

## **ESSEX COUNTY INDUSTRIAL DEVELOPMENT AGENCY STRAIGHT LEASE BACK TRANSACTION**

The Essex County Industrial Development Agency (ECIDA), in accordance with General Municipal Law Section S874 is exempt from real property, sales and mortgage taxes. “It is hereby determined that the creation of the agency and the carry out of its corporate purposes is in all respect for the public purpose, and the agency shall be regarded as performing a governmental function in the exercise of the powers conferred upon it by this title and shall be required to pay no taxes or assessments upon any property acquired by it or under its jurisdiction or control or supervision or upon its activities.” By obtaining a passive interest in the property title of economic development projects, the Essex County IDA can confer on those projects the advantages of such tax abatements, thereby enhancing the projects’ ability to provide a positive impact to the economy of the County and the residents thereof.

### **MORTGAGE RECORDING TAX ABATEMENT**

Whenever a county clerk records a mortgage in the State, the mortgagor must pay a percentage of the mortgage amount to clerk as a mortgage recording tax – a significant expense on projects involving substantial financing. The IDA, however, can qualify a company for a mortgage recording tax abatement. If an IDA has an interest in the property (either fee title or leasehold interest) at the time the mortgage is recorded, the IDA will mortgage its interest in the property (exempt from the mortgage recording tax under GML 874) and the New York State Law (Tax Law 255). This abatement can save a substantial amount of money for the company – from \$7,500 to \$18,500 for example, on a \$1 million principal mortgage. In Essex County, the mortgage recording tax is 1.25%.

### **SALES & USE TAX EXEMPTION**

General Municipal Law 874 notes that all purchases made by and IDA or its agents are exempt from sales and use taxes. If an IDA has an interest in the property (either fee title or leasehold interest) the IDA can appoint an agent (project) to utilize their sales tax exemptions. The agent (project) can then acquire the equipment, materials and services needed to acquire, construct, reconstruct and/or equip the project without having to pay sales and use taxes. The exemption is generally limited to the construction, reconstruction or installation period and cannot cover operational costs.

### **PAYMENT IN LIEU OF TAXES (PILOT) AGREEMENT**

Any real property owned or controlled by an IDA is not subject to real property taxes under General Municipal Law 874 and Real Property Tax Law 412-a. However, real property or controlled by an IDA continues to be subject to special district assessments and taxes. When an IDA takes title to or a leasehold interest in real property, the property becomes 100% exemption from real property taxes. To accommodate the needs of the local tax jurisdictions, however, the IDA generally negotiates a payment in lieu of taxes (PILOT) agreement with the company. The Essex County IDA and all applicable taxing jurisdictions have adopted two (2) PILOT schedules.

#### **Schedule A:**

Year 1	100%
Year 2	100%
Year 3	50%
Year 4	45%
Year 5	40%
Year 6	35%
Year 7	30%
Year 8	20%
Year 9	10%
Year 10	5%

#### **Schedule B:**

Year 1	50%
Year 2	45%
Year 3	40%
Year 4	35%
Year 5	30%
Year 6	25%
Year 7	20%
Year 8	15%
Year 9	10%
Year 10	5%