



Tax Abatements

4 PAGES

Introduction

This fact sheet provides general information on tax incentive programs in New York City that are available to owners of rent stabilized buildings. These programs are administered by the New York City Department of Housing Preservation and Development (HPD) and the New York City Department of Finance (DOF).

For detailed and complete information on tax incentive program eligibility, applications and program requirements including area median income requirements, affordability options, and for definitions of such terms as income restricted units and market units, please visit **NYC.gov/HPD**. To determine start and end dates for a building's tax benefits please visit **NYC.gov/finance**.

J-51 and J-51 R

These programs give tax benefits to owners who rehabilitate qualifying systems in existing buildings. The J-51 Program is for rehabilitation work completed before June 30, 2022, and the J-51 R Program is for rehabilitation work completed on or after June 30, 2022. Examples of systems are boilers, windows, plumbing, electricity, and roofs. The receipt of the tax benefits under the J-51 Program places a rental building under rent stabilization even if it is less than six (6) units and previously was not under stabilization. The receipt of tax benefits under the J-51 R Program places certain rental units under rent stabilization, even if the building is less than six (6) units and previously was not under rent stabilization.

421-a (1-15)

This program gives tax benefits to owners who construct new buildings and certain eligible conversions. The receipt of this tax benefit also places rental buildings under rent stabilization.

421-a (16)

This program gives tax benefits to owners who construct new buildings and certain eligible conversions. The receipt of this tax benefit also places affordable rental units and market units below the vacancy decontrol threshold under rent stabilization.

For complete details regarding 421-a tax benefit programs in relation to tenants and rent stabilization, please see the **NYC Department of Housing Preservation and Development 421-a & Rent Stabilization Tenant Fact Sheet**.

RPTL SECTION 467-m (Affordable Housing from Commercial Conversions Tax Incentive Benefits Program):

This program provides real property tax exemptions for the conversions of non-residential buildings, other than a hotel or other class B multiple dwelling, to residential use, that contain six or more dwelling units, where the conversion commenced after December 31, 2022, and on or before June 30, 2031, and completed on or before December 31, 2039. All affordable housing units are permanently affordable and rent stabilized.

RPTL Section 485-x (Affordable Neighborhoods for New Yorkers Tax Incentive Benefits Program):

This program provides real property tax exemptions for newly constructed multiple dwellings and certain eligible conversions that contain six or more dwelling units, where the commencement date is after June 15, 2022 and before June 15, 2034, and the completion date is before June 15, 2038. Affordable housing units are permanently affordable, and rent stabilized in all rental projects other than small rental projects (between 6 and 10 dwelling units). In these small rental projects, no less than 50% of their dwelling units are permanently rent stabilized.

TAX BENEFITS AND TERMINATION OF RENT STABILIZATION

J-51 and J-51 R

The vast majority of rent stabilized buildings were built before 1974 and contain six or more apartments. Many of these buildings receive J-51 tax benefits for rehabilitation work. The tax benefit period can vary, but frequently it lasts for 12 years. In these buildings, the expiration of the tax benefit period does not affect the status of the apartments, which will remain under rent stabilization at the end of the tax benefit period and thereafter.

However, there are buildings that were either built or gut renovated since 1974 or contain less than six apartments that were placed under rent stabilization only because the building received J-51 tax benefits for rehabilitation work completed prior to June 30, 2022. In these buildings, owners are required to include in each lease and lease renewal a notice in at least twelve-point type informing the tenant that the apartment shall become deregulated upon the expiration of the last lease entered into during the tax benefit period. The notice also needs to state the approximate date on which such tax benefit is scheduled to expire.

The failure to include this notice in all leases

for the tenant in occupancy at the time the tax benefits expire means that the apartment will remain under rent stabilization and the tenant can continue to renew his or her rent stabilized lease.

Without these lease notices, the apartment remains rent stabilized until the tenant vacates the apartment.

The inclusion of the required notice in all leases deregulates the apartment at the end of the last lease entered into during the tax benefit period.

In buildings that were not already independently subject to rent regulation that complete rehabilitation work on or after June 30, 2022, only certain apartments, such as Qualifying Rental Units and market rental units that already were rent stabilized as of the J-51 R Program application filing date, must be rent stabilized in order to receive J-51 R tax benefits. Such apartments must remain rent regulated for at least fifteen years from the initial receipt of the tax benefit or for such additional period of time as may be imposed by HPD (the “restriction period”), and each such apartment must continue to remain rent regulated until the tenant in place at the end of the restriction period vacates the apartment. For complete details regarding the J-51 R tax benefit program, please visit **NYC.gov/HPD** and search **J-51 Reform**.

Example

A four-unit building, 100 Main St., was placed under rent stabilization upon the receipt of J-51 tax benefits on January 1, 2013, for a period of twelve years, that will expire on December 31, 2024. Ms. Gonzalez moves into an apartment with a two-year vacancy lease on March 1, 2022, and renews for one year on March 1, 2024. Neither the vacancy lease nor the renewal lease contained a notice alerting Ms. Gonzalez to the status of the tax benefits and the date of the expiration of benefits.

When Ms. Gonzalez’s lease comes up for renewal again on March 1, 2025, her apartment will remain rent stabilized and she is entitled to a renewal

lease, even though the tax benefit period expired.

421-a (1-15)

Many rental buildings built since 1974, which ordinarily would not be subject to rent stabilization, have been placed under rent stabilization only because the building owner chose to receive 421-a tax benefits. In buildings which became subject to the requirements of Section 421-a (1-15) after July 3, 1984, owners are required to include in each vacancy lease and renewal lease a notice in at least twelve-point type informing the tenant that the apartment shall become deregulated upon the expiration of the last lease entered into during the tax benefit period. The notice also needs to state the approximate date on which such tax benefit period is scheduled to expire.

In buildings receiving 421-a (1-15) benefits, the failure to include this notice in all leases for the tenant in occupancy at the time the tax benefits expire means that the apartment will remain under rent stabilization and the tenant can continue to renew their rent stabilized lease. The apartment remains rent stabilized until the tenant vacates the apartment. However, income-restricted (affordable) units in 421-a (1-15) buildings that commenced construction before June 30, 2008 and that received governmental assistance pursuant to a regulatory agreement prohibiting deregulation after the benefit period must remain rent stabilized until the end of the relevant regulatory agreement period.

Generally, in 421-a (1-15) buildings where construction began on or after June 30, 2008 and before December 31, 2015, apartments designated as “affordable” units must remain rent stabilized for 35 years, even if a tenant vacates and a new tenant moves into the apartment during this 35 year period. Tenants in occupancy at the end of the 35-year period remain under rent stabilization until they vacate the apartment.

Example

A three-unit building was placed under rent stabilization upon the receipt of 421-a tax (1-15) benefits on April 1, 2014 for a period of 10 years that will expire on March 31, 2024. Ms. Smith moved into an apartment with a two-year vacancy lease on June 1, 2023. The vacancy lease contained a notice alerting her to the status of the tax benefits and the date of the expiration of the tax benefits.

When Ms. Smith’s lease comes up for renewal on June 1, 2025, the apartment will be deregulated, and a market rent can be collected.

421-a (16)

In 421-a (16) buildings, market rate apartments initially rented at an amount at or above the decontrol threshold qualify for permanent exemption from rent stabilization. A market rate apartment that is rent stabilized and then vacated also qualifies for permanent exemption if the decontrol threshold has been lawfully reached.

Apartments subject to income restrictions (affordable units) are subject to rent stabilization for either 35 or 40 years depending on size and location. Tenants in these apartments have the right to remain as rent stabilized tenants after the benefit period ends for as long as they live there.

Other Considerations

- **2024 Tax benefit programs update:** The completion deadline was extended for 421-a (16) by the New York State Legislature in Chapter 56 of 2024 from June 15, 2026 to June 15, 2031 provided (a) projects submitted a letter of intent to HPD no later than September 12, 2024, and (b) projects did not select Affordability Options C or G. The current commencement date deadline for RPTL Section 421-a (16) real property tax exemption benefits of after December 31, 2015 and on or before June 15, 2022 remains the same.

- If a building owner receives a J-51 tax abatement for an item for which DHCR has issued an MCI rent increase order, the rent is temporarily reduced in the MCI case or at a later date in a Tax Abatement Modification case. The rent is restored at the end of the tax abatement period pursuant to a DHCR issued rent restoration order for rent controlled apartments and an owner filed notice for rent stabilized apartments.
- If a building owner receives a J-51 R tax abatement for an item, MCI rent increases are permanently prohibited for that same item and no MCI rent increase may be issued for that same item either during the J-51 R restriction period or thereafter.
- In 421-a (1-15) buildings, where the tax benefits are for 10 or more years, and provided that a “2.2% lease rider” is offered by the owner and signed by the tenant, owners can collect annual “421-a (1-15)” surcharges equal to 2.2% of the rent charged for certain units at the beginning of the period of gradual diminution (when real estate taxes begin being phased in).

SOURCES

NYC Rent Stabilization Code



➤ **Rent Connect:**
rent.hcr.ny.gov

✉ **Ask a question:**
portal.hcr.ny.gov/app/
ask

🗣️ **For translation help:**
hcr.ny.gov/language-
accessibility

➤ **Our website:**
hcr.ny.gov/rent

To visit a Borough Rent Office, by appointment only, please contact:

QUEENS

92-31 Union Hall Street
6th Floor
Jamaica, NY 11433
718-482-4041

BROOKLYN

55 Hanson Place
6th Floor
Brooklyn, NY 11217
718-722-4778

UPPER MANHATTAN

163 W. 125th Street
5th Floor
New York, NY 10027
212-961-8930

LOWER MANHATTAN

25 Beaver Street
New York, NY 10004
212-480-6238

BRONX

1 Fordham Plaza
4th Floor
Bronx, NY 10458
718-430-0880

WESTCHESTER

75 South Broadway
3rd Floor
White Plains, NY 10601
914-948-4434