



NYS BOARD OF REAL PROPERTY SERVICES

**INSTRUCTIONS FOR APPLICATION FOR
REAL PROPERTY TAX EXEMPTION FOR
CAPITAL IMPROVEMENTS TO RESIDENTIAL PROPERTY
(Real Property Tax Law, Section 421-f)**

AUTHORIZATION FOR EXEMPTION:

Section 421-f of the Real Property Tax Law authorizes a partial exemption from real property taxation of the increase in assessed value attributable to reconstruction, alterations or improvements made to residential property. Counties, cities (other than New York City), towns and villages may hold public hearings and then adopt local laws granting the exemption. School districts, other than those in the cities of New York, Buffalo, Rochester, Syracuse and Yonkers, have the option to pass a resolution providing that the exemption applies to school taxes.

Where it is adopted, the exemption applies to taxes and special ad valorem levies; the exemption does not apply to special assessments.

ELIGIBILITY FOR EXEMPTION:

Section 421-f sets forth several exemption criteria:

1. The property for which exemption is sought must be a one or two family residence (question 4).
2. The greater portion of the residence (as measured by square footage) after the capital improvement must be at least five years old (question 5).
3. The capital improvement must be commenced after the date the local law or resolution is enacted (question 6).
4. Unless limited by the local law, the exemption applies to reconstruction, alterations or improvements; it does not apply to ordinary maintenance or repairs. Describe the capital improvement in question 7.
5. The value of such reconstruction, alteration or improvement must exceed the sum of \$3,000 (question 8). Attach documentation (e.g., construction contract, building permit, receipted bills) to support the cost of capital improvement.

The exemption is limited to \$80,000 in increased market value although a municipality may reduce such maximum; any additional value attributable to the new construction is not eligible for the exemption. The market value of the new construction is calculated by dividing the increase in assessed value attributable to the new construction by the latest State equalization rate or special equalization rate, unless such rate is 95 percent or more, in which case the increased assessed value will be deemed to equal the market value. In Nassau County, the class one ratio is to be used to determine the market value of the improvement.

Unless limited by local law or resolution, the value of an improvement qualifying for exemption should receive the following exemption percentages:

| <u>Year</u> | <u>Exemption Percentage</u> |
|-------------|-----------------------------|
| 1 | 100 |
| 2 | 87.5 |
| 3 | 75 |
| 4 | 62.5 |
| 5 | 50 |
| 6 | 37.5 |
| 7 | 25 |
| 8 | 12.5 |

AUTHORIZED LIMITATIONS:

The local law or resolution may limit the maximum value of an improvement which may receive exemption to an amount less than the statutorily prescribed \$80,000, but not less than \$5,000.

The percentage of exemption may be reduced. This means that the percentage of exemption otherwise allowed in any of the eight years listed above may be equal to or less than the State authorized percentage. For example, the local law or resolution could provide for an exemption of 75 percent for three years, followed by an exemption of 37.5 percent for three years. An exemption of 37.5 percent for eight years would not be allowable since that would exceed the State limit in years seven and eight.

The State law applies to “reconstruction, alterations or improvements,” but the local law or resolution may limit the exemption to specific forms of reconstruction, alteration or improvement. The exemption also may be limited only to improvements which prevent physical deterioration of the existing structure or which bring it into compliance with applicable building, sanitary, health or fire codes.

FILING APPLICATION:

Application should be filed with the city or town assessor. Application for exemption from village taxes in villages should be filed with the assessor who prepares the assessment roll used in levying village taxes. In Nassau County, application for exemption from county, town or school district taxes should be filed with Nassau County Board of Assessors. In Tompkins County, application for exemption from county, city, town, village or school district taxes should be filed with the Tompkins County Division of Assessment.

TIME OF FILING APPLICATION:

The application must be filed in the assessor’s office on or before the appropriate taxable status date. In towns preparing their assessment roll in accordance with the schedule provided by the Real Property Tax Law, the taxable status is March 1. In towns in Nassau County, the taxable status date is January 2. Westchester County towns have either a May 1 or June 1 taxable status date; contact the assessor. In villages and cities, the taxable status dates vary, and the appropriate assessor should be consulted for the correct date.

Once the exemption has been granted, it is not necessary to reapply for the exemption after the initial year in order for the exemption to continue. There is no need to reapply in subsequent years, but if the property ceases to be used primarily for residential purposes, or if title to the property is transferred to persons other than the heirs or distributees of the owner, the exemption is terminated. The exemption will automatically be recalculated in any year in which there is a change in level of assessment for the final assessment roll of 15 percent or more. No local law or resolution may repeal or reduce an exemption granted pursuant to section 421-f until expiration of the period of that exemption.