

Practice Update

New York City's Commercial Real Estate Tax Industrial and Commercial Abatement Program Extended to 2030 With Modifications

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The New York City Industrial and Commercial Abatement Program (ICAP) has been extended to remain in effect through 2030, with some modifications. The New York state budget bill for FY 2026, signed by Governor Kathy Hochul on May 9, 2025, extended the program from March 1, 2029, to March 1, 2030.

ICAP provides a partial real estate tax abatement for periods between 8 and 25 years. To be eligible, industrial and commercial buildings must be built, modernized, expanded, or otherwise physically improved. The program remains the same except for the following three major changes:

- **Restricted Uses**: No benefits shall be granted for construction work on real property where any portion of such property is to be used as a:
 - **Storage warehouse**: In 2020, the ICAP legislation was amended to prohibit benefits on real property where any portion of such property was intended to be used as a self-storage facility, in which a first permit was issued before July 1, 2020. The current amendment furthers the restriction to storage

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warehouse properties, in which consumer household goods are stored for compensation, with a first permit issued after July 1, 2020. Storage warehouses storing goods for a merchant for resale are still eligible to receive ICAP benefits.

- **Parking facility**: There is a new restriction on parking facilities, requiring a license to operate, with a first permit issued on or after August 7, 2025, 90 days after the effective date of this amendment.
- **Governor's Island**: There will be a 25-year special commercial abatement area as of January 1, 2026.
- **Peaking Power Unit**: The deadline to apply and to have the first permit issued for a peaking power unit was not extended beyond March 1, 2029, and April 1, 2029, respectively.

ICAP is available for new commercial building construction projects anywhere in the five boroughs except south of the center line of 96th Street and north of Murray, Frankfort, and Dover streets, not including Governor's Island as of January 1, 2026. Renovations and expansions of commercial buildings are eligible in the city except between north of the center line of 59th Street and south of the center line of 96th Street in Manhattan. Industrial properties undergoing construction work anywhere in the city are eligible for benefits.

To vest into ICAP, a preliminary application must be filed by March 1, 2030, and a first construction permit issued no later than April 1, 2030. A first construction permit is the permit that would allow the construction work that is the subject of the ICAP application to proceed, even though such permit was granted before submission of completed plans and specifications for the entire building. A full demolition permit will not be considered a first construction permit for the purpose of vesting into ICAP.

Akerman's Economic Development and Incentives professionals have significant experience in all relevant ICAP issues, including the compliance requirements administered by the Department of Small Business Services/Division of Labor Services, tax escalation clauses for commercial leases, and formation of no action condominium declarations.

Please contact us for a discussion and evaluation of your project for eligibility under this program.

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