

BUSINESS PROPERTY TAXES AND EXEMPTIONS IN NEW YORK STATE:
A SURVEY OF BUSINESS LEADERS AND LOCAL GOVERNMENT OFFICIALS

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SUMMARY AND CONCLUSION

Section 485-b of the Real Property Tax Law, enacted in 1976, provides for a ten year, tapered, partial exemption from taxes on improvements to real property used for commercial, industrial or retail business purposes which exceeds \$10,000. The maximum exemption allowed in the first year of the program is 50% of the increase in the assessed value of the property due to construction, alteration, or general improvements to the property. In each of the succeeding 9 years, the amount of the exemption is decreased by 5% so that in the second year the value of the exemption is 45% of the assessed value of the improvement, 40% in the third year, and so on.

A local option clause is contained in Section 485-b which allows each local taxing jurisdiction - counties, towns, cities, villages, and school districts - to either reduce the amount of the tapered formula (i.e., start at 25% rather than at 50%) or to opt out of the program entirely. As of July 1978, 5 counties, 8 cities, 58 towns, 61 villages, and 191 school districts had elected to opt out of the program. In the remaining taxing jurisdictions there was a total of 1,222 485-b exemptions granted with a total market value of \$383,848,663 as of September, 1979.

Like similar legislation enacted in other states, the 485-b program is designed to stimulate business investment activity. Proponents of the program maintain that the exemption can promote the following objectives:

- provide the additional tax incentive required to stimulate business expansion
- attract new businesses to New York State
- encourage businesses which may be considering an out of State relocation move to remain within the State
- improve the State's overall tax image in the eyes of the business community

The number of local taxing jurisdictions which have decided to opt out of the program, particularly the large number of school districts which have taken such an action, is an indication that local governmental officials are not unanimous in their support of the program. In 1976 the New York State Association of Towns, an early critic of the law, maintained that there were significant problems with the program, among which were the following:

- the exemption is not effective in stimulating business expansion and development which would not otherwise have occurred without the exemption
- the exemption adversely affects the tax base of local government
- businesses for which a tax exemption would clearly not function as an investment incentive, such as public utilities, are presently eligible for such an exemption under 485-b
- the ten year, tapered, partial nature of the exemption creates significant problems in the calculation and administration of the exemption for local assessing and taxing jurisdictions

Additionally, a significant number of the exemptions under the 485-b Program have gone and will continue to go to complex industrial and utility property for which the State Division of Equalization and Assessment is required to provide advisory appraisals. As a result, the Division anticipates a substantial increase in the number of requests for such advisory appraisals (one for every year of the exemption's 10 year life). Specifically, in 1980-81 the Division estimates that 6,500 such appraisals on complex industrial and utility properties will be required by the 485-b Program.

Because of these and other problems with and criticisms of the 485-b Program, the State Division of Equalization and Assessment initiated the following 1978/79 legislative proposals which were designed to improve the State and local administration of the exemption program:

- change the exemption from a ten-year, tapered, partial, exemption to a flat, 100% two-year exemption (the approximate value equivalent)
- exclude public utilities from eligibility under the 485-b exemption program
- limit each construction project to eligibility under only one exemption program (i.e., either 485-b or JIB)
- exclude retail stores, farms, hotels, motels and other service businesses from eligibility for the 485-b exemption
- require evidence of project completion before the exemption is granted
- establish a cut-off date of one year from the completion date of the project for eligibility to file for the exemption

Because the State Board wished to obtain the reactions of both the business community and local governmental officials to its legislative proposals, a survey of these groups was carried out during 1979. A combination telephone and mail-back survey of some 180 local government officials (assessors, mayors, town supervisors and school superintendents in areas which have granted 485-b exemptions and in those areas which have opted out of the program), and some 200 business leaders (100 businesses which have received a 485-b exemption and 100 which have not received the exemption but are located within areas which grant the exemption) was carried out.

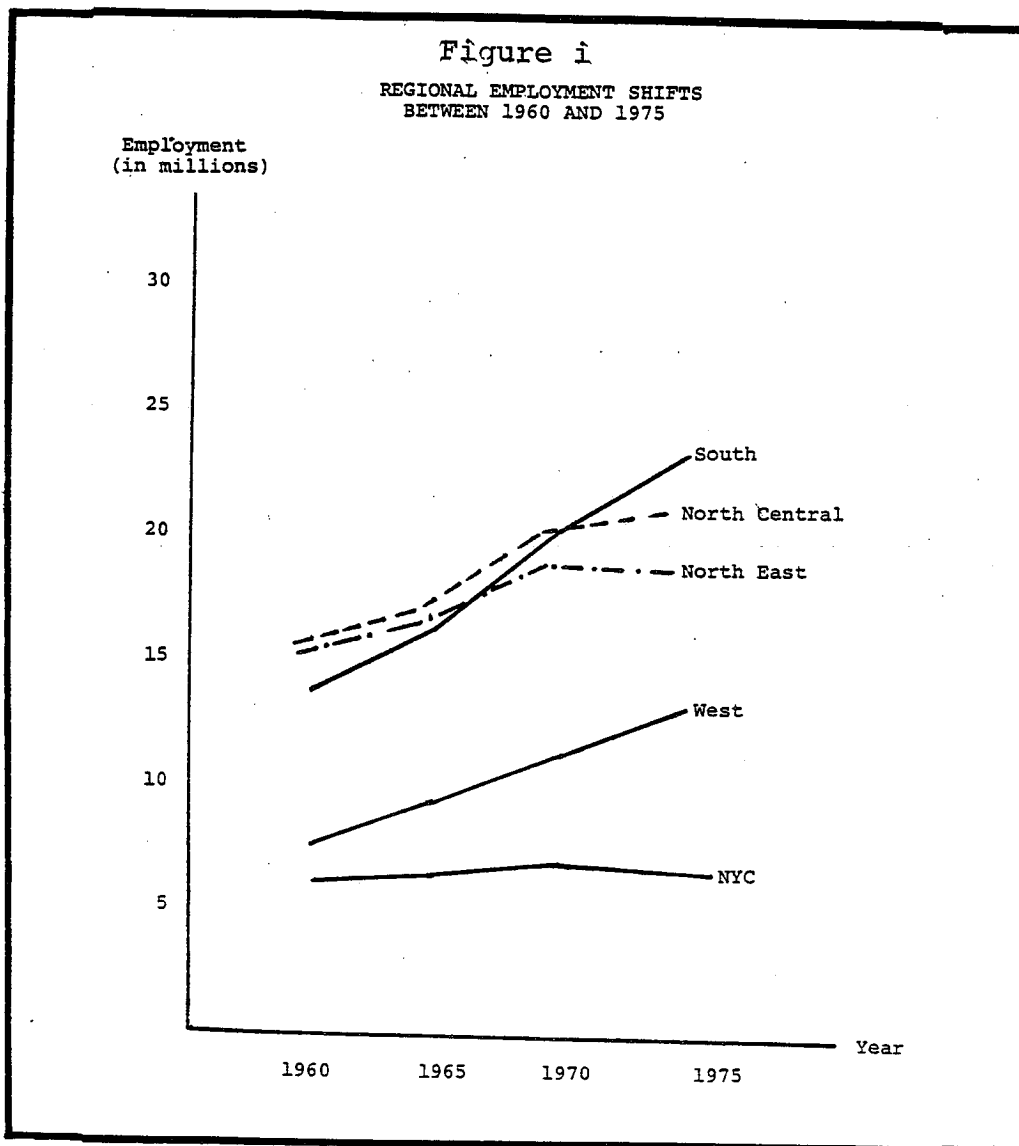
The survey findings, summarized in more detail in pages viii-xi, revealed, among other things, that local government officials were divided on the proposals to exclude retail and service businesses from eligibility and the proposal to change the ten year, tapered, partial exemption to a flat, two year, 100% exemption. Businessmen, on the other hand, supported the change to a flat, two year, 100% exemption. As a result of these findings the proposal to exclude retail and service businesses from 485-b eligibility is hence dropped. Because of the nearly impossible administrative problems with the current ten year, tapered program, it is now proposed that the exemption be for five years at fifty percent a year.

Because the State Board is responsible for overseeing the administration of the property tax in New York State, and because the State Board has long recognized that the effectiveness of any exemption program requires the full understanding and acceptance of that program by both the local government officials responsible for administering that program and the business community which may seek the exemption, the questionnaire included a wide variety of questions. For example, in addition to questions regarding respondent reactions to specific State Board legislative proposals, the questionnaires contained businessmen's assessment of the present and future State economy, as well as their assessment of the importance of the 485-b exemption as an investment incentive. In addition to their reactions to State Board legislative proposals, local governmental officials were asked such questions as whether they generally favored or opposed the present 485-b Program, whether or not their board or council had considered opting out of the 485-b Program, and whether or not the State Board's legislative proposals would possibly affect future board or council actions.

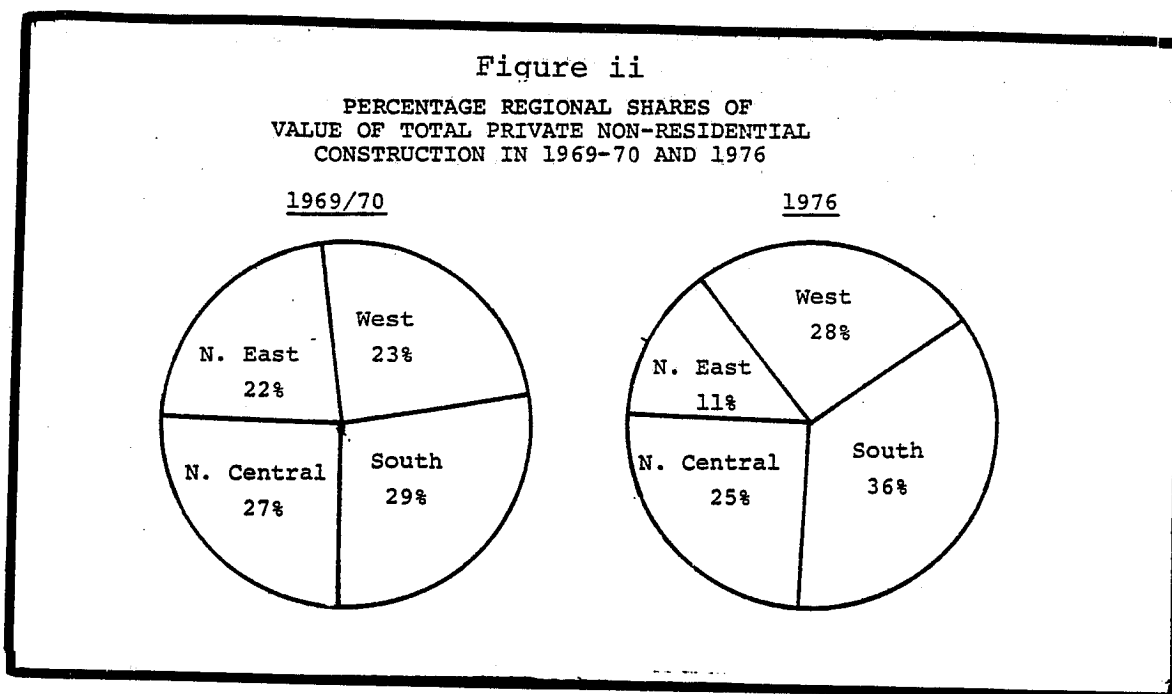
Finally, because so little is known about property taxes on businesses either within New York State or across the entire United States, the present report identified and assembled available information and included it in the present report along with background information on New York State's economy.

Business and Employment Trends

Over the past two decades an increasing number of industries have left New York State and the Northeast Region for other states. As the following chart indicates, between 1960 and 1975 the South experienced an employment growth rate of 70% while the Northeast's employment increased by only 22% and the Middle Atlantic states of New York, Pennsylvania and New Jersey experienced the smallest employment growth in the nation - 19%. In fact, by 1975 the South had surpassed the dominance of the Northeast in terms of total employment with 23.5 million jobs compared to 18.5 million jobs in the Northeast. Within the Northeast, New York State has been hardest hit in terms of employment growth. Between 1960 and 1975, the number of jobs in New York State increased from 6.1 million jobs to only 6.9 million jobs. Such Statewide employment statistics mask significant within State employment shifts, as the hardest hit area of the State has been New York City. Between 1970 and 1975 alone, New York City lost over 500,000 jobs and is projected to lose another 300,000 jobs by 1985.



Perhaps more ominous for the future is the fact that not only has New York and the Northeast in general fallen significantly behind the South and Southwest in terms of overall employment, but the area has also been eclipsed by the South and Southwest in terms of capital construction. Figure two, which shows the percentage regional shares of the value of total nonresidential construction in the nation, indicates that the South's and West's share of the nation's non-residential construction grew substantially between 1969 and 1976, while the Northeast's share declined substantially.

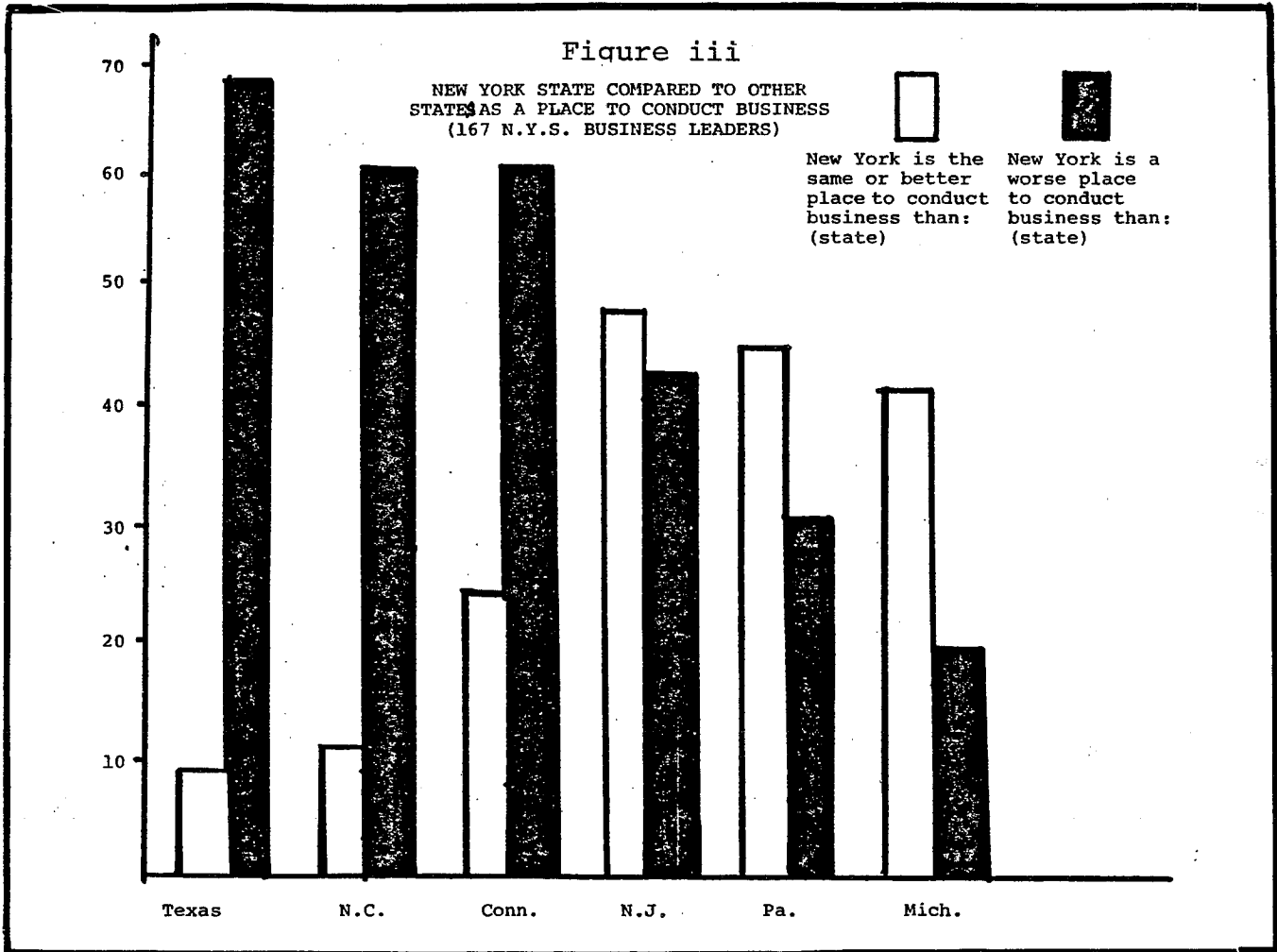


The Tax Climate and Business Location Decisions in New York

A number of reasons have been cited as the source of the economic "decline" of New York and the Northeast in general including high wages, and energy costs, but none has received more attention than the State's overall "tax image" in the eyes of the business community. A recent study of the business community by Louis Harris and Associates for the New York Telephone Company revealed that, although recent improvements have been recognized within the business community, generally business leaders do not evaluate New York State highly as a place in which to conduct business when compared to other states as Figure 3 indicates.

Clearly it is the personal income tax which is highest on the minds of the business community when they think of tax reform. Fully 74% of the business leaders in the Harris survey

listed the State's personal income tax as the tax they would most like to see reduced (first or second choice) while only 42% listed the property tax as their first or second choice for tax reduction. Among those firms reporting an intention of leaving New York, however, high real estate taxes was mentioned almost as frequently as high crime, high business taxes, and the need for more space.



Although it is the personal income tax which is highest on businessmen's list of taxes they wanted lowered, it is the property tax which they overwhelmingly believe has received the least effort for reform. As the following table indicates, a significant proportion of the New York State business community believes that the State government has become increasingly responsive to their concerns and is believed to have undertaken significant reform efforts in all areas except the property tax.

Table i

PERCEIVED EFFORT TO IMPROVE TAXES
OR GOVERNMENT PROBLEMS WHICH
WERE MENTIONED AS CAUSING LOSS OF BUSINESS

<u>Reasons for Business Loss</u>	<u>Perceived Reform Effort (Great Deal or Some Effort)</u>
State Personal income tax	60%
Business taxes	53%
Need for state legislative encouragement of private sector growth	41%
Responsiveness of state government to business concerns	65%
Keeping lid on state government spending	57%
<u>Reforming high property taxes</u>	<u>25%</u>
Development of business tax incentives	67%

Property Taxes on Business

Because the property tax is a local tax, it can vary significantly from location to location within a state. Additionally, not only can the tax rate vary from one locality to another, but assessment practices also vary significantly between localities. One locality may assess business and commercial property at higher levels of full value than other classes of property, while other areas may assess business property at lower levels of full value. This variability makes it extremely difficult to make precise cross-state and even within-state business property tax burden comparisons.

Despite such problems, it is possible to develop some meaningful comparisons. One of the clearest conclusions is that the absence of a personal property tax in New York places it in a decidedly competitive position relative to a large number of other states. A study by the Wisconsin Department of Revenue revealed, for example, that although New York had one of the highest statewide, effective property tax rates, its lack of a tax on personal property resulted in its consistently being one of the states with the lowest overall property taxes paid by various hypothetical firms in 16 states.

Finally, although the business community may rank the personal income tax as the tax most in need of reduction, it is clear that property taxes on business property can represent a substantial proportion of the overall taxes paid by a business. The New York State Legislative Commission on Expenditure Review

examined the taxes paid by several hypothetical firms in 15 different locations within and outside New York State. On some firms property taxes within New York State can represent as much as 60% to 80% of the total taxes paid by the firm.

The SDEA Survey of Local Government Officials and the Business Community

The SDEA survey of the business community and local governmental officials attempted to ascertain perceptions of the New York State economy, attitudes toward the effectiveness of 485-b as an investment incentive, and attitudes toward the Division's legislative proposals on 485-b. The findings of that survey are summarized below.

Business Leaders' Perceptions of the State and Local Economies

- Consistent with other surveys, businessmen in the present survey rated the New York State business climate poorly - only 13% gave the economy a favorable rating, although 31% believed it has improved in the last 5 years.
- Little in the way of differences in the perceptions of the New York State business climate exists between businessmen whose firm has a 485-b exemption and those businessmen whose firm does not have the exemption.
- Businessmen give better ratings to their local economy than they do to the State's economy. Fully 34% gave their local economy a "favorable" rating compared to 13% "favorable" rating they gave to the State's economy.

Business Leaders' Assessment of the 485-b Exemption

- Whether 485-b functions as an effective business investment incentive is somewhat problematic, depending upon how one interprets the SDEA survey findings. Fully 65% of all businessmen with the exemption felt it served as an investment incentive, although only 27% felt it was a "major" incentive, 38% a "minor" incentive and 30% felt it was "no" incentive.
- Little in the way of difference exists over the perceived "effectiveness" of 485-b as an investment incentive when businessmen whose business is receiving the exemption are divided into "manufacturing/wholesale" businesses and "retail/other" businesses. That "retail/other" businesses do not give 485-b

a better rating than the "manufacturing/wholesale" group is perhaps surprising since 485-b is the only exemption for which the "retail/other" group is eligible. (The "manufacturing/wholesale" group is also eligible for the JIB exemption.)

- Another possibly surprising finding is that the smallest businesses, those with 1-19 employees, were the group least favorably impressed by 485-b as an investment incentive. Fully 45% felt it represented "no incentive." This would appear to indicate that if expansion of this sector of the State's economy is desired, further thought must be given to developing public policies which this group of businessmen believe to be more responsive to their particular needs.

Impact of 485-b Exemptions on Business Attitudes and Decisions

- While having or not having a 485-b exemption did not affect businessmen's evaluation of the State's economy, it does appear to be related to businessmen's assessment of their local economy. 40% of businessmen with 485-b exemptions viewed their local economy favorably compared to a favorable assessment by only 28% of those businesses without the exemption.
- If the effectiveness of 485-b is measured in terms of its impact on the operating decisions of the business community, then the program seems to be in some measure a success. Only 13% of businesses with the 485-b exemption reported seriously considering an out-of-state move, compared to 24% of those businesses not receiving the exemption.
- It appears that 485-b has more of an impact on the expansion intentions of manufacturing/wholesale businesses than on similar intentions of the "retail/other" businesses, as 34% of the manufacturing/wholesale firms with 485-b exemptions reported seriously considering expanding their present operations compared to 24% of manufacturing/wholesale firms without the exemption. Only 14% of the "retail/other" businesses with the exemption considered an expansion compared to 19% of those retail businesses without the exemption.

Business Community's Reaction to SDEA Proposal to Change Ten Year, Tapered, Partial Exemption to Flat, Two Year, 100% Exemption

- The business leaders surveyed showed substantial support for SDEA's proposal to change 485-b from

a ten year, tapered, partial exemption, to a two year, 100% exemption. 53% of the business leaders surveyed supported the proposed change, while only 11% opposed the proposal, and 21% indicated they were uncertain.

Governmental Officials' Attitudes Toward Exemptions in General and Business Exemptions

- As one would expect, more governmental officials (mayors, town supervisors and assessors and school superintendents) in areas which allow 485-b exemptions support business exemptions than do government officials in areas which have opted out of the 485-b Program. Only 24% of government officials in allow areas oppose most business exemptions compared to 64% opposition among government officials in opt out areas.
- The position officials occupy within the local government structure is related to their attitude toward both exemptions in general and business exemptions in particular. A significantly larger number of assessors oppose both exemptions in general and business exemptions in particular than is the case with any other group of local officials. Only 12% of mayors and town supervisors and 15% of school superintendents compared to 39% of assessors are opposed to exemptions in general. Opposition to business exemptions among these officials is 24%, 27% and 58% respectively.
- Only 17 (19%) of all local officials in areas which presently allow 485-b exemptions indicate that their governing board or council had ever discussed the possibility of opting out of the 485-b Program.

Local Government Officials' Reactions to SDEA 485-b Legislative Proposals

- Support for the State Division's proposal to change the present ten year, tapered, partial exemption to a two year, 100% exemption is mixed among local governmental officials. 39% favor the change, 44% oppose the change and 17% are neutral or undecided. Assessors favor the change more than other local officials, perhaps because assessors realize that the flat exemption would be easier to work with.

- Local government officials show overwhelming support for the State Board's proposal to exclude utilities from eligibility for the 485-b exemption; 72% favor the proposal and only 16% are opposed.
- Local government officials are evenly divided over the State Board's proposal to eliminate service, retail, farming, hotel, and motel businesses from eligibility for the 485-b exemption; 39% favor the proposal, 39% oppose it, and 11% are undecided or neutral.

INTRODUCTION

New York State has traditionally been a major center of the nation's business, industrial, and financial markets. In 1972 New York was one of the six leading states in wholesale sales with total sales greater than California, Illinois, Texas, Ohio, or Pennsylvania. The 1972 United States Census of Manufacturing reported New York as the leading manufacturing state based on employment statistics with the heaviest concentration in the areas of publishing, apparel, non-electrical machinery and electrical equipment. Manufacturing employment in New York City alone is greater than in most states.

While New York State remains a dominant center of business and finance, an increasing out-migration of business along with much stronger economic growth rates in the South and Southwest have become matters of considerable concern for government, business, labor leaders and the public in general. One finds numerous newspaper articles and reports which repeatedly document the growth of the "Sunbelt" and the decline of the "Northeast." A recent report from a conference of Northeast government and business leaders on the economic problems of the Northeast, for example, reported that between 1969 and 1975 nonagricultural employment in the Northeast increased by only 1.7% while the "New South" experienced an increase of 13.5%.^{1/} Furthermore, the problems of slow or negative business growth have not been distributed evenly within the affected states but have tended to be concentrated in urban centers. Between 1970 and 1975 New York City, for example, lost 500,000 jobs and the city is projected to lose another 300,000 jobs between 1975 and 1985.^{2/} Thus, to the multiple problems already facing urban areas must be added business and employment decline.

A number of reasons have been repeatedly cited for New York's "decline" in business and employment. Higher energy costs resulting from a greater dependence on foreign oil than other parts of the country, high personal income tax rates on middle and upper management, aging plants and limited capital reinvestment, urban problems and industrial decentralization made possible by a revolution in communications, improved interstate highway systems and other transportation networks and a general shift in population and labor force preferences for warmer, sunnier climates have all been cited as reasons for population and industrial migration.

^{1/} The Northeast: Managing a Way Out. Proceedings of a Symposium on Legislative Actions for Survival in the Credit Markets. (Boston, Massachusetts: February 10-11, 1977), p. 6.

^{2/} James W. Hughes and George Sternlieb, Jobs and People: New York City - 1985. (New Brunswick, New Jersey: The Center for Urban Policy Research, 1978), pp. 2-3.

Although business location and expansion decisions are clearly the result of a number of complex factors, none has received more attention than the actions of state and local governments. In fact, "business climate" has come to be virtually equated with actions and decisions of state and local governments. Thus, because the state of the economy is so directly tied to governmental fiscal capacity and to the public programs and services which that capacity supports, state and local governments have increasingly engaged in competitive promotional campaigns designed to attract new business. As a recent New Jersey Commissioner of Labor and Industry stated,

What the South has been doing to New Jersey for fifteen years, I'm doing to New York. It's cut-throat, regrettably, but its every state for itself.^{1/}

New York, like other states, has attempted to retain and attract business and industry through promotional campaigns which extoll the economic, social, recreational, and other virtues of the State. Undoubtedly, the most important action open to state and local governments, however, is in the area of taxation. Whether in reference to the personal income tax, corporate taxation, or the property tax, overall taxing levels and the administration of those taxes have become the basic public policy tool by which states attempt to affect business expansion and location decisions. In New York the following tax incentive measures have been adopted:

- business investment tax credit
- no tax on personal property
- reductions in the corporate franchise tax
- elimination of the former highest income tax bracket
- availability of public financing for business expansion
- property tax exemption programs

Because the property tax typically represents the largest local tax on businesses it has received considerable attention in New York State's efforts to improve its overall taxation and business climate. A number of property tax exemption laws have been enacted in recent years which have been designed to provide localities with tools by which they can stimulate business expansion and encourage business relocation. Some of the more important of these programs include the Job Incentive Program

^{1/} Promoting Economic Development, (Albany, New York: New York State Senate Research Service, October, 1976.)

(JIB), The Business Investment Exemption Program, the Industrial Development Agency Program, and the ten-year exemption on farm building capital improvements.

Although property tax exemptions for businesses have been widely adopted throughout the United States, a number of questions have been raised about such programs. For example, are they effective in stimulating business expansion or would most businesses which receive these exemptions have invested and expanded without the incentive? Similarly, are such incentives effective in attracting new businesses to a locality? Do such exemption laws create, reinforce, or simply reflect existing competition between states and between the localities within states? To what extent do such exemptions create inequities between different classes of property owners (i.e., business vs. residential), and to what extent are they unfair to those businesses which do not or have not expanded? How administratively complex are particular exemption laws and how are they interpreted and administered by each of the independent and autonomous assessors within the different taxing jurisdictions of a state?

The New York State Division of Equalization and Assessment is, of course, deeply concerned with these and other issues in the area of business property tax exemptions. The State Division has long recognized that the effectiveness of any exemption program requires the full understanding and acceptance of that program by both the local governmental officials responsible for administering that program and the business community which may seek that exemption. Lack of awareness, understanding, or acceptance of such programs at the local level can seriously erode their effectiveness. This is true in all areas of the property tax but particularly so when a local option exists.

Given this fact and the fact that the Division is faced with severe administrative difficulties in providing advisory appraisals, a statewide telephone and mailback survey of local government officials and business officers was conducted during the past year. The survey was conducted to ascertain current levels of awareness and understanding of existing business exemption programs and attitudes toward these programs. To broaden the scope and increase the usefulness of the study, property tax business exemption programs in other states were examined along with literature on the effectiveness of property tax business investment exemptions and previous surveys of the business community's attitudes toward the property tax.

This study was also undertaken because the Division has proposed several changes in the Business Investment Exemption Program (485-b). The present exemption provides for a ten-year tapered exemption on industrial, commercial, retail, utility, and farm construction projects which exceed \$10,000.

Unless a local taxing jurisdiction (village, town, city, county or school district) passes a resolution to either opt out of the program or reduce the amount (percent) of the exemption, such construction projects are eligible for a 50% exemption on the assessed value of the improvement in the first year and five percent less in each of the succeeding nine years (i.e., 45% in the second year, 40% in the third year, etc.).

Numerous assessors and other local government officials as well as some businessmen have, since the exemption was created in 1976, made note of some problems with and objections to the present 485-b law. For example, it appears that the ten-year exemption and the local option clause are misunderstood in a number of taxing jurisdictions. With complex, multi-stage projects, calculation of the ten-year tapered exemption poses significant local assessment administrative problems. Some localities also appear to be uncertain regarding the amount of their local discretion over which types of businesses are eligible for the exemption and even over whether or not they can legally opt entirely out of the program. Confusion also exists over whether or not localities can opt out at a future date and the effect of such action on construction projects which are already receiving an exemption under the program.

These and other problems led the Division in 1978/79 to propose the following changes in the 485-b exemption law:

- change the exemption from a ten-year tapered exemption to a flat 100% two-year exemption.
- exclude utilities from eligibility for the exemption because their capital investment decisions must be based on serving the public and are largely controlled by State and federal regulatory agencies.
- exclude retail, hotels, motels, services, and farms from eligibility for the exemption because these businesses serve a local market and therefore their location decisions could not be affected by such an exemption.
- require evidence of project completion before the exemption is granted.
- limit each construction project to eligibility under only one exemption program (i.e., either 485-b or JIB).
- establish a cut-off date of one year from the completion of the project for eligibility to file for the exemption.

Because the Division wished to obtain reactions to these legislative proposals, the survey questionnaires used in the study included questions on these proposals. Thus, local governmental officials (assessors, town supervisors, city mayors and managers, and school superintendents) and business officers were asked a series of questions dealing with the following issues:

- How do local officials view property tax exemptions in general? Do they favor or oppose them?
- How do local officials view the 485-b business exemption program and what changes, if any, do they believe might be advisable?
- How do businessmen perceive the business climate of New York State?
- How important is the 485-b exemption as an investment incentive to businessmen?
- Does receipt of a 485-b exemption affect businessmen's perceptions of the State and local business climate?
- How do local officials and businessmen evaluate the Division's 485-b legislative proposals?

The results of this survey are presented in this report. Before turning to the survey results, however, background information is presented on New York State, regional and national business trends, property taxes on businesses in selected states, along with a brief description of several New York State property tax business incentive exemptions. This information is intended to provide a broader, contextual perspective within which the results of the SDEA survey can be viewed.

BUSINESS AND EMPLOYMENT TRENDS

Over the past decade an increasing number of industries have left the Northeast region for states in the South and West. Higher energy costs in the Northeast, less certain fuel availability, strong labor unions, high crime rates, changes in product demand, higher tax rates, and other reasons have been cited as sources of this relocation trend. Whatever the reasons, there appears to be little question regarding the reality of the regional economic trends over the past decade. As Sternlieb and Hughes note,

A very powerful momentum has built up over the past fifteen years, sweeping employment and population growth away from the older metropolitan centers of the Northeast and North Central states to the newer growth poles of the South and West.^{1/}

One of the basic indicators of regional economic trends is that of employment. Table 1 presents total national employment by region and the changes which occurred between 1960 and 1975. Employment within the entire United States during this period increased by almost 47%, or 24 million jobs. Inspection of the table indicates, however, that the distribution of this employment growth was not spread evenly across the country. While the South and West experienced an employment growth rate of almost 70% during this period, the Northeast's employment increased by only 22%. In fact the smallest increase (18.7%) was experienced by the Middle Atlantic states of New York, Pennsylvania and New Jersey. Such percentage changes cannot be minimized or dismissed as simply a function of Southern employment increases from a small base, for by 1975 the South surpassed the dominance of the Northeast in terms of total employment with 23.4 million jobs compared to 18.5 million jobs in the Northeast. Employment trend variations within five-year periods between 1960 and 1975 further reinforce these patterns. Between 1970 and 1975, when the nation's economy as a whole experienced a decline, the Northeast lost 35,000 jobs but the South actually gained 3.3 million jobs.

What explains this dramatic decline in employment in the Northeast and the corresponding rapid growth in the South and West? While it would be inappropriate for this report to attempt to address this question in detail, there are several parallel economic trends which should be noted. A great many federal public policies and programs in the previous decade were directed toward the decay of the country's urban areas, the oldest of

^{1/} George Sternlieb and James W. Hughes, "The New Economic Geography of America," in George Sternlieb and James W. Hughes (eds.) Revitalizing the Northeast. (New Brunswick, New Jersey: The Center for Urban Policy Research, Rutgers University, 1978), p. 76.

Table 1

TOTAL EMPLOYMENT CHANGE: 1960-1975
BY REGION AND DIVISION
(Numbers in Thousands)

Region and Division	1960	1975	Change 1960-1975	
			Number	Percent
Northeast Region	15,229.5	18,535.4	3,305.9	21.7
Middle Atlantic Division	11,676.4	13,864.9	2,188.5	18.7
New England Division	3,553.1	4,670.5	1,117.4	31.4
North Central Region	15,291.8	20,826.7	5,534.9	36.2
East North Central Division	11,318.1	14,957.5	3,639.4	32.2
West North Central Division	3,973.7	5,869.2	1,895.5	47.7
South Region	13,818.0	23,480.3	9,662.3	69.9
South Atlantic Division	7,054.2	12,078.8	5,024.6	71.2
East South Central Division	2,606.0	4,353.0	1,747.0	67.0
West South Central Division	4,157.8	7,048.5	2,890.7	69.5
West Region	7,734.3	12,110.4	5,376.1	69.5
Mountain Division	1,765.9	3,353.9	1,588.0	89.9
Pacific Division	5,968.4	9,756.5	3,788.1	63.5
U.S. Total	52,073.6	75,952.8	23,879.2	46.6

Source: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (Washington, D.C.: U.S. Government Printing Office, Monthly).

which, of course, are located in the Northeast. The appropriateness of these policies, at least in terms of need, is clearly revealed in Table 2 which indicates that the loss of jobs in the Northeast has been largely concentrated in the area's major urban centers. In fact, between 1960 and 1965, when New York City lost almost 4,000 jobs, the rest of the State actually gained 235,000 jobs. During the national growth period between 1965 and 1970, when New York City experienced a 7.4% increase in jobs, the rest of the State experienced a job increase of over 20%. Finally, between 1970 and 1975, when New York City lost 439,000 jobs, the rest of the State experienced an increase of 161,000 new jobs.

In addition to the loss of jobs in the Northeast being primarily concentrated in the region's large urban centers, numerous studies have revealed that job losses have been primarily concentrated in the manufacturing sectors of the region's economy. The Northeast, with its geographic advantages as the center of international and national trade, was traditionally the dominant center of the country's manufacturing industry. As late as 1960 the Northeast still dominated this industry with 5.6 million jobs. The North Central region followed closely with 5.5 million manufacturing jobs while the South had only 3.6 million such jobs. By 1975, however, the South had surpassed the Northeast with 5.2 million vs. 4.8 million manufacturing jobs respectively.

Table 2

TOTAL EMPLOYMENT CHANGE,
MIDDLE ATLANTIC DIVISION: 1960-1975
(Numbers in Thousands)

	1965		Change 1960-1965		1970		Change 1965-1970		1975		Change 1970-1975	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Middle Atlantic Division	11,676.4	12,270.6	594.2	5.1	14,088.0	1,818.2	14.8	13,864.9	-223.9	-1.6		
New York State	6,102.1	6,333.5	231.4	3.8	7,159.1	825.6	13.0	6,881.5	-277.6	-3.9		
New York City	3,557.7	3,554.0	-3.7	-0.1	3,817.2	263.2	7.4	3,378.7	-438.5	-11.5		
Balance of State	2,544.4	2,779.5	235.1	9.2	3,341.9	562.4	20.2	3,502.7	160.9	4.8		
New Jersey State	1,943.0	2,163.0	220.0	11.3	2,580.6	417.6	16.0	2,637.6	57.0	2.2		
Pennsylvania State	3,631.3	3,774.1	142.8	3.9	4,349.1	575.0	15.2	4,345.8	-3.3	-0.1		
Philadelphia (City)	N.A.	N.A.	N.A.	N.A.	919.4	N.A.	N.A.	801.6	-108.8	-11.8		
Balance of State	N.A.	N.A.	N.A.	N.A.	3,429.7	N.A.	N.A.	3,535.2	105.5	3.1		

Source: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, (Washington, D.C.: U.S. Government Printing Office, Monthly).

Table 3, which presents regional manufacturing employment trends between 1960 and 1975 by five-year periods, dramatically confirms the long-term trends. Between 1960 and 1965 the Northeast lost 110,000 manufacturing jobs while the South gained 521,000 manufacturing jobs, 72% of the national increase of 723,000 manufacturing jobs. Between 1965 and 1970 when the Northeast gained 265,000 manufacturing jobs the South gained 952,000 such jobs. Finally, between 1970 and 1975, when the country lost 1.5 million manufacturing jobs, the Northeast accounted for 64% of that overall loss; more than 936,000 manufacturing jobs. During this period the South experienced a small increase in the number of such jobs. Finally, consistent with overall employment trends, Table 4 reveals that the loss of manufacturing jobs in the Middle Atlantic states was concentrated in the major urban centers. Between 1960 and 1970, when New York City was losing manufacturing jobs, the rest of New York State actually experienced an increase in these jobs, and the loss of manufacturing jobs during the 1970 to 1975 period was significantly less in upstate New York than in New York City.

Table 3

REGIONAL GROWTH SHARES OF MANUFACTURING
EMPLOYMENT CHANGE: 1960-1975
(Numbers in Thousands)

Region	Absolute Growth Increment		
	1960-1965	1965-1970	1970-1975
Northeast Region	-110.1	264.9	-936.2
Mid Atlantic	- 89.4	187.8	-724.1
New England	- 20.7	77.1	-212.1
North Central Region	189.7	624.5	-579.8
East South Central	148.0	428.0	-585.4
West South Central	41.7	195.7	5.6
South Region	520.6	951.6	23.9
South Atlantic	250.4	424.3	- 73.6
East South Central	157.1	233.3	31.4
West South Central	113.1	292.9	66.1
West Region	122.7	372.5	25.1
Mountain	25.4	82.9	54.0
Pacific	97.3	289.6	- 28.9
U.S. Total	722.9	2,213.4	-1,467.0

Source: Sternlieb and Hughes, Revitalizing the Northeast, p. 86

Nonmanufacturing employment trends presented in Table 5 show similar regional growth patterns. Between 1960 and 1975 the South and West experienced growth rates of 78% and 80% respectively while the Northeast's nonmanufacturing employment increased by only 37% and the Middle Atlantic states experienced the lowest increase (30.2%) in the country.

Perhaps of most direct importance to the present report is the issue of revitalization of the New York State economy through capital investments. Table 6 presents the total value of nonresidential construction authorized between 1967 and 1976 for the different regions of the country. Nonresidential construction in the Northeast shrank consistently during these years from 22% of the national investment between 1967 and 1969, to 16% between 1973 and 1975, and to only 11% during the first five months of 1976. Again the South and West show exactly the opposite trend with the South increasing its share from 29% between 1967 and 1969 to 36% in 1976.

There appears to be little doubt, then, regarding the validity of the popular impression that over the past 20 years the industrial and commercial growth areas of the country have been the South and Southwest, while the Northeast has been characterized by contraction in both the number of jobs and in capital investments in its industrial base.

Table 4

MANUFACTURING EMPLOYMENT CHANGE
MIDDLE ATLANTIC DIVISION: 1960-1975
(Numbers in Thousands)

Division and State	1960		1965		Change 1960-1965		1970		Change 1965-70		1975		Change 1970-1975	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Middle Atlantic Division	4,172.8	4.083	4,083.4	-89.4	-2.1	4,271.2	187.8	4.6	3,547.1	-724.1	-17.0			
New York State	1,927.9	1,810.0	-117.9	-6.1	1,838.5	28.5	1.6	1,462.4	-376.1	-20.5				
New York City	988.7	866.2	-122.5	-12.4	816.9	-49.3	-5.7	572.6	-244.3	-29.9				
Balance of State	939.2	943.8	4.6	0.5	1,021.6	77.8	8.2	889.8	-131.8	-12/9				
New Jersey State	794.6	807.9	13.3	1.7	884.2	76.3	9.4	735.3	-148.9	-16.8				
Pennsylvania State	1,450.3	1,465.5	15.2	1.0	1,548.5	83.0	5.7	1,349.3	-199.1	-12.9				
Philadelphia (City)	N.A.	N.A.	N.A.	N.A.	237.8	N.A.	N.A.	165.5	-72.3	-30.4				
Balance of State	N.A.	N.A.	N.A.	N.A.	1,310.7	N.A.	N.A.	1,183.9	-126.8	-9.7				

Source: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (Washington, D.C.: U.S. Government Printing Office, Monthly).

Table 5

PRIVATE NONMANUFACTURING EMPLOYMENT CHANGE:
1960 TO 1975
BY REGION AND DIVISION
(Numbers in Thousands)

Region and Division	1960	1975	Change 1960-1975	
			Number	Percent
Northeast Region	7,672.4	10,470.5	2,798.1	36.5
Middle Atlantic Division	6,025.2	7,847.0	1,821.8	30.2
New England Division	1,647.2	2,623.5	976.3	59.3
North Central Region	7,512.5	11,311.6	3,799.1	50.6
East North Central Division	5,252.6	7,876.2	2,623.6	49.9
West North Central Division	2,259.9	3,435.4	1,175.5	52.0
South Region	7,547.4	13,415.7	5,868.3	77.8
South Atlantic Division	3,694.0	6,802.4	3,108.4	84.1
East South Central Division	1,285.5	2,243.4	957.9	74.5
West South Central Division	2,567.9	4,369.9	1,802.0	70.2
West Region	4,326.3	7,792.8	3,466.5	80.1
Mountain Division	1,113.9	2,136.5	1,022.6	91.8
Pacific Division	3,212.4	5,656.3	2,443.9	76.1
U.S. Total	27,058.6	42,990.6	15,932.0	58.9

Source: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (Washington, D.C.: U.S. Government Printing Office, Monthly),

Table 6

VALUATION OF TOTAL PRIVATE,
NONRESIDENTIAL CONSTRUCTION AUTHORIZED
1967-1976

(Millions of Dollars; Numbers Represent
Annual Averages for the Periods Indicated)

Period	U.S. Total	Northeast Region	North Central Region	South Region	West Region
1967-1969	11,683.3	2,504.7	3,119.8	3,395.8	2,627.0
1970-1972	14,277.5	2,641.1	3,409.5	4,734.4	3,492.5
1973-1975	17,932.1	2,848.4	4,431.2	6,157.5	4,495.0
1976	6,420.6	728.9	1,601.1	2,295.8	1,794.8
Percent Distribution					
1967-1969	100.0	21.7	26.7	29.1	22.5
1970-1972	100.0	18.5	23.9	33.2	24.5
1973-1975	100.0	15.9	24.7	34.3	25.1
1976	100.0	11.4	24.9	35.8	28.0

Source: U.S. Bureau of the Census, Construction Reports, Series C20 (Washington, D.C.: U.S. Government Printing Office, Monthly).

Table 7

NUMBER OF CORPORATIONS OF EACH INDUSTRY LOCATED IN NEW YORK STATE

Industry	1973	74/75	75/76	Percentage Change Between 73-76
Agriculture, forestry, fisheries	1,116	1,105	857	-23%
Mining	332	320	306	- 8
Contract construction	10,057	9,742	7,484	-26
Building construction	3,799	3,785	2,927	-23
Construction (exc. bldg. constr.)	701	561	445	-36
Special Trade Contractors	5,557	5,396	4,112	-26
Services incidental to trans., comm., public utils	4,137	3,943	3,402	-18
Manufacturing	23,419	22,020	19,717	-16
Food and kindred products	1,169	1,209	1,020	-13
Tobacco manufactures	15	15	20	+33
Textile mill products	1,601	1,425	1,395	-13
Apparel and finished textile prod.	4,501	4,089	3,595	-20
Lumber and wood products	422	473	362	-14
Furniture and fixtures	630	524	440	-30
Paper and allied products	612	593	553	-10
Printing, pub, and allied ind.	3,855	3,622	3,150	-18
Chemicals and allied products	905	823	848	- 6
Products of petroleum and coal	85	81	87	+ 2
Rubber and Plastic products	619	601	578	- 7
Leather and leather products	426	422	401	- 6
Stone, clay and glass products	542	510	443	-18
Primary metal industries	306	313	337	+10
Fabricated metal products	1,982	1,928	1,657	-16
Machinery (except electrical)	1,760	1,702	1,539	-13
Elect. machinery, equip., supplies	1,236	1,096	946	-23
Transportation equipment	313	296	285	- 9
Professional, scientific instr.	554	549	554	- 0
Miscellaneous manufacturing	1,878	1,749	1,507	-19
Wholesale trade	22,589	22,113	20,733	- 8
Motor vehicles, auto, equip	1,081	1,082	1,102	+ 2
Electrical goods	1,186	1,242	1,175	-
Hardware, plumbing, heating equip.	1,098	1,152	1,087	- 1
Machinery, equipment and supplies	2,449	2,936	2,643	+ 8
Retail trade	24,368	23,785	18,339	-25
Building mat., hardware, farm equip.	1,698	1,743	1,532	-10
Gen'l merchandise, dept. stores	1,574	798	578	-64
Food	2,460	2,480	1,731	-30
Automotive	3,634	3,561	2,809	-23
Apparel	3,094	2,963	2,339	-25
Furniture and furnishings	2,139	2,059	1,665	-22
Eating and drinking places	3,481	3,361	2,437	-30
Miscellaneous retail trade	6,288	6,820	5,248	-17
Finance, insurance, real estate	34,268	31,799	24,746	-28
Special banking services	110	125	109	-
Credit agencies (exc. banks)	804	750	642	-20
Security, comm. brokers, dealers	926	875	914	- 1
Ins. agents, brokers, services	2,801	2,839	2,703	- 3
Real estate agents, brokers, mgmt. and ownership	27,701	25,280	18,931	-32
Holding and other inv. cos.	1,1926	1,930	1,447	-25

Continued next page

Table 7 (cont.)

<u>Industry</u>	<u>1973</u>	<u>74/75</u>	<u>75/76</u>	<u>Percentage Change Between 73-76</u>
Services	20,825	20,628	16,988	-18
Hotels and lodging places	1,275	1,041	792	-38
Personal services	2,381	2,191	1,486	-38
Business services	7,645	7,719	7,142	- 7
Automobile repair serv. and garages	2,077	2,147	1,659	-20
Miscellaneous repair services	832	895	650	-22
Motion picture industries	1,045	1,007	734	-30
Other amusement services	1,585	1,572	1,372	-13
Medical serv., hospitals, etc.	2,177	2,631	1,973	- 9
Educational services	1,521	245	218	-86
Miscellaneous services	286	1,180	962	+2
Business not given	2,367	2,340	1,341	-43
Drugs, chemical	917	278	255	-72
Groceries	2,367	2,375	2,281	- 4
Farm products	291	288	249	-14

Source: Statistical Supplement To The Annual Report Of The Department of Taxation and Finance and New York State Tax Commission, 1976-1977

THE TAX CLIMATE AND BUSINESS LOCATION DECISIONS

The overall tightening of the American economy and the dramatic regional shifts which have occurred within the past fifteen to twenty years have focused both public and private attention upon the task of developing effective public policies to revitalize the economy of the Northeast and make it competitive with the high-growth South and West. While numerous considerations enter into the expansion and relocation decision-making processes of businesses, none has received more attention than the relative position of states in terms of their level of taxation.

The heightened concern of state governments over their image in the eyes of the business community has been reflected in the increasing number of studies of business leaders' opinion of the "business climate" of various states. One of the more recent of these studies was conducted by Louis Harris for the New York Telephone Company.^{1/} Harris surveyed 174 key business leaders throughout New York State and conducted a representative cross-section telephone survey of 1,450 New York State residents.

One of the more significant findings of that study was the fact that while the business leaders expressed considerable satisfaction with such New York State characteristics as proximity to markets, the supply of skilled employees, municipal services, and cultural amenities, these considerations did not rank high on their list of factors considered in making location decisions. High on that priority list, as Table 8 indicates, were State and local taxes and only 1 in 5 business leaders expressed satisfaction with the State's efforts to limit government spending and taxes including the level of local property taxes. Curiously, while only 22% of the business leaders expressed satisfaction with the level of State government responsiveness to the business community, 46% expressed satisfaction with State and local business incentives for investment and expansion.

When asked to compare New York to six other industrial locations, business leaders do not presently rate New York highly. Table 9 indicates that Texas, North Carolina, and even the neighboring State of Connecticut are evaluated as better places to conduct business than New York by a significant number of business leaders. Only Michigan and Pennsylvania are seen as having few advantages over New York.

^{1/} New York State Economic Development; Business and Public Views, (Louis Harris and Associates, Inc., December, 1978.)

Table 8

FACTORS IMPORTANT IN DETERMINING WHERE YOUR FIRM LOCATES ITS OPERATIONS, AND SATISFACTION WITH LOCATION IN TERMS OF EACH FACTOR

Q.: Here is a list of some factors which business people tell us are important in management decisions on where to locate business operations. Please rate each of these factors in terms of how important it is in determining where your firm locates its operations. The rating scale ranges from "1" for very important to "4" for very unimportant.

Q.: How satisfied are you with your present location as a place to conduct your business operations in terms of these same factors -- very satisfied, somewhat satisfied, somewhat dissatisfied, or very dissatisfied?

(Number of respondents ranges from 157 to 161)	Importance Mean Score	Satisfaction
	#	%
A state government that holds the line on spending and taxes	1.43	21
Responsiveness of state government to the needs of business	1.45	22
Level of state personal income taxes	1.46	11
Cost of labor	1.47	45
Level of corporate income taxes	1.59	17
Supply of skilled, trained employees	1.59	82
Utility services	1.63	34
State and business incentives for investment and expansion	1.65	46
Level of local property tax	1.67	25
Efficient/honest local government	1.71	53
Proximity to major customers/markets	1.72	89
Degree of local/state controls, paperwork	1.87	15
State willingness to consider needs of business in enforcing environmental laws	1.87	28
Construction costs	1.89	36
Adequacy of local municipal services such as police, fire, and sanitation	1.94	75
Quality of education in public schools	2.00	56
Land Costs	2.31	70
Availability of cultural activities (concerts, theaters, museums, etc.)	2.51	90

Source: Louis Harris and Associates, p. 21.

Table 9

NEW YORK STATE COMPARED TO OTHER STATES
AS PLACE TO CONDUCT BUSINESS

Q.: Overall, how would you compare New York State to the following states as a place to conduct business generally? Would you say New York is better, worse, or about the same?

(Number of respondents: 167)	New York State Is:			
	Better Than	About The Same As	Worse Than	Not Sure
	%	%	%	%
Texas	5	4	68	23
North Carolina	8	3	60	29
Connecticut	7	19	60	14
New Jersey	18	30	42	9
Pennsylvania	12	33	30	25
Michigan	13	28	19	41

Source: Louis Harris and Associates, p.30

Table 10 on the following page shows business leaders' responses to common business community criticisms of New York State along with businessmen's evaluation of recent efforts by the State government in each area. The personal income tax and business taxes are rated as major reasons for business exodus from New York with high property taxes listed as a major reason by 61% of the respondents. Although a significant number of businessmen see "some" progress by State government in such areas as reduction of the State's personal income tax and an increased "cooperative" attitude (49-50%), few businessmen felt that a "great deal" of effort had been made in most areas. Perhaps most notable in Table 10 is the finding that 70% of the business leaders felt that "not much" effort had been expended to lower property taxes. In fact, of the listed areas for improvement the property tax was rated as showing the least improvement.

Table 10
REASONS FOR LOSS OF BUSINESS AND PERCEIVED EFFORTS TO IMPROVE PROBLEMS

Q.: In 1977, 206 business leaders were asked their perceptions of the major reasons why New York State has lost more businesses -- that is, factories and offices -- than it has gained in the past two or three years. Here is a list of the reasons that business leaders cited. For each one, please indicate first if you believe this is a major reason, a minor reason, or not a reason why New York State has suffered a net loss of business. Second, how would you rate state or local efforts in the past year to improve these problems? Has the state or your local government done a great deal, some, or not much to overcome the problem?

	Reasons for State Loss of Businesses				Perceived Effort To Deal With Problem		
	Major Reason %	Minor Reason %	Not A Reason %	Not Sure %	Great Deal %	Some %	Not Much %
state personal income tax rates are too high	81	16	2	1	10	50	40
Business taxes are too high making the cost of doing business in New York State too excessive	78	20	1	1	6	47	45
The state legislature has not provided adequate practical remedies to encourage private sector growth	64	27	4	5	7	34	50
State government must develop a cooperative attitude of concern for business	64	31	5	-	16	49	32
The state government has not kept a tight enough lid on spending	63	27	8	2	6	51	40
Property Taxes are too high	61	31	7	1	6	19	70
The state has insufficient tax and other incentives for business to relocate or expand in New York State	42	41	13	4	17	50	27

Source: Harris and Associates, p. 25.

times been noted, however, that per capita taxes is a poor or misleading measure of "tax burden" because it does not take the wealth of a state, or the ability of its residents to pay taxes, into account. Thus, states with less wealth or lower incomes and low taxes may in reality have a significantly higher tax burden than a high tax state which has greater wealth. Even when "tax burden" is calculated as a percentage of personal income or per \$1,000 of personal income, however, New York still stands out as a high tax state. In 1975 New York was second only to Alaska in terms of state revenue per \$1,000 of personal income with \$250, while the average for the nation was \$199 with California at \$220, Connecticut at \$157, New Jersey at \$173, Massachusetts at \$204, and North Carolina at \$184.^{1/}

Property taxes represent a declining source of state and local revenue both nationally and in New York State (33% and 35% in 1962 and 23% and 24% respectively in 1975). Nevertheless, as Table 11 indicates, the property tax still represents New York's single largest source of revenue with the next largest source being the personal income tax at 16.1% of total State and local revenue.

While New York is about at the national average in terms of its dependence upon the property tax as a source of overall state and local revenue, it is much less dependent on that revenue source than most other Northeast states such as Massachusetts, Connecticut, New Hampshire, and New Jersey, all of which derive between 35% and 38% of their state and local revenue from the property tax.^{2/}

Consistent with New York's overall taxation position, the State ranks fifth among the states in per capita property taxes with \$412 in 1975 and seventh in terms of property taxes per \$1,000 of personal income with \$63, as the maps on the following pages indicate.

While comparisons between states in terms of overall taxation levels and taxes by revenue source are fairly straightforward, tax incidence comparisons ("who pays") by type of tax (i.e., business property taxes vs. corporate taxes) are much more difficult to come by and the available information more fragmentary and, therefore, less reliable. One of the more popular methods of comparison has been to describe the statutory tax provisions of selected states. Table 12 from the New York State Department of Commerce represents a typical comparison. As the table indicates, an important feature of

^{1/} Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism: Volume II - Revenue and Debt, (Washington, D.C., March, 1977), Table 31.

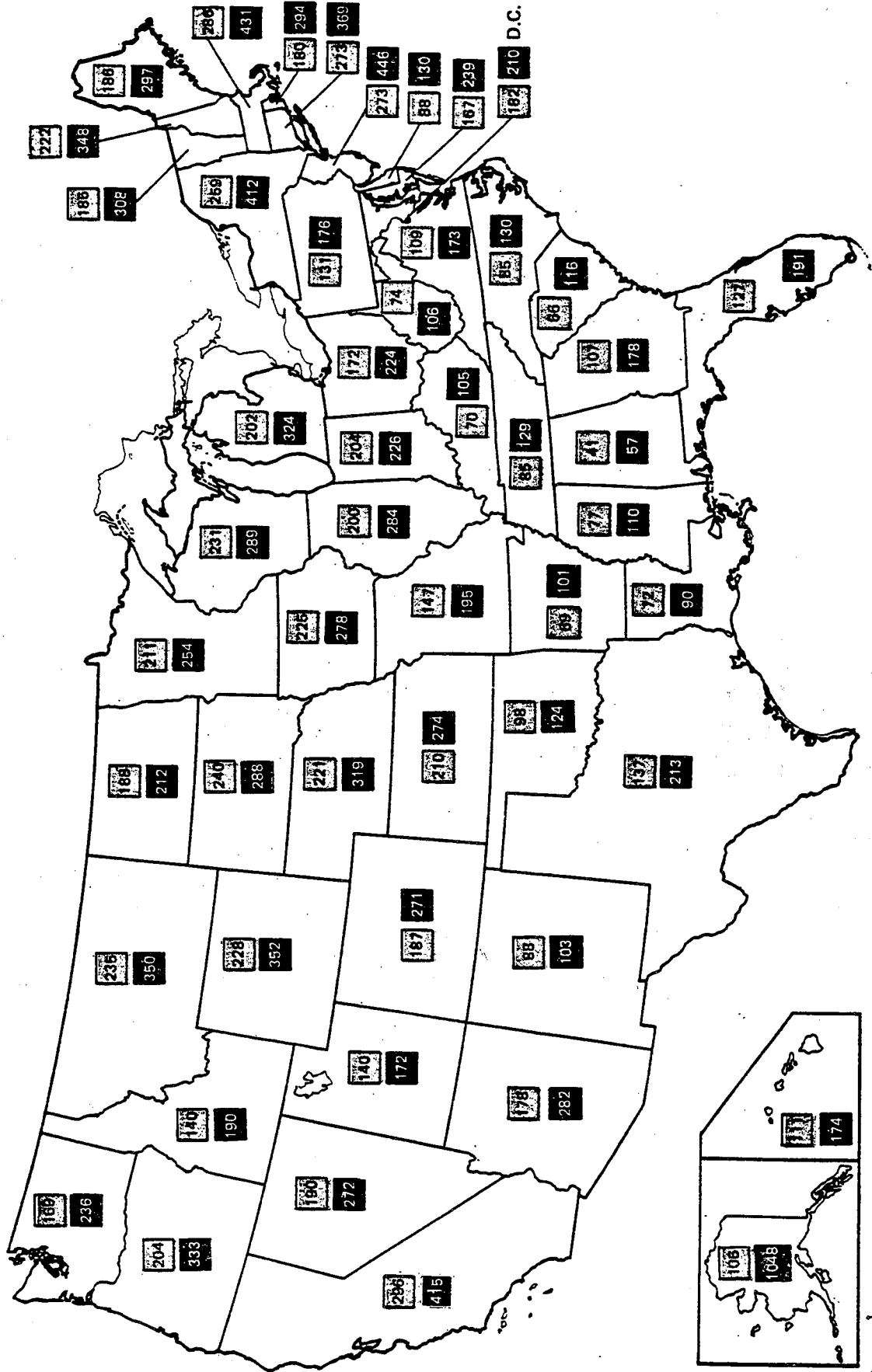
^{2/} Ibid, p. 124.

Map 1

Per Capita Property Tax Revenue of State and Local Governments, by States: 1970-71 and 1975-76.
(Amounts in dollars)

1970-71
1975-76

Source: 1977 Census of Governments, Taxable Property Values and Assessment/Sales Price Ratios, p. 35.



Map 2

Property Tax Revenue of State and Local Governments Per \$1,000 of Personal Income, 1970-71 and 1975-76.
(Amounts in dollars)

1970-71
1975-76

Source: 1977 Census of Governments, p. 36.

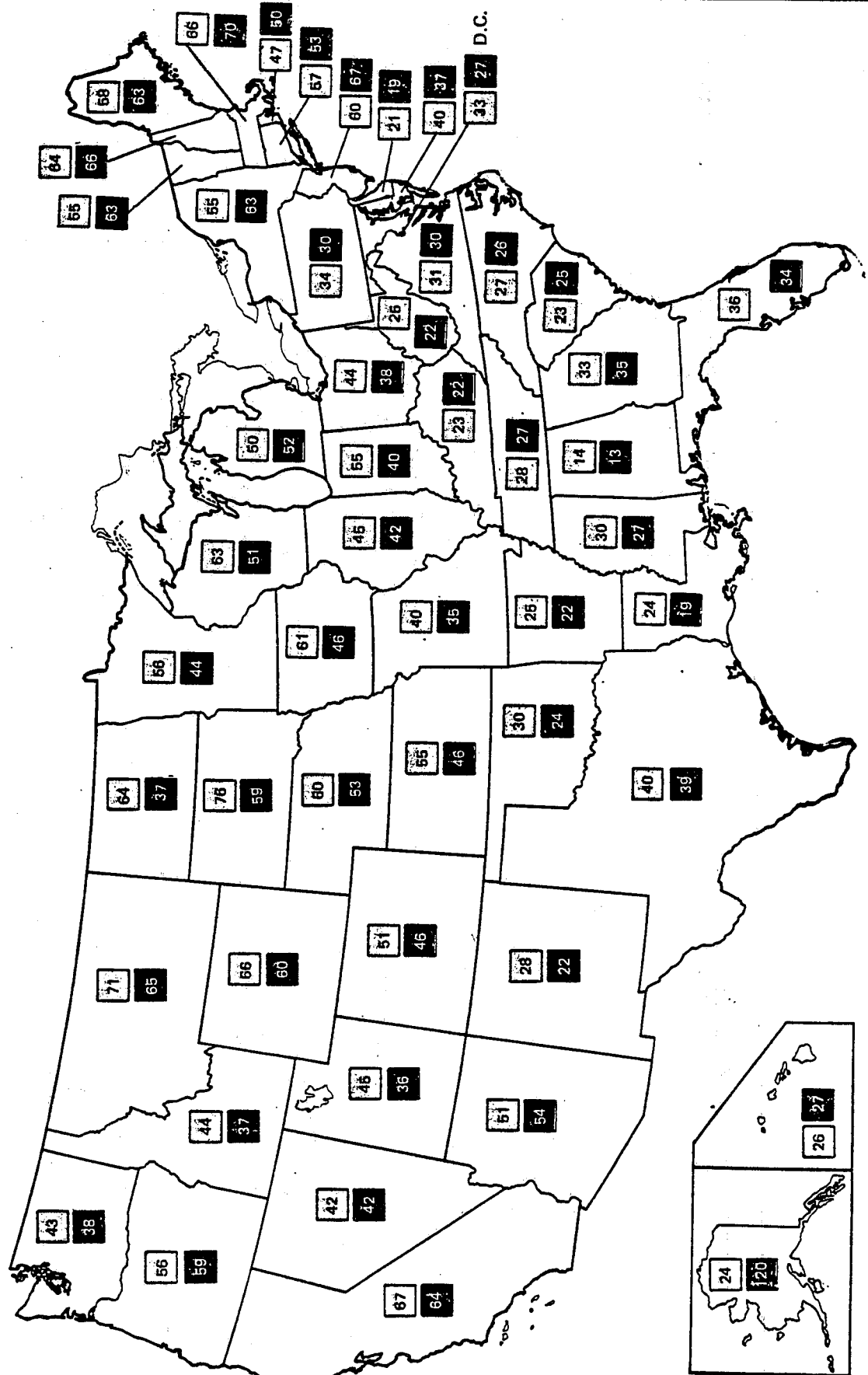


Table 12

STATE AND LOCAL GENERAL REVENUE
BY SOURCE FOR SELECTED STATES - 1975

State	Total General Revenue (in millions)	Tax Revenue						Charges & Miscellaneous General Revenue	
		Federal Aid	Property Tax	Individual Income	Corporate Income	General Sales	Selected Sales	Other	
United States	\$ 228,194.9	20.6%	22.6%	9.4%	2.9%	12.8%	9.1%	5.3%	17.4%
New York	27,891.8	17.9	24.0	16.1	3.5	12.5	7.3	3.2	15.5
Massachusetts	6,825.9	19.0	36.8	14.4	3.9	3.7	8.0	2.7	11.5
Connecticut	3,130.1	18.8	34.8	0.4	4.5	13.6	11.5	4.1	12.3
New Jersey	7,914.1	17.7	38.1	0.6	2.6	9.7	11.0	5.1	15.3
Pennsylvania	11,524.4	20.6	16.8	12.4	5.2	11.0	10.0	9.9	14.1
Michigan	10,339.3	20.5	25.8	9.6	2.2	11.4	7.0	4.4	19.1
California	27,869.6	18.6	28.4	8.8	4.5	14.8	6.1	3.4	15.4
North Carolina	4,599.9	26.4	13.9	12.0	3.6	11.7	11.8	4.5	16.0

Source: Advisory Commission on Intergovernmental Relations, Significant Features of Fiscal Federalism: 1976-1977 Edition (Washington, D.C., March, 1977), Table 16, p. 30.

New York's tax structure from the perspective of the present study is the fact that New York does not tax personal property; a significant feature for business and industry as will be seen shortly.

Given the importance of the issue of state and local taxes on business relocation decisions it is curious that few studies are available which actually compare average business taxes paid across various states. Similar information for single-family residences and farms is readily available. One of the few studies which did compare total state and local taxes on businesses was conducted by the Ohio Department of Taxation. Table 13 on page 26, taken from that study, indicates that in terms of overall taxes paid per \$100 of profits in 1974, New York has the second highest level of taxation with \$33 per \$100 of profit. The average taxes per \$100 of profit for the 50 states was \$21.70 in 1974. The table also shows, however, that such other cost of business factors as wages are highly variable from one region and state to another and that such non-taxation costs may be much more important determinants of business location decisions than state and local taxes. In terms of wages per \$100 of profit, for example, New York, at \$385, is only slightly above the national average of \$380 and there are twenty-one states with higher wages per \$100 of profit. Clearly that is at least as important a factor in business location decisions as level of taxation.

Such statewide average taxes on business appear to indicate that New York State occupies a disadvantaged taxation position relative to other states in its attempts to attract and retain business. Statewide averages can be misleading, however, because businesses occupy specific geographic locations and taxes, particularly property taxes, can be highly variable within states. This is clearly the case in New York where there are significant taxation variations between upstate and downstate areas of the State. A 1974 study by the New York State Legislative Commission on Expenditure Review revealed significant upstate-downstate variations in overall tax liability for four hypothetical firms (a common method of estimating and comparing taxes on various types of businesses). On firm A, a new one-story plant of 135,500 square feet with all new equipment on a 10 acre site with an estimated full value of between \$1,517,763 and \$4,825,405 (depending on the plant's location), total taxes at different locations varied from a high of \$292,432 in Queens, New York, to a low of \$90,646 in Clay, New York. (See Table 14 on page 27.)

Table 12
COMPARISON OF SELECTED TAXES AFFECTING BUSINESS
LEVIED BY STATE AND LOCAL GOVERNMENTS IN COMPETITIVE INDUSTRIAL STATES
JANUARY 1976

State	Corporate Income Rates (percent)	Tax on Net Worth, Capital Stock, or Similar Items	Personal Property		Sales or Use Tax		Personal Income	
			Tangible	Intangible	State (percent)	Local (percent)	Range of Rates (percent)	Highest Rate Amount Over (percent)
NEW YORK	10.0 ^{a/}	b/	no	no	4.0	0.0-4.0	2.0-12.0 ^{a/}	25,000
California	9.0 ^{a/}	no	yes	no	4.75	1.25-1.75	1.0-11.0 ^{a/}	c/ d/
Connecticut	10.0	b/	yes	no	7.0	none	7.0	all
Illinois	4.0	yes	yes	yes	4.0	0.5-1.0	2.5	all
Indiana	5.425	no	yes	yes	4.0	none	2.0 ^{a/}	all
Massachusetts	9.4962	yes	yes ^{e/}	no	5.0	none	5.375 & 10.75 ^{f/}	f/
Michigan	2.35 ^{a/} g/	g/	yes	yes	4.0	none	4.6 ^{a/}	all
New Jersey	7.5 ^{a/}	yes	yes ^{h/}	no	5.0	none	0.75-8.0 ^{a/}	i/
North Carolina	6.0 ^{e/}	yes	yes ^{i/}	yes	1.0-3.0 ^{k/}	0.0-1.0	3.0-7.0 ^{a/}	10,000
Ohio	4.0-8.0 ^{a/} l/	b/	yes	yes	4.0	0.0-1.5	0.5-3.5 ^{a/}	40,000
Pennsylvania	9.5 ^{a/}	yes ^{m/}	no	yes	6.0	none	2.0 ^{a/}	all
Wisconsin	2.3-7.9 ^{l/}	no	yes ^{f/}	no	4.0	none	3.1-11.4	14,000

NOTE: Real property is taxed in all states; rates vary among communities. Where applicable, rates shown include surtaxes.

a/ One or more localities tax income, payrolls, or gross receipts of manufacturers, retailers, wholesalers and/or individuals.

b/ Capital is taxed only when such will yield a tax greater than the tax on income.

c/ Single, \$15,500; head of household, \$18,000.

d/ Levied on capital gains (less \$100 if income is under \$20,000) and all dividends if income is over \$20,000.

e/ Manufacturing machinery is exempt.

f/ Interest and dividends (except from certain deposits) and capital gains, 10.75%; all other income 5.375%.

g/ The tax base is value added rather than net income. The tax on capital expires May 15, 1976.

h/ Business personal property, except inventories.

i/ Interest and dividends, from 0.75% to 4.0% of the amount over \$25,000; other unearned income, 1.5% to 8.0% of the amount over \$25,000. In addition, New York and Pennsylvania residents are taxed on New Jersey-earned income at the rates payable in their home states.

j/ Farm products and nuclear materials held for manufacture are exempt.

k/ Rates vary with item purchased.

l/ Highest rate applies to income over \$25,000 in Ohio; over \$6,000 in Wisconsin.

m/ Capital employed in production in the state is excluded.

Source: New York State Department of Commerce, Taxes and Plant Location in New York and Other Industrial States, (Albany, New York; March, 1976).

While property taxes vary significantly within states as Table 14 indicates, it should be noted that these variations are in large part a function of variation in the value of land in different locations within a state as Table 15 indicates. Variations in property taxes on business property (as with all property) depends upon the "level of assessment" on the property - the percentage of full market value at which the property is assessed - and the local tax rate. The \$186,138 in property taxes in Queens, New York largely reflects the grossly more expensive land value in New York City than in upstate New York (almost four times the next most expensive land sites - Orangetown and Babylon - and 25 times the least expensive land site - Kirkwood). If land and construction costs were constant between locations property taxes would vary significantly less as the full value tax rates in the table imply (from \$25.50 per \$1,000 of full value to \$45.29).

Property taxes on business can, therefore, as the LCER report indicates, represent a significant, and in some cases dominant, proportion of a business's overall tax burden. Moreover, because property taxes are a local tax, they can vary significantly from location to location within a state. Furthermore, not only does the property tax rate vary from one locality to another, but assessment practices also vary significantly from one locality to another with some localities assessing business and commercial properties at higher levels than other classes of property while in other localities business property may be assessed at lower levels than other classes of property.

The variability in assessment practices and in real property tax rates from one area to another within a state makes it extremely difficult to derive overall cross state effective property tax rates for business property. As the Bureau of the Census concluded,

The relative scarcity of commercial and industrial sales demonstrates the difficulty often encountered not only in valuing such realty but also in identifying precisely the relative tax burden it incurs.^{1/}

Despite such substantial problems facing "average" cross-state business property tax burden comparisons, such information, when treated cautiously, can provide extremely useful information. After all, property tax business investment exemptions are enacted by state governments not only to stimulate local business, but to alter the state's overall tax image relative to other states.

^{1/} U.S. Department of Commerce, Bureau of the Census, 1977 Census of Governments: Taxable Property Values and Assessment-Sales Price Ratios, Volume 2. (Washington, D.C.: U.S. Government Printing Office, 1978), p. 20.

Table 15
 1973 FULL VALUE OF ICER HYPOTHETICAL FIRMS,
 AND LOCAL LEVEL OF ASSESSMENT AND TAX RATE

	Building and Site Improvement	Land Value	Total Value ^{1/}	Level of Assessment ^{2/}	1974 Tax Rate per \$1,000 ^{3/} of Assessed Valuation	Full Value Tax Rate ^{4/}
Gates, N.Y.	\$2,113,400	\$ 150,000	\$2,263,400	15.28	\$115.71	\$26.50
Kirkwood, N.Y.	1,984,800	95,000	2,079,800	15.4	148.44	28.20
Clay, N.Y.	2,147,200	126,000	2,273,200	15.4	111.07	25.50
Babylon, N.Y.	2,378,400	600,000	2,978,400	18.4	271.84	35.33
Orangetown, N.Y.	2,174,000	600,000	2,774,000	26.0	188.71	45.29
Queens, N.Y.	2,429,000	2,395,800	4,825,405	57.2	68.90	39.27

1/ Building and site values, as well as land values derived from ICER report, p. 16.

2/ "Level of assessment" refers to the ratio between the assessment on a particular piece of property or class of property and its "full market value." Percentages derived from New York State Division of Equalization and Assessment 1976 market survey.

3/ Overall Real Property Tax Rates, 1974. New York State Department of Audit and Control (Albany, New York: 1974).

4/ Ibid

Table 17

TAX LIABILITY BY STATE
CORPORATION #3 - Machinery Manufacturing

Rank*	State	Total State & Local Taxes		Percentage Relationship to Wisconsin	Property Tax	Rank	State Income Tax	Rank	Sales Tax	Rank	Franchise/ Filing Fee	Rank
		Local Taxes	Total Taxes									
1	California	\$340,776	\$176,736	202	\$176,736	2	\$127,700	3	\$36,340	1	0	13**
2	Illinois	283,891	189,024	168	189,024	1	56,357	13	30,283	2**	2,170	7
3	Ohio	283,798	172,756	168	172,756	3	106,954	5	4,088	10	0	13**
4	Indiana	259,389	164,271	154	164,271	5	91,469	7	3,634	11**	15	10
5	Michigan	245,407	96,332	146	96,332	11	146,652	2	2,423	12	0	13**
6	North Carolina	245,217	139,847	146	139,847	6	86,400	9	6,208	9	12,762	1
7	Georgia	244,109	138,458	145	138,458	7	86,231	10	18,170	5**	1,250	8
8	Iowa	241,351	166,343	143	166,343	4	56,588	12	18,170	5**	250	9
9	New York	219,430	58,553	130	58,553	15	154,518	1	6,359	8	0	13**
10	Mississippi	217,177	116,256	129	116,256	9	80,456	11	9,691	7	10,774	4
11	Minnesota	205,807	59,041	122	59,041	14	122,527	4	24,226	3	13	11
12	Tennessee	203,063	91,620	121	91,620	12	88,402	8	10,599	6	12,442	2
13	Louisiana	191,432	112,752	114	112,752	10	39,484	15	30,283	2**	8,913	6
14	Wisconsin	168,516	68,138	100	68,138	13	96,737	6	3,634	11**	7	12
15	Texas	166,082	124,694	99	124,694	8	0	16	30,283	2**	11,105	3
16	Alabama	102,161	34,272	61	34,272	16	40,268	14	18,321	4	9,300	5

* Ranked by Total State and Local Taxes

** Tie

Source: Corporate Tax Climate: A Comparison of Sixteen States, Wisconsin Department of Revenue, (Madison, Wisconsin: October, 1977).

NEW YORK STATE BUSINESS PROPERTY TAX EXEMPTION PROGRAMS

Most states offer a variety of business investment tax incentive programs. Given regional economic growth trends in recent years, New York State has been particularly concerned with improving its "tax image" with the business community and has, therefore, developed a variety of property tax investment exemption programs. The remainder of this report discusses those three programs over which local taxing authorities have the power to determine whether or not to grant tax concessions to businesses in their jurisdictions. Two of these programs, the Job Incentive Board (JIB) Program and the Business Investment Exemption Program (485-b), directly grant tax exemptions to certain kinds of business establishments. The third program, the Industrial Development Agency (IDA) program, indirectly grants tax exemptions. IDA's are themselves tax exempt by virtue of being public benefit corporations and are authorized to lease facilities to private enterprises thereby passing tax breaks on to tenant businesses. The JIB and 485-b programs offer only tax exemptions as business incentives; IDA's on the other hand, offer bond financing as well as tax exemptions. Table 18 on the following page shows the number of taxing jurisdictions allowing property tax exemptions under these three programs.

The JIB program was established in 1968 and at that time was limited to low-income areas of cities of 125,000 or more population. In 1970 the program was expanded to include low-income areas of cities of 50,000 or more population, designated low-income rural counties, and all Indian reservations. All Appalachian counties were added to the program in 1975, and in 1976 the program was expanded to include the entire state.

Two tax concessions may be granted under the JIB program. First, business establishments certified by the Job Incentive Board (a State board chaired by the Commissioner of Commerce), are eligible for business income tax credits (against either the State corporate franchise tax or the State unincorporated business tax, depending on organizational structure) for a period of up to 10 years.^{1/} Second, at the option of local taxing authorities, businesses may be eligible for an exemption from all or part of local taxes on any increase in the value of real property due to improvements made to the property for a period of up to 10 years. To authorize real property tax exemptions, local taxing jurisdictions, which include counties, cities, towns, villages, and school districts, must pass local laws or resolutions allowing real property tax exemption under the JIB Program. Of the 160 taxing juris-

^{1/} The tax credit period may be extended for up to three years if the business owes only the minimum tax in one or more of the first three years of eligibility under the program.

Table 18

TAXING JURISDICTIONS ALLOWING PROPERTY TAX EXEMPTIONS UNDER THE JIB PROGRAM, JURISDICTIONS ALLOWING EXEMPTIONS UNDER THE 485-b PROGRAM, JURISDICTIONS WITH IDA'S, AND JURISDICTIONS WITH MULTIPLE TAX INCENTIVE PROGRAMS

	Total Taxing Jurisdictions		JIB		485-b		JIB & 485-b		IDA		JIB, 485-b & IDA	
	#	%	#	%	#	%	#	%	#	%	#	%
Counties	57	100	25	44	53	93	21	37	53	93	21	37
Cities	61	100	21	34	54	89	21	34	21	34	4	7
Towns	931	100	56	6	878	94	51	5	34	4	5	*
Villages**	555	100	16	3	516	93	15	3	12	2	0	0
School Districts	745	100	42	6	560	75	32	4	--	--	--	--
Total	2,349	100	160	7	2,061	88	140	6	120	--	30	--

* Less than 1%

-- Not applicable

Source: JIB exemptions (as of 8/15/78) - Job Incentive Bureau, NYS Department of Commerce; Section 485-b exemptions (as of 7/28/78) - Office of Legal Services, NYS Division of Equalization and Assessment; IDA's (as of 2/1/78) - Division of Economic Research and Statistics, NYS Department of Commerce.

dictions allowing JIB property tax exemptions on August 15, 1978, about half (49%) were allowing exemptions to the maximum extent authorized by law (100% for 10 years).

The franchise tax credit is calculated on the basis of eligible property value, which is defined as:

1. Expenditures for capital improvements of depreciable real property in the eligible facility.
2. Eight times the net annual rental of leased depreciable real property newly constructed or eight times any increase in rental attributable to capital improvements made by the lessor.
3. Purchases of depreciable tangible personal property (other than vehicles) included in an eligible facility.
4. Eight times the annual rental of newly leased depreciable tangible personal property (other than vehicles) included in an eligible facility.

To qualify for program benefits, a business establishment must serve an area larger than the area in which it is located and the largest share of its business activity must be outside the area. A business facility is considered to meet this requirement if it is used primarily in manufacturing or wholesaling. A facility does not meet this requirement if it is used primarily for retail sales of goods or services to customers who personally visit the facility to obtain the goods or services. (Among the facilities that fail to meet this requirement are public utilities, such as power companies.) There are two other eligibility requirements. One is that the business establishment must create or retain at least five jobs in the area in which it is located. The other is that the establishment must provide an approved training program to prepare residents of the area for jobs and promotional opportunities within the firm.^{1/}

The 485-b Program was established in 1976 and is substantially different from the JIB Program. Section 485-b of the Real Property Tax Law allows a partial exemption from

^{1/} Real Property Tax Law, Section 485, Tax Exemption For Eligible Business Facilities Certified by New York State Job Incentive Board; Commerce Law, Article 4-A, New York State Job Incentive Board; Tax Incentives and Financing Assistance For Industrial Location, Research Bulletin No. 45, NYS Department of Commerce, Bureau of Business Research, Albany, N.Y., June, 1978.

taxes on real property used for commercial, business, or industrial purposes. The exemption period is ten years. The maximum exemption allowed in the first year is 50% of the increase in assessed value due to construction, alteration, installation, or improvement of the property; in each of the succeeding nine years the amount of exemption decreases by 5%. Local taxing jurisdictions, which include counties, cities, towns, villages, and school districts, may reduce the percentage of exemption or eliminate it completely by passing local laws or resolutions. As of July 28, 1978, 4 counties, 8 cities, 58 towns, 61 villages, and 191 school districts had done so (see Maps 3 and 4 for the towns and school districts which have opted out).

To qualify for exemption, the property construction, alteration, installation, or improvement must have been begun after January 1, 1976, and completed after July 1, 1976, and the cost of the project must exceed \$10,000. Eligible business facilities are those which are used primarily for the buying, selling, storing, or development of goods or services, the manufacture or assembly of goods, the processing of raw materials, or for operation as hotels or motels (but not as any other type of establishment furnishing dwelling space to residents or transients).^{1/}

How the 485-b exemptions that have been granted are distributed across the State is shown in Table 19 which shows the number of 485-b applications by county and the reported cost of construction as of February, 1978. Although some of these projects are subject to city, town, village, and/or school district taxes as a result of local decisions to disallow or reduce the exemption, the table is useful as a general indicator of where businesses are making property improvements and are taking advantage of the 485-b Program. As of September, 1979 the market value of property exempt under 485-b was \$383,848,663.^{2/}

Local Industrial Development Agencies, each of which must be established by special act of the State Legislature, have been in existence since 1969. Once established, an IDA is perpetual unless at the end of ten years after establishment by the Legislature there are outstanding no bonds or other obligations issued by the agency or by a municipality for or on behalf of the agency. As of February 1, 1978, there were 120 IDA's in the State.

^{1/} Real Property Tax Law, Section 485-b, Business Investment Exemption.

^{2/} Approved 485-b exemption applications filed with the Office of Legal Services, NYS Division of Equalization & Assessment, as of February 1978.

Map 3

TOWNS WHICH HAVE OPTED OUT OF 485-b
AS OF JULY, 1973
(See Appendix - For list
of Cities and Towns Opting Out)

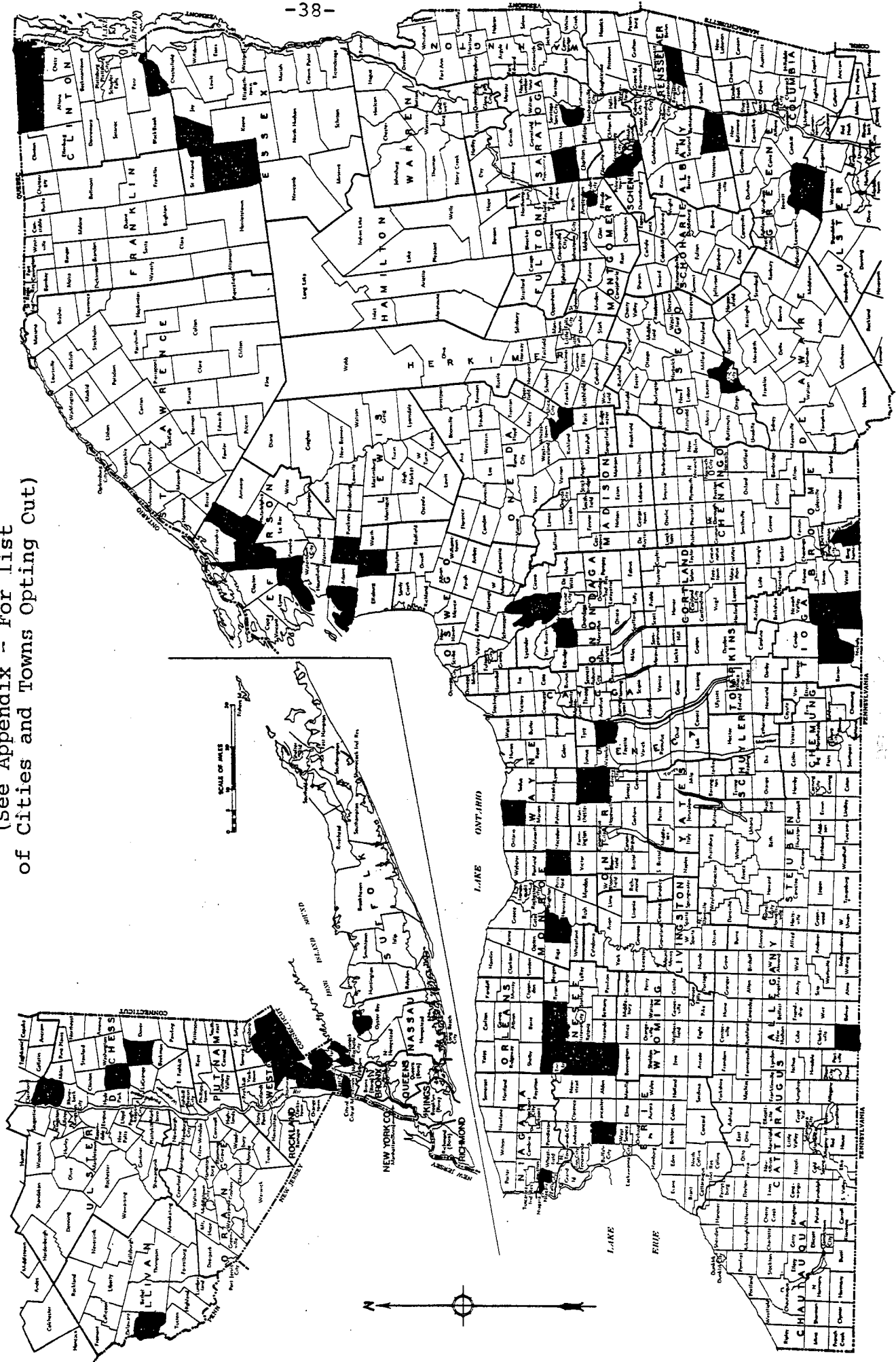


Table 19
 NUMBER OF 485-b APPLICATIONS AND
 REPORTED CONSTRUCTION COST OF
 IMPROVEMENTS BY COUNTY AS OF
 SEPTEMBER, 1979

<u>COUNTIES</u>	<u>NUMBER OF APPLICATIONS</u>	<u>REPORTED COST OF CONSTRUCTION</u>
Albany	15	\$ 2,511,656
Allegany	11	1,990,659
Broome	4	663,000
Cattaraugus	17	20,812,576
Cayuga	12	456,803
Chautauqua	33	3,841,628
Chemung	6	2,158,179
Chenango	4	891,300
Clinton		
Columbia	1	80,000
Cortland	4	290,587
Delaware	6	731,252
Dutchess	17	6,507,266
Erie	120	27,071,543
Essex	2	65,374
Franklin	5	294,700
Fulton	3	62,168
Genesee	4	239,389
Greene	11	1,789,167
Hamilton	1	153,581
Herkimer	10	1,336,244
Jefferson	8	453,460
Lewis	3	70,545
Livingston	6	291,324
Madison	11	1,174,414
Monroe	160	41,359,956
Montgomery	1	11,250
Nassau	93	40,906,819
Niagara	70	7,993,756
Oneida	29	4,997,487
Onondaga	61	21,552,592
Ontario	76	7,448,131
Orange	52	9,149,111
Orleans	4	448,511
Oswego	10	74,325,196
Otsego	7	1,096,159
Putnam	10	1,288,387
Rensselaer	15	4,346,578
Rockland	19	5,733,800
St. Lawrence	10	1,788,039
Saratoga	4	693,900
Schenectady	32	3,218,293
Schoharie	12	1,154,276
Schuyler		
Seneca	4	650,612
Steuben	29	5,438,022
Suffolk	75	22,197,882
Sullivan	19	3,628,869
Tioga	2	51,950
Tompkins	9	22,979,244
Ulster	21	1,137,454
Warren	7	4,375,483
Washington	11	1,492,629
Wayne	22	3,145,480
Westchester	39	16,961,527
Wyoming	4	139,483
Yates	3	200,972
TOTAL	1,223	\$383,848,663

Source: Applications filed with the State Division of Equalization and Assessment.

The following types of businesses are eligible: manufacturing, warehousing, research, commercial or industrial purposes (including pollution control facilities if these do not duplicate facilities supplied or formerly supplied by a city), recreation, and horse racing.

Finally, in contrast to the JIB and 485-b Programs, IDA's offer eligible businesses tax-exempt bond financing and exemption from state and local sales taxes in addition to exemption from real property taxes. Businesses gain the benefit of total property tax exemption by leasing property from IDA's, which are tax-exempt public benefit corporations. However, their tax exemptions and resulting losses in municipal tax revenues may be offset, since IDA's have the power to require their tenants to make payments in lieu of taxes, and the practice of requiring such payments is increasing. The IDA Board, not local taxing authorities, is given responsibility for allocating such payments to different units of local government. An IDA can, for example, abate all local taxes equally or it can abate some locality's taxes more than another's. In general, school taxes have been protected, whereas payment of other local taxes has been waived by IDA's as a further incentive to economic development.^{1/}

^{1/} General Municipal Law, Article 18-A, Industrial Development; Industrial Development Agencies in New York State, NYS Senate, Standing Committee on Local Government, Albany, N.Y., November, 1977.

GENERAL ISSUES CONCERNING THE 485-b PROGRAM

Even though the goals of the 485-b business investment exemption program (i.e., more jobs) have nearly universal support, like most public programs, it has not been without its problems and critics. In general these problems and criticisms can be summarized as follows:

- Questionable effectiveness of business property tax investment exemptions such as 485-b
- Impact of 485-b on the tax base of local governments
- "Inappropriate" types of firms are felt to be eligible under the existing 485-b law, particularly utilities
- Inadequate local control over the determination of which types of businesses are eligible under 485-b
- Complexity of assessment calculations and administration which is associated with a ten year, tapered, partial exemption
- Problems in local assessment and taxation administration which are associated with overlapping local options for each of the local taxing jurisdictions (town, village, county, city, and school district)
- Problems associated with multiple eligibility under the 485-b and JIB exemption programs
- Problems associated with application filing dates

Effectiveness of Business Exemptions

Like similar property tax programs in other states, the original intent of the 485-b program was the encouragement of business development, the improvement of obsolete business facilities, and in general, the maintenance of a competitive tax position for New York relative to other states and localities. The Economic Development Board, a prime sponsor of the 485-b legislation, argued that four important objectives could be met through the program: (1) it would provide the additional incentive required for the expansion of existing businesses throughout New York State; (2) it would attract new businesses to New York due to the additional tax savings; (3) it would encourage businesses to stay in New York which might otherwise consider an out of State relocation move; and (4) it would in general improve the overall "tax climate" of New York State in the eyes of the business community.^{1/}

^{1/} Statement of the Economic Development Board on Assembly Bill 10500-B, June 3, 1976. Alfred E. Smith Office Building, Albany, New York.

Opponents of the 485-b program took sharp issue with the basic contention that such an exemption would serve as an investment incentive for businesses. The New York State Association of Towns, for example, was skeptical of the contention that the exemption would stimulate business expansion or relocation into New York State which would not otherwise have occurred without the exemption. The Association maintained that studies have shown that the property tax ranks fairly low on the list of factors businessmen mention as important considerations in making expansion or relocation decisions.^{1/} Rather than exemptions from property taxes, the Association maintained that businessmen were more interested in establishing a stable, accurate, and well administered property tax along with the achievement of substantial reductions in the State's personal income tax.^{2/}

Impact of the 485-b on Local Tax Base

In addition to the issue of the effectiveness of such property tax investment exemption programs as 485-b, is the equally important issue of the impact of such exemption programs on the local tax base. A frequent local government criticism of State legislated exemptions in general has been the contention that State legislators enact exemption programs which adversely impact on the tax base of local governments. Because such exemptions do not impact on the State government's tax base, the argument goes, legislators focus upon the benefits of such exemptions to particular constituents without adequately considering the costs of such exemptions to local government.

Proponents of the 485-b business investment exemption program maintained, however, that not only would the program stimulate business investment activity, it would not decrease the tax base of local governments. Because the exemption is a

^{1/} Statement of the New York Association of Towns on Assembly Bill 10500-B, May 28, 1976. 90 State Street, Albany, New York.

^{2/} Whether or not property tax exemptions and similar business investment incentive programs actually stimulate business expansion which would otherwise not have occurred without the incentive is a question which has been much debated. At best the evidence seems to be equivocal on the issue of effectiveness. See, for example, State and Local Taxation and Industrial Location, Advisory Commission on Intergovernmental Relations, (Washington, D.C., 1967); State-Local Fiscal Incentives and Economic Development, Academy for Contemporary Problems, (Columbus, Ohio: 1978); and William J. Stober and Lawrence H. Falk, "Property Tax Exemption: An Inefficient Subsidy to Industry," (National Tax Journal, No. 20, 1967), pp. 386-94.

partial exemption and only applies to the increased value of new construction, the exemption would not, its proponents maintained, decrease the tax base of local taxing jurisdictions. In fact, because 485-b is a partial exemption it would, they maintained, even in the short run increase the tax base by encouraging improvements and general capital investments which would otherwise not have occurred.

Opponents of the program, on the other hand, because they are skeptical about the contention that such exemptions actually stimulate business expansion, argued that the program would, at the very least, limit increases in their tax base.

Appropriateness of Types of Businesses Eligible for the 485-b Exemption

One of the major differences between the 485-b Program and the JIB Program concerns the types of businesses eligible for the respective investment tax incentive. The JIB Program was directed specifically toward manufacturing and other businesses which essentially have non-local or extra-local markets. The rationale for this approach is that if the purpose of such investment tax incentive programs is to impact on the relocation decisions of businesses, then the most efficient public policy is one which targets the program to only those firms for which local market conditions are not the overwhelming consideration. For example, a fast food business in all probability considers almost exclusively the potential market in a specified geographic area in making its location decisions. Given the importance of this consideration for this type of business, it seems particularly unlikely that a property tax investment incentive would greatly impact on either its decision to expand or not to expand or its location decision.

Local governmental officials and others have criticized the 485-b Program for, among other things, the range of businesses eligible for the exemption. As we will see shortly, local officials are almost unanimous in their criticism of the fact that public utilities are eligible for the exemption. They argue that utility company expansion and location decisions are regulated by public authorities and therefore it makes no sense for such firms to be eligible for such investment incentive programs. Although criticism is somewhat less widespread, a number of local officials have also been critical of the fact that retail establishments, motels and similar businesses which are highly dependent upon local market conditions, are eligible for an exemption under the 485-b Program.

Inadequate Local Control Over the Determination of Which Businesses Are Eligible for the Exemption

Closely related to the criticism of the existing 485-b Program's list of eligible business firms is local government officials' contention that they have insufficient discretion

at present in determining which businesses receive the exemption. In addition to the criticism of the fact that utility companies are at present eligible for the exemption, a number of local officials argue that they are in a better position to determine whether a firm should or should not receive the exemption than State Legislators. Specifically, many local officials are sharply critical of giving exemptions to fast food businesses. In this regard they believe that the \$10,000 minimum investment is too small and while they may favor granting the exemption to a large motel or retail store construction project, they appear to be strongly opposed to granting the exemption to small improvements on existing establishments. In any event, there appears to be a clear position in favor of eliminating or at least changing existing eligibility rules and increasing local discretion relative to such decisions.

Complexity of Assessment Calculation and Administration Associated with the Existing Ten Year, Tapered, Partial Exemption

Unquestionably, one of the most serious administrative problems associated with the present 485-b exemption concerns the original calculation of the partial exemption and the constant recalculation of the value of the exemption during each of the exemption's ten year life. At first glance this does not appear to be a significant problem since it would appear that the assessor is simply required to determine the value of the improvement and multiply that value by 50% in the first year, 45% in the second year, and so on. In reality, the value of the total property and the value of the improvement changes every year and the calculation of the exemption requires the constant revaluation of the improvement and the revaluation of the parcel. This problem becomes greatly compounded when it is recognized that some businesses, like utilities, are constantly making improvements in their property so that the same parcel may, over several years, be receiving a number of different 485-b exemptions. The complexity of tracing and calculating such multiple exemptions is clear.

Additionally, Section 485-b presents serious administrative problems for the Division of Equalization and Assessment with regard to the statutory mandate that it provide advisory appraisals on highly complex industrial and public utility properties. The effect of the present 485-b provisions is to potentially require eleven separate appraisals of each property for which an advisory appraisal is required; one appraisal for a property constructed prior to the ten year exemption period and one appraisal for the construction completed in each year of that ten-year exemption period. The Division estimates that potentially 6,500 appraisals of public utility and highly complex industrial properties would be directly attributable to 485-b during Fiscal 1980-81. To provide additional appraisals, properties receiving the Section 485-b exemption would require expenditures of approximately an additional one million dollars.

Because of these assessment calculation and administration problems at both the local and State level, the Division of Equalization and Assessment has proposed that the ten year, tapered, partial exemption be changed to a flat, 100% two year exemption (essentially the value equivalent of the 10 year, tapered, partial exemption).

Problems Associated With the Local Option for Each Taxing Jurisdiction

The present 485-b Program allows each taxing jurisdiction (towns, villages, cities, counties and school districts) to opt out of the program. While this achieves the desirable objective of granting maximum local control and discretion, it also means that within a locality, an individual business applying for the exemption might be eligible for an exemption on town taxes but not county or school district taxes. Additionally, since school district lines are generally not coterminous with town, village, city and some county boundaries, the determination of which business in which area is eligible for exemptions from which taxes can become a rather complex problem, as with one New York State school district which crosses seven towns and three counties.

A related problem associated with multiple local options is the fact that such a situation can easily give rise to hostilities between taxing authorities within a geographic area. For example, a town and county government may be particularly concerned about economic development and be greatly supportive of the 485-b Program but find themselves in a situation where the local school district or districts is (are) not concerned with that issue and decides to opt out of the program thereby significantly diminishing the effectiveness of the exemption. This is not an infrequent situation as 191 school districts have opted out of the program causing a not insignificant level of dissatisfaction on the part of other local governments.

Problems Associated With Multiple Exemption Eligibility Under 485 and 485-b Programs

In a number of taxing jurisdictions across the State, businesses which expand appear to be eligible under both the 485-b and JIB programs. Such a situation creates, at the very least, confusion regarding legislative intent as to whether firms should be eligible for both exemptions or only one. Because of this uncertainty, the Division has proposed legislation that would make it clear that businesses may be eligible for only one exemption (either 485-b or JIB).

Problems Associated With Application Filing Dates

At present there is some uncertainty on the part of a number of local assessors regarding the time frame within which a business must apply for the exemption after completion of the construction project. The Division of Equalization and Assessment has proposed legislation which would require that an application for the exemption be filed within one year from the date of the completion of the property improvement or construction.

THE SURVEY OF PUBLIC OFFICIALS AND THE BUSINESS COMMUNITY

Introduction

As stated in the introduction of this report, the State Board of Equalization and Assessment is charged with the responsibility of overseeing the local administration of the property tax. That administration includes, of course, the implementation of various exemption programs.

Given the flight of businesses from the Northeast, the effectiveness of business tax incentives in encouraging business development in New York State has become a major State concern. It was this concern that led to the study of the 485-b program, to determine whether this program has in fact promoted business expansion to the benefit of the local economy. For any business property tax exemption program to be called a success, it must satisfy both the business community, which receives the property tax relief, and local governments, which must administer the exemption and which must use other revenue sources to make up for the limitation on the business property tax base during the life of the exemption. Since the opinion of each of these groups is essential to the evaluation of the 485-b program, the principal method used in the 485-b study was to ask businessmen and local government officials if in their view the program has been a success.

Before the survey it was already known that the 485-b Program did not fully satisfy all local governments, since 191 taxing jurisdictions had formally opted out of the program. It was also known that some localities disapprove of the program because they believe that certain types of businesses should not be eligible for exemption, and it was clear that many assessors were having trouble administering the tapered exemption formula, especially in the case of businesses with property improvement projects staggered over several years. Furthermore, it was impossible in such cases for the State Division of Equalization and Assessment to help assessors through the advisory appraisal process, since the agency was unable to provide appraisals current enough to be useful to assessors in applying the exemption formula annually.

In response to the problems evidently being experienced by localities, the Division in 1978/79 proposed three changes in the 485-b Program: (1) exclude public utilities from eligibility for exemption; (2) exclude service, retail, farming, hotel, and motel establishments from eligibility; and (3) change the existing ten-year partial exemption to a two-year 100% exemption. Therefore, several items in the survey questionnaires were directed toward determining what distinguishes

those localities which grant 485-b exemptions from those which have opted out of the program and whether the State Board's proposed changes would cause localities to alter their position on 485-b exemptions.

Survey Methodology

Three survey techniques were used to carry out the present study. First, questionnaires were distributed to local government officials at the 1979 Association of Towns meeting in New York City. Local officials attending this meeting were asked to either complete and return the questionnaires at the meeting or mail it back to the State Division of Equalization and Assessment offices in Albany. To supplement the questionnaires completed through the Association of Towns, a phone survey of local officials (city mayors and managers, town supervisors, assessors, and school district superintendents) was also conducted. Questionnaires along with a cover letter explaining the study were mailed to respondents in advance of the actual phone interviews to inform them of the upcoming interview and to thereby increase respondent cooperation. Finally, questionnaires were mailed to business executives, with a mail-back response requested. (A sample of each questionnaire used is presented at the end of this report.)

The government sample for the phone survey was drawn from two files maintained by the State Division of Equalization and Assessment: (1) 485-b exemption applications approved by local assessors and (2) laws and resolutions passed by municipalities and school districts that have opted out of the 485-b program or reduced the amount of exemption allowed. The business sample was drawn from three sources: (1) approved 485-b exemption applications, (2) a State Department of Commerce list of manufacturing firms that have expanded since 1976, and (3) a State Department of Labor list of businesses that have joined the unemployment insurance program since 1976 (the only available source of new or expanded businesses of all types that may have been eligible for 485-b exemptions during the past three years).

The following table shows the number of respondents in the sample and the number of interviews completed or questionnaires returned. A total of 340 responses were received, with a response rate of 67% for the government groups and 48% for the business group.

Survey Findings

Business Leaders

Two measures were used in the survey to determine the importance of property tax exemptions to New York State business leaders: their opinion of the business climate and its

Table 20

SURVEY SAMPLE SIZES AND NUMBER OF COMPLETED
QUESTIONNAIRES/INTERVIEWS FOR EACH SUBSAMPLE

<u>Government Group</u> <u>(Association of Towns Meeting)</u>	<u>Number in</u> <u>Sample</u>	<u>Number of Completed</u> <u>Questionnaires/Interviews</u>
City mayors/managers, city council members, city assessors, town supervisors, town board members, town assessors	40	28
Subtotal	(40)	(28)
<u>Government Group (Phone Survey)</u>		
A. In cities that have approved 485-b exemptions:		
City mayors/managers	12	8
Assessors	12	11
B. In cities that have opted out of the 485-b program:		
City mayors/managers	8	1
Assessors	8	4
C. In towns that have approved 485-b exemptions:		
Town supervisors	22	14
Assessors	22	18
D. In towns that have opted out of the 485-b program:		
Town supervisors	23	12
Assessors	23	16
E. Superintendents of school districts that have approved 485-b exemptions	25	22
F. Superintendents of school districts that have opted out of the 485-b program	25	14
Subtotal	(180)	(120)
<u>Business Group</u>		
A. Businesses that have 485-b exemptions	200	106
B. Businesses that, according to Division of Equalization and Assessment records, do not have 485-b exemptions although located in areas that allow the exemption:		
Expanded manufacturing firms	100	49
Other firms	100	37
Subtotal	(400)	(192)
Total	620	340

Table 22

OPINION OF BUSINESS CLIMATE IN NEW YORK STATE,
BY TYPE OF BUSINESS

Rating of business climate in New York State	Type of Business: Manufacturing and/or Wholesale Trade		Type of Business: Retail Trade/Other			
	Total	With 485-b	Without 485-b	Total	With 485-b	Without 485-b
Favorable	15 (16%)	10 (19%)	5 (13%)	8 (10%)	4 (9%)	4 (11%)
Unfavorable	60 (65%)	35 (67%)	25 (63%)	51 (64%)	29 (66%)	22 (61%)
Neither favorable nor unfavorable	15 (16%)	7 (13%)	8 (20%)	18 (23%)	9 (20%)	9 (25%)
Uncertain	2 (2%)	0 (0%)	2 (5%)	3 (4%)	2 (5%)	1 (3%)
Total	92 (100%)	52 (100%)	40 (100%)	80 (100%)	44 (100%)	36 (100%)
Rating of change in business climate in New York State during past five years						
Better	32 (35%)	17 (32%)	15 (38%)	20 (27%)	13 (33%)	7 (19%)
Worse	36 (39%)	20 (38%)	16 (41%)	37 (49%)	19 (49%)	18 (50%)
Neither better nor worse	22 (24%)	15 (28%)	7 (18%)	13 (17%)	7 (18%)	6 (17%)
Uncertain	2 (2%)	1 (2%)	1 (3%)	5 (7%)	0 (0%)	5 (14%)
Total	92 (100%)	53 (100%)	39 (100%)	75 (100%)	39 (100%)	36 (100%)

likely that the availability of the 485-b exemption, and other property tax exemptions, would have a stronger influence on businessmen's attitudes toward the local business climate than on their opinion of the business climate of the entire State. That this is the case is indicated by the findings shown in Tables 23 and 24.

Table 23 shows that businessmen with 485-b exemptions rated the local business climate more favorably than did businessmen without the exemption (39% vs. 28%). The difference of opinion here, it should be noted, is much larger than in the rating of the overall State business climate. The table also shows that businessmen with 485-b exemptions rated the change in the local business climate more highly than did businessmen without the exemption (35% vs. 25%), again by a considerably larger margin than in the rating of the overall State business climate.

Table 23
OPINION OF BUSINESS CLIMATE IN LOCAL AREA

	<u>Total</u>	<u>Businesses With 485-b Exemptions</u>	<u>Businesses Without 485-b Exemptions</u>
Rating of business climate in local area			
Favorable	57 (34%)	36 (39%)	21 (28%)
Unfavorable	70 (42%)	41 (44%)	29 (39%)
Neither favorable nor unfavorable	39 (23%)	15 (16%)	24 (32%)
Uncertain	2 (1%)	1 (1%)	1 (1%)
Total	168 (100%)	93 (100%)	75 (100%)
Rating of change in business climate in local area during past five years			
Better	52 (31%)	33 (35%)	19 (25%)
Worse	57 (34%)	29 (31%)	28 (37%)
Neither better nor worse	54 (32%)	31 (33%)	23 (30%)
Uncertain	6 (4%)	0 (0%)	6 (8%)
Total	169 (100%)	93 (100%)	76 (100%)

In Table 24 the opinion of the local business climate is shown by business type. The first finding of interest is that both groups were much more optimistic about the local business climate than they were about the State business climate: 37% of the manufacturing/wholesale group rated the local climate as favorable (only 16% of the group had rated the State climate as favorable), and 30% of the retail/other group gave a favorable rating for the local climate (as opposed to 10% for the State business climate). This finding suggests that local conditions under the control of local governments (such as property tax exemption programs) may be playing an important part in business location decisions.

Second, as in the rating of the State business climate, the manufacturing/wholesale group rated the local business climate more favorably than did the retail/other group (37% vs. 30%), and they also rated the change in the local climate more highly than did the retail/other group (32% vs. 29%). This finding supports the hypothesis that businessmen eligible for a variety of incentive programs (the manufacturing/wholesale group) would tend to regard the business climate more favorably than would businessmen with more limited incentive opportunities (the retail/other group).

Third, having a 485-b exemption appears to be more important to the manufacturing/wholesale group in rating the local business climate than it does for the retail/other group. Forty-four percent (44%) of the manufacturing/wholesale businessmen with 485-b exemptions rated the local climate as favorable, as opposed to 28% of the manufacturing/wholesale businessmen without the exemption. The difference here is much larger than the difference within the retail/other group, where 31% of the businessmen with 485-b exemptions rated the local climate as favorable and 29% of the businessmen without the exemption gave the local climate a favorable rating.

In the rating of the change in the local business climate during the past five years, a similar difference appears between the two groups. Within the manufacturing/wholesale group, 39% of the businessmen with 485-b exemptions rated the climate as better, while only 23% of the businessmen without the exemption did so. In contrast, the difference of opinion within the retail/other group is small; 31% of the businessmen with 485-b exemptions rated the local climate as better, while 28% of the businessmen without the exemption did so.

These findings are inconsistent with the hypothesis that the retail/other group, having access to only one property tax exemption program, would regard the 485-b Program as more important in business location and expansion decisions than the manufacturing/wholesale group would. A possible explanation for this anomaly is that for the retail/other group certain

Table 24
 OPINION OF BUSINESS CLIMATE IN LOCAL AREA,
 BY TYPE OF BUSINESS

Rating of business climate in local area	Type of Business: Manufacturing and/or Wholesale Trade		Type of Business: Retail Trade/Other			
	Total	With 485-b	Without 485-b	Total	With 485-b	Without 485-b
Favorable	35 (37%)	24 (44%)	11 (28%)	22 (30%)	12 (31%)	10 (29%)
Unfavorable	36 (38%)	21 (39%)	15 (38%)	34 (46%)	20 (51%)	14 (40%)
Neither favorable nor unfavorable	22 (23%)	9 (17%)	13 (33%)	17 (23%)	6 (15%)	11 (31%)
Uncertain	1 (1%)	0 (0%)	1 (3%)	1 (1%)	1 (3%)	0 (0%)
Total	94 (100%)	54 (100%)	40 (100%)	74 (100%)	39 (100%)	35 (100%)
Rating of change in business climate in local area during past five years						
Better	30 (32%)	21 (39%)	9 (23%)	22 (29%)	12 (31%)	10 (28%)
Worse	27 (29%)	14 (26%)	13 (33%)	30 (40%)	15 (38%)	15 (42%)
Neither better nor worse	34 (36%)	19 (35%)	15 (38%)	20 (27%)	12 (31%)	8 (22%)
Uncertain	3 (3%)	0 (0%)	3 (8%)	3 (4%)	0 (0%)	3 (8%)
Total	94 (100%)	54 (100%)	40 (100%)	75 (100%)	39 (100%)	36 (100%)

local conditions unrelated to the property tax dominate the decision to do business in a particular area. Since the income of this group, unlike the manufacturing/wholesale group, is derived mainly from the local market, it may well be that local demand for its goods or services is more important than any form of government assistance in reducing the costs of doing business.

Table 25 shows the effect of the presence or absence of 485-b exemptions on the operating decisions of businessmen. Of the operational changes seriously considered by businessmen in this survey during the past year, the two most frequently cited were: expanding operations at their present location (25%) and moving out of New York State (17%). Only 7% of the businessmen in this survey had considered moving out of their local area. This finding is consistent with the previously discussed better rating given to the local business climate than to the overall State business climate and strongly suggests that local conditions in some areas, whether tax-related or not, have been conducive to business expansion.

Table 25

OPERATING DECISIONS OF BUSINESSMEN WITH AND WITHOUT THE 485-b EXEMPTION

	<u>Total</u>	<u>Businesses with 485-b Exemptions</u>	<u>Businesses without 485-b Exemptions</u>
Seriously considered by business during past year			
Moving out of NYS	34 (17%)	14 (13%)	20 (24%)
Moving out of local area	14 (7%)	9 (8%)	5 (6%)
Expanding operations at present location	48 (25%)	29 (26%)	19 (22%)
Reducing operations at present location	19 (10%)	12 (11%)	7 (8%)
Selling rather than go out of business	10 (5%)	3 (3%)	7 (8%)
Going out of business	4 (2%)	3 (3%)	1 (1%)
None of the above	66 (34%)	40 (36%)	26 (31%)
Total	195 (100%)	110 (100%)	85 (100%)

NOTE: Multiple responses possible

Table 25 also divides respondents into those businessmen with 485-b exemptions and those without that exemption. With the exception of the response category "seriously considered moving out of New York State during the past year," few differences appear to exist between the two groups. A significant difference exists, however, between those businessmen with and those without a 485-b exemption when out of state moves are considered. Of those businessmen with the exemption only 13% considered moving out of the State, compared to 24% of those businessmen without the exemption. This impact is even more dramatically (and correctly) shown if the table is percentaged by rows rather than by columns. Of the 34 businessmen mentioning that they had considered moving out of New York State 14, or 41%, had a 485-b exemption while 20, or 59%, did not. This finding is as expected. Curiously, however, inspection of the table indicates that, although the number of respondents is too small to yield a reliable finding, nearly twice as many businessmen with the 485-b exemption as without (9 vs. 5) considered moving out of their local area. Given the fact that it has been previously shown that having or not having a 485-b exemption is related to attitudes toward the local business climate but not the State's overall business climate, this finding is still unexpected and suggests the need for additional research with a much larger or more targeted sample.

As shown in Table 26, not having a 485-b exemption seems to be more related to businessmen's having considered moving out of New York State in the manufacturing/wholesale group than in the retail/other group. In the manufacturing/wholesale group, moving out of New York State accounted for 15% of the responses by businessmen with 485-b exemptions and 31% of the responses by businessmen without the exemption. In the retail/other group the figures are considerably smaller, with moving out of New York State accounting for 9% of the responses by businessmen with the exemption and 14% of the responses by businessmen without the exemption.

Table 26 also indicates that having a 485-b exemption may be more influential in encouraging business expansion in the manufacturing/wholesale group than in the retail/other group. In the manufacturing/wholesale group, expanding operations at the present location accounted for 34% of the responses by businessmen with the exemption and 24% of the responses by businessmen without the exemption. The opposite is found in the retail/other group, where expanding operations accounted for 14% of the responses by businessmen with the exemption and 19% of the responses by businessmen without the exemption. This may mean simply that some businesses with 485-b exemptions in the retail/other group have already expanded as much as they had planned to. Or, it may be that local conditions other than the availability of the exemption are the deciding factors in expansion decisions by some businessmen in this group.

Table 26
 OPERATING DECISIONS OF BUSINESSMEN WITH AND WITHOUT THE 485-b EXEMPTION
 BY TYPE OF BUSINESS

	Type of Business: Manufacturing and/or Wholesale Trade		Type of Business: Retail Trade/Other	
	Total	With 485-b	Total	With 485-b
Seriously considered by businesses during past year				
Moving out of NYS	25 (22%)	10 (15%)	9 (11%)	4 (9%)
Moving out of local area	11 (.9%)	7 (10%)	3 (.4%)	2 (.5%)
Expanding operations at present location	35 (30%)	23 (34%)	13 (16%)	6 (14%)
Reducing operations at present location	15 (13%)	10 (15%)	4 (5%)	2 (6%)
Selling rather than go out of business	4 (.3%)	1 (1%)	6 (8%)	2 (5%)
Going out of business	3 (.3%)	2 (3%)	1 (1%)	1 (2%)
None of the above	23 (20%)	14 (21%)	43 (54%)	26 (60%)
Total	116 (100%)	67 (100%)	79 (100%)	43 (100%)
				36 (100%)

NOTE: Multiple responses possible

To directly measure the effect that the 485-b Program has had on business expansion, businessmen with 485-b exemptions were asked if the program had been an incentive to their building new facilities or making other types of property improvements. Overall, 65% of the businessmen stated that the exemption had been an incentive while only 30% indicated it had not been an incentive. Of the 65% indicating that 485-b had been an incentive to expansion, 27% indicated it had been a major incentive and 38% indicated it had been a minor incentive. Little difference in perceived incentive exists between the retail/other group (68%) and the manufacturing/wholesale group (63%). In the retail/other group, 30% of the businessmen considered it a major incentive, 38% a minor incentive, and 30% felt it was no incentive at all. The corresponding ratings in the manufacturing/wholesale group were as follows: 25% a major incentive, 38% a minor incentive, and 31% saw it as no incentive.

It is perhaps surprising to find that as much as 30% of the retail/other group considered the 485-b exemption to represent no incentive since, unlike the manufacturing industry, this group has not been eligible for tax incentives offered by such other programs as the Job Incentive Program. It seems reasonable to expect that the unavailability of alternative exemption programs for retail businesses would tend to increase the perceived significance of the 485-b exemption among this group of businessmen. That this is not the case may be due to the fact that unlike manufacturing firms, retail businesses operate within a distinctly local market and those market conditions, rather than the property tax, may represent the dominant considerations in their location and expansion decisions. That this may be the case is suggested by the above reported survey findings that indicated that the presence or absence of 485-b exemptions appears to have had less effect upon retail businessmen's perceptions of the local business climate than upon manufacturing/wholesale businessmen's perceptions of the local business climate.

In Table 27 another interesting finding appears with regard to the 485-b Program as an incentive to property improvements. In terms of business size (represented by number of employees), the 485-b exemption was perceived to be far less of an incentive to the smallest businesses (1-19 employees) than it was for larger businesses; 45% of the smallest businesses considered the exemption to have been no incentive as compared to 21% for businessmen with 20-99 employees, 19% for businesses with 100-249 employees, and 31% for businesses with 250 or more employees.

Although the number of businesses within these categories is too small to consider this a "definitive" finding, it does raise the important question regarding the incentive impact of such exemptions upon firms of different sizes and types. It is possible, for example, that when the absolute size of the capital investment is small, as is likely with most small firms,

Table 28
 OPINION OF 485-b PROGRAM AS DIFFICULT TO ADMINISTER
 (BUSINESSES WITH 485-b EXEMPTIONS)

Type and size of business	Administrative Problems with 485-b Program			
	Total	Yes	No	Uncertain
Total	97*	9*	82	6
	(100%)	(9%)	(85%)	(6%)
All businesses				
1 - 19 employees	32	1	29	2
20 - 99 employees	30	2	27	1
100 - 249 employees	17	2	14	1
250+ employees	16	2	12	2
Manufacturing and/or wholesale trade				
1 - 19 employees	10	1	8	1
20 - 99 employees	19	2	16	1
100 - 249 employees	13	2	10	1
250+ employees	15	2	12	1
Subtotal	57	7	46	4
	(100%)	(12%)	(81%)	(7%)
Retail Trade/ Other				
1 - 19 employees	22	0	21	1
20 - 99 employees	11	0	11	0
100 - 249 employees	4	0	4	0
250+ employees	1	0	0	1
Subtotal	40*	2*	36	2
	(100%)	(5%)	(90%)	(5%)

* Includes two public utilities at multiple locations
 (number of employees not given)

Table 29

OPINION OF PROPOSED CHANGE
FROM TAPERED TO FLAT EXEMPTION

	<u>Total</u>	<u>Businesses with 485-b Exemptions</u>	<u>Businesses without 485-b Exemptions</u>
For	90 (53%)	48 (51%)	42 (56%)
Against	19 (11%)	16 (17%)	3 (4%)
Neutral	24 (14%)	17 (18%)	7 (9%)
Uncertain	36 (21%)	13 (14%)	23 (31%)
Total	169 (100%)	94 (100%)	75 (100%)

Why businessmen with the exemption were slightly less in favor of the change to a flat exemption than businessmen without the exemption can be explained in part by a comment frequently made by those with the exemption: having adjusted to dealing with the exemption in its present form, they saw no reason to change it if no increased tax relief would be gained. Several businessmen, however, gave more complex reasons for not being in support of changing to a flat exemption. The attitude of these businessmen appears to have been influenced by a fear that the change would actually result in less of a benefit than is now available and by a concern that the change would adversely affect local tax bases and the State economy. Four comments made by businessmen illustrate this point of view:

Assuming property taxes continue to go up, the longer the exemption runs, the more beneficial it would be. By exempting the first 2 or 3 years, it would be more helpful, but the proportionately larger increase in property taxes due to the exemption ending from the 4th year on, as well as possible increased property taxes, may be detrimental to some businesses.

(Manufacturer, 20 - 99 employees)

We would strongly support legislation to give local jurisdictions the option to adopt either (1) the present 10-year decreasing partial exemption or (2) the 100% exemption for 3 years. We favor this approach because some local jurisdictions may prefer an immediate tax revenue from new construction and would be likely to opt out of the program entirely if the 100% exemption were the only option.

(Manufacturer, 250+ employees)

This proposal has good benefits as well as poor ones. It could help the business significantly in the first few years by eliminating a large expense and give the business a chance to get on a good financial basis. However, if business taxes take a turn for the better in New York State, it may cut into the tax base for a few years by eliminating revenues, causing a general increase in taxes affecting everyone ... It /the ten-year exemption/ has a nice advantage, as it is, in being able to spread it over a longer period, so it is a gradual return to normal taxes.

(Dentist and owner of building with six offices)

It is important to encourage businesses to make long term commitments to NY State. The ten year decreasing partial exemption "locks in" a business for the better part of ten years if it wishes to obtain the partial exemption benefits. If you reduce the exemption to a 100% exemption for 2 or 3 years, there would appear to be a temptation for a business to construct a building, take the exemption and then sell the real estate.

(Savings bank, 20 - 99 employees)

Businessmen who support SDEA's proposals for a flat, 100%, two year exemption gave the following reasons:

The proposal would encourage business to expand by providing economic benefit in the initial years when expenditures are greatest.

(Manufacturing firm, 250+ employees)

Greater upfront decrease in property taxes would mean greater upfront cash flows. The program would also be easier to administer.

(Newspaper Company, 250+ employees)

Such a proposal would increase front-end dollar savings, and make it more attractive to remain and build in New York State

(Developer, 250+ employees)

The business opinion of the proposed change to a flat exemption is shown by business type in Table 30. In the manufacturing/wholesale group the percentage of businessmen that favored the change (55%) was slightly larger than in the retail/other group (51%), and, in both groups combined, support for the change increased as business size increased (46% of the smallest businesses to 63% of the largest). As suggested above in the discussion of Table 28, the fact that almost all of the businessmen that had experienced administrative problems with the 485-b exemption were in the manufacturing/wholesale group may point to expansion policies in this group that would tend to make the existing tapered exemption especially difficult to work with. Similarly, this group's somewhat stronger support of the change to a flat exemption may indicate that, for some of the group, having the exemption made administratively simpler may be at least as important as receiving the total tax benefit earlier in the expansion period.

Table 30
 OPINION OF PROPOSED CHANGE FROM TAPERED TO FLAT EXEMPTION
 BY TYPE OF BUSINESS

Type and size of business	Total	For	Against	Neutral	Uncertain
All businesses					
Total	169* (100%)	90* (53%)	19 (11%)	24 (14%)	36 (21%)
1 - 19 employees	65 (100%)	30 (46%)	6 (9%)	12 (18%)	17 (26%)
20 - 99 employees	45 (100%)	24 (53%)	7 (16%)	7 (16%)	7 (16%)
100 - 249 employees	27 (100%)	15 (56%)	1 (4%)	1 (4%)	10 (37%)
250+ employees	30 (100%)	19 (63%)	5 (17%)	4 (13%)	2 (7%)
Manufacturing and/or wholesale trade					
1 - 19 employees	17	8	3	1	5
20 - 99 employees	28	15	4	4	5
100 - 249 employees	22	13	0	0	9
250+ employees	27	16	5	4	2
Subtotal	94 (100%)	52 (55%)	12 (13%)	9 (10%)	21 (22%)
Retail Trade/ Other					
1 - 19 employees	48	22	3	11	12
20 - 99 employees	17	9	3	3	2
100 - 249 employees	5	2	1	1	1
250+ employees	3	3	0	0	0
Subtotal	75* (100%)	38* (51%)	7 (9%)	15 (20%)	15 (20%)

* Includes two public utilities at multiple locations
 (number of employees not given)

Local Officials

The orientation of local officials toward exemptions in general and business investment exemptions in particular is a significant element in the success of business exemption programs. Local opposition may lead to taxing jurisdictions' opting out of such programs or where that is not possible to a hostile or reluctant administration of such programs. Given this fact, local officials, including city and town government officials and school district superintendents, were asked their attitude toward property tax exemptions in general and business exemptions in particular.

How do local officials view property tax exemptions in general and business tax exemptions in particular? Are attitudes toward business exemptions a function of more general attitudes toward exemptions, or are the two independent?

Table 31 shows local officials' opinion of exemptions in general and of all business exemptions in areas that allow the 485-b exemption and in areas that have opted out of the 485-b Program. As would be expected, the attitude toward all business exemptions is more negative in areas that have opted out of the program than in areas that allow the 485-b exemption (64% vs. 24% generally against all business exemptions). This opposition to business exemptions in areas that have opted out may well be a reflection of a generally more negative attitude toward exemptions in general (38% generally against all exemptions in opt-out areas vs. 16% against all exemptions in areas allowing the exemption). In regard to both exemptions in general and business exemptions in particular, the percentage of local officials opposed in the opt-out areas is about 2-1/2 times that in areas allowing 485-b exemptions. There is a similar relationship between attitudes toward exemptions in general and attitudes toward business exemptions when measured by positive opinions; the percentage of local officials in the 485-b group in favor of exemptions in general and business exemptions is about 3-1/2 times that in the opt-out group.

The table also shows that local officials as a whole are more divided over business exemptions than over exemptions in general. As far as exemptions in general are concerned, 14% of all local officials said that they were generally in favor of them, 24% were generally opposed to exemptions, and 62% were divided in their opinion (they were in favor of some types and opposed to others). Their attitude toward business exemptions, on the other hand, was significantly more divided, with 33% generally in favor of these exemptions, 38% generally are against them, and only 29% with a "depends" opinion.

Table 31

LOCAL OFFICIALS' OPINION OF EXEMPTIONS IN GENERAL
AND OF ALL BUSINESS EXEMPTIONS

	<u>Total</u>	<u>Where 485-b Exemptions Are Allowed</u>	<u>Where 485-b Exemptions Are Not Allowed</u>
Exemptions in general			
Generally in favor	20 (14%)	17 (19%)	3 (6%)
Generally against	33 (24%)	14 (16%)	19 (38%)
Divided (for some, against others)	85 (62%)	57 (65%)	28 (56%)
Total	138 (100%)	88 (100%)	50 (100%)
All Business Exemptions			
Generally in favor	45 (33%)	39 (44%)	6 (12%)
Generally against	53 (38%)	21 (24%)	32 (64%)
Divided (for some, against others)	40 (29%)	28 (32%)	12 (24%)
Total	138 (100%)	88 (100%)	50 (100%)

The division of opinion over the advisability of business exemptions among local officials as a whole in fact reflects a sharp difference of opinion on this issue between local officials in areas which allow the 485-b exemption and local officials in areas which do not allow the exemption. Inspection of Table 31 indicates that a large number of local officials both in areas which allow and in areas which do not allow 485-b exemptions, adopt a contingent opinion toward exemptions in general; 65% and 56% respectively express a "for some and against others" position on exemptions in general. When it comes to business exemptions, however, the number adopting such a "contingent" opinion position drops significantly (29% of all government respondents) and a sharp difference of opinion is shown between officials in "opt out" areas and areas which allow the exemption. Where 485-b exemptions are allowed, 44% are in favor of business exemptions and only 24% are opposed. In areas which have opted out of the program on the other hand, only 12% are in favor of such exemptions while fully 64% oppose such exemptions.

In the case of business exemption programs, it seems likely that practical considerations, directly related to the social and economic characteristics of particular areas, may more often be what determines whether or not taxing jurisdictions regard business investment exemptions as desirable

There are various practical considerations that may enter into the decision to participate in a business exemption program. Some of the ones mentioned by local officials in this survey were the need to increase the number of jobs in the locality, the need to attract certain types of businesses, and the desire to maintain a local business climate that is competitive with conditions in surrounding areas. Reasons given in the survey for opting out of the 485-b Program include the desire to preserve the rural or the suburban residential character of the area, the unfairness of granting exemptions to new or expanding businesses while being unable to give any tax relief to already established deteriorating businesses, and the need to prevent further erosion of the tax base.

A respondent's position in the local government structure appears to be related to his position on both exemptions in general and business exemptions in particular. Table 32 shows that of the local governmental officials surveyed, assessors were the group least in favor of both exemptions in general (5%) and business exemptions in particular (20%). Mayors, town supervisors and board members, and school superintendents display a more "contingent" attitude toward exemptions in general than assessors (65% and 67% respectively favor some exemptions and oppose others). These government officials are also more in favor of business exemptions than assessors (57% of assessors oppose such exemptions) with school superintendents the more likely group to favor business exemptions (48%).

Although the numbers become too small for meaningful or reliable analysis, the above noted sharp attitudinal difference of opinion between governmental officials in areas which allow 485-b exemptions and in areas which do not allow the exemption persists when one examines exemption attitudes by governmental positions within these areas. Table 33 shows that in areas which allow 485-b exemptions many more officials favor business exemptions than oppose them. Again, assessors are the only exception with more of them opposing than favoring business exemptions even in areas which allow the exemption. Nevertheless, even among assessors, when we move from areas which allow the exemption to areas which do not allow the exemption a significant increase in opposition appears; only one (1) assessor in opt out areas favors business exemptions while 18 oppose such exemptions.

Table 32
OPINION OF EXEMPTIONS IN GENERAL AND OF ALL BUSINESS EXEMPTIONS
BY POSITION IN LOCAL GOVERNMENT STRUCTURE

<u>Respondents (number)</u>	<u>All Areas Attitude Toward Exemptions in General</u>			<u>All Areas Attitude Toward All Business Exemptions</u>			
	<u>Total</u>	<u>For</u>	<u>Against</u>	<u>Divided</u>	<u>For</u>	<u>Against</u>	<u>Divided</u>
City mayors or managers, town supervisors, and town board members	49	11	6	32	18	12	19
City and town assessors*	56	3	22	31	11	32	13
School district superintendents	33	6	5	22	16	9	8
Total	138	20	33	85	45	53	40
<u>Respondents (percent)</u>							
City mayors or managers, town supervisors, and town board members	100%	22%	12%	65%	37%	24%	39%
City and town assessors*	100%	5%	39%	55%	20%	58%	23%
School district superintendents	100%	18%	15%	67%	48%	27%	24%
Total	100%	14%	24%	62%	33%	38%	29%

* Includes two county assessors (from the two counties having county assessment)

Table 33

OPINION OF BUSINESS EXEMPTIONS BY POSITION
IN LOCAL GOVERNMENT STRUCTURE

	<u>For</u>	<u>Against</u>	<u>Divided</u>
<u>Local areas allowing full or reduced 485-b exemption</u>			
City mayors or managers, town supervisors, and town board members	17	4	13
City and town assessors*	10	14	11
School district superintendents	12	3	4
Total	39 (44%)	21 (24%)	28 (32%)
<u>Local areas not allowing full or reduced 485-b exemptions</u>			
City mayors or managers, town supervisors, and town board members	1	8	6
City and town assessors	1	18	2
School district superintendents	4	6	4
Total	6 (12%)	32 (64%)	12 (24%)

* Includes two county assessors (from the two counties having county assessment)

As shown in Table 34, in most taxing jurisdictions that allow 485-b exemptions the governing boards of these jurisdictions have not discussed either opting out of the program or reducing the amount of exemption allowed. Consistent with the large number of school districts which have opted out of the 485-b Program, more school superintendents reported that their board had discussed the issue of opting out than did city and town officials; 8 out of 19 school boards had discussed the issue. Table 35 shows, however, that in the few areas that had discussed opting out or reducing the exemption, almost none of the respondents, including school superintendents, indicated that their governing boards were likely to take such action in the near future.

Table 34

GOVERNING BOARD'S CONSIDERATION OF OPTING OUT OF PROGRAM OR REDUCING AMOUNT OF EXEMPTION ALLOWED IN TAXING JURISDICTIONS ALLOWING FULL OR REDUCED 485-b EXEMPTION

<u>Respondents</u>	<u>Total</u>	<u>Yes</u>	<u>No</u>	<u>Uncertain</u>
City mayors or managers, town supervisors, and town board members	33	6	25	2
City and town assessors*	37	3	31	3
School district superintendents	19	8	10	1
Total	89 (100%)	17 (19%)	66 (74%)	6 (7%)

* Includes two county assessors (from the two counties having county assessment).

Table 35

PERCEIVED LIKELIHOOD OF LOCAL AREAS OPTING OUT OF 485-b

How likely is it that Board will, in the near future, opt out or reduce exemption? (Only those respondents who answered yes to previous question)

<u>Respondents</u>	<u>Total</u>	<u>Very Likely</u>	<u>Somewhat Likely</u>	<u>Not Too Likely</u>	<u>Not at All Likely</u>	<u>Uncertain</u>
City mayors or managers, town supervisors, and town board members	6	1	2	1	2	0
City and town assessors*	3	0	0	1	1	1
School district superintendents	7	0	0	0	5	2
Total	16 (100%)	1 (6%)	2 (13%)	2 (13%)	8 (50%)	3 (19%)

* Includes two county assessors (from the two counties having county assessment).

Table 37

LOCAL OFFICIALS' OPINION OF EFFECT OF
PROPOSED CHANGES ON GOVERNING BOARD'S DECISION TO
PARTICIPATE IN 485-b PROGRAM

	Total	Where Full or Reduced 485-b Exemptions Are Allowed	Where Full or Reduced 485-b Exemptions Are Not Allowed
Excluding public utilities from eligibility for 485-b exemptions			
Board would change previous decision about participating in program	15%	14%	17%
Board would not change previous decision about participating in program	85%	86%	83%
Total	100%	100%	100%
Excluding service, retail, farming, hotel, and motel establishments from eligibility for 485-b exemptions			
Board would change previous decision about participating in program	19%	23%	12%
Board would not change previous decision about participating in program	81%	77%	88%
Total	100%	100%	100%
Changing from tapered to flat exemption			
Board would change previous decision about participating in program	20%	28%	5%
Board would not change previous decision about participating in program	80%	72%	95%
Total	100%	100%	100%

Table 38
 OPINION OF PROPOSED CHANGE: EXCLUDING PUBLIC UTILITIES FROM ELIGIBILITY FOR 485-b EXEMPTIONS

	For/Against Change				Total	Effect of Change on Governing Board's Decision to Participate in 485-b Program		
	Total	For	Against	Neutral		Uncertain	Total	Board Would Stay In
In taxing jurisdictions allowing full or reduced 485-b exemption								
City mayors or managers, town supervisors, and town board members	33	17	10	4	28	22	6	
City and town assessors*	36	27	4	5	32	29	3	
School district superintendents	20	17	1	1	19	17	2	
Subtotal	89 (100%)	61 (69%)	15 (17%)	10 (11%)	79 (100%)	68 (86%)	11 (14%)	
In taxing jurisdictions not allowing full or reduced 485-b exemption								
City mayors or managers, town supervisors, and town board members	14	12	0	0	11	2	9	
City and town assessors	20	16	3	1	18	2	16	
School district superintendents	14	10	4	0	13	3	10	
Subtotal	48 (100%)	38 (79%)	7 (15%)	1 (2%)	42 (100%)	7 (17%)	35 (83%)	
Total	137 (100%)	99 (72%)	22 (16%)	11 (8%)	121	75	46	

* Includes two county assessors (from the two counties having county assessment)

Table 39

OPINION OF PROPOSED CHANGE: EXCLUDING SERVICE, RETAIL, FARMING, HOTEL, AND MOTEL ESTABLISHMENTS FROM ELIGIBILITY FOR 485-b EXEMPTIONS

	For/Against Change				Effect of Change on Governing Board's Decision to Participate in 485-b Program				
	Total	For	Against	For Excluding Only Some Establishments	Neutral	Uncertain	Total	Board Would Stay In	Board Would Opt Out
In taxing jurisdictions allowing full or reduced 485-b exemption									
City mayors or managers, town supervisors, and town board members	34	6	20	4	2	2	28	19	9
City and town assessors*	36	19	11	4	2	0	31	26	5
School district superintendents	18	5	9	1	1	2	18	14	4
Subtotal	88 (100%)	30 (34%)	40 (45%)	9 (10%)	5 (6%)	4 (5%)	77 (100%)	59 (77%)	18 (23%)
In taxing jurisdictions not allowing full or reduced 485-b exemption									
City mayors and managers, town supervisors, and town board members	13	8	3	1	0	1	12	1	11
City and town assessors	20	12	5	2	1	0	17	2	15
School district superintendents	14	3	5	3	3	0	13	2	11
Subtotal	47 (100%)	23 (49%)	13 (28%)	6 (13%)	4 (9%)	1 (2%)	42 (100%)	5 (12%)	37 (88%)
Total	135 (100%)	53 (39%)	53 (39%)	15 (11%)	9 (7%)	5 (4%)	119	64	55

* Includes two county assessors (from the two counties having county assessment)

Table 40

OPINION OF PROPOSED CHANGE: CHANGING FROM TAPERED TO FLAT EXEMPTION

Effect of Change on Governing Board's
Decision to Participate in 485-b Program

	For/Against Change				Total	Board Would		
	Total	For	Against	Neutral		Uncertain	Stay In	Opt Out
In taxing jurisdictions allowing full or reduced 485-b exemption								
City mayors or managers, town supervisors, and town board members	33	15	17	0	27	22	5	
City and town assessors*	37	16	13	6	33	26	7	
School district superintendents	19	5	12	0	19	9	10	
Subtotal	89	36 (40%)	42 (47%)	6 (7%)	79 (100%)	57 (72%)	22 (28%)	
In taxing jurisdictions not allowing full or reduced 485-b exemption								
City mayors or managers, town supervisors, and town board members	13	2	5	2	11	0	11	
City and town assessors	21	10	7	2	17	1	16	
School district superintendents	13	5	6	1	12	1	11	
Subtotal	47	17 (36%)	18 (38%)	5 (11%)	40 (100%)	2 (5%)	38 (95%)	
Total	136	53 (39%)	60 (44%)	11 (8%)	119	59	60	

* Includes two county assessors (from the two counties having county assessment)

APPENDICES

Appendix A

TAXING JURISDICTIONS THAT HAD REDUCED THE PERCENTAGE OF THE 485-b EXEMPTION
OR HAD OPTED OUT OF THE PROGRAM AS OF JULY 28, 1978

Albany County

Cities:	Watervliet
Towns:	Coeymans
Villages:	Green Island Menands
School Districts:	Albany Berne-Knox-Westerlo Bethlehem Green Island Ravena-Coeymans-Selkirk North Colonie South Colonie Voorheesville

Allegany County

Towns:	Genessee
School Districts:	Friendship

Broome County (opted out)

Towns:	Conklin
Villages:	Endicott Johnson City
School Districts:	Johnson City Maine-Endwell Susquehanna Valley Union Endicott Vestal Windsor

Cattaraugus County

School Districts:	Allegany
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Cayuga County

Villages:	Weedsport
School Districts:	Port Byron Weedsport

Chautauqua County

School Districts:

Clymer
Ripley

Clinton County

Towns:

Ausable
Black Brook
Champlain
Mooers

Villages:

Champlain

School Districts:

Beekmantown
N. Eastern Clinton
Northern Adirondack
Peru
Plattsburgh

Columbia County

Villages:

Chatham

School Districts:

Chatham
Copake-Taconic Hills
Ichabod Crane

Delaware County

School Districts:

Margaretville

Dutchess County

Cities:

Poughkeepsie

Towns:

Pleasant Valley
Red Hook
Union Vale

Villages:

Pawling
Red Hook

School Districts:

Dover
Hyde Park
Millbrook
Red Hook

Erie County

Cities:

Lackawanna

Towns:

Cheektowaga

Villages:	Akron
School Districts:	Cheektowaga Cheektowaga-Sloan Clarence Lackawanna Lakeshore Sweet Home West Seneca
Essex County	
Towns:	North Elba Wilmington
Villages:	Port Henry Westport
School Districts:	Lake Placid Moriah
Franklin County	
School Districts:	Saranac Lake
Genesee County	
Towns:	Alabama Darien Elba Oakfield Pembroke
School Districts:	Alexander Batavia Elba Le Roy
Greene County	
Towns:	Greenville Hunter
Villages:	Bergen Catskill
School Districts:	Cairo-Durham Greenville Hunter-Tannersville
Jefferson County	
Towns:	Brownville Henderson

Towns:	Lorraine Orleans Rodman Theresa
Villages:	Brownville Theresa
School Districts:	General Brown Hounsfield Lafargeville South Jefferson
Livingston County	
Villages:	Dansville
Monroe County	
Towns:	Chili Perinton
Villages:	Fairport Spencerport
School Districts:	Churchville-Chili Fairport
Montgomery County	
Cities:	Amsterdam
School Districts:	Amsterdam
Nassau County	
Cities:	Glen Cove
Villages:	East Rockaway Floral Park Garden City Great Neck Estates Great Neck Plaza Kensington Lake Success Lynbrook Malverne Manorhaven Munsey Park Old Westbury Roslyn Roslyn Harbor Russell Gardens

Villages:

Sea Cliff
Westbury
Williston Park

School Districts:

Bellmore
Bethpage
Carle Place
Elmont
Floral Park-Bellerose
Garden City
Glen Cove
Herricks
Hicksville
Island Trees
Jericho
Massapequa
North Merrick
North Shore
Oceanside
Plainedge
Plainview-Old Bethpage
Rockville
Roosevelt
Syosset
Uniondale
Union Free #30
Valley Stream #13
Valley Stream #24
West Islip
Westbury

Niagara County

Towns:

Niagara

Villages:

Lewiston

School Districts:

Barker
Starpoint

Oneida County

Towns:

New Hartford

School Districts:

Adirondack
Sherrill
Westmoreland

Onondaga County

Towns:

Camillus
Clay
Salina
Tully

Villages:	Liverpool Manlius Solvay
School Districts:	Jamesville-Dewitt Liverpool Lyncourt-Salina North Syracuse Tully
Ontario County	
Towns:	Phelps
Villages:	Phelps
School Districts:	Bloomfield Naples Red Jacket
Orange County	
School Districts:	Cornwall
Orleans County	
Villages:	Medina
School Districts:	Albion Medina
Oswego County	
School Districts:	Mexico Oswego
Otsego County	
Towns:	Oneonta
Rensselaer County	
Towns:	Sand Lake
School Districts:	Brittonkill Schodack Geo. Washington Wynantskill
Rockland County	
School Districts:	Nanuet

Saratoga County

Towns:	Galway Malta
Villages:	Stillwater
School Districts:	Ballston Spa Burnt Hills-Ballston Lake Shenendehowa Waterford-Halfmoon

Schenectady County

Towns:	Rotterdam
School Districts:	Draper Mohanasen Schalmont Scotia-Glenville

Schoharie County

School Districts:	Gilboa-Conesville Schoharie
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Seneca County (opted out)

Towns:	Seneca Falls
Villages:	Waterloo
School Districts:	Romulus Waterloo

Steuben County

School Districts:	Hammondsport Hornell
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Suffolk County

Towns:	East Hampton Riverhead Southampton
Villages:	Babylon East Hampton Greenport Northport Ocean Beach Quogue Southampton

School Districts:

Amityville
Babylon
Bayport-Blue Point
Bridgehampton
Center Moriches
Comsewogue
Connetquot
Deer Park
East Hampton
East Islip
East Moriches
East Quogue
Eastport
Fire Island
Greenlawn
Oyster Ponds
Hampton Bays
Harborsfield
Hauppauge
Middle Island
Montauk
Mt. Sinai
Northport-E. Northport
Port Jefferson
Quogue
Riverhead
Rocky Point
Sag Harbor
Shelter Island
Shoreham-Wading River
South Haven
South Manor
Southampton
Springs
Three Village
Tuckahoe
West Islip
Westhampton Beach
William Floyd

Sullivan County

Towns:

Cochecton

Villages:

Liberty
Monticello

School Districts:

Narrowsburg
Roscoe

Tioga County

Towns:

Owego
Tioga

School Districts:	Newark Valley Owego-Apalachin Tioga
Ulster County	
School Districts:	Marlboro Rondout Valley
Warren County (opted out)	
Towns:	Lake George Thurman
Villages:	Lake George
School Districts:	Hague Lake George Warrensburg
Washington County	
School Districts:	Putnam
Wayne County	
Towns:	Williamson
School Districts:	Lyons Newark Williamson
Westchester County	
Cities:	Rye Yonkers White Plains
Towns:	Bedford Greenburgh Mamaroneck Mount Pleasant New Castle Pound Ridge Scarsdale
Villages:	Ardsley Elmsford Mamaroneck Pelham Manor Pleasantville Scarsdale

School Districts:

Bedford
Blind Brook-Rye
Briarcliff Manor
Byram Hills
Chappaqua
Dobbs Ferry
Edgemont
Elmsford
Greenburgh
Harrison
Hastings on the Hudson
Irvington
Mount Kisco
Mount Pleasant
Pleasantville
Pocantico Hills
Rye
Somers
Valhalla
White Plains

Yates County (opted out)

Source: Office of Legal Services, NYS Division of Equalization
and Assessment

Appendix B

QUESTIONNAIRES USED IN SURVEY

STATE BOARD OF EQUALIZATION AND ASSESSMENT

Survey of Local Government Officials on
485-b of the Real Property Tax Law
(Business Investment Exemption)

Several business property tax exemption programs presently exist which are designed to stimulate business investment in New York State. There has been a growing interest on the part of state and local officials as well as on the part of the business community in these programs. One such program is 485-b of the Real Property Tax Law. That law allows local jurisdictions the option of granting businesses a decreasing 10-year partial exemption from property taxes on new construction and other property improvements which exceed \$10,000 in cost.

At present, little is known about how the 485-b program is actually working in local communities and even less is known about local reactions to this and other business exemption programs. Given the importance of such programs and their impact on local communities, the State Board of Equalization and Assessment is conducting a survey of businessmen and local officials. We would like to know your community's experience with and reactions to the 485-b program. Your answers, while strictly confidential (only summaries of this survey will be released), will play a central role in any legislative proposals developed by the State Board.

1. Title of your government position	2. County	3. City/Town	4. Village
	5. School District		6. Years in Office

ALL LOCAL OFFICIALS: Please answer Questions 7 - 19 . ASSESSORS ONLY: Please also answer Questions 20 - 24.

7. There are a wide variety of property tax exemption programs. Some people are in general opposed to such exemptions while others believe it depends on the particular exemption. Do you have a general reaction to such programs? For example, would you say you are:

- generally in favor
- depends on the particular exemption (in favor of some, opposed to others)
- generally opposed
- don't know/uncertain

8. What about your governing board as a whole? Does it seem to have a general position on most exemption programs or not? Are members:

- generally in favor
- depends on the particular exemption
- generally opposed
- don't know/uncertain

9. Now how about business property tax exemptions in general? Are you generally in favor of such exemptions or not?

- generally in favor
- depends on the particular exemption
- generally opposed
- don't know/uncertain

10. What about your governing board? Are its members generally in favor of business property tax exemptions or not?

- generally in favor
- depends on the particular exemption
- generally opposed
- don't know/uncertain

Now we would like to ask you some specific questions about 485-b. As you may know, 485-b allows a partial exemption from taxes on real property used for commercial, business, or industrial purposes. The exemption period is for 10 years. The maximum exemption allowed in the first year is 50% of the increase in the assessed value due to construction, alteration, or improvement of the property. In each of the succeeding nine years the amount of the exemption decreases by 5%. Local taxing jurisdictions, which include counties, cities, towns, villages, and school districts, may reduce the percentage of the exemption or eliminate it completely by passing local laws or resolutions.

11. In general, how familiar would you say you are with the 485-b business property tax exemption?

- very familiar
- somewhat familiar
- not too familiar
- not at all familiar
- uncertain/don't know

12. Has your governing board passed a law or resolution eliminating the 485-b business property tax exemption?

- yes
- no
- uncertain/don't know

IF YES: (12a) Briefly, what were the reasons for this decision? _____

USE REVERSE SIDE OF PAPER IF MORE SPACE IS NEEDED

13. If your municipality allows 485-b exemptions, has the governing board discussed the possibility of passing a law or resolution which would either disallow 485-b exemptions or change the amount (percentage) of the exemption?

- yes
- no
- uncertain/don't know
- not applicable

IF YES: (13a) Did the discussions center on eliminating the 485-b exemption altogether, on changing the percentage of the exemption, or both? Briefly, why was (is) there a desire to eliminate or change the exemption?

- eliminate exemption
- change percentage of exemption
- discussion of both changes
- don't remember

Issues in board discussions: _____

(13b) How likely is it that your board will, in the near future, eliminate or change the 485-b exemption?

- very likely
- somewhat likely
- not too likely
- not at all likely
- uncertain/don't know

14. In your municipality are there presently any business firms with 485-b exemptions?

- yes
- no
- uncertain/don't know
- not applicable

IF YES: (14a) In your opinion, how significant was the availability of 485-b exemptions as an incentive to these firms to make property improvements?

- very significant
- somewhat significant
- not too significant
- not at all significant
- uncertain/don't know

(14b) In your opinion, has the granting of 485-b exemptions benefited your municipality?

- yes
- no
- uncertain/don't know

IF YES: (14c) In which ways?

- by creating new jobs
- by keeping businesses from moving out
- by encouraging businesses to move in
- by aiding in community renewal
- in other ways (please list) _____

15. Would you like to see the state law governing 485-b exemptions changed in any way?

- yes
- no
- uncertain/don't know

IF YES: (15a) What are some of the changes you think should be made in the 485-b law? _____

16. The State Board of Equalization and Assessment has proposed a number of changes in the 485-b law. One proposal is that public utilities be excluded from eligibility for 485-b exemptions. The intent of the law is to stimulate business expansion, and SBEA believes that the law does not apply to utilities, whose expansion is regulated by state government. What is your reaction? Do you support or oppose excluding public utilities?

- strongly support
- moderately support
- neither support nor oppose
- moderately oppose
- strongly oppose
- uncertain/don't know

STATE BOARD OF EQUALIZATION AND ASSESSMENT

Survey of Local Government Officials on
485-b of the Real Property Tax Law
(Business Investment Exemption)

Several business property tax exemption programs presently exist which are designed to stimulate business investment in New York State. There has been a growing interest on the part of state and local officials as well as on the part of the business community in these programs. One such program is 485-b of the Real Property Tax Law. That law allows local jurisdictions the option of granting businesses a decreasing 10-year partial exemption from property taxes on new construction and other property improvements which exceed \$10,000 in cost.

At present, little is known about how the 485-b program is actually working in local communities and even less is known about local reactions to this and other business exemption programs. Given the importance of such programs and their impact on local communities, the State Board of Equalization and Assessment is conducting a survey of businessmen and local officials. We would like to know your community's experience with and reactions to the 485-b program. Your answers, while strictly confidential (only summaries of this survey will be released), will play a central role in any legislative proposals developed by the State Board.

1. Title of your Position	2. County	3. City/Town	4. Village
5. School District		6. Years in Office	

7. There are a wide variety of property tax exemption programs. Some people are in general opposed to such exemptions while others believe it depends on the particular exemption. Do you have a general reaction to such programs? For example, would you say you are:

- generally in favor
- depends on the particular exemption (In favor of some, opposed to others)
- generally opposed
- don't know/uncertain

8. What about your school board as a whole? Does it seem to have a general position on most exemption programs or not? Are members:

- generally in favor
- depends on the particular exemption
- generally opposed
- don't know/uncertain

9. Now how about business property tax exemptions in general? Are you generally in favor of such exemptions or not?

- generally in favor
- depends on the particular exemption
- generally opposed
- don't know/uncertain

10. What about your school board? Are its members generally in favor of business property tax exemptions or not?

- generally in favor
- depends on the particular exemption
- generally opposed
- don't know/uncertain

Now we would like to ask you some specific questions about 485-b. As you may know, 485-b allows a partial exemption from taxes on real property used for commercial, business, or industrial purposes. The exemption period is for 10 years. The maximum exemption allowed in the first year is 50% of the increase in the assessed value due to construction, alteration, or improvement of the property. In each of the succeeding nine years the amount of the exemption decreases by 5%. Local taxing jurisdictions, which include counties, cities, towns, villages, and school districts, may reduce the percentage of the exemption or eliminate it completely by passing local laws or resolutions.

11. In general, how familiar would you say you are with the 485-b business property tax exemption?

- very familiar
- somewhat familiar
- not too familiar
- not at all familiar
- uncertain/don't know

12. Has your school board passed a resolution eliminating the 485-b business property tax exemption?

- yes
- no
- uncertain/don't know

IF YES: (12a) Briefly, what were the reasons for this decision? _____

13. If your school district allows 485-b exemptions, has the school board discussed the possibility of passing a resolution which would either disallow 485-b exemptions or change the amount (percentage) of the exemption?

- yes
- no
- uncertain/don't know
- not applicable

IF YES: (13a) Did the discussions center on eliminating the 485-b exemption altogether, on changing the percentage of the exemption, or both? Briefly, why was (is) there a desire to eliminate or change the exemption?

- eliminate exemption
- change percentage of exemption
- discussion of both changes
- don't remember

Issues in board discussions: _____

(13b) How likely is it that your board will, in the near future, eliminate or change the 485-b exemption?

- very likely
- somewhat likely
- not too likely
- not at all likely
- uncertain/don't know

14. In your school district are there presently any business firms with 485-b exemptions?

- yes
- no
- uncertain/don't know
- not applicable

IF YES: (14a) In your opinion, how significant was the availability of 485-b exemptions as an incentive to these firms to make property improvements?

- very significant
- somewhat significant
- not too significant
- not at all significant
- uncertain/don't know

(14b) In your opinion, has the granting of 485-b exemptions benefited your school district?

- yes
- no
- uncertain/don't know

IF YES: (14c) In which ways?

- by creating new jobs
- by keeping businesses from moving out
- by encouraging businesses to move in
- by aiding in community renewal
- in other ways (please list) _____

15. Would you like to see the state law governing 485-b exemptions changed in any way?

- yes
- no
- uncertain/don't know

IF YES: (15a) What are some of the changes you think should be made in the 485-b law?

16. The State Board of Equalization and Assessment has proposed a number of changes in the 485-b law. One proposal is that public utilities be excluded from eligibility for 485-b exemptions. The intent of the law is to stimulate business expansion, and SBEA believes that the law does not apply to utilities, whose expansion is regulated by state government. What is your reaction? Do you support or oppose excluding public utilities?

- strongly support
- moderately support
- neither support nor oppose
- moderately oppose
- strongly oppose
- uncertain/don't know

17. What about your board? Do you think most board members would be in favor of excluding utilities or not?

- strongly support
- moderately support
- neither support nor oppose
- moderately oppose
- strongly oppose
- uncertain/don't know

18. The State Board has also proposed that the following establishments be excluded from eligibility for 485-b exemptions: services, retailing, farming, and hotels or motels. Do you support or oppose such a proposal?

- strongly support
- moderately support
- neither support nor oppose
- support exclusion of only some establishments (specify)
- moderately oppose
- strongly oppose
- uncertain/don't know

19. What about your board? Do you think most board members would be in favor of excluding service, retail, farming, hotel and motel establishments or not?

- strongly support
- moderately support
- neither support nor oppose
- support exclusion of only some establishments (specify)
- moderately oppose
- strongly oppose
- uncertain/don't know

20. To simplify the administration of the 485-b program for local assessors, the State Board has proposed that the 10-year decreasing partial exemption be replaced with a flat 100% exemption for two or three years (at an estimated equivalent total dollar amount). Do you support or oppose such a proposal?

- strongly support
- moderately support
- neither support nor oppose
- moderately oppose
- strongly oppose
- uncertain/don't know

21. What about your board? Do you think most board members would be in favor of changing the exemption to a flat 100% two- or three-year exemption or not?

- strongly support
- moderately support
- neither support nor oppose
- moderately oppose
- strongly oppose
- uncertain/don't know

22. In your opinion, would any of the above changes (Question 15 - 21) influence your school board's decision to stay in or opt out of the 485-b program?

- public utilities exclusion - opt in opt out no difference
- service, retail, farming, hotel or motel exclusion - opt in opt out no difference
- flat 100% exemption - opt in opt out no difference
- other changes (specify)

If there are any comments or suggestions regarding 485-b exemptions you would like to make about which we have not asked a question, please feel free to make note of that in this space.

New York State Board of Equalization and Assessment
Office of Program Analysis & Development
Empire State Plaza
Albany, New York 12223

SURVEY OF BUSINESS AND LOCAL GOVERNMENT OFFICIALS ON
485-B OF THE REAL PROPERTY TAX LAW
(BUSINESS INVESTMENT EXEMPTION)

Several business property tax exemption programs presently exist which are designed to stimulate business investment in New York State. There has been a growing interest on the part of state and local officials as well as on the part of the business community in these programs. One such program is 485-b of the Real Property Tax Law. That law allows local jurisdictions the option of granting businesses a decreasing 10-year partial exemption from property taxes on new construction and other property improvements which exceed \$10,000 in cost.

At present, little is known about how the 485-b program is actually working in local communities and even less is known about local reactions to this and other business exemption programs. Given the importance of such programs and their impact on local communities, the State Board of Equalization and Assessment is conducting a survey of businessmen and local officials. We would like to know the business community's experience with and reactions to the 485-b program as well as to a recent Equalization and Assessment legislative proposal. Your answers, while strictly confidential (only summaries of this survey will be released), will play a central role in the final legislative proposals developed by the State Board.

1. Name, address of business:

2. Approximate number of years at present location:

3. Name of owner or owners of property if different from above:

Address:

4. Type of business:

- manufacturing
 - retail trade
 - wholesale trade
 - public utility
 - contract construction
 - other (please specify)
-

5. Approximate number of employees at above location:

- 1 - 19
 - 20 - 99
 - 100 - 249
 - 250 or more
-

6. At its present location, has your business constructed any buildings, made any additions, or made other property improvements within the past three years?

- yes
- no
- uncertain/don't know

IF YES: (6a) What types of improvements have been made?

- new construction or installation
 - expansion of existing structures or installations
 - alteration - without expansion - of existing structures or installations
 - other (please specify)
-

(6b) Has the number of employees of your business increased since these improvements were made?

- yes
- no
- uncertain/don't know

(6c) Has your business been granted a 485-b property tax exemption for any of these improvements?

- yes
- no
- uncertain/don't know

IF YES: SKIP TO QUESTION 8

7. If your business does not have a 485-b exemption, has your business ever applied for such an exemption?

- yes
- no
- uncertain/don't know

IF YES: (7a) Why wasn't an exemption granted?

- improvement projects did not meet legal requirements for exemption
 - other reason (please specify)
-
-

IF NO: (7b) Why wasn't an exemption applied for?

- improvement projects did not meet legal requirements for exemption
 - management didn't know about availability of 485-b exemption
 - management considered having exemption not worthwhile because it is too difficult to administer
 - dollar value of exemption was too small to be worth application effort
 - other reason (please specify)
-
-

8. The State Board of Equalization and Assessment has proposed a number of changes in the 485-b law. One proposal is designed to simplify the administration of the 485-b program for local assessors by replacing the current 10-year decreasing partial exemption with a flat 100% exemption for two or three years (at an estimated equivalent total dollar amount). Would your business support or oppose such a proposal?

- strongly support
 - moderately support
 - neither support nor oppose
 - moderately oppose
 - strongly oppose
 - uncertain/don't know
-

9. Please explain why your business would support or oppose this proposal?

10. If your business has a 485-b exemption:

(10a) Is management having administrative difficulties with the exemption?

yes no uncertain/don't know

IF YES: What is the chief administrative problem?

(10b) Has management had any problems in dealing with the local assessor in administering the exemption?

yes no uncertain/don't know

IF YES: Please explain

(10c) How much of an incentive was the availability of 485-b exemptions to your business's decision to make property improvements?

major incentive no incentive
 minor incentive uncertain/don't know

11. Does your business plan to make any building or other property improvements within the next 10 years?

yes no uncertain/don't know

IF YES: (11a) Does management intend to apply for 485-b exemption for these improvements?

yes no uncertain/don't know

If there are any comments or suggestions regarding 485-b exemptions you would like to make about which we have not asked a question, please feel free to make note of that in this space.

Now we would like to ask you a few general questions on your opinion of business conditions in New York State and on the importance of various factors that may influence business location decisions.

12. How would you rate the business climate in New York State?

- | | |
|--|---|
| <input type="checkbox"/> highly favorable | <input type="checkbox"/> unfavorable |
| <input type="checkbox"/> favorable | <input type="checkbox"/> highly unfavorable |
| <input type="checkbox"/> neither favorable nor unfavorable | <input type="checkbox"/> uncertain/don't know |
-

13. Do you think that the business climate in New York State has become better or worse during the past five years?

- | | |
|---|---|
| <input type="checkbox"/> much better | <input type="checkbox"/> worse |
| <input type="checkbox"/> better | <input type="checkbox"/> much worse |
| <input type="checkbox"/> neither better nor worse | <input type="checkbox"/> uncertain/don't know |
-

14. How would you rate the business climate in your local area?

- | | |
|--|---|
| <input type="checkbox"/> highly favorable | <input type="checkbox"/> unfavorable |
| <input type="checkbox"/> favorable | <input type="checkbox"/> highly unfavorable |
| <input type="checkbox"/> neither favorable nor unfavorable | <input type="checkbox"/> uncertain/don't know |
-

15. Do you think that the business climate in your local area has become better or worse during the past five years?

- | | |
|---|---|
| <input type="checkbox"/> much better | <input type="checkbox"/> worse |
| <input type="checkbox"/> better | <input type="checkbox"/> much worse |
| <input type="checkbox"/> neither better nor worse | <input type="checkbox"/> uncertain/don't know |
-

16. In the last year, has your business seriously considered

- moving out of New York State
 - moving out of your local area
 - expanding operations where you are
 - reducing operations where you are
 - selling rather than go out of business
 - going out of business
 - none of the above
-

