

TAX ALERT

NEW YORK CITY TO PROVIDE COMMERCIAL RENT TAX RELIEF TO SMALL BUSINESSES

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Legislation effective July 1, 2018, will provide a significantly increased exemption under the Commercial Rent Tax Law ("CRT") to certain Manhattan taxpayers.

Currently, the CRT is applicable to commercial tenants south of the center line on 96th Street and north of Murray Street paying \$250,000 or more in annual rent. The revised CRT exemption for businesses with "total income" up to \$5 million will increase to cover those with up to \$500,000 in annual rent, with a phase out of the benefit provided for businesses with "total income" between \$5 million and \$10 million, paying \$500,000-\$550,000 in rent. "Total income" is defined as the amount reported for federal income tax purposes in the tax year immediately preceding the period for which the tenant is applying for the credit, equal to the gross receipts minus any returns and

allowances, and minus the cost of goods plus the amount of any dividends, interest, gross rents, gross royalties, capital gain net income, net gain or loss from the sale of business property, net farm profit or loss, ordinary income or loss from other partnerships, estates or trusts or other income or loss.

Mazars Insight – The CRT has been criticized for its impact on small businesses and start-ups, many of which pay high rents and are not profitable. It is expected that many smaller businesses will no longer be subject to the tax as the result of the new provisions, so the impending tax relief comes as good news for those entities.

Please contact your Mazars USA LLP professional for additional information.

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