

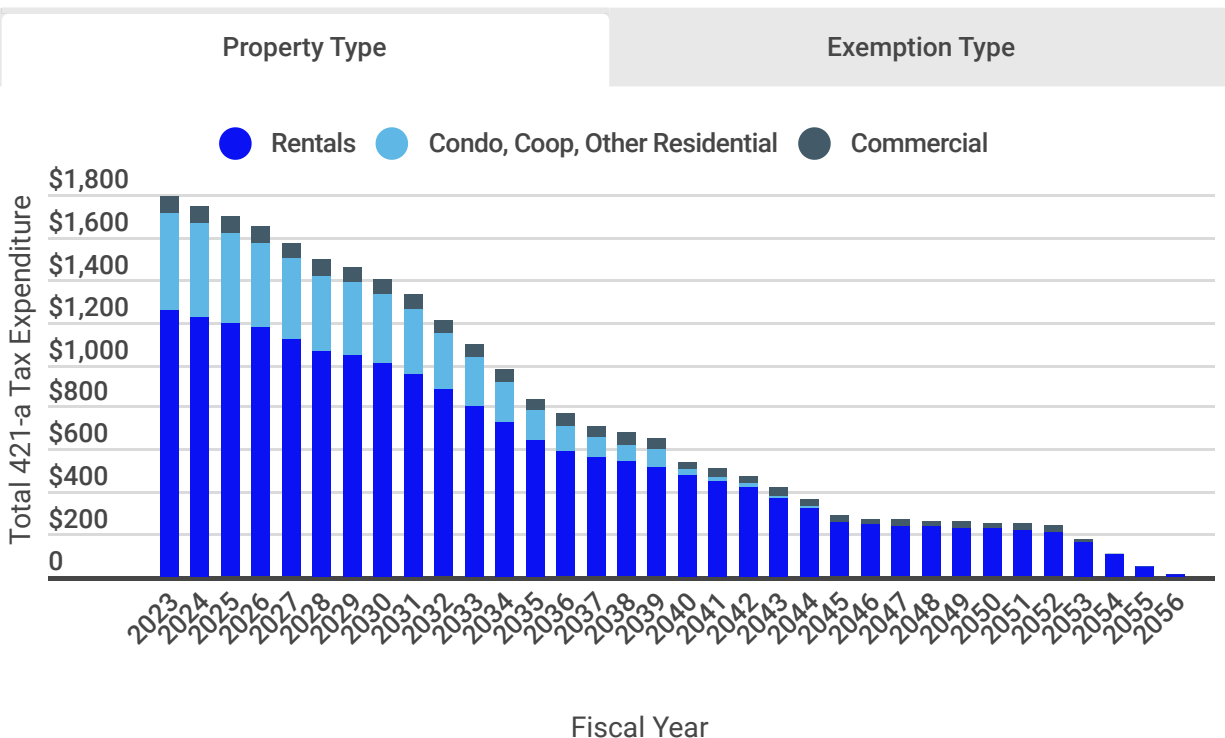
How Much Will 421-a Continue To Cost New York City After Its Expiration?

The 421-a property tax exemption—which grants up to 35 years of property tax benefits to newly built multi-unit buildings—will expire on June 15, 2022, after the state legislature did not renew the program during its session that ended last week. However, the cost to the city associated with the current program (also known as Affordable Housing New York), and its prior iterations will not fall to zero in fiscal year 2023. Given the length of the tax benefits, existing 421-a exemptions will continue to cost the city in foregone property tax revenue for many years.

While it is possible that the state legislature may renew some form of the 421-a program in a future session, as it did when it last expired in 2016, IBO has estimated the future cost of the program under the scenario that no new exemptions would be granted after fiscal year 2022, which ends in June. The existing 421-a exemptions will cost the city a projected \$25.7 billion from fiscal year 2023 through fiscal year 2056, when the last of the current exemptions would cease (all amounts in 2022 dollars).

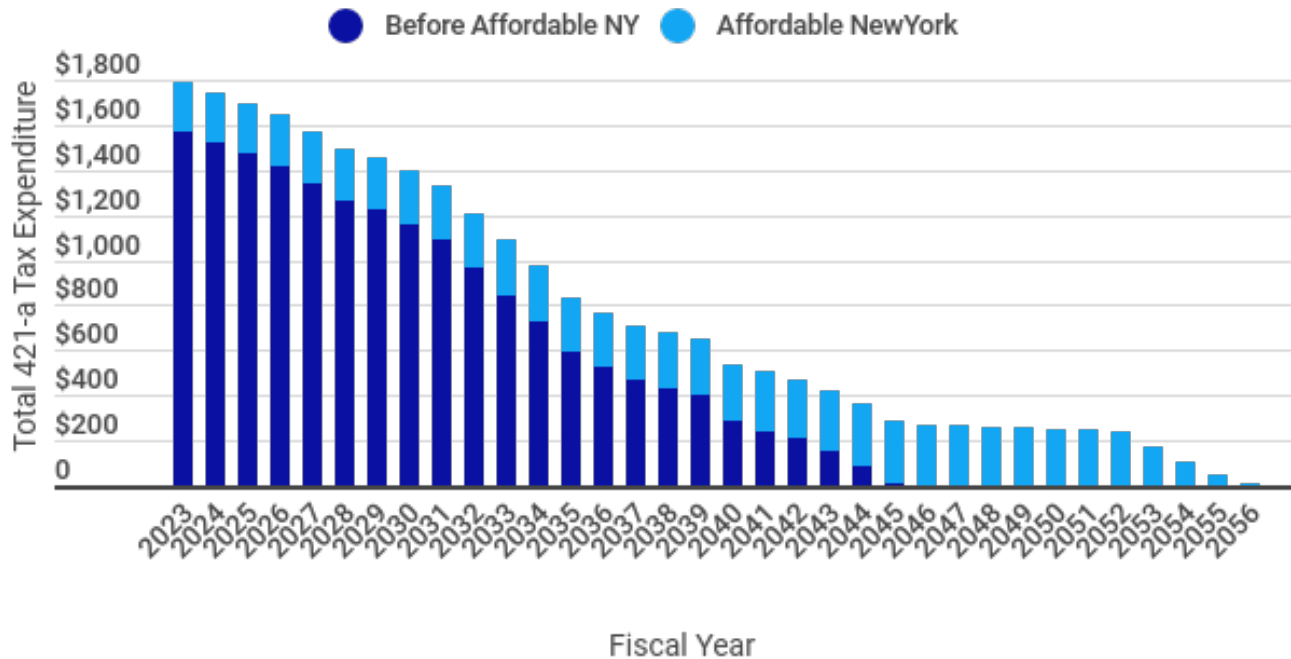
Projected Cost of Existing 421-a Tax Expenditures, Fiscal Years 2023- 2056

2022 dollars in millions



Property Type

Exemption Type



Existing 421-a exemptions will cost the city over \$1 billion a year from fiscal year 2023 through fiscal year 2033. The annual cost falls below \$1 billion in fiscal year 2034 and eventually diminishes to \$6.8 million in fiscal year 2056.

The majority of the cost is due to the exemptions granted to rental properties, followed by exemptions granted to cooperatives, condominiums, and other residential properties.

Properties in Manhattan and Brooklyn would account for 83.5 percent of the total cost.

From fiscal year 2023 through fiscal year 2040 most of the cost of the program comes from exemptions granted prior to 2017, before the current Affordable Housing New York Program was created. Beginning in fiscal year 2041, exemptions under the Affordable Housing New York Program will constitute the majority of the projected costs, and from fiscal year 2046 forward all costs will be from Affordable New York.

Although they account for a small portion of total exemption costs, some commercial properties are currently receiving a 421-a exemption.

Print version available [here](#).

Prepared by Yaw Owusu-Ansah
New York City Independent Budget Office



New York City
Independent Budget Office
George Sweeting, Acting Director

110 William St.,
14th floor
New York, New York 10038

Tel. (212) 442-0632
Fax (212) 442-0350
iboenews@ibo.nyc.ny.us
www.ibo.nyc.ny.us

