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For Release: IMMEDIATELY
January 10, 2019

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**The Authorities Budget Office Issues Report on Industrial Development Agencies
Monitoring of Sales and Use Tax Exemptions**

The Authorities Budget Office (ABO) released its report today on Industrial Development Agencies (IDAs) Monitoring of Sales and Uses Tax Exemptions provided to economic development projects. The review was conducted to determine whether IDAs are monitoring and recapturing excess sales tax exemptions claimed by projects. The ABO selected a total of 43 projects among nine IDAs for review. The IDAs selected were: Dutchess County, Jefferson County, Madison County, Monroe County, Oneida County, Orange County, Rensselaer County, Steuben County and Sullivan County.

In 2013, legislation was passed to amend General Municipal Law and reform the ways IDAs extend sales tax exemption benefits to projects and added the requirement for IDAs to recapture unauthorized sales tax exemptions claimed by projects and remit the funds to the Department of Taxation and Finance (Tax Department). The legislation also called for an increase in the transparency of projects by requiring IDAs to post copies of project resolutions and project agreements to their web sites for any project established.

The report found a lack of monitoring of sales tax exemptions and the need for improved transparency. Of the nine IDAs reviewed, only three have effective procedures in place to monitor the sales tax exemptions claimed by projects, as required by legislation. The other six IDAs were generally unaware of the legislative requirements that have been in place since 2013.

Of the 43 projects reviewed, eight projects had reported to the respective IDAs that the project had claimed more sales and use tax exemptions than had been approved by the IDA, yet the IDAs took no actions to determine why the project reported the excess sales tax exemption or to recapture the excess amount until it was brought to their attention as a result of our review. In total, these projects had reported taking more than \$420,000 in sales and use tax exemptions above the amount that had been approved by the IDA boards. As a result of our review, one IDA recaptured a portion of excess sales tax exemptions, while the other IDAs generally obtained revised documents from the projects to reflect that the project used a lower amount of sales tax exemptions than initially reported. These lower amounts resulted in the total amounts claimed being within the amounts approved by the boards.

“This review finds that a general laissez-faire attitude exists among some IDAs regarding the law,” stated ABO Director Jeffrey Pearlman. “The Legislature intended for full transparency and appropriate oversight of the public funds that IDAs provide to economic development projects and it’s troubling to find these problems in such a limited-scope review. It is my hope that this review along with the new ABO website posting regulation will help to clarify any ambiguities and provide guidance to those IDAs that are unsure what should be made publicly available.”

The review also identified other areas where IDAs can improve the transparency of operations. For example, not all IDAs specify the amount of sales tax exemptions being provided to projects in the formal board resolutions or in the project agreements. Only one of the nine IDAs reviewed posted all project resolutions and project agreements to its website. Further, prior to this review, seven of the nine IDAs did not file a compliance report with the Tax Department detailing the recapture terms and conditions for each project and the IDA’s procedures to recapture sales tax exemptions in excess of amounts approved, as required by legislation.

A copy of the full report is available at www.abo.ny.gov.