

Two Conflicting Tax Programs: REAP AND RACE

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Relocation and Employment Assistance Program (REAP) Business Tax Credit Up For Renewal

What is REAP? [REAP](#) provides City tax credits to businesses that relocate jobs from outside of New York City or from Manhattan below 96th Street to elsewhere in Manhattan or the other boroughs.

What is REAP's purpose? Per the justification language of the last renewal legislation, “[REAP] was initially enacted to encourage businesses to relocate ... to less prosperous areas of New York City to increase local employment.”

What do companies using REAP get? Industrial and commercial companies can receive REAP tax benefits for up to 12 years. A tax credit of \$3,000 per job is given for jobs relocated to “revitalization areas” (defined as areas zoned as commercial or industrial) and \$1,000 per job for areas of any other zoning.

How old is REAP? Originally enacted in 1987, the program has been continuously renewed since then, most recently in 2021. REAP is set to expire on June 30, 2025, and the power to renew, alter, or end the program rests with the Legislature in Albany.

Is REAP a cost? By giving tax credits to businesses, NYC does not collect business tax revenue that it otherwise would have, termed a “tax expenditure.” The most recent [data](#) available from the New York City Department of Finance shows that in 2021, the City gave REAP tax credits to 178 firms, totaling \$27 million in forgone tax revenue. From 2016 through 2021, REAP averaged \$28 million in forgone tax revenue.

Does REAP create new jobs? REAP is for moving jobs, not (necessarily) creating new jobs for the City.

How Could REAP be Improved?

Create minimum eligibility thresholds. REAP has no minimum threshold of employees the company must relocate to get the tax credit—a business can receive REAP for relocating a single job, creating administrative burden for little economic impact.

Establish project and or program caps. REAP does not cap the number of firms that can participate or limit the amount of total forgone revenue under the tax credit, making the cost unpredictable and at risk of large fluctuations. In 2018, the firm Amazon was proposing to build a second headquarters in Long Island City. The so-called “HQ2” proposal touted the creation of 25,000 jobs, which would have entitled Amazon to \$75 million annually in REAP tax credits. This single firm would have nearly quadrupled the overall cost of REAP for the City.

Require jobs pay average local wage or higher. REAP does not have any wage criteria—only that it excludes retail commercial businesses and hotels. Economic development incentives are most effective when the spending of public resources encourages competitively paying jobs.

Mandate evaluation for return on investment prior to renewal. An evaluation would answer questions such as (1) How many new jobs are brought into the City, as opposed to simply shuffled around within the City; (2) For how many firms did REAP cause the business to choose to bring jobs to New York City versus REAP simply being used for firms that were in or already planning to move to New York City anyway.

Require participating firms to report data. Presently, REAP has not required that businesses report on the types of jobs, pay scale, or financial positions. Reporting this data will give better understanding of REAP's outcomes.

Have explicit measure of success. Places like Washington State require "[performance statements](#)" that explicitly lay out the intended purpose of the tax incentive and how the state will know whether it accomplished its goal when authorizing any tax evaluation.

Goals of New Relocation Assistance Credit for Employees (RACE) Conflict with REAP Goals

Governor Hochul and Mayor Adams are championing a new job relocation program, the [Relocation Assistance Credit for Employees \(RACE\)](#) tax incentive, which would provide a \$5,000 benefit per employee over 10 years for jobs moving to anywhere in New York City—including central and lower Manhattan. Unlike REAP, the proposed RACE meets several of the criteria listed above:

- Only applies to jobs relocated from outside New York State
- Caps program spending at \$150 million over ten years
- Limits the total benefits a single firm can receive
- Targets filling large underutilized commercial spaces built before 2000, such as offices—a current City economic development priority in the wake of shifts in post-pandemic work practices

Like REAP, however, RACE too has no requirements for what these jobs pay, specific sectors to prioritize, or a requirement that the program be evaluated for effectiveness before considered for future renewal. The two tax break programs also have conflicting geographic goals: REAP incentives go to firms moving jobs out of Manhattan while RACE would give incentives to firms moving jobs into Manhattan.

IBO's Role: Business tax filings would provide insight into answering REAP and RACE evaluation questions, but access to researchers is currently restricted under State law. Senator Kruger's proposed legislation NY State Senate Bill [2025-S2024A](#) would allow the Independent Budget Office to access business tax data for such evaluations of tax expenditures.

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