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IBO Reviews the Madison Square Garden Tax Exemption

Charged by [Local Law 18](#) of 2017 to evaluate economic development tax expenditures in collaboration with City Council, the New York City Independent Budget Office today submitted to the Council its [examination](#) of the Madison Square Garden (MSG) property tax exemption.

Since the property tax exemption was first granted to MSG by the state in 1982, IBO estimates the city has foregone more than \$946.7 million (in 2023 dollars) in property taxes. The stated purpose for the exemption was to retain the Knicks and Rangers sports teams, which play their home games at MSG, in New York at a time when other sports teams had moved elsewhere.

IBO concluded that it appears unlikely that the Knicks' and Rangers' continued location within the city is solely dependent on the property tax exemption. The transit-connected location, large market size, and established fan base, coupled with restrictions on alternative places the franchises could relocate, signal that there are many reasons outside of the property tax exemption for the teams to remain located in New York City.

"IBO's evaluation of the Madison Square Garden tax exemption under Local Law 18 is an important example of how we can contribute to the public debate on the merits of such economic development incentives," said **IBO Director Louisa Chafee**. "Tax expenditures are a significant area of city spending that is often overlooked when we discuss the city's finances. That's why IBO evaluates economic development tax expenditures with the same rigor applied to direct budget spending, and why we have identified key considerations that should be part of any discussion of future incentive proposals."

IBO determined that MSG's tax expenditure does not align with best practices, specifically:

- MSG's tax expenditure does not generally align with stated city economic development policy which focuses on economic development in Upper Manhattan and boroughs outside of Manhattan.
- MSG's tax expenditure lacks oversight requirements such as data reporting, employment terms, sunset dates, scheduled periodic review, and discretionary city control.
- There is broad consensus among economists and academic researchers that government subsidies for sports stadiums are not an efficient use of scarce public resources.

The request to review the exemption was put to IBO at a time when the City Council is on the verge of considering MSG's application to renew its special operating permit. It also coincides with a reignited debate about the future of the beleaguered and over-capacity Penn Station which lies below MSG.

This [evaluation](#) is the third time that IBO has examined a tax expenditure exemption in support of the City Council's oversight duties since the law's adoption in 2017. Previously, it analyzed the [Commercial Revitalization and Commercial Expansion Programs](#) and the [Industrial Development Agency's Industrial Program](#).