



PRESS RELEASE
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BUSINESS LEADERS CALL ON MAYOR DE BLASIO AND THE CITY COUNCIL TO ADDRESS COMMERCIAL RENT TAX IN CITY BUDGET

Sign-on Letter Urges Action Now to Protect Struggling Small Businesses

NEW YORK, NY — Today several prominent business organizations sent a letter to Mayor Bill de Blasio and City Council Speaker Melissa-Mark-Viverito, requesting that targeted exemptions from the Commercial Rent Tax be included in the city budget that is now being negotiated.

The full letter is below:

Dear Mayor de Blasio and Speaker Mark-Viverito—

We are writing on behalf of the members of our organizations to urge you to include relief from the Commercial Rent Tax (CRT) in the city budget currently being negotiated.

Escalating costs are threatening the survival of many small businesses in Manhattan. The city's Commercial Rent Tax is only exacerbating the problem.

Currently, commercial tenants are exempt from the tax if their annual base rent falls below \$250,000. That may sound like it's only aimed at large companies and major national chains, but that's not true. The exemption threshold, which was implemented to shield small businesses, has not been updated in a number of years so more and more businesses are now subject to the tax.

In 2003, the city collected nearly \$388 million from 5,858 businesses. By 2016, 7,705 businesses were on the hook for the tax, paying \$779 million to the city. That's double the revenue collected in 2003 — and an increase of nearly 32 percent in the number of businesses captured. CRT revenue is forecast to continue on this upward trajectory, generating \$816 million in 2017 and \$848 million in 2018.

Unfortunately, many unprofitable businesses are paying the tax. The city's Department of Finance used aggregate data to compare taxpayers' net income in 2012 with their CRT tax liability in 2014. The data indicates that approximately 1,200 businesses with very low profit

margins in 2012 — less than \$100,000 each — earned a combined \$14 million in net income but together paid \$19 million in 2014 CRT tax. This is not sustainable.

Our city prides itself on the unique character of our neighborhood businesses, but action is urgently needed to help those that are struggling to survive. Raising the current CRT exemption threshold from \$250,000 of annual base rent to \$500,000 of annual base rent will carve out more small businesses and be of tremendous help to their bottom lines. Over time, the foregone revenue for the city (\$50 million to \$55 million per year) will be offset by new revenues generated by business expansion, job creation and economic growth.

We strongly urge you to include action on this issue in the Fiscal Year 2018 city budget. It would send a strong message to business owners who are bearing the burden of recent mandates designed to improve conditions for many that New York is a city that also cares about them. Raising the CRT exemption is a smart investment that will be of tremendous benefit for the future of our great city.

Sincerely,

*John H. Banks, III
President
Real Estate Board of New York*

*Ramon Murphy
President
The Bodega Association, USA*

*Harry Coghlan
Chair
Times Square Advertising Coalition*

*Cristyne Nicholas
Chair
Broadway Association*

*Maria Diaz
Executive Director
Greenwich Village Chelsea Chamber of Commerce*

*Andrew Rigie
Executive Director
NYC Hospitality Alliance*

*William Kelley
Executive Director
Village Alliance Business Improvement District*

*Tim Tompkins
President
Times Square Alliance*

*Jessica Lappin
President
Alliance for Downtown New York*

*Jessica Walker
President
Manhattan Chamber of Commerce*

*Kathryn Wylde
President and CEO
Partnership for New York City*

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