

Practice Update

Extension of Incentive Programs in New York State's 2024 Budget

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By [Beth Zafonte](#) and [D'juro Villaran-Rokovich](#)

On May 1, 2023, the New York State Legislature voted to adopt the Fiscal Year 2024 budget which included the renewal and extension of the sunset date of five programs that abate real estate taxes, reduce commercial rent tax, abate sales taxes, and provide energy discounts to qualified applicants in New York City. These programs continue to be necessary to induce development and attract companies while the city's recovery from the pandemic remains ongoing. All programs were extended without any changes to the program regulations and benefits.

- **The Commercial Revitalization Program (CRP)** was extended and provides two benefits: Part I: Real Property Tax abatement and Part II: Commercial Rent Tax special abatement.
 - **Part I: The Commercial Revitalization Program (CRP)** is extended for leases commencing on or before March 31, 2028. The CRP provides a \$2.50 per square foot real estate tax abatement for 3 or 5 years in the owner's tax bill with the benefit being passed on to the tenant for qualified new, renewal, and expansion leases in nonresidential or mixed-use buildings built before 1975 in the designated abatement areas in lower Manhattan. Applicants are required to make certain minimum capital improvements to the

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property to qualify. Benefit period shall expire no later than March 31, 2034.

- **Part II: Commercial Rent Tax (CRT) Special Reduction** is extended to leases commencing on or before June 30, 2027. The CRT benefit is a reduction taken off the amount of rent subject to the commercial rent tax, a tax paid by retailers and commercial businesses with an annual rent of over \$200,000 per year in lower Manhattan. Benefit period shall expire no later than March 31, 2034.
- **The Lower Manhattan State and Local Sales Tax Exemption** is extended to leases with a term commencing no later than September 1, 2027, for properties South of Murray Street (Area A) and to September 1, 2029, for the World Trade Center, Battery Park City and Brookfield Place (Area B) areas. The sales tax exemption period was extended to December 1, 2028, and to December 1, 2030, respectively. This program provides an exemption from sales tax on qualifying goods purchased for permanent capital improvements in Area A and qualifying permanent capital improvements and tangible personal property in Area B.
- **The Lower Manhattan Energy Program (LMEP)** is extended to June 30, 2027. The LMEP provides a 12-year reduction in electricity costs for commercial use in certain eligible buildings in Lower Manhattan. Benefits are similar to the ECSP, as described below.
- **The Energy Cost Savings Program (ECSP)** is extended to June 30, 2027. The ECSP provides a 12-year reduction in electricity costs for industrial and commercial (non-retail) companies that relocate to new or improved space. Credits are only applied against the regulated transmission and delivery portion of electric and/or natural gas bill. The ECSP is available in the outer boroughs and Manhattan above 96th.
- **The Commercial Expansion Program (CEP)** is extended to leases commencing on or before June

30, 2028. The CEP provides property tax benefits for qualified new, renewal, and expansion leases in commercial offices and industrial/manufacturing spaces built before January 1, 1999, located in a designated abatement zone. The CEP provides a \$2.50 per square foot real estate tax abatement for 3 or 5 years for commercial offices and up to 10 years for manufacturing. These designated zones include Manhattan (north of 96th Street zoned C4, C5, C6, M1, M2, or M3) and all areas in the Bronx, Brooklyn, Queens, and Staten Island. Furthermore, the CEP Manufacturing is also available within defined areas of the Special Garment Center District. Applicants are also required to make certain minimum physical improvements to the eligible premises or the common areas. Expenditures to common areas must be made before December 31, 2028.

All these programs are key incentives to industrial and commercial businesses who want to improve or build facilities or relocate their operations to certain targeted areas within New York City. They will be instrumental in helping rebuild New York City after the pandemic.

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