

The New York State
Department of Taxation and Finance

Andrew M. Cuomo - *Governor* Thomas H. Mattox - *Commissioner*

Assessor's Manual, Volume 4, Exemption Administration

Exemption Administration Manual - Part 1 Residential - Other Than Multiple Dwellings

44213

Section 4.01 - RPTL Section 421-f

Home Improvements

Exemption Code(s): 4421_ **Year Originally Enacted:** 1993

Related Statutes: None

SUMMARY: Outside New York City, to the degree allowed by local option, one- and two-family residential buildings that are reconstructed, altered, or improved under certain conditions (see below) are exempt from taxation and special ad valorem levies to the extent of an annually declining percentage of at least some of the increase in the property's assessed value attributable to the reconstruction, alteration, or improvement. No exemption is allowed for special assessments. Local taxing jurisdictions may limit the types of construction projects eligible for exemption and the percentages of exemption.

A. ELIGIBILITY REQUIREMENTS

1. **Ownership Requirements:** Property must be owned by a private individual or individuals. If title to the property is transferred to someone other than the heirs or distributees of the owner, the exemption must cease.
2. **Property Location Requirements:** Property must be located outside New York City.
3. **Property Use Requirements:** Property must be used as a residential building for not more than two families. The value of the construction project must exceed \$3,000 and must be of the type allowed exemption by the taxing jurisdiction (see Local Option below); the project may not be one of ordinary maintenance or repairs. The greater portion of the building, as so measured by the square footage, of the building reconstructed, altered or improved, must be at least five years old.
4. **Certification by State or Local Government:** None required.
5. **Required Construction Start Date or Other Time Requirement:** Reconstruction, alteration, or improvement of the building must commence after the effective date of the local law or resolution allowing the exemption.

B. LOCAL OPTION: Yes, local taxing jurisdictions are allowed several choices:

1. **Exemption --** To allow the exemption, a county, city, town, or village, through its governing board, must enact a local law. A school district, other than one subject to Article 52 of the Education Law, is authorized to allow the exemption, through adoption of a resolution by its governing board. In all cases, the taxing jurisdiction must hold a public hearing before acting to allow the exemption.
2. **Percentage of Exemption --** Any taxing jurisdiction allowing the exemption may reduce the percentage of exemption allowed in each year by state law (see Calculation of Exemption below).
3. **Maximum Value of Improvement --** State law limits the exemption to a maximum of \$80,000 in increased market value. Local taxing jurisdictions may reduce this maximum to any amount less than \$80,000, but not less than \$5,000.

4. Type of Improvement -- In its local law or resolution allowing the home improvement exemption, a taxing jurisdiction may limit the forms of reconstruction, alteration, or improvement eligible. It may further limit exemption to improvements that would otherwise result in an increase in the assessed value of the property but that consist of addition to or remodeling or modernization of an existing residence to prevent physical deterioration or to comply with applicable building, sanitary, health, or fire codes.

C. LIMITATION ON EXEMPTION:

	General Municipal Taxes	School District Taxes	Special Ad Valorem Levies	Special Assessments
1. Amount	Yes*	Yes*	Yes*	No exemption allowed
2. Duration	8 years*	8 years*	8 years*	No exemption allowed
3. Taxing Jurisdiction	Ex**	NA	Ex**	Tax
a. County or County Special Districts				
b. City	Ex**	NA	NA	Tax
c. Town or Town Special District	Ex**	NA	Ex**	Tax
d. Village	Ex**	NA	NA	Tax
e. School District	NA	Ex**	NA	NA
	Ex - Exempt	Tax - Taxable	NA - Not Applicable	

* See Calculation of Exemption below.

** If allowed by local option.

D. PAYMENTS IN LIEU OF TAXES: None required.

E. CALCULATION OF EXEMPTION:

1. **General Municipal and School District Taxes:** The extent of the exemption is determined by the "exemption base" and the percentage of that base allowed as exempt each year. The exemption base is defined as the increase in assessed value as determined in the initial year of the term of exemption, except as follows.

In any year in which a change in level of assessment of 15% or more is certified for a final assessment roll pursuant to the rules of the State Office of Real Property Tax Services, the exemption base must be multiplied by the following fraction:

Total assessed value of parcel on final assessment roll*

Total assessed value of parcel on immediately preceding final assessment roll

* After accounting for physical or quantity changes to parcel since immediately preceding assessment roll.

Unless limited by local law, the exemption equals the base exemption, or the base exemption adjusted as described above, multiplied by one of the following percentages:

Year of Exemption	Percentage of Exemption Base
1	100
2	87.5
3	75
4	62.5
5	50
6	37.5
7	25
8	12.5

Local taxing jurisdictions may reduce the percentage of exemption for any year.

The maximum exemption allowed by state law is \$80,000 in increased market value due to the improvement. The market value of the new construction is calculated by dividing the increase in assessed value attributable to the construction by the latest state equalization rate or special equalization rate, unless such rate is 95% or more, in which case the increased assessed value is to be considered equal to the market value. In Nassau County, the Class 1 ratio is to be used to determine the market value of the improvement. Local taxing jurisdictions may reduce the maximum exemption allowed to any amount less than \$80,000, but that amount may not be less than \$5,000.

- 2. **Special Ad Valorem Levies:** See General Municipal and School District Taxes above.
- 3. **Special Assessments:** No exemption allowed.

F. CODING OF EXEMPTION ON ASSESSMENT ROLL:

Code	Description of Alternative Codes Possible
4421_	

Assessment Roll Section(s): Taxable (RPS Section 1).

NOTE: This code should not be used to identify property that is exempt under any of the statutes listed under Similar Exemptions below. For coding of such property, see the Exemption Profile for the statute that applies.

G. FILING REQUIREMENTS (Owner or Occupant of Property):

Form RP-421-f -- Application for Real Property Tax Exemption for Capital Improvements to Residential Property
 See sample form and instructions following Exemption Profile.

H. REPORTING REQUIREMENTS (Assessor): None.

I. SIMILAR EXEMPTIONS:

Subject	Statute
Certain living quarters constructed to be occupied by a senior citizen or disabled individual	RPTL §467-d
First-time homebuyers of newly constructed homes	RPTL §457
New residential property in certain cities	RPTL §485-m
Private one- and two-family dwellings and certain multiple dwellings in New York City	RPTL §421-b

Residential improvements in Cities with population of less than 200,000 and more than 150,000	L.1986, Ch. 889
Residential investment in certain municipalities	RPTL §§485-h, 485-i, 485-j, 485-k, 485-l, 485-m
Residential property improvements in certain cities	RPTL §485-j
Residential property improvements in certain towns	RPTL §485-l

Exemption Application Forms:

Application Form RP-421-f

Instructions for Application Form RP-421-f-ins.

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