



## **Don't miss out on the tax exemption benefits of New York's Section 485-b - by Margo Tiffen**

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Commercial real estate owners have a strategic advantage when they improve their properties. It only makes sense to take care of your investment and keep up with real estate trends and tenants' needs. The downside to these improvements is that they can increase the assessed value, and therefore the property tax bill. In New York State there is a special program set up to address this issue.

Section 485-b of the New York State Real Property Tax Law is an excellent asset to commercial real estate property owners. It reduces the real estate tax burden associated with upgrades and redevelopment projects. Section 485-b is a tax exemption that allows for a phased decrease in property tax over a 10-year period for properties that have undergone renovations or new construction. The cost of development must be more than \$10,000 to qualify, but that may vary due to local laws, so it's best to confirm what the local municipality requires.

How does the Section 485-b Tax Exemption work?

Under this provision, a building that is newly constructed, altered, or improved for the purpose of commercial activity can receive an exemption of up to 50% of the increase in assessment attributable to such construction.

As long as the commercial property owner can provide documentation for these property improvements, they can qualify. This does not include routine repairs and maintenance, however. The law states that once approved, "the amount of the exemption in the first year is 50% of the increase in the assessed value attributable to the improvement."

This exemption begins the tax year following the completion of the upgrades or new construction. That means the timing of the application is critical. It must be filed on or before the appropriate Taxable Status Day that is within one year of the date of the issuance of the Certificate of Occupancy. The exemption then decreases by 5% every year for the next 9 years, for a total of 10 years of tax exemptions. Once the 10 years are completed, the full amount of taxes owed will be billed.

The implementation of this exemption is not uniform across all New York State municipalities. It can be limited to certain business sectors or locations within the taxing municipality. If a local municipality does not participate in the program, a property owner is still entitled to apply for the exemption to any municipality their property is located in that does participate, so they can still reduce their taxes.

It is crucial to work with property tax consultants who are experts at understanding all the local laws and nuances that affect the exemption. The exemption must be filed on time, or the possibility of thousands of dollars in tax savings is lost forever. The taxable status date is different depending on the taxing municipality, which can be the County, town, village, or city, so it is important to know the date by which you need to file the application. Realty Tax Challenge (RTC) has the knowledge and

expertise to prepare and submit the application to the municipality and maximize savings for the taxpayer.

The tax exemption provision also requires that the application must be submitted by the property owner. This is important to note for any tenant who is planning to make improvements to the property they are leasing. They should request a provision in the lease where the property owner agrees to assist the tenant by submitting the application for the 485-b tax exemption.

Commercial property owners and tenants that are considering construction or improvements need to include applying for this exemption as part of their planning process. RTC can help you strategize when to obtain the Certificate of Occupancy, so the timing of the Section 485-b application can give you the most benefit. You don't want to miss out on this opportunity to save money on your commercial real estate taxes.

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