§ 1021-l. Exemption of the authority from taxation. 1. It is hereby found and declared that the operation of the authority is primarily for the benefit of the people of the participating municipalities, counties and the state, for the improvement of their health, welfare and prosperity, and is a public purpose, and the authority shall be regarded as performing an essential governmental function in carrying out the provisions of this title.

2. The authority shall be required to pay no taxes nor assessments upon any of the property acquired or controlled by it or upon its activities in the operation and maintenance thereof or upon income derived therefrom, provided that nothing herein shall prevent the authority from entering into agreements to make payments in lieu of taxes.

3. The authority shall make payments in lieu of taxes to municipalities and school districts equal to the taxes and assessments which would have been received from year to year by such jurisdiction.

4. The authority shall also make payments in lieu of taxes for those taxes which would otherwise be imposed upon a utility corporation pursuant to: (a) section one hundred eighty-six-a and former section one hundred eighty-six of the tax law as such sections were in effect on December thirty-first, nineteen hundred ninety-nine; (b) any taxes imposed by a city within the authority's service area pursuant to the authorization granted by section twenty-b of the general city law; and (c) any taxes imposed by a village within the authority's service area pursuant to authorization granted by section 5-530 of the village law.

5. Notwithstanding the exemption in subdivision two of this section, the authority shall also be subject to the assessments imposed pursuant to section eighteen-a of the public service law.

6. The securities issued by the authority, and the income therefrom shall, at all times, be free from taxation, except for estate and gift taxes.

7. Nothing in this article shall relieve the authority from its obligations to register for sales tax purposes, collect state or local sales and compensating use taxes imposed by or pursuant to the authority of articles twenty-eight and twenty-nine of the tax law, and otherwise comply with those articles on its sale of property or services.