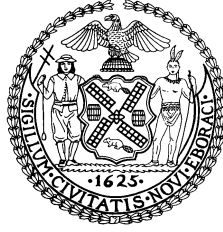


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The City of New York Manhattan Community Board 8

Small Business Committee
Community Board 8 (M)
Thursday, July 30, 2015
Lenox Hill Hospital
130 East 77th Street
New York, New York
Michael Bruno Presentation Room

Present: Matthew Bondy, Sarah Chu, Glen Pandolfino, P. Gayle Baron

The meeting was called to order at 6:35p

1. Adam Amit, Office of Councilmember Dan Garodnick, to discuss Intro 799-2015, the Commercial Rent Tax bill.

The Commercial Rent Tax (CRT)

The CRT is charged to tenants who occupy or use a property for commercial activity in Manhattan, south of 96th Street, with the most notable exception being the "World Trade Center Area." You are subject to the Commercial Rent Tax if you rent space in this area for any trade, business, profession, or commercial activity, and:

- it is located in the borough of Manhattan, south of the center line of 96th Street;
- the annual or annualized gross rent paid is at least \$250,000; and
you do not meet any other exemption criteria, such as short rental periods, residential subtenants, use for theatrical productions, and not-for-profit status.
- Tenants with annual taxable rents between \$250,000 and \$300,000 are eligible for a sliding-scale credit that partially offsets the tax.

The tax rate is 6% of the base rent. All taxpayers are granted a 35% base rent reduction, which reduces the effective tax rate to 3.9%. In addition, you are allowed a tax credit if your annualized base rent before the 35% rent reduction is between \$250,000 and \$300,000.

The tax is not applicable to commercial tenants located in the City's outer boroughs. Because most commercial leases contain a "pass-through" provision, property tax hikes are paid by

commercial tenants, in effect, increasing their rent. The rent is then subject to the CRT. As property taxes increase, rents effectively increase, and so does the CRT imposed upon these tenants. It amounts to an unfair double tax on only those businesses located below 96th Street in Manhattan.

History of the CRT

First imposed in 1963, the rent tax was once levied citywide but was eliminated in the other boroughs and areas north of 96th Street in Manhattan in 1995. In 2014, the city collected \$687 million from the commercial-rent tax. About \$32.4 million of that came from 2,476 businesses paying annual rents below \$500,000. There have been no changes to the CRT since 2001 when the threshold was increased from \$149,000 to \$250,000

The Proposed Bill

Council members Daniel Garodnick and Helen Rosenthal have co-sponsored a bill that would raise the threshold at which the tax kicks in to an annual rent of \$500,000 (the “Bill”). The Bill would offset the revenue loss with gains from businesses paying \$3 million or more in rent.

Adam Amit, of Councilmember Garodnick’s office, was present to answer questions regarding the Bill. He stated that the Councilmember’s desire is to do away with the CRT in its entirety. In short, however, the tax generates roughly 700 million dollars a year and the City’s budget is dependent on it. Removing it in its entirety may have unforeseen consequences, and there is a feeling that the money generated by it would have to be replaced somehow. Adam Amit explained that given the competing interests involved, the proposed bill has a realistic chance at being passed, will assist roughly 2700 businesses by effectively saving them half a month in rent, and is the start of a larger conversation about doing away with the CRT in its entirety. And while the administration has apparently been non-committal, the Commissioner of the Department of Finance has indicated her desire to see the CRT eliminated as well.

A discussion amongst the committee members ensued, and the following resolution was unanimously adopted by the Committee:

WHEREAS, the Commercial Rent Tax (“CRT”) disproportionately affects small business located below 96th Street in Manhattan; and

WHEREAS, the proposed Bill being sponsored by Councilmembers’ Garodnick and Rosenthal would raise the threshold amount of rent triggering the tax from \$250,000 to \$500,000, resulting in substantial savings to roughly 2700 small businesses below 96th Street in Manhattan; and

WHEREAS, the CRT is unfair, particularly given that it only applies below 96th Street in Manhattan,

WHEREAS, the Committee agrees that the CRT should be eliminated in its entirety; and

WHEREAS, the Committee took note of the intricacies involved in eliminating the CRT and the revenue derived therefrom in its entirety and of the need to implement relief to our small businesses that can realistically transcend the competing interests involved and be passed by the City Council; and

WHEREAS, the proposed Bill, while it does not eliminate the CRT in its entirety, will work to provide needed relief to a significant amount of small businesses in our community;

THEREFORE, BE IT RESOLVED, that Community Board 8M supports the elimination of the CRT in its entirety, barring which, CB8M supports the bill sponsored by Councilmembers' Garodnick and Rosenthal as an interim measure to afford some relief to small businesses until the CRT can be eliminated in its entirety.

The vote: 4-0-0

In favor: Bondy, Chu, Pandolfino, and Baron.

There being no other business, the meeting was adjourned at 7:45p

Respectfully submitted, Sarah Chu and Matthew Bondy, Small Business Committee Co-Chairs.