



Property tax exemptions: Are you paying more property taxes than you should be? - by Erin O'Brien

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Erin O'Brien,
Certilman Balin

It is no secret that Westchester, Rockland and Nassau Counties have been routinely ranked in the top ten U.S. counties with the highest property taxes, with Suffolk County not far behind. According to the NYS government website, property owners in N.Y. pay 96% more in property taxes than the national median.

What may not be as evident are the available property tax abatements and/or exemptions which could reduce the property tax liability on residential and commercial properties. Now is the opportune time to see if your property may be eligible as the filing deadlines for the upcoming year start as early as January 2, 2020.

Property tax exemptions vary by municipality. As such, there are numerous exemptions that are solely applicable to properties located within NYC, including:

- J-51 tax exemption and abatement is for residential rehabilitation or conversion to multifamily housing. Privately financed moderate and gut rehabilitation, privately financed and governmentally assisted major capital improvements to multiple dwellings, and conversions of lofts and other non-residential buildings into multiple dwellings are all eligible projects for this program.
- 421-a Tax Incentive (also known as the Affordable N.Y. Housing Program) offers tax exemptions for the new construction of multifamily rental housing. The tax benefits range -- depending on location, construction wages and quantity of rental units. At least 20% of the units must be affordable housing.
- Industrial and Commercial Abatement Program (ICAP) provides abatements of property taxes for periods of up to 25 years. To be eligible, industrial and commercial buildings, located within certain areas of the city, must be constructed, modernized, expanded or otherwise physically improved.
- Payment In Lieu of Tax (PILOT) Agreement may be negotiated with an Industrial Development Agency (IDA) resulting in a tax benefit for the duration of a commercial or industrial development

project.

In areas outside of the city, consider the following exemptions:

- RPTL 485-b exemption provides a partial tax exemption for commercial, business or industrial property constructed, altered, installed or otherwise improved. This excludes normal maintenance and repairs. The cost of construction must exceed \$10,000 but be less than \$50,000. There are two versions (basic or accelerated strategic) – both starting with a 50% exemption of the increase in assessed value resulting from the construction and decreasing until it is phased out over the course of ten years.
- RPTL 485-a exemption is reserved exclusively for non-residential real property that is converted to mixed use residential and commercial purposes. The cost of the conversion must exceed \$10,000 or greater (as may be specified by the municipality's local law). This 12-year tax break was designed to make it more attractive for developers to invest in renovating properties in distressed upstate cities.

It is important to research the exemption/abatement before you commence construction as some municipalities require the application process to start prior to obtaining a building permit.

If you own and occupy your home, there are many opportunities for tax breaks, starting with the School Tax Relief (STAR) Exemption. This is a tax credit for all homeowners regardless of age. If your N.Y. home is your primary residence and your income is \$500,000 or less, you may register for the Basic STAR credit. The Enhanced STAR credit is available to senior citizen homeowners who are 65 years or older and whose income does not exceed \$88,050 for the 2020/21 school year.

For first-time home buyers of newly constructed homes, there is a five-year decreasing exemption where, in the first year, half of the sales price of the home is used as the exempt amount. This exemption decreases incrementally in years 2-5. Some municipalities even offer a first-time home buyer's exemption for existing homes.

Depending on where you live, you might also be eligible for the home improvement exemption, which is an eight-year decreasing exemption on alterations, reconstruction or property improvements that increase the assessment of a one or two-family home.

Owners of cooperative units and condominiums located within NYC who meet the requirements for the Cooperative and Condominium Property Tax Abatement can qualify for this abatement as long as their co-op or condo unit is the owner's primary residence and is a class 2 property.

There are other exemptions for owner-occupied residences, including exemptions for: Veterans, senior citizens, persons with disabilities, firefighters and ambulance corps volunteers, historical properties, properties owned and used for non-profit purposes, living quarter for parents/grandparents, etc.

In their commitment to incentivize builders and developers to go green, many municipalities within

the State have authorized property tax exemptions for green buildings, renovations, improvements and other projects. These benefits include exemptions for LEED Certified buildings and abatements for properties using solar power or having green roofs.

In sum, NYS provides opportunities to reduce your property taxes where the circumstances allow. If you believe you qualify for an exemption or abatement, contact your local assessor to see if the taxing jurisdiction participates. It is important to pay close attention to the filing requirements and deadlines. For many of the commercial programs, there is a short window of time to qualify. While paying property taxes is not optional, it would be prudent to take advantage of the available benefits to offset your tax liability.

Erin O'Brien is a partner, tax certiorari & condemnation law practice group at Certilman Balin Adler & Hyman, LLP, East Meadow, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540