benefit is not available, and benefit is restricted to the renovation of existing buildings only.
SMART BUILDING					
New Construction Benefits	100% of abatement of 4 yrs	Phased out at 20% per year for years 5-8 Example Yr. 5 80% Yr. 6 60% Yr. 7 40% Yr. 8 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 stand-ards as detailed below.

Smart Buildings (Definition): the building should meet requirements 1 & 2 and any two of the remanning five requirements below

1. The height of at least 40 percent of the floors in such building or structure should be not less than 12 feet, 9 inches;
2. 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;
3. The total square footage of such building or structure is not less than 500,000 sq. ft;
4. 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
5. At least 10 percent of the gross square footage of the building should be comprised of floors that contain no more than eight structural column.
6. The electrical capacity of such building should not be less than six watts per net sq. ft.
7. 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	Additional Provisions
Real Property Tax Abatement	• 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.	Leases commencing prior to April 1, 1997: Tax abatement for five years. • 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. Leases commencing on or after April 1, 1997: For three-year leases (tax abatement for three years). • 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. For leases of five or more years (tax abatement for five years). • Yrs. 1 to 3 - The lessor 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.	• Eligibility period: April 1, 1995 to March 31, 2007. • Benefit Period: Up to 60 months from the first day of the month following the rent commencement date and terminating no later than March 31, 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. • Application should be filed within 60 days following the lease commencement date for leases commencing before April 1, 1997, and 180 days following the lease commencement date for leases commencing on or after April 1, 1997.
Commercial Rent Tax Special Reduction	• 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 fifty 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.	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 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. Special reduction on the taxable base rent for three-year leases: • 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.	• Eligibility period: April 1, 1995 to March 31, 2010. • Benefit Period: Up to 60 months from the rent commencement date and terminating no later than March 31, 2010. • Benefits are not available for tenants who relocate to lower Manhattan from north of 96th Street in Manhattan or from the other boroughs. • Application for this program is through the Real Property tax abatement program (including government-owned buildings).
Electricity Rebate	• Buildings located in the Title 4 abatement zone are eligible. • Expenditure on construction or improvement must be at least 20 percent of the assessed value of the building. • Building must be eligible for ICIP or mixed-use.	Discount off delivery portion: • Yrs. 1-8 45.0% • Yr 11 22.5% • Yr. 9 37.5% • Yr. 12 15.0% • Yr. 10 30.0% • Yr. 13 0.0% Designated landmark buildings get an additional year of rebate at the 45 percent level.	• 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.
Residential Conversion 421-g	• Buildings located in the Title 4 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 can not exceed 25 percent of the aggregate floor area after conversion.	Tax exemption for 12 years on the increased assessed values due to physical improvements: • Yrs. 1-8 100% • Yr. 11 40% • Yr. 9 80% • Yr. 12 20% • Yr. 10 60% In addition, a tax abatement on the existing real estate taxes relating to the pre-construction assessment value for 14 years: • Yrs. 1-10 100% • Yr. 13 40% • Yr. 11 80% • Yr. 14 20% • Yr. 12 60% 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.	• 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 aggregate floor area should be converted within three years and at least 75 percent converted within five years.
Mixed-Use	• 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.	Tax exemption for 12 years on the increased assessed values due to physical improvements: • Yrs. 1-8 100% • Yr. 9 80% • Yr. 10 60% • Yr. 11 40% • Yr. 12 20% Designated landmarks will receive an additional year of exemption at the 100 percent level.	• 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.

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.*

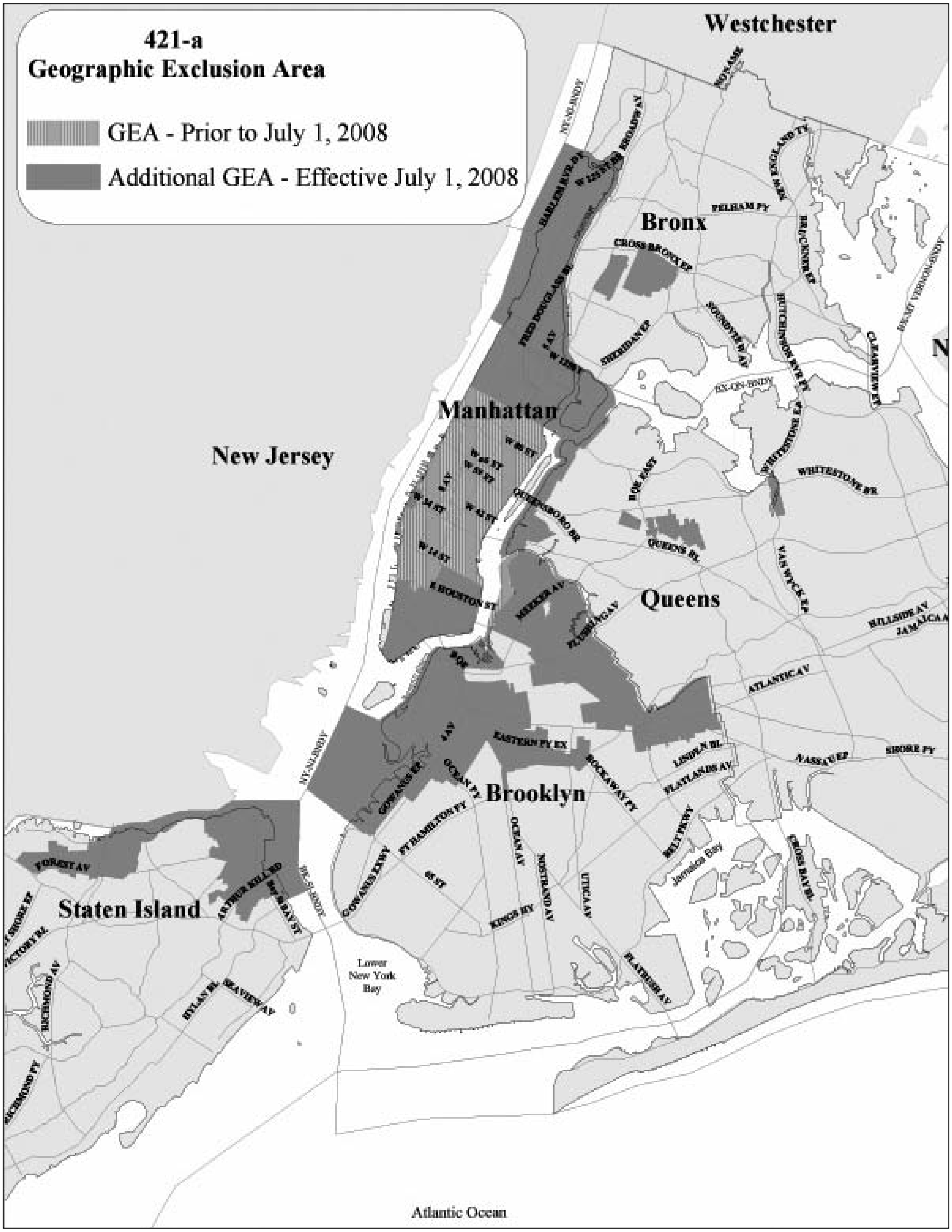
J-51 Exemption & Abatement Program

Renovation Categories	Exemption On Increased Value Due To Improvement: Number of Years Exempt	Exemption On Increased Value Due To Improvement: Amount of Improvement Exempt	Abatement On Existing Taxes: Amount of CRC* Allowed to be Abated	Abatement On Existing Taxes: Maximum Amount of Tax Liability Allowed to be Abated Annually**	Abatement On Existing Taxes: Maximum Amount of Years for the Abatement	Enriched Benefits
Major Capital Improvements (MCI): Improvement to a multiple dwelling properties 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. *Examples - replacement of heating, plumbing, roofing, windows, insulation, wiring, elevators, etc.*	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*	20	
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. *Examples - improvement of heating, electrical or plumbing systems.*	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*	20	a.) For government-assisted moderate rehabs of substantially occupied Class A buildings and b.) Government-assisted moderate rehabs of City 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.
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.	14 year to 34 year exemption depending on the extent of the improvement.		50% in Manhattan 90% elsewhere	8.33% of the total CRC* 8.33% of the total CRC*	20 20	
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.***	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*	20	
Non-Residential Conversion to Residential: (North of 110th Street & other boroughs) Conversion of lofts, warehouses and other commercial space to Class A residential apartments.	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*	20	

* *CRC = Certified reasonable cost of eligible work as determined by HPD.*

** *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 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.*

*** *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.*



421-a
Geographic Exclusion Area
GEA - Prior to July 1, 2008
Additional GEA - Effective July 1, 2008
Westchester
Bronx
Manhattan
New Jersey
Queens
Brooklyn
Staten Island
Lower New York Bay
Jamaica Bay
Atlantic Ocean

APPENDIX I
REAL PROPERTY TAX

4.
Real Property:
Tax Summary Tables

Market Values by Tax Class

FY 1993-2008 *($ 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

Market values may not add up due to rounding.

Actual Assessed Value by Tax Class

FY 1983-2008 *($ 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

Billable Assessed Value by Tax Class

FY 1983-2008 *($ in 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

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

Class Tax Rates[1]

FY 1983-2008

Fiscal Year	Class 1	Class 2	Class 3	Class 4	Average Tax Rate
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

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, .121¢ for Class 3 and .08¢ for Class 4.*

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

4 *Effective January 1, 2003.*

APPENDIX I
REAL PROPERTY TAX

5.
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:

2008 The 421-a tax incentive program was reformed to expand the Geographic Exclusion Area, set a limit to the total amount of 421-a tax benefits that any market rate unit may receive, abolished the negotiable certificate program and created an affordable housing trust fund.

Effective July 1, 2008, the Industrial and Commercial Incentive Program (ICIP) was reformed and has been replaced by the Industrial and Commercial Abatement Program (ICAP). Under the new program, utility properties are not eligible for the construction or alteration benefits and non-retail commercial activity in Manhattan south of 59th street would see a reduction in benefit period from 12 years to ten years. The minimum required expenditure is raised to 30 percent after the initial taxable assessed value of the project.

2007 Property tax rebate program, was extended for three years-until July 1, 2008. The deadline for filing the rebate application is September 1st, following the end of the fiscal year for which the rebate is claimed.

Non-profit organizations acquiring real property in New York City would be exempt from the real estate taxes from the date of the title transfer. Prior to this change, the exemption was determined based on the ownership on the taxable status date (January 5th). J-51 eligibility restrictions on Mitchell-Lama properties (limited-profit housing companies) with an average assessed value per unit to $40,000 for cooperative or condominium projects or if the improvement were financed with government grants or loans were eliminated, provided that the housing company signs a binding agreement to remain in the Mitchell-Lama program for at least 15 years from the commencement of benefits.

The Industrial and Commercial Incentive Program (ICIP) has been extended for one year until June 30, 2008.

The lower Manhattan commercial revitalization program has been extended for three more years until March 31, 2010.

2006 Beginning with FY 2006, limitations apply to increases in assessments attributable to additions or improvements to small Class 2 properties (Class 2A, 2B and 2C) with less than 11 residential units. Under the new law the increase is limited to 15 percent rather than the 45 percent of the increase that would otherwise apply. The new law does not apply to the construction of new buildings or where the additions or improvements result in buildings with more than 11 residential units.

Section J-51 program has been modified to allow tax abatements for repairs to Mitchell-Lama properties financed with grants or loans from Federal, State or local government agencies if the housing company signs a binding agreement to remain in the Mitchell-Lama program for an additional 15 years. In addition, Mitchell-Lama co-operative and condominium buildings with an average assessed value of more than $40,000 per unit that do not qualify currently for the J-51 benefits are also allowed the benefit if they sign a binding agreement to remain in the program for at least 15 years from the commencement of the 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.

The income threshold limit under the Senior Citizen Rent Increase Exemption (SCRIE) program has been increased from $24,000 to $25,000 beginning July 1, 2005 and by $1,000 per year for the next four years to $29,000 beginning July 1, 2009.

A new benefit program referred to as Disability Rent Increase Exemption (DRIE) for disabled renters with limited income regardless of their age allows them to qualify for a rent increase exemption if they currently receive either 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 10, 2005.

Section 421-a of the Real Property Tax Law has been 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 21, 2005.

2005 The City enacted a three-year property tax rebate program to provide owners of Class 1 properties and Class 2 cooperative and with a

$400 rebate or the annual real estate tax on the property, whichever is 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.

The State passed legislation in 2003 giving the City the authority to levy a 25 percent surcharge on Class 1 non-owner occupied properties effective July 1, 2003, the absentee landlord surcharge. This surcharge was intended to significantly equalize the tax burden between Class 1 income-generating properties and small Class 2 properties. Local legislation passed by the City Council on April 1, 2004 extended the effective date of the absentee landlord surcharge until July 1, 2006.

2004 The legislation authorizing the lien sale expired on October 31, 2003 and it was extended through March 1, 2006 by the City Council on March 24, 2004.

2003 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 1 to June 30, 2003. The average tax rate was raised to $12.283 from $10.366 per $100 of assessed value.

2000 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).

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.

1998 Section 459-c of the real property tax law was amended establishing a new tax exemption for homeowners with limited income who are disabled. The program, which offers a 50 percent exemption to residential property owners, commenced in 2000.

Additionally, 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 un-reimbursed medical and prescription drug expenses in determining eligibility.

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 real property tax component of the tax liens remained unpaid for three years and one year respectively.

Abatement was as low as 1.375 percent in 1997 but has risen to 25 percent for properties where the assessment is less than $15,000 and 17.5 percent for properties with valuation greater than $15,000.

1996 An 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).

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 percent. For Class 2, assessment increases for co-ops and condos with two to ten units were restricted to eight percent annually and 30 percent over five years.

Such properties were shifted either into Class 1 (if not more than three units) or 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 The four-year phase-out of taxation on central office and telecommunication equipment began.

For Class 3, State legislation implemented a four-year phase-out of taxation on central office and telecommunication equipment at 25 percent per year, beginning in 1990. Finally, assessment increases for residential rental properties with seven to ten units were restricted to eight percent annually and 30 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. Co-ops and condos 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 also 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 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

Table of Contents

APPENDIX II
PERSONAL INCOME TAX

1.
Personal Income Tax Liability:
2008

2008 PERSONAL INCOME TAX LIABILITY

File Type	NY Adjusted Gross Income	Total Tax[1]
Single	$15,000	$73
	25,000	398
	40,000	932
	50,000	1,291
	75,000	2,199
	100,000	3,111
	125,000	4,023
	500,000	17,703
	525,000	18,615
Married, 2 Dependents	$15,000	($290)
	25,000	(57)
	40,000	387
	50,000	741
	75,000	1,631
	100,000	2,530
	150,000	4,350
	175,000	5,262
	500,000	17,118
	525,000	18,030
Head of Household, 2 Dependents	$15,000	($72)
	25,000	218
	40,000	737
	50,000	1,094
	75,000	1,993
	100,000	2,905
	125,000	3,817
	150,000	4,729
	500,000	17,497
	525,000	18,409

(1) *Assumes the standard deductions and the Middle Class STAR credit only.*

APPENDIX II
PERSONAL INCOME TAX

2.
History of Tax Rate Schedules:
1966–2008

2006-2008 RATE SCHEDULE[(1),(2)]

Rate Schedule for Single Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$12,000	$0	2.55%	$0	$0	0.3570%	$0	2.9070%	$0
12,000	25,000	306	3.10	12,000	43	0.4340	349	3.5340	12,000
25,000	50,000	709	3.15	25,000	99	0.4410	808	3.5910	25,000
50,000		1,497	3.20	50,000	209	0.4480	1,706	3.6480	50,000

Rate Schedule for Joint Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$21,600	$0	2.55%	$0	$0	0.3570%	$0	2.9070%	$0
21,600	45,000	551	3.10	21,600	77	0.4340	628	3.5340	21,600
45,000	90,000	1,276	3.15	45,000	179	0.4410	1,455	3.5910	45,000
90,000		2,694	3.20	90,000	377	0.4480	3,071	3.6480	90,000

Rate Schedule for Head of Household Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$14,400	$0	2.55%	$0	$0	0.3570%	$0	2.9070%	$0
14,400	30,000	367	3.10	14,400	52	0.4340	419	3.5340	14,400
30,000	60,000	851	3.15	30,000	119	0.4410	970	3.5910	30,000
60,000		1,796	3.20	60,000	251	0.4480	2,047	3.6480	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	Pay	Plus	Of Amt. Over
$0	$12,000	$0	2.907%	$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	Pay	Plus	Of Amt. Over
$0	$21,600	$0	2.907%	$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	Pay	Plus	Of Amt. Over
$0	$14,400	$0	2.907%	$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	Pay	Plus	Of Amt. Over
$0	$12,000	$0	2.907%	$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	Pay	Plus	Of Amt. Over
$0	$21,600	$0	2.907%	$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		19,872	4.450	500,000

Rate Schedule for Head of Household Filers
If net income is:

Over	But Not Over	Pay	Plus	Of Amt. Over
$0	$14,400	$0	2.907%	$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		20,075	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	Pay	Plus	Of Amt. Over
$0	$12,000	$0	2.907%	$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	Pay	Plus	Of Amt. Over
$0	$21,600	$0	2.907%	$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	Pay	Plus	Of Amt. Over
$0	$14,400	$0	2.907%	$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:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$12,000	$0	2.55%	$0	$0	0.3570%	$0	2.9070%	$0
12,000	25,000	306	3.10	12,000	43	0.4340	349	3.5340	12,000
25,000	50,000	709	3.15	25,000	99	0.4410	808	3.5910	25,000
50,000		1,497	3.20	50,000	209	0.4480	1,706	3.6480	50,000

Rate Schedule for Joint Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$21,600	$0	2.55%	$0	$0	0.3570%	$0	2.9070%	$0
21,600	45,000	551	3.10	21,600	77	0.4340	628	3.5340	21,600
45,000	90,000	1,276	3.15	45,000	179	0.4410	1,455	3.5910	45,000
90,000		2,694	3.20	90,000	377	0.4480	3,071	3.6480	90,000

Rate Schedule for Head of Household Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$14,400	$0	2.55%	$0	$0	0.3570%	$0	2.9070%	$0
14,400	30,000	367	3.10	14,400	52	0.4340	419	3.5340	14,400
30,000	60,000	851	3.15	30,000	119	0.4410	970	3.5910	30,000
60,000		1,796	3.20	60,000	251	0.4480	2,047	3.6480	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:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$12,000	$0	2.55%	$0	$0	0.1339%	$0	2.684%	$0
12,000	25,000	306	3.10	12,000	16	0.1628	322	3.263	12,000
25,000	50,000	709	3.15	25,000	37	0.1664	746	3.316	25,000
50,000		1,497	3.20	50,000	79	0.3920	1,576	3.592	50,000

Rate Schedule for Joint Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$21,600	$0	2.55%	$0	$0	0.1339%	$0	2.684%	$0
21,600	45,000	551	3.10	21,600	29	0.1628	580	3.263	21,600
45,000	90,000	1,276	3.15	45,000	67	0.1664	1,343	3.316	45,000
90,000		2,694	3.20	90,000	141	0.3920	2,835	3.592	90,000

Rate Schedule for Head of Household Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$14,400	$0	2.55%	$0	$0	0.1339%	$0	2.684%	$0
14,400	30,000	367	3.10	14,400	19	0.1628	386	3.263	14,400
30,000	60,000	851	3.15	30,000	44	0.1664	895	3.316	30,000
60,000		1,796	3.20	60,000	94	0.3920	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 SCHEDULE[1]

Rate Schedule for Single Filers
If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$12,000	$0	2.6500%	$0	$0	0.3710%	$0	3.0210%	$0
12,000	25,000	318	3.2150	12,000	45	0.4500	363	3.6650	12,000
25,000	50,000	736	3.2650	25,000	104	0.4570	840	3.7220	25,000
50,000		1,552	3.3150	50,000	219	0.4640	1,771	3.7790	50,000

Rate Schedule for Joint Filers
If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$21,600	$0	2.6500%	$0	$0	0.3700%	$0	3.0210%	$0
21,600	45,000	572	3.2150	21,600	81	0.4500	653	3.6650	21,600
45,000	90,000	1,326	3.2650	45,000	185	0.4600	1,511	3.7220	45,000
90,000		2,795	3.3150	90,000	391	0.4600	3,186	3.7790	90,000

Rate Schedule for Head of Household Filers
If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	But Not Over	Base Amt.	Plus	of Amt. Over	Base Amt.	Incr. Rate	Base Amt.	Comb. Rate	Of Amt. Over
$0	$14,400	$0	2.6500%	$0	$0	0.3710%	$0	3.0210%	$0
14,400	30,000	383	3.2150	14,400	52	0.4500	435	3.6650	14,400
30,000	60,000	885	3.2650	30,000	121	0.4570	1,006	3.7220	30,000
60,000		1,865	3.3150	60,000	258	0.4640	2,123	3.7790	60,000

[1] *Across-the-board STAR rate cut at 2.5 percent.*

1999 RATE SCHEDULE[1]

Rate Schedule for Single Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	**But Not Over**	**Base Amt.**	**Plus**	**of Amt. Over**	**Base Amt.**	**Incr. Rate**	**Base Amt.**	**Comb. Rate**	**Of Amt. Over**
$0	$8,400	$0	2.68%	$0	$0	0.38%	$0	3.05%	$0
8,400	12,000	225	2.68	8,400	31	0.38	256	3.05	8,400
12,000	15,000	321	3.26	12,000	45	0.46	366	3.71	12,000
15,000	25,000	419	3.26	15,000	58	0.46	477	3.71	15,000
25,000	50,000	745	3.31	25,000	103	0.46	848	3.77	25,000
50,000		1,572	3.36	50,000	219	0.47	1,791	3.83	50,000

Rate Schedule for Joint Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	**But Not Over**	**Base Amt.**	**Plus**	**of Amt. Over**	**Base Amt.**	**Incr. Rate**	**Base Amt.**	**Comb. Rate**	**Of Amt. Over**
$0	$14,400	$0	2.68%	$0	$0	0.38%	$0	3.05%	$0
14,400	21,600	385	2.68	14,400	54	0.38	439	3.05	14,400
21,600	27,000	578	3.26	21,600	81	0.46	659	3.71	21,600
27,000	45,000	754	3.26	27,000	106	0.46	860	3.71	27,000
45,000	90,000	1,340	3.31	45,000	189	0.46	1,529	3.77	45,000
90,000		2,828	3.36	90,000	398	0.47	3,226	3.83	90,000

Rate Schedule for Head of Household Filers

If net income is:

		Base Tax			14% Increase		Combined Tax		
Over	**But Not Over**	**Base Amt.**	**Plus**	**of Amt. Over**	**Base Amt.**	**Incr. Rate**	**Base Amt.**	**Comb. Rate**	**Of Amt. Over**
$0	$7,350	$0	2.68%	$0	$0	0.38%	$0	3.05%	$0
7,350	9,200	197	2.68	7,350	27	0.38	224	3.05	7,350
9,200	14,400	246	2.68	9,200	34	0.38	280	3.05	9,200
14,400	17,250	385	3.26	14,400	54	0.46	439	3.71	14,400
17,250	28,750	478	3.26	17,250	67	0.46	545	3.71	17,250
28,750	30,000	853	3.26	28,750	119	0.46	972	3.71	28,750
30,000	60,000	894	3.31	30,000	124	0.46	1,018	3.77	30,000
60,000		1,886	3.36	60,000	263	0.47	2,149	3.83	60,000

[1] *Across-the-board STAR rate cut at 1.25 percent.*

1997-1998 RATE SCHEDULE

Rate Schedule for Single Filers

If net income is:

Over	But Not Over	Base Tax(1) Pay	Base Tax(1) Plus	Surcharge Pay	Surcharge Plus	Combined Tax Pay	Combined Tax Plus	Of the Amount Over
$0	$8,400	$0	3.08%	$0	0.00%	$0	3.08%	$0
8,400	12,000	259	3.15	0	0.51	259	3.66	8,400
12,000	15,000	373	3.83	18	0.51	391	4.34	12,000
15,000	25,000	488	3.84	33	0.55	521	4.39	15,000
25,000	50,000	872	3.89	88	0.51	960	4.40	25,000
50,000	60,000	1,844	3.95	216	0.51	2,060	4.46	50,000
60,000		2,239	3.95	267	0.51	2,506	4.46	60,000

Rate Schedule for Joint Filers

If net income is:

Over	But Not Over	Base Tax(1) Pay	Base Tax(1) Plus	Surcharge Pay	Surcharge Plus	Combined Tax Pay	Combined Tax Plus	Of the Amount Over
$0	$14,400	$0	3.08%	$0	0.00%	$0	3.08%	$0
14,400	21,600	443	3.15	0	0.51	443	3.66	14,400
21,600	27,000	669	3.83	37	0.51	706	4.34	21,600
27,000	45,000	876	3.84	65	0.55	941	4.39	27,000
45,000	90,000	1,567	3.89	164	0.51	1,731	4.40	45,000
90,000	108,000	3,317	3.95	394	0.51	3,711	4.46	90,000
108,000		4,027	3.95	486	0.51	4,513	4.46	108,000

Rate Schedule for Head of Household Filers

If net income is:

Over	But Not Over	Base Tax(1) Pay	Base Tax(1) Plus	Surcharge Pay	Surcharge Plus	Combined Tax Pay	Combined Tax Plus	Of the Amount Over
$0	$7,350	$0	3.08%	$0	0.00%	$0	3.08%	$0
7,350	9,200	226	3.14	0	0.42	226	3.56	7,350
9,200	14,400	284	3.15	8	0.51	292	3.66	9,200
14,400	17,250	447	3.83	35	0.51	482	4.34	14,400
17,250	28,750	556	3.84	50	0.55	606	4.39	17,250
28,750	30,000	998	3.83	113	0.51	1,111	4.34	28,750
30,000	60,000	1,046	3.89	119	0.51	1,165	4.40	30,000
60,000	69,000	2,213	3.95	272	0.51	2,485	4.46	60,000
69,000		2,568	3.95	318	0.51	2,886	4.46	69,000

(1) *Base tax rate includes the base tax and the 14 percent increase on the base tax and on the surcharge.*

1996 RATE SCHEDULE

Rate Schedule for Single Filers
If net income is:

		Base Tax[1]		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of the Amount Over
$0	$8,000	$0	2.96%	$0	0.00%	$0	2.96%	$0
8,000	8,400	237	3.42	0	0.00	237	3.42	8,000
8,400	15,000	251	3.49	0	0.51	251	4.00	8,400
15,000	25,000	482	3.84	33	0.55	515	4.39	15,000
25,000	60,000	866	3.89	88	0.51	954	4.40	25,000
60,000		2,228	3.95	266	0.51	2,494	4.46	60,000

Rate Schedule for Joint Filers
If net income is:

		Base Tax[1]		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of the Amount Over
$0	$14,400	$0	2.96%	$0	0.00%	$0	2.96%	$0
14,400	27,000	427	3.49	0	0.51	427	4.00	14,400
27,000	45,000	867	3.84	64	0.55	931	4.39	27,000
45,000	108,000	1,559	3.89	162	0.51	1,721	4.40	45,000
108,000		4,009	3.95	484	0.51	4,493	4.46	108,000

Rate Schedule for Head of Household Filers
If net income is:

		Base Tax[1]		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of the Amount Over
$0	$7,350	$0	2.96%	$0	0.00%	$0	2.96%	$0
7,350	9,200	218	3.02	0	0.42	218	3.44	7,350
9,200	9,600	275	3.04	7	0.51	282	3.55	9,200
9,600	17,250	287	3.49	9	0.51	296	4.00	9,600
17,250	18,000	554	3.50	48	0.55	602	4.05	17,250
18,000	28,750	580	3.84	52	0.55	632	4.39	18,000
28,750	30,000	993	3.83	111	0.51	1,104	4.34	28,750
30,000	69,000	1,041	3.89	117	0.51	1,158	4.40	30,000
69,000	72,000	2,557	3.89	317	0.51	2,874	4.40	69,000
72,000		2,673	3.95	333	0.51	3,006	4.46	72,000

[1] *Base tax rate includes the base tax and the 14 percent increase on the base tax and on the surcharge.*

1995 RATE SCHEDULE

Rate Schedule for Single Filers
If net income is:

		Base Tax(1)		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of The Amount Over
$0	$8,000	$0	2.57%	$0	0.00%	$0	2.57%	$0
8,000	8,400	205	3.25	0	0.00	205	3.25	8,000
8,400	15,000	218	3.32	0	0.51	218	3.83	8,400
15,000	25,000	438	3.84	33	0.55	471	4.39	15,000
25,000	60,000	822	3.89	88	0.51	910	4.40	25,000
60,000		2,184	3.95	266	0.51	2,450	4.46	60,000

Rate Schedule for Joint Filers
If net income is:

		Base Tax(1)		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of The Amount Over
$0	$14,400	$0	2.57%	$0	0.00%	$0	2.57%	$0
14,400	27,000	369	3.32	0	0.51	369	3.83	14,400
27,000	45,000	788	3.84	64	0.55	852	4.39	27,000
45,000	108,000	1,480	3.89	162	0.51	1,642	4.40	45,000
108,000		3,930	3.95	484	0.51	4,414	4.46	108,000

Rate Schedule for Head of Household Filers
If net income is:

		Base Tax(1)		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of the Amount Over
$0	$7,350	$0	2.57%	$0	0.00%	$0	2.57%	$0
7,350	9,200	189	2.62	0	0.42	189	3.05	7,350
9,200	17,250	238	3.32	7	0.51	245	3.83	9,200
17,250	28,750	505	3.84	48	0.55	553	4.39	17,250
28,750	69,000	947	3.89	111	0.51	1,058	4.40	28,750
69,000		2,512	3.95	317	0.51	2,829	4.46	69,000

(1) *Base tax rate includes the base tax and the 14 percent increase on the base tax and on the surcharge.*

1991-1994 RATE SCHEDULE

Rate Schedule for Single Filers
If net income is:

		Base Tax[1]		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of The Amount Over
$0	$8,000	$0	2.51%	$0	0.00%	$0	2.51%	$0
8,000	9,000	201	3.08	0	0.00	201	3.08	8,000
9,000	15,000	232	3.15	0	0.51	232	3.66	9,000
15,000	25,000	421	3.73	31	0.55	452	4.28	15,000
25,000	60,000	794	3.89	86	0.51	880	4.40	25,000
60,000		2,156	3.95	264	0.51	2,420	4.46	60,000

Rate Schedule for Joint Filers
If net income is:

		Base Tax[1]		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of The Amount Over
$0	$14,400	$0	2.51%	$0	0.00%	$0	2.51%	$0
14,400	15,500	361	3.08	0	0.00	361	3.08	14,400
15,500	27,000	395	3.15	0	0.51	395	3.66	15,500
27,000	45,000	757	3.73	59	0.55	816	4.28	27,000
45,000	108,000	1,428	3.89	158	0.51	1,586	4.40	45,000
108,000		3,879	3.95	479	0.51	4,358	4.46	108,000

Rate Schedule for Head of Household Filers
If net income is:

		Base Tax[1]		Surcharge		Combined Tax		
Over	But Not Over	Pay	Plus	Pay	Plus	Pay	Plus	Of The Amount Over
$0	$7,800	$0	2.51%	$0	0.00%	$0	2.51%	$0
7,800	8,800	196	2.51	0	0.00	196	2.51	7,800
8,800	16,500	221	3.15	0	0.51	221	3.66	8,800
16,500	27,500	464	3.73	39	0.55	503	4.28	16,500
27,500	66,000	873	3.89	100	0.51	973	4.40	27,500
66,000		2,371	3.95	296	0.51	2,667	4.46	66,000

[1] *Base 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 Pay	Base Tax Plus	Surcharge Pay	Surcharge Plus	Combined Tax Pay	Combined Tax Plus	Of The Amount Over
$0	$8,000	$0	2.20%	$0	0.00%	$0	2.20%	$0
8,000	9,000	176	2.70	0	0.00	176	2.70	8,000
9,000	15,000	203	2.70	0	0.51	203	3.21	9,000
15,000	25,000	365	3.20	31	0.55	396	3.75	15,000
25,000	60,000	685	3.35	86	0.51	771	3.86	25,000
60,000		1,858	3.40	264	0.51	2,122	3.91	60,000

Rate Schedule for Joint Filers
If net income is:

Over	But Not Over	Base Tax Pay	Base Tax Plus	Surcharge Pay	Surcharge Plus	Combined Tax Pay	Combined Tax Plus	Of The Amount Over
$0	$14,400	$0	2.20%	$0	0.00%	$0	2.20%	$0
14,400	15,500	317	2.70	0	0.00	317	2.70	14,400
15,500	27,000	347	2.70	0	0.51	347	3.21	15,500
27,000	45,000	657	3.20	59	0.55	716	3.75	27,000
45,000	108,000	1,233	3.35	158	0.51	1,391	3.86	45,000
108,000		3,344	3.40	479	0.51	3,823	3.91	108,000

Rate Schedule for Head of Household Filers
If net income is:

Over	But Not Over	Base Tax Pay	Base Tax Plus	Surcharge Pay	Surcharge Plus	Combined Tax Pay	Combined Tax Plus	Of The Amount Over
$0	$8,800	$0	2.20%	$0	0.00%	$0	2.20%	$0
8,800	16,500	194	2.70	0	0.51	194	3.21	8,800
16,500	27,500	402	3.20	39	0.55	441	3.75	16,500
27,500	66,000	754	3.35	100	0.51	854	3.86	27,500
66,000		2,044	3.40	296	0.51	2,340	3.91	66,000

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	2.20%	$0
8,000	15,000	176	2.70	8,000
15,000	25,000	365	3.20	15,000
25,000	60,000	685	3.35	25,000
60,000		1,858	3.40	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	2.20%	$0
14,400	27,000	317	2.70	14,400
27,000	45,000	657	3.20	27,000
45,000	108,000	1,233	3.35	45,000
108,000		3,344	3.40	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	2.20%	$0
8,800	16,500	194	2.70	8,800
16,500	27,500	402	3.20	16,500
27,500	66,000	754	3.35	27,500
66,000		2,044	3.40	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	1.5%	$0
2,500	9,000	38	2.2	2,500
9,000	15,000	181	2.7	9,000
15,000	25,000	343	3.2	15,000
25,000	60,000	663	3.4	25,000
60,000		1,853	3.5	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	1.5%	$0
4,500	16,200	68	2.2	4,500
16,200	27,000	325	2.7	16,200
27,000	45,000	617	3.2	27,000
45,000	108,000	1,193	3.4	45,000
108,000		3,335	3.5	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	1.5%	$0
2,750	9,900	41	2.2	2,750
9,900	16,500	198	2.7	9,900
16,500	27,500	376	3.2	16,500
27,500	66,000	728	3.4	27,500
66,000		2,037	3.5	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	1.5%	$0
2,500	5,000	38	1.8	2,500
5,000	9,000	83	2.2	5,000
9,000	13,000	171	2.6	9,000
13,000	17,000	275	3.0	13,000
17,000	21,000	395	3.4	17,000
21,000	25,000	531	3.7	21,000
25,000	60,000	679	3.9	25,000
60,000		2,044	4.1	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	1.5%	$0
4,125	8,250	62	1.8	4,125
8,250	14,850	136	2.2	8,250
14,850	21,450	281	2.6	14,850
21,450	28,050	453	3.0	21,450
28,050	34,650	651	3.4	28,050
34,650	41,250	875	3.7	34,650
41,250	99,000	1,119	3.9	41,250
99,000		3,371	4.1	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	1.5%	$0
2,750	5,500	41	1.8	2,750
5,500	9,900	91	2.2	5,500
9,900	14,300	188	2.6	9,900
14,300	18,700	302	3.0	14,300
18,700	23,100	434	3.4	18,700
23,100	27,500	584	3.7	23,100
27,500	66,000	747	3.9	27,500
66,000		2,249	4.1	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	0.9%	$0
1,000	3,000	9	1.4	1,000
3,000	5,000	37	1.8	3,000
5,000	7,000	73	2.0	5,000
7,000	9,000	113	2.3	7,000
9,000	11,000	159	2.5	9,000
11,000	13,000	209	2.7	11,000
13,000	15,000	263	2.9	13,000
15,000	17,000	321	3.1	15,000
17,000	19,000	383	3.3	17,000
19,000	21,000	449	3.5	19,000
21,000	23,000	519	3.8	21,000
23,000	25,000	595	4.0	23,000
25,000		675	4.3	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	0.7%	$0
1,000	3,000	7	1.1	1,000
3,000	6,000	29	1.4	3,000
6,000	10,000	71	1.8	6,000
10,000	15,000	143	2.1	10,000
15,000	20,000	248	2.5	15,000
20,000	25,000	373	2.8	20,000
25,000	30,000	513	3.2	25,000
30,000		673	3.5	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	0.4%	$0
1,000	3,000	4	0.6	1,000
3,000	6,000	16	0.8	3,000
6,000	10,000	40	1.0	6,000
10,000	15,000	80	1.2	10,000
15,000	20,000	140	1.4	15,000
20,000	25,000	210	1.6	20,000
25,000	30,000	290	1.8	25,000
30,000		380	2.0	30,000

APPENDIX II
PERSONAL INCOME TAX

3.
Summary Tables

Table 1.
New York City Resident Personal Income Top Tax Rates[1]

Tax Year	SINGLE FILERS Taxable Income Over	Top Rate	JOINT FILERS Taxable Income Over	Top Rate	HEAD OF HOUSEHOLD FILERS Taxable Income Over	Top Rate
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
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.*

Table 2.
New York City Exemptions, 1966-2008

TAX YEAR	EXEMPTION	
	Taxpayer	Each Dependent
2008	None	$1,000
2007	None	1,000
2006	None	1,000
2005	None	1,000
2004	None	1,000
2003	None	1,000
2002	None	1,000
2001	None	1,000
2000	None	1,000
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
1981	750	750
1980	750	750
1979	700	700
1978	650	650
1977	650	650
1976	650	650
1975	600	600
1974	600	600
1973	600	600
1972	600	600
1971	600	600
1970	600	600
1969	600	600
1968	600	600
1967	600	600
1966	600	600

Table 3.
New York City Standard Deductions, 1966-2008

TAX YEAR		STANDARD DEDUCTION Single Filer	Joint Filer	Head of Household	Dependent Taxpayer
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	1,500	2,000	1,500	None
	and a maximum of	2,500	2,500	2,500	None
1983	17% of AGI subject to a minimum of	1,500	2,000	1,500	None
	and a maximum of	2,500	2,500	2,500	None
1982	17% of AGI subject to a minimum of	1,500	2,000	1,500	None
	and a maximum of	2,500	2,500	2,500	None
1981	17% of AGI subject to a minimum of	1,500	2,000	1,500	None
	and a maximum of	2,500	2,500	2,500	None
1980	16% of AGI subject to a minimum of	1,400	1,900	1,400	None
	and a maximum of	2,400	2,400	2,400	None
1979	16% of AGI subject to a minimum of	1,400	1,900	1,400	None
	and a maximum of	2,400	2,400	2,400	None

Table 3.
New York City Standard Deductions, 1966-2007, continued.

TAX YEAR		STANDARD DEDUCTION Single Filer	Joint Filer	Head of Household	Dependent Taxpayer
1978	16% of AGI subject to a minimum of	1,400	1,900	1,400	None
	and a maximum of	2,400	2,400	2,400	None
1977	15% of AGI subject to a minimum of	1,000	1,500	1,000	None
	and a maximum of	2,000	2,000	2,000	None
1976	15% of AGI subject to a minimum of	1,000	1,500	1,000	None
	and a maximum of	2,000	2,000	2,000	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 Owed[1]

Tax Year	SINGLE FILER	JOINT FILER w/ 2 dependents	HEAD OF HOUSEHOLD w/ 2 dependents
2008	$12,500	$27,000	$17,500
2007	12,500	27,000	17,500
2006	9,668	20,918	14,668
2005	9,668	20,918	14,668
2004	9,668	20,918	14,668
2003	9,668	20,918	14,668
2002	9,668	20,518	14,668
2001	9,882	20,079	14,862
2000	9,007	17,831	14,007
1999	8,796	16,164	13,796
1998	7,501	15,001	12,517
1997	7,501	15,001	12,517
1996	7,905	17,499	14,999
1995	7,184	16,691	14,999
1994	6,598	15,484	14,976
1993	6,598	15,484	14,976
1992	6,598	15,484	14,976
1991	6,598	15,484	14,976
1990	6,682	16,046	14,999
1989	6,023	11,524	9,025
1988	5,034	10,535	8,036
1987	4,534	8,035	7,336
1986	3,506	5,606	5,606
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

Note: [1] *Refers to the NYAGI threshold below which no tax is owed. This occurs as NYAGI reduced by standard deduction 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, and non-senior Middleclass STAR Credit for 2006, 2007 and 2008 and no use of the resident UBT credit, the NYC household credit, or the childcare credit.

Table 5.
NYC Tax Credits: Low Income

For tax years beginning on or after January 1, 2004, NYC residents are allowed a credit against their City's 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).

NYC EARNED INCOME CREDIT:
TAX YEAR 2007 AVERAGE CREDIT ESTIMATE

	Qualifying Children		
Filer Type	**None**	**One**	**More Than One**
Single	$13	$109	$166
Married Joint	14	100	159
Head of Household	12	95	146

MAXIMUM CREDIT AND CUT-OFF

	Earned Income Range for Maximum Credit		Earned Income Cut-off Level		Maximum NYC Credit
Qualifying Children	**Joint Filers**	**All Other**	**Joint Filers**	**All Other**	**All Filers**
None	$5,550 - $9,000	$5,550 - $7,000	$14,600	$12,600	$21
One	8,350 - 17,400	8,350 - 15,400	35,250	33,250	143
More Than One	11,750 - 17,400	11,750 - 15,400	39,784	37,800	236

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.

NYC HOUSEHOLD CREDIT*

Single Filers

If Household Gross Income Is:	1987-95	1996-08
Not over $7,500	$15	$15
Over $7,500 but not over $10,000	10	15
Over $10,500 but not over $12,500	0	10

All Other**

If household gross income is:	1987	1988	1989-95	1996-08
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*

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 for those with household gross income between $25,000 and $30,000.

NYC CHILD CARE CREDIT

NYS AGI	Maximum NYC Credit Tax Year 2007*
Less than $25,000	$1,000
$25,000-$30,000	$750-$150

** Numbers may not add up due to rounding.*

Table 6.
NYC Tax Credits: All Income

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 above 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, resident senior citizen personal income tax filers were eligible for the full STAR credit.

STAR CREDIT

Tax Year		1998	1999	2000	2001-05	2006	2007
Credit	**Filer Type**						
	Joint Filers	$12.00	$35.00	$85.00	$125.00	$230.00	$290.00
	All Other	12.00	39.00	45.00	62.50	115.00	145.00
Rate Cut	All Filers	0.00%	-1.25%	-2.50%	-5.87%	-5.87%	-5.87%

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 with 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.

NYC UNINCORPORATED BUSINESS TAX CREDIT

		Credit as % of UBT Paid	
Taxable Income	**Range**	**1997-07**	**2008**
Not over $42,000	Maximum	65%	100%
$142,000 and above	Minimum	15%	23%

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).

The temporary rate schedule along with the recapture provision expired January 1, 2006, at which time, legislation was passed to re-impose the base rates and the 14 percent additional tax.

TWO ADDITIONAL TAX RATES AND BRACKETS WERE ADDED EFFECTIVE TAX YEARS 2003 THROUGH 2005

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

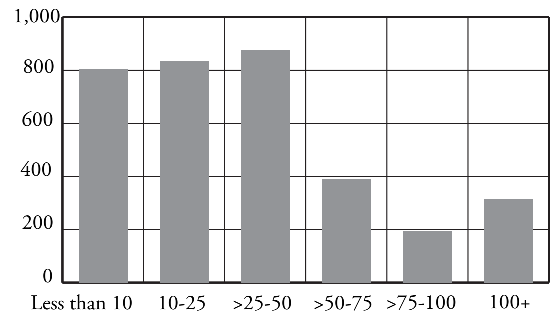
2004 Rate Schedule		Over	But Not Over	Pay	Plus	Of the Amount Over
Single Filers	If net income is:	$100,000	$500,000	$3,530	4.175%	$100,000
		500,000		20,230	4.45	500,000
Joint Filers	If net income is:	150,000	500,000	5,260	4.175	150,000
		500,000		19,873	4.45	500,000
Head of Household Filers	If net income is:	125,000	500,000	4,418	4.175	125,000
		500,000		20,074	4.45	500,000

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

Table 8.
Distribution of Filers and Liability: Tax Year 2005

Number of Filers

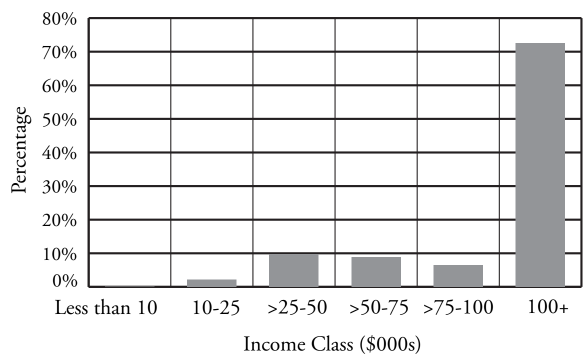
Income Class ($ 000s)	No. of Filers (000s)	% of Total
Less than 10	803	23.5%
Over 10 - 25	834	24.4
Over 25 - 50	877	25.7
Over 50 - 75	391	11.5
Over 75 - 100	193	5.7
100 +	315	9.2
Total*	**3,413**	**100.0**



Share of Liability

Income Class ($ 000s)	Liability Paid ($ MIL)	% of Total
Less than 10	9	0.1%
Over 10 - 25	148	2.1
Over 25 - 50	672	9.7
Over 50 - 75	609	8.8
Over 75 - 100	452	6.5
100 +	5,039	72.8
Total*	**6,929**	**100.0**

** Totals may not add due to rounding*



APPENDIX II
PERSONAL INCOME TAX

4.
New York City
Withholding Table Changes
1980–2008

New York City Withholding Table Changes 1980–2008

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:

<table>
<tr><th>Effective Date</th><th>Change</th><th>Description</th></tr>
<tr><td>1/1/06</td><td>Rate Schedule</td><td>Rates decreased:
Top rate decreased to 4 percent from 4.8 percent</td></tr>
<tr><td colspan="3">The January 1, 2006 withholding table change reflects the expiration of the temporary personal income tax increase for 2003 through 2005.</td></tr>
<tr><td>1/1/05</td><td>Rate Schedule</td><td>Rates decreased:
Second top rate decreased to 4.4 percent from 4.53 percent</td></tr>
<tr><td colspan="3">The January 1, 2005 withholding table change reflects the reduction in the second top rate for 2005.</td></tr>
<tr><td>1/1/04</td><td>Rate Schedule</td><td>Rates decreased:
Top rate decreased to 4.80% from 5.6 percent</td></tr>
<tr><td colspan="3">The January 1, 2004 withholding table reflects the addition of two upper income brackets and rates for 2004.</td></tr>
<tr><td>7/1/03</td><td>Rate Schedule</td><td>Rates increased:
Top rate increased to 5.6 percentfrom 4.0 percent.</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td>6/1/02</td><td>Rate Schedule</td><td>Rates increased:
Top rate increased to 4. percent percent from 3.9 percent</td></tr>
<tr><td colspan="3">The June 1, 2002 withholding table change reflects the re-institution of the full 14 percent additional tax.</td></tr>
<tr><td>10/1/01</td><td>Rate Schedule</td><td>Rates decreased:
Top rate reduced to 3.9 percent from 4. percent</td></tr>
<tr><td colspan="3">The October 1, 2001 withholding table change reflects the second reduction of the 14 percent additional tax.</td></tr>
<tr><td>1/1/01</td><td>Rate Schedule</td><td>Rates decreased:
Top rate reduced to 4 percent from 4.15 percent</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td>1/1/00</td><td>Nonresident (Out-of-State)
Rate Schedule</td><td>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</td></tr>
<tr><td>7/1/99</td><td>Rate Schedule</td><td>Rates decreased:
Top rate reduced to 4.15 percent from 4.25 percent</td></tr>
<tr><td colspan="3">The July 1, 1999 withholding table change reflects the first rate reduction due to the implementation of the STAR program.</td></tr>
<tr><td>1/1/99</td><td>Rate Schedule</td><td>Rates decreased:
Top rate reduced to 4.25 percent from 4.68 percent</td></tr>
<tr><td colspan="3">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.</td></tr>
<tr><td>10/1/91</td><td>Rate Schedule</td><td>Rates increased:
Top rate increased to 4.68 percent from 4.25 percent</td></tr>
<tr><td colspan="3">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.</td></tr>
</table>

Effective Date	Change	Description
10/1/90	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
10/1/89	Rate Schedule	Rates decreased; Top rate reduced to 3.9 percent from 4 percent
10/1/88	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.

Effective Date	Change	Description
10/1/87	Standard Deduction	Increased to $4,300 for single taxpayers and to $5,300 for married taxpayers
	Exemption	Increased to $1,000 from $900
	Rate Schedule	Rates decreased; Top rate reduced to 4.2 percent from 4.3v
4/1/87	Standard Deduction	Increased to $2,500 for all taxpayers
	Exemption	Increased to $900 from $850
4/1/86	Standard Deduction	Increased to $2,050 for all taxpayers
7/1/85	Standard Deduction	Increased to $1,850 for all taxpayers
	Exemption	Increased to $850 from $800
1/1/85	Rate Schedule	Surcharge removed
1/1/84	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
10/1/82	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
10/1/81	Standard Deduction	17 percent of gross wages with a minimum of $750 and a maximum of $1,750
	Exemption	Increased to $800 from $750
4/1/80	Exemption	Increased to $750 from $700

APPENDIX II
PERSONAL INCOME TAX

5.
Legislative History

Personal Income Tax: Legislative History

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 are under $25,000, the applicable percentage is 75 percent of eligible expenses. This percentage declines for taxpayers whose household gross income are between the range of $25,000 and $30,000.

City personal income tax credit for unincorporated business tax payments allows resident taxpayers to claim a credit against their City personal income tax for a percentage of the unincorporated business taxes paid by businesses they carry on as sole proprietors or by partnerships in which they are partners. Beginning January 1, 2007, the percentage of this credit has been raised to 100 percent from 65 percent for resident taxpayers whose NYS AGI are $42,000 or below. For taxpayers whose income equals to or greater than $142,000, the percentage of credit is increased to 23 percent from 15 percent. And those whose income are in 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 no more than $250,000 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. Beginning in tax year 2010, the $250,000 threshold is indexed for inflation.

Beginning in 2007, an S corporation for Federal income tax purpose that has not made the election to be a New York S corporation will be deemed a New York S corporation given 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 deduction to the same extent as for State personal income tax purposes. This rule, however, is not applicable to 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.

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 thirty-two 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 adjusted gross income 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 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 over-payment.

2003 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. 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 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 taxpayers with AGI 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 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.

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 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. As part of the Adopted Budget for 2002 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 imp-lemented 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.

As part of NYS's 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.

The State also enacted a college tuition benefit granted either through a refundable credit, (which does not affect the City return) or itemized deduction, (which does) for college tuition expenses paid by taxpayers on behalf of the taxpayer, the taxpayer's spouse, or dependents who enroll or attend a qualified institution of higher learning. The credit and deduction are available only for undergraduate study. The allowable itemized deduction is limited to $10,000 of tuition expenses and is phased in over four years. For 2001, 25 percent of the tuition expense is deductible, reaching 100 percent of the tuition expense in 2004.

In addition, as a result of the September 11, 2001 terrorist attack, the filing deadline for the quarterly estimated tax payment due September 11, 2001, was extended to December 10, 2001. Additionally, allowance was made for late filing of payroll withholding until December 10, 2001.

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 upon decision by the courts. 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 nonresident 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).

1998 As part of NYS'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 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 reimburses 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 again 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's 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 change, 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 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's 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 1998 and expired at the end of that tax year.

1987 Effective 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 is allowed equals a fixed amount per federal exemption based on household gross income level. 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 taxpayers with household of income of $7,500 or under, $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 "NYC Tax Credit: Low Income" for the breakdown of the credit for all other filing type.

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 taxpayers and reduce income taxes 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 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 City 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 five 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.

1966 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.

Withholding Tables Changes

Withholding tables are adjusted to reflect changes made to tax rates, standard deductions or the dependent exemption.

Currently there are six withholding table brackets. The withholding table rate ranges from 1.9 percent to four percent for tax year 2006. A history of withholding table changes is provided below:

2006 Effective January 1, 2006, withholding tables changed to reflect the phase-out of the temporary tax increase rates and brackets. The change re-imposed the withholding tables in effect from June 1, 2002 through June 30, 2003.

2005 Effective January 1, 2005, withholding tables were changed to reflect the reduction in the personal income tax rate for the second highest income bracket for tax year 2005.

2004 Effective January 1, 2004, withholding tables were changed to reflect the full-year impact of the new brackets and rates for tax year 2004.

2003 Effective July 1, 2003, the withholding table changes reflected the enactment of the two higher income brackets and rates for tax year 2003. In order to capture the full year liability change in six months of withholding, the increase was doubled for half of tax year 2003.

2002 On June 1, 2002, the withholding tables were changed to reflect the full imposition of the 14 percent additional tax.

2001 In response to the second reduction of the 14 percent additional tax effective for tax year 2001, the withholding tables were changed effective October 1, 2001.

2000 Effective January 1, 2000, the City nonresident withholding tables were changed to reflect the expiration of the higher nonresident tax rates prior to a court decision repealing the selectively applied out-of-state nonresident earnings tax. Effective January 1, 2001, the withholding tables were changed to reflect the first reduction of the 14 percent additional tax and the last installment of the STAR program rate cut.

1999 Withholding tables were changed in January 1999 to reflect the expiration of the 12.5 percent surcharge and again in July 1999 to reflect a reduction in rates due to implementation of the STAR program.

1991 Withholding tables were changed in October 1991 to reflect the implem-entation of the 14 percent additional tax.

1990 Withholding tables were changed in October 1990 to implement the temporary 12.5 percent surcharge.

1987 To implement the NYC Tax Reduction Act of 1987, withholding tables were adjusted in October 1987, October 1988 and October 1989.

(A history of withholding table changes since 1980 is detailed in Appendix II: PIT NYC Withholding Table Changes 1980-2008).

APPENDIX III
SALES TAX

Table of Contents

APPENDIX III
SALES TAX

1.
Summary Tables

Table 1.
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	75%	February 1-28	Monthly Non-EFT
	100%	February 23-28	Monthly EFT
	75%	December 1-February 28	Quarterly Non-EFT
	100%	March 1-22	Monthly EFT
April 12	25%	February 1-28	Monthly Non-EFT
	25%	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 2.
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 1st two months available and applies historical trends to determine collections for the 3rd month of the collection quarter.

($ in Millions)

	Total Pool Quarterly	Qtr/Qtr Growth	Yr/Yr Growth	NYC Quarterly	Qtr/Qtr Growth	Yr/Yr Growth	Quarterly NYC % of Total Pool
FY02							
Q1	$4,165,917	-1.6%	-6.2%	$883,067	0.6%	-2.9%	21.2%
Q2	4,356,390	4.6%	-1.7%	812,811	-8.0%	-14.2%	18.7%
Q3	4,305,414	-1.2%	-0.6%	842,440	3.6%	-11.7%	19.6%
Q4	4,213,919	-2.1%	-0.5%	843,334	0.1%	-3.9%	20.0%
TOTAL	**$17,041,640**		**-2.3%**	**$3,381,652**		**-8.3%**	**19.8%**
FY03							
Q1	$4,673,874	10.9%	12.2%	$893,942	6.0%	1.2%	19.1%
Q2	4,411,053	-5.6%	1.3%	887,479	-0.7%	9.2%	20.1%
Q3	4,352,567	-1.3%	1.1%	896,742	1.0%	6.4%	20.6%
Q4	4,503,425	3.5%	6.9%	893,873	-0.3%	6.0%	19.8%
TOTAL	**$17,940,919**		**5.3%**	**$3,572,037**		**5.6%**	**19.9%**
FY04							
Q1	$5,056,900	12.3%	8.2%	$945,772	5.8%	5.8%	18.7%
Q2	5,082,959	0.5%	15.2%	1,008,523	6.6%	13.6%	19.8%
Q3	4,926,987	-3.1%	13.2%	1,014,664	0.6%	13.2%	20.6%
Q4	5,301,486	7.6%	17.7%	1,063,431	4.8%	19.0%	20.1%
TOTAL	**$20,368,332**		**13.5%**	**$4,032,390**		**12.9%**	**19.8%**
FY05							
Q1	$5,423,314	2.3%	7.2%	$1,056,580	-0.6%	11.7%	19.5%
Q2	5,229,779	-3.6%	2.9%	1,075,043	1.7%	6.6%	20.6%
Q3	5,258,581	0.6%	6.7%	1,123,740	4.5%	10.7%	21.4%
Q4	5,578,896	6.1%	5.2%	1,136,881	1.2%	6.9%	20.4%
TOTAL	**$21,490,571**		**5.5%**	**$4,392,244**		**8.9%**	**20.4%**
FY06							
Q1	$5,710,497	2.4%	5.3%	$1,103,966	-2.0%	4.5%	19.3%
Q2	5,501,977	-3.7%	5.2%	1,106.204	0.2%	2.9%	20.1%
Q3	5,471,450	-0.6%	4.0%	1,129,255	2.1%	0.5%	20.6%
Q4	5,434,527	-0.7%	-2.6%	1,088,686	3.6%	-4.2%	20.0%
TOTAL	**$22,118,451**		**2.9%**	**$4,428,111**		**0.8%**	**20.0%**
FY07							
Q1	$5,581,941	2.7%	-2.3%	$1,107,470	1.7%	0.3%	19.8%
Q2	5,683,079	1.8%	3.3%	1,181.698	6.7%	6.8%	20.8%
Q3	5,389,911	-5.2%	-1.5%	1,138,577	-3.6%	0.8%	21.1%
Q4	5,745,267	6.6%	5.7%	1,209,769	6.3%	11.0%	21.1%
TOTAL	**$22,400,198**		**1.3%**	**$4,637,514**		**4.7%**	**20.7%**

Table 3.
Sales Tax Rates and Exemptions

Sales Tax Rates

	Through 5/31/03	After 5/31/03	After 5/31/05
New York City	4.000%	4.125%	4.000%
New York State	4.000%	4.250%	4.000%
MCTD*	0.250%	0.250%	0.375%
Total	**8.250%**	**8.625%**	**8.375%**

** Metropolitan Commuter Transportation District*

History of Sales Tax Exemptions on Clothing and Footwear[1]

	State Tax	City	MCTD Tax
Pre - March 1, 2000	4.000%	4.000%	0.250%
March 1, 2000 - May 31, 2003	Exempt	Exempt	Exempt
June 1, 2003 - May 31, 2005[2]	4.250%	4.125%	0.250%
June 1, 2005 - August 31, 2005	4.000%	4.000%	0.375%
September 1, 2005 - March 31, 2006	4.000%	Exempt	0.375%
April 1, 2006	Exempt	Exempt	Exempt
September 1, 2007[3]	4.000%/Exempt	Exempt	0.375%/Exempt

These rates do not include various sales tax free weeks since 1996.
[1] Sales tax exemptions are for clothing and footwear purchases under $110.
[2] The City's additional 0.125 percent tax did not take effect until June 4, 2003.
[3] Effective September 1, 2007, sales of clothing and footwear costing $110 and above are exempt from the City sales tax. NYS, NYC, and MCTD exemptions for sales under $110 are still in effect.

Manhattan Parking Tax Rates

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

Table 4.
History of Taxes on Hotel Occupancy

Effective: Sept 1, 1990	
NYC Hotel Tax	6.00%
NYS Hotel Tax	5.00%
NYC Sales Tax	4.00%
NYS Sales Tax	4.00%
MCTD	0.25%
Flat fee for rooms over $40	$2.00
Total	**19.25%**

Effective: December 1, 1994	
NYC Hotel Tax	5.00%
NYC Sales Tax	4.00%
NYS Sales Tax	4.00%
MCTD	0.25%
Flat fee for rooms over $40	$2.00
Total	**13.25%**

Effective: June 1, 2003	
NYC Hotel Tax	5.000%
NYC Sales Tax	4.125%
NYS Sales Tax	4.250%
MCTD	0.250%
Flat fee for rooms over $40	$2.00
Total	**13.625%**

Effective: June 1, 2005	
NYC Hotel Tax	5.000%
NYC Sales Tax	4.000%
NYS Sales Tax	4.000%
MCTD	0.375%
Flat fee for rooms over $40	$2.00
Key Tax	$1.50
Total	**13.375%**

APPENDIX III
SALES TAX

2.
Legislative History

Sales Tax: Legislative History

2008 Effective June 1, 2008, retailers from Internet websites such as Amazon.com that do not have a physical presence in New York State but utilize vendors who reside in the State must collect sales tax on purchases made from within the State.

On July 1, 2008 or the last day of the month all remaining notes and bonds are paid, the four percent NYC sales tax imposed by NYS tax law section 1107 and appropriated by the State will expire. Effective August 1, 2008, the City imposition of the sales tax returns at the rate of four percent authorized by the subdivision (a) of section 1210 of the tax law.

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.

Current tax law provides for an upfront exemption of taxes for government entities on fuel purchases. However, fuel retailers cannot "back out" the taxes at the time of sale. The exemption appears on the credit card bill after the purchase. To ease the processing of the exemption, this technical correction to the tax law 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. Effective September 1, 2008. (Refer to Chapter 102 of the Laws of 2008).

2007 Effective September 1, 2007, clothing & footwear purchases costing $110 and above are exempt from the City sales tax permanently. The State and MCTD taxes will remain at four percent and 0.375 percent respectively. The clothing & footwear exemptions for purchases under $110 will remain intact with the City reimbursing the MCTD half of the revenue from the 0.375 percent MCTD tax, while the State reimburses the other half.

2006 Effective April 1, 2006 clothing & footwear purchases under $110 are exempt permanently from City, State and MCTD sales taxes. The City will reimburse to the MCTD half of the revenue from the 0.375 percent MCTD tax, while the State reimburses the other half.

Effective January 1, 2007, certain new rules will apply concerning when an up-front payment of sales tax can be recovered by a vendor or lender where an account subsequently becomes worthless and is charged off for income tax purposes. For purposes of these rules, a “lender” is the holder of private label credit card accounts purchased directly from a vendor.

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 exempted 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 separately stated, 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 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. Ten detailed rules are prescribed concerning the duties and responsibilities of such agents with regard to collection of the sales tax.

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 exempted from state and local sales taxes. The alternative motor vehicle fuel designated B20 is partially exempted from state and local sales taxes; during the above period B20 is subject to a 20 percent sales tax reduction.

Effective September 1, 2006, 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 are exempted from State and local sales taxes.

The City has been authorized to adopt local legislation to exempt from the City sales tax, or reduce the rate of the tax on, those 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.

Legislation increases the vendor credit by changing the calculation of the vendor credit from 1.5 percent of the quarterly State sales tax capped at a maximum credit of $150 per quarter to five percent of the quarterly State and local sales and use taxes with the maximum vendor credit capped at $200 per quarter. This increase is phased in over two years.

Beginning on 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.

2005 Effective September 1, 2005, legislation signed into law July 19, 2005 reinstated the City exemption for clothing and footwear purchases under $110.

Legislation signed into law April 13, 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 though the following Sunday. The bill also provides that, if the SFY 2006-07 Executive Budget does not propose a new reduction in any tax, then the suspension of the year-round exemption for clothing and footwear priced under $110 is extended through March 31, 2007 (including two tax-free weeks).

Effective June 1, 2005, the MCTD tax rate is increased by 0.125 percent, from 0.25 percent to 0.375 percent. Additionally, the State and City tax rate decreased to four percent, from 4.25 percent and 4.15 percent, respectively. Furthermore, the City's sales tax on parking, garaging or storing motor vehicle is restored to six percent, from 6.125 percent.

2004 The repeal of the clothing and footwear exemption was extended several times: through June 30th; July 31st; and 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.

Effective December 1, 2004, 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 that is being serviced is exempt from State and local sales taxes.

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 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 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 tax on 75 percent of the admission charge (expired March 30, 2005).

The existing sales tax exemption for the incremental cost of purchasing a hybrid or alternative fuel vehicle has been extended until February 28, 2005 and the exemption amount is fixed at $3,000 (see 1992).

2003 The City raised its tax rate to 4.125 percent during the period from June 4, 2003 through May 31, 2005. The higher rate was effective as of September 1, 2003 for the special City sales taxes 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 rate will revert to four percent on June 1, 2005. (The State rate also increased from four 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 will be 8.625 percent through May 31, 2005).

Sales tax rate of 6.125 percent, effective September 1, 2003 through May 31, 2005, is applied to receipts from parking, garaging or storing motor vehicles in the City.

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 have 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.

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).

An existing sales tax exemption for coin-operated motor vehicle vacuuming equipment located in car washes has been expanded to cover such equipment located at facilities other than car washes.

2002 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.

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.

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 September 1, 2000, a 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 date: 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 MAC tax base.

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 exempted from City tax, reducing the City's MAC tax base and bringing City tax law into conformity with the State.

Effective September 1, 2000, machinery, equipment, and certain other specified tangible personal property used by an operator of an Internet data center that sells Internet web site services, as well as, services to the exempted property, and certain other services used in the Internet data center, are exempt from the State's tax base and, consequently, the City's MAC tax base.

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 MAC tax base (cable TV exemption expired September 1, 2003).

Effective September 1, 2000, 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 are exempt from the State's tax base and consequently, the City's MAC tax base.

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 December 1, 2000, 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, are exempted from the State's tax base and the City's MAC tax base.

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.

Effective March 1, 2001, manufacturing and industrial pollution control, prevention, and abatement equip-ment and machinery are exempt from the State's tax base and consequently, the City's MAC tax base.

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 MAC tax base.

Effective March 1, 2001, the 1965 sales tax exemption on motor vehicle purchases by out-of-state residents is extended to purchases of vessels and trailers sold for use with the vessel, reducing State's tax base and consequently, the City's MAC 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 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 MAC tax base. Additionally, commercial horse boarding operations rec-eive the same exemptions as farms.

1999 The State and City repealed their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7, 1999 and January 15-21, 2000, reducing the State's tax base and, consequently, the City's MACtax base. 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.

Effective December 1, 1999, the exemption for hot drinks and certain food items sold from vending machines is extended to include vending machines that accept credit or debit cards.

Effective March 1, 2001, the exemption for computer system hardware used in designing and developing computer software is extended to include computer and system and hardware used in designing and developing Internet websites.

Effective March 1, 2001, 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 services are exempt from the State's tax base and the City's MAC tax base.

Effective March 1, 2001, tangible personal property sold to a contractor, subcontractor or repair person for use directly and predominately in the production phase of farming is exempt from the State's tax base and, consequently, the City's MAC tax base.

Effective March 1, 2001, the base 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.

The sales tax special recordkeeping and on-site inspection requirements for Manhattan parking garages is extended until November 30, 2004. These special requirements were originally enacted in 1992 to improve sales tax compliance.

1998 The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 17-24, 1999, reducing the State's tax base and, consequently, the City's MAC 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 MAC 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 MAC tax base.

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 MAC 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 MAC tax base.

Effective September 14, 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, are exempted from the six percent City sales tax and the eight percent Manhattan parking tax. 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.

1997 The State and City repealed their taxes on clothing purchases under $100, excluding footwear, during the week of September 1-7, 1997, and repealed their taxes on clothing and footwear purchases under $500 during the weeks of September 1-7 and January 17-23, 1998, reducing the State's tax base, and consequently, the City's MAC tax base.

The State permanently repealed its four 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 (effective date: December 1, 1999).

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 MAC tax base.

Effective December 1, 1997, bus purchases and repairs, coin-operated car washes, coin-operated bulk vending machines and photocopying machines at 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 MAC 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 MAC 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 MAC tax base (expired February 29, 2004).

1996 Effective September 1, 1996, the retail sale of shopping papers to the publishers and related printing services are exempted from State and City's MAC sales tax base.

The State and City repealed their taxes on clothing and footwear purchases under $500 during the week of January 18-24, 1997, reducing the State's tax base and, consequently, the City's MAC tax base.

Effective March 1, 1997, printed promotional materials delivered through the mail and associated shipping services are exempted from State and City taxes, reducing the State's tax base and, consequently, the City's MAC tax base.

Effective December 1, 1996, vehicles leased by Manhattan residents are exempted from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base.

Effective December 1, 1996, parking charges paid to municipally-owned and operated parking facilities are exempted from State and City sales taxes, other than the eight percent Manhattan parking surcharge.

Effective September 1, 1996, certain parts, tools, supplies and services used or consumed in production processes, including film production, are exempted from the City tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State. This law was amended October 1,1997 to include live theatrical performances.

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 tax, reducing the City's MAC tax base, and bringing City tax law into conformity with the State (effective date: September 1, 1996).

1995 Effective September 1, 1995, the State requires cigarette stamping agents to prepay State and local sales taxes (at a even percent blended rate) on sales of cigarettes distributed to licensed wholesalers, chain stores and retailers.

Effective December 1, 1995, interior decorating and design services are exempted from the City tax, reducing the City's non-MAC tax base.

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 exempted from the State's tax base and the City's MAC tax base. This exemption, set to expire five years after the effective date of September 1, 1992, was subsequently extended through February 29, 2004 and again through February 28, 2005. The exemption amount is fixed at $3,000 effective March 1, 2004.

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's tax base and the City's MAC 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 MAC tax base.

Effective June 1, 1990, protective and detective services, and interior decorating, contract cleaning and maintenance services, previously taxed exclusively by the City, are added to the State's tax base.

Effective June 1, 1990, the State and City sales taxes due on automobile and boat leases of 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.

The implementation of the Competitive Business Energy Costs Program (CBECP) is delayed indefinitely.

1989 Effective December 1, 1989, interior decorating, contract cleaning and maintenance services are added to the City's non-MAC tax base.

Effective June 1, 1989, service charges on floor covering installations are added to the State's tax base and the City's MAC tax base.

Effective September 1, 1989, the State enhances 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 instate firms.

Effective June 1, 1989, excise taxes on cigarettes and tobacco products (effective date: July 1, 1989) are included in the calculation of the sales tax, and are added to the State's tax base and the City's MAC tax base.

Effective December 1, 1989, the City's credit for sales tax paid on machinery and equipment used in the production of tangible personal property is changed to an exemption, reducing the City's MAC tax base.

1988 Implementation of the CBECP is delayed until July 1, 1990, when it is due to resume on the original schedule (i.e. 75 percent).

1987 Effective July 1, 1988, sales tax on sales of energy to commercial or industrial users under the CBECP is exempted in annual increments of 25 percent per year, reducing the City's MAC tax base.

1985 Effective September 1, 1985, Manhattan residents are exempted from the eight percent parking and garaging surcharge, reducing the City's non-MAC tax base.

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.

1980 Effective September 1, 1980, an eight percent tax surcharge on motor vehicle parking and garaging services is imposed in the borough of Manhattan and is added to the City's non-MAC tax base, bringing the total City, State and MTA sales tax on parking in Manhattan to 18.25 percent.

1977 Effective date: 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 MAC tax base.

1976 Effective March 1, 1976, barber and beauty shops and health and weight control salons are added to the City's non-MAC tax base.

1975 Effective July 1, 1975, a four percent Municipal Assistance sales and use tax is levied in lieu of the City's sales tax. The revenue from this tax is pledged to the Municipal Assistance Corporation (MAC) to meet the interest payments on bonds 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 three percent unless the City's authority to impose an additional one percent sales tax is renewed.

Effective March 1, 1976, protective and detective services and credit reporting and collection services are added to the City's non-MAC tax base.

1974 Effective July 1, 1974, the City raises its tax rate to four percent

1971 The State raises its tax rate to four percent.

1970 Effective September 1, 1970, the City imposes a six percent tax on motor vehicle parking and garaging services.

1969 The State raises its tax rate to three percent.

1965 Effective August 1, 1965, New York State introduces its own two percent sales tax and begins to collect, administer, and enforce the sales tax for all localities. New York City lowers its own tax rate to three percent. Sales tax on any motor vehicle purchased by an out-of-state resident is repealed.

1963 The basic rate is increased to four percent and the five percent rate on restaurant meals is extended to include catering services.

1959 The tax rate is increased to three percent for most sales and to five percent for restaurant meals and drinks costing one dollar or more.

1934 New York City imposes a two percent tax on the sales and use of tangible personal property and services.

APPENDIX IV
GENERAL CORPORATION TAX

Table of Contents

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 2004, 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, 32.9 percent and 21 percent, respectively.

GCT Industrial Mix – Number of Firms
(1987 – 1997)

	Finance		Real Estate		Manufacturing		Services		Trade		Other		Total	
Year	# 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 – 2004)

	Finance		Real Estate		Manufacturing		Prof/Tech/Mgmt		Other Services		Information		Trade		Other		Total*	
Year	# 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%	47,548	17.8%	267,682	100%

** Total 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 2004. In 2004, 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 4.3 percent of total taxpayers, they pay 19.9 percent of total general corporation tax liability.

GCT Industrial Mix – Liability
(1987 – 1997)

	Finance		Real Estate		Manufacturing		Services		Trade		Other		Total	
Year	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	Liability	% Share	# of Firms	% 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 – 2004)

	Finance		Real Estate		Manufacturing		Prof/Tech/Mgmt		Other Services		Information		Trade		Other		Total*	
Year	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%

** Total may not add up due to rounding.*

Table 3.
S Corporations, Pass-Through Entities on a Federal and State Level, Have Increased 76 Percent Since 1990 While C Corporations Have Increased Only Seven Percent.

The number of S Corporations, which are pass-through entities on a Federal and State level, has increased 76 percent since 1990, while the number of C Corporations has increased only seven 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 Corporation 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%**	**$971,997**	**100.0%**

Source: NYC Department of Finance, Office of Tax Policy

Distribution by State S Corporation Status (Tax Year 2004)
($ in Thousands)

	Number	% of Total Taxpayers	Liability	% of Total Liability
State S Corporation	124,837	46.6%	$794,696	41.4%
State C Corporation	142,845	53.4%	1,122,853	58.6%
Total	**267,682**	**100%**	**$1,917,548***	**100.0%**

Source: NYC Department of Finance, Office of Tax Policy
** Total 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 2004. The majority of taxpayers (84.2 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, which allocate their income according to a three factor formula (property, receipts, and payroll), pay 59.0 percent of total liability.

Distribution by Allocation Status (Tax Year 2004)
($ in Thousands)

	Number	% of Total Taxpayers	Liability	% of Total Liability*
Multi-Jurisdictional	29,885	11.2%	$1,132,118	59.0%
100% NYC	225,429	84.2%	721,937	37.6%
Not Available	12,368	4.6%	63,473	3.3%
Total	**267,682**	**100%**	**$1,917,528**	**100.0%**

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

Table 5.
Distribution of Filers and Liability

Table 5 depicts the distribution of taxpayers by liability range in tax year 2004, the most recent data available from the Department of Finance. In 2004, 0.1 percent of general corporation tax filers (those with liability greater than $1,000,000) paid 38.2 percent of the total liability.

Distribution of Filers and Liability (Tax Year 2004)
($ in Thousands)

Liability per Taxpayer	Number	% of Total Taxpayers	Liability	% of Total Liability	Average Tax Per Filer*
$50,000 and Under	263,602	98.4%	$545,990	28.5%	$2,071
Over $50,000 - $500,000	3,669	1.4%	485,513	25.3%	132,328
Over $500,000 - $1,000,000	227	0.1%	152,908	8.0%	673,604
Over $1,000,000	184	0.1%	733,137	38.2%	3,984,440
Total*	**267,682**	**100.0%**	**$1,917,548**	**100.0%**	**$7,164**

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

APPENDIX IV
GENERAL CORPORATION TAX

2.
Tax Exemptions and Credits

TAX EXEMPTIONS 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:

Energy Used in Manufacturing

(Administrative Code of the City of New York § 11-503(g), 11-604.15) Purchases of fuel, gas, electricity, refrigeration or steam used in the production of tangible personal property for sale by manufacturing, processing or assembling are exempt from the City sales tax, effective November 1, 2000. The purchases are exempt from the State sales tax but were taxable by the City prior to November 1, 2000. Firms could claim a credit equal to the amount of City sales and use tax paid.

Parts and Tools Exemption (Production-Related Machinery, Equipment, Parts, Tools, Supplies and Services)

(NYS Tax Law § 1105-B, 1115(a)(12)) The purchase of the services of installing, repairing, maintaining or servicing machinery and equipment used in the production of tangible personal property (or gas, electricity, refrigeration, steam) for sale has been exempt from the City sales tax effective September 1, 1996. These purchases are exempt from the State sales tax but were taxable by the City prior to September 1, 1996. Firms could claim a credit equal to the amount of City sales and use tax paid.

Relocation and Employment Assistance Program (REAP)

(Administrative Code. § 11-503(i), 11-604.17, 11-643.7, 11-1105.2, 22-621, 22-622) The Relocation and Employment Assistance Program (REAP) was established in 1987 to encourage firms with a regular business location south of 96th Street in Manhattan to expand or relocate their business anywhere else in the City. The program originally provided a credit of $500 per relocated employee for a period of 12 years. The credit amount was subsequently increased to $1,000 in 1995 and could be carried forward for five years. As of July 1, 2000 the credit amount was raised to $3,000 and was refundable for the year of reallocation and the succeeding four years. Businesses engaged in retail activity or hotel services cannot receive the REAP credit.

Under a 2004 statutory amendment, firms may claim a $3,000 per relocated employee credit if they relocate to qualifying areas in Lower Manhattan (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. 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 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. 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 reduce the number of employees eligible for the credit.

In 2006, the Lower Manhattan REAP was amended so that businesses that had employees working in Manhattan between January 1, 2002 and the business' lease or contract to purchase date receive the $3,000 per employee relocation credit. For this amendment, businesses have to relocate all or part of their business operations to Lower Manhattan on or after June 30, 2005, make improvements of at least 50 percent of the property's assessed value or $25 per square foot to the space, and sign a three-year lease. Existing, non-New York City employees relocated to the Lower Manhattan location are eligible for the REAP credit. Additionally, in order to receive the credit, the number of relocated employees must be equal to or greater than the lesser of (1) 25 percent of the business's pre-relocation NYC employee base or (2) 250 employees. 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 sunsets for new applicants on July 1, 2008. The pre-existing program, which had technically expired on July 1, 2003, has been reinstated retroactive to that date and has also been 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 timetable applies to eligible premises that receives 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 20, 2013.

On June 30, 2008, legislation signed into law extends the general deadline for obtaining a certificate of eligibility for the REAP credit from July 1, 2008 to July 1, 2013.

Employment Opportunity Relocation Costs Credit (EORC)

(Administrative Code. § 11-503(f), 11-604.14) The Employment Relocation 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-15), 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.

Real Estate Tax Escalation Credit (RETE)

(Administrative Code§ 11-503(e), 11-604.13) 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.

Energy Cost Savings Program (ECSP)

(Administrative § 11-503(h), 11-604.16, 11-643.5(c), 11-704.1, 11-1105.1 and Chapter 6 of Title 22) 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 (firms purchasing electricity or gas from a vendor or a utility not under the PSC direction received the benefit directly from the utility company).

Effective November 1, 2000, ECSP was extended and restructured. The credit mechanism was repealed and all benefits are through the utility vendor. 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. The new law was set to sunset June 30, 2005 but was extended to July 1, 2007.

Nested Credit (Personal Income Tax Credit for Unincorporated Business Tax Payments)

(NYS Tax Law § 1310(e)) 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.

Film Production Credit

(Administrative Code. §11-604.20) For tax years beginning on or after January 1, 2005, film and television companies may claim a 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 credits to be allocated per calendar year was originally $12.5 million; if the total amount of allocated credits applied for 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. 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. The tax credit was also extended through December 31, 2011. The total amount of credits to be allocated 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.

Industrial Business Zone (IBZ) Relocation Tax Credit

(Administrative Code. § 11-503(n), 11-526, 22-626) 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 the 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.

APPENDIX IV
GENERAL CORPORATION TAX

3.
Legislative History

General Corporation Tax: Legislative History

2008 Legislation signed into law in June 2008 to the general applicable deadline for obtaining a certification of eligibility to the Relocation and Employment Assistance Program (REAP) from the current date of July 1, 2008 to July 1, 2013. For details please refer the Tax Exemptions and Credits of this appendix.

2007 General corporation tax is calculated in four different ways and the amount due is 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: tax years beginning in 2007-26.25 percent; tax years beginning in 2008-22.5 percent; tax years beginning in 2009-18.75 percent; and tax years beginning after 2009-15 percent.

In order to simplify tax filing for small business, on tax years beginning in 2007 and thereafter, the alternative income-plus-stockholder-compensation tax base and the capital tax base under the general corporation tax will be exempted to taxpayers with the following criteria: federal gross income of less than $250,000, business allocation percentage of 100 percent, and no investment or subsidiary capital. Such a taxpayer (other than a New York State S corporation) may also elect to use as its City entire net income the New York State entire net income determined under Article 9-A of the Tax Law (as modified by adding back any State deduction claimed for general corporation tax paid).

Applicants for City business tax credits under the relocation and employment assistance program (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 the Tax Exemptions 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 the Tax Exemptions 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 the Tax Exemptions and Credits of this appendix.

2004 Enacted as law in 2004, the City's Relocation and Employment Assistance Program (REAP) provides 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. For details please refer the Tax Exemptions 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 or UBT. For details please refer the Tax Exemptions and Credits of this appendix.

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.

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."

2001 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.

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 for the general corporation tax. 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.

In order to promote Real Estate Investment Trusts (REITs), legislation enacted in 1996 made permanent benefits on the 50 percent Real Property Transfer Tax (RPTT) rate reduction 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. 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 next income and fixed dollar minimum corporate tax base.

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 are expected to decline as new businesses increasingly opt for the LLC business form.

The general corporation tax's income-plus-compensation alternative 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 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.

1990 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 nine percent where it was reduced to 8.85 percent.

APPENDIX V
HISTORY OF TAX COLLECTIONS

Appendix V

History of Tax Collections

($ in Millions)

FY	Real Prop.	Comm. Rent	Mort. Rec.	Real Prop. Transfer	Personal Income	General Corp.	Banking Corp.	Uninc. Business	All Sales	Utility	Other	Audits	Total
1971	1,991	140	14	7	199	183	38	17	494	50	324	NA	3,456
1972	2,100	153	26	13	443	240	69	52	520	54	393	NA	4,064
1973	2,347	166	31	20	440	247	62	45	551	63	344	NA	4,315
1974	2,489	177	27	18	455	255	59	36	575	70	333	NA	4,494
1975	2,649	191	21	14	466	268	114	42	791	90	295	NA	4,941
1976	2,966	198	16	15	528	417	202	52	825	93	518	NA	5,831
1977	3,236	203	18	16	626	489	145	76	868	100	532	NA	6,309
1978	3,230	194	24	22	700	467	136	89	931	109	516	NA	6,416
1979	3,130	205	31	28	719	484	114	89	1,005	108	498	NA	6,409
1980	3,196	219	33	36	879	533	190	97	1,142	123	511	NA	6,960
1981	3,298	241	38	42	1,019	637	244	124	1,311	145	609	NA	7,708
1982	3,603	282	71	60	1,159	698	205	123	1,415	174	471	NA	8,261
1983	3,787	334	58	70	1,331	767	107	145	1,515	202	441	NA	8,757
1984	3,957	355	110	106	1,547	798	162	162	1,686	192	395	105	9,574
1985	4,227	404	132	147	1,740	877	140	192	1,828	186	454	256	10,583
1986	4,600	447	179	150	1,816	881	170	216	1,877	179	443	279	11,237
1987	4,976	500	253	240	2,163	1,083	244	286	2,044	169	489	277	12,725
1988	5,382	554	201	211	2,088	1,143	258	294	2,199	144	518	334	13,326
1989	5,943	618	214	202	2,445	1,113	242	334	2,315	162	496	314	14,397
1990	6,543	640	154	210	2,532	954	129	332	2,407	179	536	439	15,056
1991	7,251	670	137	141	2,789	950	205	333	2,306	177	491	444	15,893
1992	7,818	649	120	123	3,223	963	310	341	2,262	183	562	528	17,082
1993	7,886	624	118	125	3,451	978	362	389	2,379	190	588	519	17,609
1994	7,773	629	134	149	3,530	1,193	497	382	2,451	208	624	570	18,139
1995	7,474	624	170	167	3,591	1,079	250	379	2,588	197	594	602	17,713
1996	7,100	531	147	175	3,908	1,209	361	496	2,713	214	629	657	18,140
1997	7,291	374	185	215	4,361	1,478	360	561	2,912	215	695	651	19,298
1998	7,239	358	232	288	5,117	1,552	515	671	3,052	223	704	458	20,409
1999	7,599	333	408	424	5,293	1,423	388	657	3,192	222	814	536	21,289
2000	7,790	344	403	483	5,153	1,779	347	805	3,509	247	982	417	22,259
2001	8,156	377	407	473	5,331	1,735	424	820	3,662	300	1,161	401	23,248
2002	8,648	380	477	425	4,019	1,330	320	791	3,360	258	1,225	485	21,718
2003	9,943	397	526	513	3,923	1,237	213	832	3,535	295	1,375	571	23,360
2004	11,445	426	817	767	5,444	1,540	415	908	4,018	291	1,519	576	28,165
2005	11,464	444	1,250	1,055	6,006	1,994	601	1,117	4,355	340	1,641	600	30,866
2006	12,471	477	1,353	1,295	6,965	2,379	656	1,308	4,417	391	1,725	775	34,211
2007	12,958	512	1,569	1,723	7,005	3,124	1,219	1,670	4,619	360	1,998	1,085	37,842

Totals may not add up due to rounding.