STATE OF NEW YORK

1451

2025-2026 Regular Sessions

IN SENATE

January 10, 2025

Introduced by Sens. KAVANAGH, GOUNARDES, JACKSON -- read twice and ordered printed, and when printed to be committed to the Committee on Cities 1

AN ACT to amend the real property tax law, in relation to creating the Neighborhood Small Business Rent Increase Exemption

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Short title. This act shall be known and may be cited as the "Neighborhood Small Business Rent Increase Exemption".

§ 2. Article 4 of the real property tax law is amended by adding a new title 7 to read as follows:

TITLE 7

TAX ABATEMENT FOR LIMITING RENT INCREASES ON NEIGHBORHOOD SMALL BUSINESSES IN A CITY OF ONE MILLION OR MORE PERSONS

Section 499-aaaaaa. Definitions.

499-bbbbbb. Authority to enact local law; real property tax abatement.

499-cccccc. Eligibility requirements.

499-dddddd. Application for certificate of abatement.

499-eeeeee. Enforcement and administration.

499-ffffff. Reporting requirements; revocation of abatements.

499-gggggg. Tax lien; interest and penalty.

499-hhhhhh. Confidentiality.

§ 499-aaaaaa. Definitions. When used in this title, the following terms shall mean or include:

1. "Abatement base." The lesser of (i) two dollars and fifty cents of the tax liability per square foot or (ii) fifty per centum of the tax liability per square foot.

2. "Abatement zone." Any area of a city having a population of one million or more designated by local law pursuant to this title as an

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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abatement zone. Any tax lot that is partly located inside an abatement zone shall be deemed to be entirely located inside such zone.

3. "Aggregate floor area." The sum of the gross areas of the several floors of a building, measured from the exterior faces of exterior walls or from the center lines of walls separating two buildings.

4. "Applicant." The landlord and the tenant.

5. "Benefit period." The period commencing with the first day of the month immediately following the rent commencement date and terminating no later than one hundred twenty months thereafter.

6. "Billable assessed value." The lesser of the taxable transitional or the taxable actual assessed value of the eligible building and the land on which the eligible building is located for the fiscal year in which the benefit period commences.

7. "Commercial activities." The buying, selling or otherwise providing of goods or services by a small business.

8. "Department of finance." The department of finance of any city having a population of one million or more.

9. "Eligible building." With respect to the abatement zone defined in subdivision two of this section, a non-residential or mixed-use building which shall not include any building owned by a governmental agency. Each condominium unit in a building that meets the requirements of this subdivision shall be considered a separate eligible building.

10. "Eligibility period." The period commencing April first, two thousand twenty-five and terminating March thirty-first, two thousand forty-one.

11. "Eligible premises." With respect to the abatement zone defined in subdivision two of this section, premises located in an eligible building that (a) are occupied or used for retail purposes and (b) are occupied or used by a tenant under a lease that meets the eligibility requirements of section four hundred ninety-nine-cccccc of this title.

12. "Fiscal year." The fiscal year of any city having a population of one million or more.

13. "Governmental agency." The United States of America or any agency or instrumentality thereof, the state of New York, the city of New York, any public corporation (including a body corporate and politic created pursuant to agreement or compact between the state of New York and any other state), public benefit corporation, public authority or other political subdivision of the state.

14. "Landlord." Any person who (a) controls all non-residential portions of an eligible building, including, without limitation, the record owner, the lessee under a ground lease, any mortgagee in possession or any receiver, and (b) who grants the right to use or occupy eligible premises to any tenant, provided that landlord shall not include any lessee who at any time during the lease term occupied or used or occupies or uses any part of the non-residential portions of such eligible building, other than premises occupied or used by such lessee to provide rental or management services to such building.

15. "Lease commencement date." The date set forth in the lease on which the term of the lease commences.

16. "Mixed-use building." A building used for both residential and commercial activities, provided that more than twenty-five per centum of the aggregate floor area of such building is used or held out for use as commercial, community facility or accessory use space.

17. "Person." An individual, corporation, limited liability company, partnership, association, agency, trust, estate, foreign or domestic government or subdivision thereof, or other entity.

18. "Renewal tenant." A person who (a) occupies premises in an eligible building under a lease which expires during the eligibility period and (b) executes a lease for the continued occupancy of all or part of such premises or all or part of such premises and additional premises in such eligible building, provided such premises are eligible premises and such lease meets the eligibility requirements of section four hundred ninety-nine-cccccc of this title.

19. "Rent commencement date." The date set forth in the lease on which the obligation to pay basic fixed rent shall commence.

20. "Retail purposes" means any activity that consists predominantly of (a) the final sale of tangible personal property or services by a vendor as defined in section eleven hundred one of the tax law, (b) the sale of services that generally involve the physical, mental, and/or spiritual care of individuals or the physical care of the personal property of individuals, (c) the final sale of food and/or beverage by a vendor as defined in section eleven hundred one of the tax law, including the assembly, processing or packaging of goods, provided that sales of such tangible personal property or services are predominantly to purchasers who personally visit the facilities at which such sales are made or such property and services are provided. "Retail purposes" shall not include hotel uses as described in subdivision four of section four hundred ninety-nine-cccccc of this article.

21. "Small business." A business engaged in commercial activities that employs fifty or fewer persons.

22. "Subtenant." A person whose right to occupy and use the eligible premises is not derived from a lease with the landlord.

23. "Tax commission." The tax commission in any city having a population of one million or more.

24. "Tax liability." The product obtained by multiplying the billable assessed value for the fiscal year in which the benefit period commences by the tax rate applicable to the eligible building for such fiscal year as set by the local legislative body of any city having a population of one million or more.

25. "Tax liability per square foot." The tax liability divided by the total number of square feet in the eligible building, as listed on the records of the department of finance.

26. "Tenant." A person, including any successors in interest, who executes a lease with the landlord for the right to occupy or use the eligible premises and who occupies or uses the eligible premises pursuant to such lease. Tenant shall not include any subtenant. When used in this title, "tenant" includes "renewal tenant."

27. "Tenant's percentage share." The percentage of the eligible building's aggregate floor area allocated to the eligible premises, which shall be presumed to be such percentage as set forth in the lease for the eligible premises.

§ 499-bbbbbb. Authority to enact local law; real property tax abatement. 1. Any city having a population of one million or more, acting through its local legislative body, is authorized and empowered to determine that incentives in the form of abatement of real property taxes are necessary to encourage vibrant neighborhood small business activity in designated areas of such city, to enact a local law providing that such benefits shall be provided in the manner set forth in this title, and to designate by local law the boundaries of one or more abatement zones in which such benefits shall be provided.

2. Within an abatement zone so designated, eligible buildings containing eligible premises shall receive an abatement of real property taxes during the benefit period as follows:

(a) for each of the first five years of the benefit period, the abatement shall be equal to the product obtained by (i) multiplying the tenant's percentage share by the number of square feet in the eligible building, as listed on the records of the department of finance and (ii) multiplying the product obtained in subparagraph (i) of this paragraph by the abatement base;

(b) for the sixth, seventh, and eighth year of the benefit period, the abatement shall be equal to two-thirds of the abatement in the first year of the benefit period; and

(c) for the ninth and tenth year of the benefit period, the abatement shall be equal to one-third of the abatement in the first year of the benefit period.

3. If, as a result of application to the tax commission or a court order or action by the department of finance, the billable assessed value is reduced, the department of finance shall recalculate the abatement utilizing such reduced billable assessed value. The amount equal to the difference between the abatement originally granted and the abatement as so recalculated shall be deducted from any refund otherwise payable or remission otherwise due as a result of such reduction in billable assessed value, and any balance of such amount remaining unpaid after making any such deduction shall be paid to the department of finance within thirty days from the date of mailing by the department of finance of a notice of the amount payable. Such amount payable shall constitute a tax lien on the eligible building as of the date of such notice and, if not paid within such thirty-day period, penalty and interest at the rate applicable to delinquent taxes on such eligible building shall be charged and collected on such amount from the date of such notice to the date of payment.

4. In no event shall the abatement for the eligible premises granted pursuant to this title exceed the tax liability allocable to the eligible premises.

5. Notwithstanding the provisions of any lease for occupancy of non-eligible premises in an eligible building or for occupancy of eligible premises for which no certificate of abatement has been issued pursuant to this title, a lessee of non-eligible premises or of eligible premises for which no certificate of abatement has been issued pursuant to this title shall not be entitled to receive directly or indirectly a reduction in either the real property taxes or any rent (including additional rent) payable pursuant to such lease where such reduction would result from an abatement of real property taxes granted pursuant to this title. A landlord of an eligible building shall not allocate, credit, assign or disburse any portion of an abatement granted pursuant to this title to a lessee of non-eligible premises or of eligible premises for which no certificate of abatement has been issued pursuant to this title. A landlord shall not be required to reduce the real property taxes or any rent (including additional rent) payable by renewal tenants by an amount that exceeds the full amount of the abatement granted pursuant to this title, but a landlord shall be required to reduce the real property taxes or any rent (including additional rent) payable by renewal tenants by an amount that, in the aggregate, equals the full amount of the abatement granted pursuant to this title. Such reduction shall be allocated in accordance with the abatement granted for the eligible premises occupied by each such tenant.

6. A tenant who occupies or uses eligible premises for which a certificate of abatement is issued pursuant to this title shall not be eligible to receive a second certificate of abatement for the same eligible premises. A tenant who occupies or uses eligible premises for which a certificate of abatement is issued pursuant to this title and who, upon the expiration of the lease for such eligible premises, relocates to otherwise eligible premises, shall not be eligible to receive a certificate of abatement for such otherwise eligible premises, except to the extent that the square footage of such otherwise eligible premises exceeds the square footage of all eligible premises previously occupied or used by such tenant for which such tenant held a certificate of abatement. If the square footage of such otherwise eligible premises exceeds the square footage of all such eligible premises previously occupied or used by such tenant and if there is any variation in the tax liability per square foot of such otherwise eligible premises, then, for purposes of determining which square footage in such otherwise eligible premises is entitled to an abatement pursuant to this title, square footage with the greatest tax liability per square foot, in an amount equal to the square footage of all such eligible premises previously occupied or used by such tenant, shall first be excluded.

§ 499-cccccc. Eligibility requirements. 1. No abatement shall be granted pursuant to this title unless:

(a) the landlord enters into a ten year lease for eligible premises with a tenant and (b) such landlord includes within such lease with a tenant a renewal clause that limits a rent increase to no more than three percent annually.

2. No abatement shall be granted pursuant to this title if an applicant shall fail to meet any of the requirements of this title within sixty days of the rent commencement date.

3. For purposes of this title, the expiration date of a lease shall be determined by the expiration date set forth in such lease, without giving effect to any rights of the landlord or the tenant to terminate such lease prior to the expiration date set forth therein.

4. The lease for the eligible premises shall contain the following provisions:

(a) a statement of the tenant's percentage share;

(b) a statement certifying the percentage of eligible premises occupied or used for retail purposes, as defined in subdivision twenty of section four hundred ninety-nine-aaaaaa of this title; and

(c) a statement informing the tenant in at least twelve-point type that:

(1) an application for abatement of real property taxes pursuant to this title will be made for the premises;

(2) the rent, including amounts payable by the tenant for real property taxes, will accurately reflect any abatement of real property taxes granted pursuant to this title for the premises;

(3) a renewal of the lease will not increase rent by more than three percent annually pursuant to the lease agreement;

(4) all abatements granted with respect to a building pursuant to this title will be revoked if, during the benefit period, real estate taxes or water or sewer charges or other lienable charges are unpaid for more than one year, unless such delinquent amounts are paid as provided in subdivision four of section four hundred ninety-nine-ffffff of this title; and

(5) all benefits granted with respect to eligible premises will be reduced if, during the benefit period, the aggregate floor area of such

eligible premises occupied or used for commercial activities, as defined in subdivision seven of section four hundred ninety-nine-aaaaaa of this title, is reduced.

5. No abatement shall be granted pursuant to this title if:

(a) the lease for the eligible premises provides that during the initial lease term required by subdivision one of this section either the landlord or the tenant may terminate such lease prior to the expiration date of such required initial lease term; provided that such lease may provide that either the landlord or the tenant may terminate such lease if (1) the other party is in default of any of such party's obligations under the lease, (2) the eligible premises are damaged or destroyed by fire or other casualty, (3) the eligible premises are rendered unusable for any reason not attributable to any act or failure to act of either tenant or landlord, or (4) the eligible premises are acquired by eminent domain; and

(b) there are real property taxes, water or sewer charges or other lienable charges currently due and owing on the eligible building which is the subject of an application for abatement pursuant to this title, unless such real property taxes or charges are currently being paid in timely installments pursuant to a written agreement with the department of finance or other appropriate agency.

6. No abatement shall be granted pursuant to this title unless the applicant shall file, together with the application, an affidavit setting forth the following information:

(a) a statement that within the seven years immediately preceding the date of application for a certificate of abatement, neither the applicant nor any person owning a substantial interest in the eligible building as defined in paragraph (c) of this subdivision, nor any officer, director or general partner of the applicant or such person was finally adjudicated by a court of competent jurisdiction to have violated section two hundred thirty-five of the real property law or any section of article one hundred fifty of the penal law or any similar arson law of another jurisdiction with respect to any building, or was an officer, director or general partner of a person at the time such person was finally adjudicated to have violated such law; and

(b) a statement setting forth any pending charges alleging violation of section two hundred thirty-five of the real property law or any section of article one hundred fifty of the penal law or any similar arson law of another jurisdiction with respect to any building by the applicant or any person owning a substantial interest in the eligible building as defined in paragraph (c) of this subdivision, or any officer, director or general partner of the applicant or such person, or any person for whom the applicant or person owning a substantial interest in the eligible building is an officer, director or general partner.

(c) for purposes of this subdivision and subdivision seven of section four hundred ninety-nine-ffffff of this title, "substantial interest" shall mean ownership and control of an interest of ten per centum or more in the eligible building or in any person owning the eligible building.

§ 499-dddddd. Application for certificate of abatement. 1. Application for a certificate of abatement may be made on or after April first, two thousand twenty-five and until sixty days after the end of the eligibility period. Applications shall be filed with the department of finance. No application may be filed prior to the date on which the lease for the eligible premises is executed by the landlord and tenant.

2. No abatement pursuant to this title shall be granted unless the applicant files an application for a certificate of abatement within sixty days following the lease commencement date.

3. In addition to any other information required by the department of finance, the application for a certificate of abatement shall include an abstract of the lease for the eligible premises for which an abatement is being sought, which abstract is signed by the landlord and the tenant. Such abstract shall include the tenant's percentage share, the lease commencement date, the rent commencement date, the expiration date for such lease and a description of the lease renewal clause, including the annual rent increase percentage. Such application shall also include (i) a statement of the number of persons who will, on the rent commencement date, be employed in the eligible premises, (ii) a statement of the location of all commercial space in the city of New York occupied by the tenant prior to the execution of the lease for the eligible premises, (iii) the commencement and expiration dates of all leases for eligible premises, and (iv) the aggregate floor area of the eligible building. Such application shall also state that the applicant agrees to comply with and be subject to the rules issued from time to time by the department of finance.

4. Within one hundred eighty days following the lease commencement date, the applicant shall provide, in addition to any other information required by the department of finance, evidence acceptable to the department of finance of the number of employees in the eligible premises. The department of finance shall issue a certificate of abatement upon determining that the applicant has submitted proof acceptable to the department of finance that the applicant has met the requirements set forth in this title.

5. The burden of proof shall be on the applicant to show by clear and convincing evidence that the requirements for granting a certificate of abatement have been satisfied. The department of finance shall have the authority to require that statements in connection with such application be made under oath.

6. The department of finance may provide by rule for reasonable administrative charges or fees necessary to defray expenses in administering the abatement program provided by this title.

§ 499-eeeeee. Enforcement and administration. The department of finance shall have, in addition to any other functions, powers and duties which have been or may be conferred on it by law, the following functions, powers and duties:

1. To receive and review applications for certificates of abatement under this title and issue such certificates where authorized pursuant to this title.

2. To receive all certificates of continuing eligibility required by section four hundred ninety-nine-ffffff of this title.

3. To collect all real property taxes, with interest and penalty, due and owing as a result of reduction, termination or revocation of any abatement granted pursuant to this title.

4. To make and promulgate rules to carry out the purposes of this title.

§ 499-ffffff. Reporting requirements; revocation of abatements. 1. For the duration of the applicant's benefit period, the applicant shall file annually with the department of finance, on or before July first of each year, a certificate of continuing eligibility confirming that the eligible premises are occupied by the tenant who originally executed the lease and that the eligible premises are being used for the purposes

described in the application. Such certificate of continuing eligibility shall be on a form prescribed by the department of finance and shall contain such additional information as the department of finance shall require. The department of finance shall have the authority to terminate abatements granted pursuant to this title upon failure of an applicant to file such certificate by such July first date. The burden of proof shall be on the applicant to establish continuing eligibility for benefits and the department of finance shall have the authority to require that statements made in such certificate shall be made under oath.

2. The department of finance shall revoke any abatement granted pursuant to this title when the tenant who originally executed the lease is no longer occupying the eligible premises. Such revocation shall be retroactive to the date that such tenant vacated the eligible premises and the department of finance shall require the landlord to pay, with interest, any taxes which become payable as a result of such revocation. The landlord shall notify the department of finance within thirty days following the date on which such tenant vacated the eligible premises and, for failure to comply with this notification requirement, shall be liable for a penalty calculated for the same period as interest is calculated pursuant to the preceding sentence.

3. If any portion of the premises for which an abatement has been granted pursuant to this title ceases to be occupied or used as eligible premises or is occupied by a subtenant, the department of finance shall reduce the abatement granted pursuant to this title by an amount equal to the percentage of such eligible premises which has ceased to be occupied or used as eligible premises or is occupied by a subtenant. Such reduction shall be retroactive to the date that such premises ceased to be occupied or used as eligible premises or was occupied by a subtenant, and the department of finance shall require the landlord to pay, with interest, any taxes which become payable as a result of such reduction. The landlord shall notify the department of finance within thirty days following the date on which the premises ceased to be occupied or used as eligible premises or was occupied by a subtenant and, for failure to comply with this notification requirement, shall be liable for penalty calculated for the same period as interest is calculated pursuant to the preceding sentence.

4. If, during the benefit period, any real property tax or water or sewer charge or other lienable charge due and payable with respect to an eligible building shall remain unpaid for at least one year following the date upon which such tax or charge became due and payable, all abatements granted pursuant to this title with respect to such building shall be revoked, unless within thirty days from the mailing of a notice of revocation by the department of finance satisfactory proof is presented to the department of finance that any and all delinquent taxes and charges owing with respect to such building as of the date of such notice have been paid in full or are currently being paid in timely installments pursuant to a written agreement with the department of finance or other appropriate agency. Any revocation pursuant to this subdivision shall be effective with respect to real property taxes which become due and payable following the date of such revocation.

5. The department of finance may deny, reduce, suspend, terminate or revoke any abatement granted pursuant to this title whenever:

(a) the landlord or the tenant receiving abatement pursuant to this title fails to comply with the requirements of this title or the rules promulgated hereunder; or

(b) an application, certificate, report or other document submitted by the applicant contains a false or misleading statement as to a material fact or omits to state any material fact necessary in order to make the statement therein not false or misleading, and may declare any applicant who makes such false or misleading statement or omission to be ineligible for future abatement pursuant to this title for the same or other property. In addition, the department of finance shall require the applicant to pay, with penalty and interest, any abatement received pursuant to this title as a result of such false or misleading statement or omission of a material fact.

6. Notwithstanding any other provision of this title, the department of finance shall deny, terminate or revoke any abatement applied for or granted pursuant to this title upon a determination that the lease between the landlord and the tenant does not constitute a bona fide arm's length lease. In making such determination, the department of finance may consider, among other factors, the relationship, if any, between the landlord and the tenant and whether the business terms of such lease are consistent with the business terms generally found in leases for comparable space.

7. (a) If any person described in the statement required by paragraph (b) of subdivision six of section four hundred ninety-nine-cccccc of this title or paragraph (b) of this subdivision is finally adjudicated by a court of competent jurisdiction to be guilty of any charge listed in such statement, the department of finance shall revoke the abatement granted pursuant to this title and shall require the payment, with interest, of any abatement received pursuant to this title.

(b) The applicant shall, on the certificate of continuing eligibility, state whether any charges alleging violation by the applicant or any person owning a substantial interest in the eligible building, or any officer, director or general partner of the applicant or person owning a substantial interest in the eligible building, or any person for whom the applicant or person owning a substantial interest in the eligible building is an officer, director or general partner, of section two hundred thirty-five of the real property law or any section of article one hundred fifty of the penal law or any similar arson law of another jurisdiction, are pending. For purposes of this paragraph, "substantial interest" shall have the same meaning as set forth in paragraph (c) of subdivision six of section four hundred ninety-nine-cccccc of this title.

§ 499-gggggg. Tax lien; interest and penalty. All taxes, with interest, required to be paid retroactively pursuant to this title shall constitute a tax lien as of the date it is determined such taxes and interest are owed. All interest shall be calculated from the date the taxes would have been due but for the abatement granted pursuant to this title at the applicable rate or rates of interest imposed by such city generally for non-payment of real property tax with respect to the eligible building for the period in question. When a provision of this title requires the payment of a penalty in addition to interest, the amount of such penalty shall be equal to the amount of interest that would have been payable pursuant to such provision had such interest been calculated at the rate of three percent per annum.

§ 499-hhhhhh. Confidentiality. 1. Except in accordance with a proper judicial order or as otherwise provided by law, it shall be unlawful for the commissioner of finance, any officer or employee of the department of finance, the president or a commissioner or employee of the tax commission, any person engaged or retained by such department or such

commission on an independent contract basis, or any person who, pursuant to this title, is permitted to inspect any information submitted by an applicant to the department of finance pursuant to this title or to whom a copy, an abstract or a portion of any such information is furnished, to divulge or make known in any manner any such information to any person not authorized pursuant to this title to inspect such information. The officers charged with custody of such information shall not be required to produce any of it or evidence of anything contained in it in any action or proceeding in any court except on behalf of the commissioner of finance in an action or proceeding under the provisions of this title, or on behalf of any party to any action or proceeding under the provisions of this title when such information or facts shown thereby are directly involved in such action or proceeding, in either of which events the court may require the production of, and may admit in evidence so much of such information or of the facts shown thereby, as are pertinent to the action or proceeding and no more. Nothing herein shall be construed to prohibit the inspection by the legal representatives of the department of finance or the tax commission of such information submitted by any applicant who shall bring an action to correct an assessment. Nothing herein shall be construed to prohibit the delivery to an applicant or the applicant's duly authorized representative of a certified copy of any information submitted by an applicant to the department of finance pursuant to this title; or to any agency or any department of any city having a population of one million or more provided the same is requested for official business; nor to prohibit the inspection for official business of such information by the corporation counsel or other legal representatives of a city having a population of one million or more or by the district attorney of any county within such city; nor to prohibit the publication of statistics so classified as to prevent the identification of such information or particular items thereof. Information submitted by an applicant to the department of finance pursuant to this title shall not be subject to disclosure pursuant to article six of the public officers law.

2. Any violation of the provisions of subdivision one of this section shall be punishable by a fine not exceeding one thousand dollars or by imprisonment not exceeding one year, or both, at the discretion of the court, and if the offender be an officer or employee of the department of finance or of the tax commission, the offender shall be dismissed from office.

§ 3. This act shall take effect immediately.