



FY 2017
Annual report on
New York State Tax Expenditures

Andrew M. Cuomo, Governor

**Division of
the Budget**

**Department of
Taxation and Finance**

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INTRODUCTION

The twenty-fifth annual *New York State Tax Expenditure Report* has been prepared by the Department of Taxation and Finance and the Division of the Budget and is submitted in accordance with the provisions of Section 181 of the Executive Law. The Executive Law defines tax expenditures as “features of the Tax Law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, deferral, or other statutory device, reduce the amount of taxpayers’ liabilities to the State by providing either economic incentives or tax relief to particular classes of persons or entities, to achieve a public purpose.”

As required by statute, the Report includes:

- An enumeration of the tax expenditures (Section VI) associated with the:
 - Personal Income Tax (Article 22 of the Tax Law)
 - Corporate Franchise Tax (Article 9-A of the Tax Law)¹
 - Bank Tax (Article 32 of the Tax Law)¹
 - Insurance Tax (Article 33 of the Tax Law)
 - Corporation and Utility Taxes (Article 9 of the Tax Law, excluding the organization tax imposed under Section 180 of Article 9 of the Tax Law, which the Department of State administers)
 - Sales and Compensating Use Tax (Article 28 of the Tax Law)
 - Petroleum Business Tax (Article 13-A of the Tax Law)
 - Real Estate Transfer Tax (Article 31 of the Tax Law);
- The provisions of law authorizing the tax expenditures, their effective dates, and where applicable, the date that such tax expenditures expire or are reduced (Section VI);
- Estimates (if reliable data are available) of the costs of the tax expenditures for the current taxable or calendar year and the five preceding years² (Section VI);
- An analysis of tax expenditure proposals included in the Governor’s 2016-17 Executive Budget (Section VIII); and
- Cautionary or advisory notes regarding the use of the Report and data limitations (Section II).

¹ Pre-reform Article 9-A and Bank Tax data have been moved to Appendices A and B, respectively.

² Section 181 of the Executive Law provides that any information relating to tax expenditures furnished by the Commissioner of Taxation and Finance be furnished in accordance with the secrecy provisions of the Tax Law.

INTRODUCTION

As provided in prior years, the report also includes information that summarizes:

- Tax expenditures that appear in more than one Article of the Tax Law, i.e., “Cross-Article Tax Expenditures” (Section VII); and
- State legislation enacted in recent years that resulted in the addition, deletion, or modification of various tax expenditure provisions (Section V).

The report also includes the following additional information:

- An illustration of the impact of tax expenditures on tax liability under the Personal Income Tax (Section III);
- A summary of tax expenditures by general policy area (Section IV);
- A glossary of terms used in this report (Section IX).
- Appendices containing the following:
 - Historical tax expenditures for the pre-reform corporation franchise tax (Appendix A)
 - Historical tax expenditures for the pre-reform bank tax (Appendix B)
 - Federal exclusions from income (Appendix C).

USE OF THIS REPORT AND DATA LIMITATIONS

As defined by the Executive Law,³ tax expenditures in this report are defined as “features of the Tax Law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, deferral, or other statutory device, reduce the amount of taxpayers’ liabilities to the State by providing either economic incentives or tax relief to particular classes of persons or entities, to achieve a public purpose.” This definition is less subjective than an approach that defines tax expenditures by first defining a normal tax structure because it avoids judgments about what constitutes “normal.”

This report does not purport to offer an official list of tax expenditures. Rather, it describes as many tax expenditures as possible and provides revenue estimates for as many provisions as can be isolated and measured. Where applicable data is available, tax expenditure estimates generally cover five historical years. Forecasted estimates project the cost of a tax expenditure as reflected in the Tax Law as it was in effect on January 1, 2016. The forecasted estimates do not reflect changes proposed in the Executive Budget. A description of the Executive Budget Tax Expenditure proposals is included in a separate section of this report. As a result of new or improved information, the estimates may differ from those published in previous reports. The estimates in the report do not reflect the impact of the Metropolitan Transportation Authority (MTA) surcharge, imposed on businesses operating in the Metropolitan Transportation Commuter District (MCTD).

The “cost of a tax expenditure,⁴” or the tax expenditure revenue estimate, is the amount by which a tax expenditure reduces taxpayers’ liability to the State for a taxable year or on a calendar year basis if a taxable year basis is not appropriate. The reduction in taxpayer liability is the difference between tax liability under the current Tax Law and tax liability if the particular expenditure did not exist. In the case of certain tax credits, the cost also includes amounts refunded to taxpayers. It is important to acknowledge that each tax expenditure estimate is measured separately and independently of other tax provisions (i.e., other taxes are held constant) and no changes in taxpayer behavior are assumed. Thus, the tax expenditure estimates provided in this report are not equivalent to the impact on the State’s Financial Plan if the expenditure were repealed or modified. In addition, since the expenditure estimates are measured separately and independently, individual tax expenditures cannot be summed.

The following table lists the taxes included in this report and the years for which tax expenditure estimates are provided.

³ Section 181(a).

⁴ Section 181(b).

USE OF THIS REPORT AND DATA LIMITATIONS

	Historical	Forecast
Personal Income Tax	2009, 2010, 2011, 2012, 2013	2016
Corporate Franchise Tax*	2008, 2009, 2010, 2011, 2012	2016
Bank Tax*	2008, 2009, 2010, 2011, 2012	Not applicable
Insurance Tax*	2008, 2009, 2010, 2011, 2012	2016
Corporation and Utilities	2008, 2009, 2010, 2011, 2012	2016
Sales and Use Tax	2009, 2010, 2011, 2012, 2013	2016
Petroleum Business Tax	2010, 2011, 2012, 2013, 2014	2016
Real Estate Transfer Tax	2010-11, 2011-12, 2012-13, 2013-14	2016-17

*Tax year is year with liability period beginning in the respective calendar year.

Comprehensive Corporate Tax Reform

In 2014, New York enacted comprehensive corporate tax reform, which takes effect for tax years beginning on or after January 1, 2015. Some of the major reform provisions are listed in the “recently enacted legislation” section of this report. This section discusses the impact corporate reform has on the structure of the *Tax Expenditure Report*. The most salient change is the merger of the Bank Tax (Article 32) into the Corporate Franchise Tax (Article 9-A).

In keeping with the practice of the *Tax Expenditure Report* to reflect the law as it is in effect in the year it is produced, 2016 in this instance, the main body of the report contains a description of the new Article 9-A and each of its tax expenditures. However, estimates for the individual expenditures will not be available for several years. This is because the complete, verified study file that will contain the 2015 tax returns will not be available until 2018. The extent of the changes under reform are so vast, and the nature of the changes are so interrelated, it is not possible to forecast discrete components in isolation using existing study files. Forecasting of tax expenditures under the new 9-A will not be possible until tax returns containing actual data for these expenditure items are filed.

The previously separate sections for pre-reform Article 9-A and bank tax have now been moved to new appendices. Data will continue to be reported through the 2014 tax year for the expenditures in each tax article. This will allow for a full history of these taxes and their expenditures prior to their reform. After 2014 tax year data is reported, these appendix sections will cease.

Federal Exclusions

The personal income (Article 22), corporate franchise (Article 9-A), and insurance (Article 33) taxes are all based, to some extent, on the Federal tax structure. There are provisions in Federal law that reduce the base subject to New York tax because the exclusion flows through to New York law. For example, employer contributions for medical insurance and care are excluded from Federal adjusted gross income. This exclusion flows through to New York which uses Federal adjusted gross income as a starting point for determining New York income. In most cases, New York policymakers have opted to conform to the Federal base for these taxes. Conformity eases administration of

USE OF THIS REPORT AND DATA LIMITATIONS

the Tax Law while at the same time promoting taxpayer compliance. These items do not constitute tax expenditures in the same sense as provisions specifically designed by New York policymakers to promote economic development or to provide specific tax relief. To focus attention on New York source tax expenditures, Federal exclusions are listed in the Appendix which provides estimates of the revenue foregone by conformity to these provisions.

Reliability of the Estimates

Estimates of the cost of tax expenditures have different levels of reliability based on the accuracy of both the data and the estimation procedure. For all of the taxes, with the exception of the Sales and Compensating Use Tax, the Department of Taxation and Finance assigns the highest category of reliability, Level 1, to estimates based on information from actual tax returns that were verified for accuracy. It assigns Level 2 to estimates based on data files containing unverified or incomplete information from actual tax returns. Neither of these return data sources is augmented with audit information. In Level 3 estimates, average marginal tax rates are applied to aggregate data. This sometimes includes Federal tax return data from the Internal Revenue Service's *Statistics of Income*. Level 4 estimates are based on national tax expenditure estimates made by the Federal Joint Committee on Taxation (JCT) or the Office of Management and Budget (OMB) or are estimates derived from non-tax data sources.

Estimates for most of the Sales Tax expenditures are derived from non-tax data sources. Therefore, a somewhat different reliability scheme is employed with all estimates given the fourth level of reliability. Within this fourth level, the report further categorizes estimates based on the accuracy and suitability of the data sources. Category A estimates use both New York State and industry-specific data. Category B estimates use either New York-specific data that is not industry specific or national data derived from direct industry information such as industry associations. Category C estimates use data other than state or industry-specific data.

The last level of estimates, Level 5, includes those items for which no reliable data source currently exists.

In some cases the reliability of estimates can change from year to year. This is especially the case for base year and forecast estimates versus historical estimates. For example, provisions previously estimated with either less reliable tax return data or Federal tax information might become Level 1 (highest reliability) if added directly to tax returns and verified for accuracy. This could cause current and projected estimates to differ from historical estimates.

Regardless of data source, the reliability of estimates for the budget year is of distinctly lower quality than that of the historical numbers. The hazards of forecasting generally are exacerbated when point estimates of the value of particular provisions of law are involved. Changes in taxpayer behavior,

USE OF THIS REPORT AND DATA LIMITATIONS

business organization, and other factors as well as “updating” methodologies can all have profound implications for the estimates of particular provisions in the budget year.

AN ILLUSTRATION OF THE IMPACT OF TAX EXPENDITURES ON PERSONAL INCOME TAX LIABILITY

The following flow chart (Figure 1) provides an illustration of how tax expenditures impact the computation of tax liability under the Personal Income Tax. The (●) reflects components of income that are included in computing tax liability and ∇ reflects tax expenditures that, if applicable to a taxpayer, reduce their tax liability.

New York is one of approximately 28 states that use Federal adjusted gross income (FAGI) as the starting point in calculating their personal income taxes. New York is one of 15 states that automatically conform to changes in FAGI. The additional 13 states conform to FAGI as of a certain point in time.

IMPACT ON PERSONAL INCOME TAX LIABILITY

Figure 1: Calculation of New York Personal Income Tax Liability Tax Year 2016

Federal Gross Income	•	Wages, salaries, bonuses, and tips
	•	Annuities, pensions, and taxable IRA distributions
	•	Dividends received
	•	Taxable interest received
	•	Net business income
	•	Net gain on sales or exchanges
	•	Certain taxable fringe benefits
	•	Net rent, royalty, partnership, or S-corporation income
	•	Prizes
	•	Net farm income
	•	Taxable Social Security
	•	Unemployment compensation
	•	Alimony received
	•	Other income
<i>minus</i>		
Adjustments to Gross Income	•	Self-employed retirement plan contributions
	•	Alimony paid
	•	Income earned abroad
	•	Contributions to individual retirement accounts
	•	Interest forfeited upon premature withdrawals
	•	Employment-related moving expenses
	•	Other Federal exclusions
	•	Other adjustments
<i>equals</i>		
Federal Adjusted Gross Income		
<i>minus</i>		
Negative Modifications	∇	Pension/Annuity exclusion
	∇	Social Security and Tier 1 Railroad Retirement exclusion
	∇	Interest on U.S. obligations
	∇	State and Federal pensions
	∇	Disability income exclusion
	∇	Exclusion of certain dividends
	∇	Accelerated death benefits
	∇	Contributions to NYS college choice tuition savings program
	∇	Deferral of gain from sale on qualified emerging technology investments
	∇	Payments to victims of Nazi persecution
	∇	Militia compensation
	∇	Exclusion for living human organ donors
	∇	Exclusion of compensation for active service in a combat zone
	∇	Small business and/or farm income exclusion
	∇	Exclusion of Wages Received from an employer located in a tax-free New York area
	∇	Exclusion of income attributable to the New York business incubator and innovation hot spot
	∇	Exclusion of Service Award for Volunteer Firefighters and Ambulance Workers
	∇	Other subtractions
<i>plus</i>		

IMPACT ON PERSONAL INCOME TAX LIABILITY

Positive Modifications	•	Interest on state and local bonds from other states
	•	Public employee retirement contributions
	•	Unqualified withdrawals from college choice savings accounts
	•	Other additions
<i>equals</i>		
New York Adjusted Gross Income		
<i>minus</i>		
Deductions	•	Standard deduction or
	∇	Itemized deductions
<i>minus</i>		
Exemptions	∇	Dependent exemptions
<i>equals</i>		
New York Taxable Income	•	Multiplied by tax rate schedule
<i>yields</i>		
New York Tax Liability Before Credits		
<i>minus</i>		
Credits	∇	Household credit
	∇	Earned income credit
	∇	Real property tax credit
	∇	Child and dependent care credit
	∇	Accumulation distribution credit
	∇	Solar energy system equipment credit
	∇	College tuition credit
	∇	Nursing home assessment tax credit
	∇	Empire state child credit
	∇	Enhanced state earned income tax credit for certain non-custodial parents
	∇	Volunteer firefighters and ambulance workers credit
	∇	Historic homeownership rehabilitation credit
	∇	Family tax relief credit
	∇	Enhanced Real Property Tax credit
	∇	Real Property Tax Freeze credit
	∇	Property Tax Relief Credit
	∇	Investment credit
	∇	Investment credit for Financial Services Industry
	∇	Empire zone, qualified empire zone credits, and zone equivalent areas tax credits
	∇	Farmer's school property tax credit
	∇	Credit for employment of persons with disabilities
	∇	Qualified emerging technology company credits
	∇	Low income housing credit
	∇	Credit for the purchase of an automated external defibrillator
	∇	Green building credit
	∇	Long-term care insurance credit
	∇	Empire state film and commercial production credits
	∇	Security training tax credit
	∇	Brownfields tax credits
	∇	Biofuel production credit
	∇	Land conservation easement credit

IMPACT ON PERSONAL INCOME TAX LIABILITY

	∇	Clean heating fuel credit
	∇	Rehabilitation of historic properties credit
	∇	Excelsior jobs program (EJP) tax credits
	∇	Credit for companies who provide transportation to individuals with disabilities
	∇	Economic transformation and facility redevelopment program tax credit
	∇	New York youth works tax credit
	∇	Empire State jobs retention program credit
	∇	Beer production credit
	∇	Credit for alternative fuel vehicle refueling property and electric vehicle recharging property
	∇	START-UP NY tax elimination credit
	∇	Minimum wage reimbursement credit
	∇	Hire A Vet credit
	∇	Musical and Theatrical Production credit
	∇	Real Property Tax Relief credit for Manufacturing
	∇	Credit for the excise tax on telecommunication services paid by START-UP NY businesses
	∇	Workers with disabilities tax credit
	•	Resident credit
<i>equals</i>		
New York Tax Liability After Credits		
∇ Tax expenditure		

SUMMARY OF TAX EXPENDITURES

The Joint Committee on Taxation (JCT) of the U.S. Congress publishes an annual report on Federal Tax Expenditures.⁵ One feature of this report is that tax expenditures are presented by Federal budgetary outlay categories.⁶ JCT classifies Federal tax expenditures into 12 different outlay categories. This classification allows policymakers to consider tax expenditures in the same policy context as direct expenditures, should they choose to do so. This section of the *New York State Tax Expenditure Report* attempts to provide the same form of data presentation.

The State tax expenditures are listed by the general policy area. The classification scheme utilized for this report attempts to follow – where practicable – the JCT scheme. That is, it is not appropriate to strictly follow the JCT methodology given that the Federal report only provides data on income taxes, whereas New York’s report includes many additional taxes (i.e., Bank Tax, Insurance Tax, Corporation Tax, Sales and Use Tax, Petroleum Business Tax, Real Estate Transfer Tax).

In addition, the Federal and New York State governments fulfill different roles in society. The classic example of the difference in their roles is that the Federal government, unlike New York State, makes outlays for the purpose of national defense. Similarly, New York does not typically engage in international affairs. Accordingly, the JCT categories were modified slightly to better represent the various functions of New York State government. The categories for New York State tax expenditures are:

- Government;
- General Science and Technology;
- Energy, Natural Resources, and Environment;
- Agriculture;
- Economic Development;
- Other Business and Commerce;
- Housing;
- Transportation;
- Education and Training;
- Social Services;
- Health;
- Income Security, Social Security, and Railroad Retirement;
- Veterans’ Benefits and Services; and

⁵Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*.

⁶For a discussion of the origins and uses of the Federal budget functions, see U.S. General Accounting Office. *Budget Function Classifications: Origins, Trends, and Implications for Current Use*. GAO/AIMD-98-67. Washington, D.C., February 1998.

SUMMARY OF TAX EXPENDITURES

- General Purpose Fiscal Assistance.

In keeping with JCT practice, several individual (personal) income tax expenditures were classified into multiple categories. These specific tax expenditures are the itemized deduction for charitable contributions (found in the Education and Training, Social Services, and Health categories), the itemized deduction for taxes paid (only a portion of which is found in Education and Training and General Purpose Fiscal Assistance), and dependent exemptions (only a portion of which is found in Education and Training). In keeping with this scheme, it was also necessary to classify several Sales and Use Tax expenditures into multiple categories. These include the exemptions for New York State and its political subdivisions (found in Government and Education and Training) and the exemption for charitable organizations (found in the Education and Training, Social Services, and Health).

Table 1 shows the five largest tax expenditures, in terms of base year estimates (Minimal or larger), for each of the governmental function categories noted above.⁷ In two categories, there are less than five tax expenditures: Veterans' Benefits and Services; and General Purpose Fiscal Assistance.

Table 1
(\$ millions)

1 GOVERNMENT				
<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	122	New York State Agencies or Political Subdivisions	2013	644.5
SUT	124	Federal Agencies	2013	251.0
PBT	7	Governments	2014	67.6
PIT	3	Exclusion of Interest on U.S. Obligations	2013	54.0
SUT	130	Indian Nations and Members of Such Indian Nations	2013	7.0
SUT	131	U.S. Military Post Exchanges	2013	7.0
2 GENERAL SCIENCE & TECHNOLOGY				
<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	76	Research and Development Property	2013	69.0
PIT	7a	QETC Capital Tax Credit	2013	1.2
CORP FR	22b	QETC Employment Credit	2012	0.4
PIT	7b	QETC Employment Credit	2013	0.1
CORP FR	22a	QETC Capital Tax Credit	2012	*

⁷ Base year numbers for Corporation Franchise Tax and Bank Tax are located in Appendices A and B, respectively.

SUMMARY OF TAX EXPENDITURES

3 ENERGY, NATURAL RESOURCES & ENVIRONMENT

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	41	Automotive Fuel Receipts Exceeding Two Dollars Per Gallon	2013	359.0
PBT	8	Residential Heating	2014	214.9
PBT	3	Crude Oil and Liquid Petroleum Gases	2014	71.2
CORP FR	29a	Brownfields Redevelopment Tax Credit	2012	45.8
SUT	83	Pollution Control Equipment	2013	14.0

4 AGRICULTURE

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	75	Farm Production and Commercial Horse Boarding	2013	80.0
PIT	5	Farmers' School Property Tax Credit	2013	38.2
SUT	34	Fuel, Gas, Electricity, Refrigeration and Steam Used in Farming and Commercial Horse Boarding	2013	17.0
PBT	10	Fuel Used for Farm Production	2014	9.8
CORP FR	20	Farmers School Property Tax Credit	2012	1.3

5 ECONOMIC DEVELOPMENT

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
CORP FR	1	Exclusion of Interest, Dividends and Capital Gains from Subsidiary Capital	2012	705.0
CORP FR	27a	Empire State Film Production Credit	2012	245.2
CORP FR	19d	QEZE Real Property Tax Credit	2012	110.3
BANK	4	Deduction of 60 Percent of Dividend Income and Excess Gains from Subsidiary Capital	2012	108.9
CORP FR	19a	EZ Investment Tax Credit and Employment Incentive Credit	2012	86.6

6 OTHER BUSINESS & COMMERCE

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	106	Precious Metal Bullion and Coins	2013	512.0
SUT	77	Machinery and Equipment Used in Production	2013	330.0
PIT	21f	Miscellaneous Deductions Subject to 2 Percent of AGI Limitation	2013	291.3
INSURANCE	15	Exclusion from the Premiums Tax of Premiums Written on Certain Reinsurance Policies	2012	278.7
SUT	61	Interstate or International Telephone & Telegraph Service	2013	232.0

SUMMARY OF TAX EXPENDITURES

7 HOUSING

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
PIT	21b	Interest Deduction	2013	798.4
SUT	5	Capital Improvement Installation Services	2013	434.0
BANK	18	Low Income Housing Credit	2012	26.0
CORP FR	33	Credit for Rehabilitation of Historic Properties	2012	5.7
INSURANCE	34	Credit for Rehabilitation of Historic Properties	2012	2.3

8 TRANSPORTATION

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	49	Fuel Sold to Airlines	2013	103.0
PBT	2	Bunker fuel	2014	41.8
SUT	56	Tractor-Trailer Combinations	2013	24.0
SUT	47	Commercial Aircraft	2013	21.0
PBT	17	Omnibus Carriers	2014	5.6

9 EDUCATION & TRAINING

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	122	New York State Agencies or Political Subdivisions	2013	644.5
PIT	21e	Taxes Paid Deduction	2013	446.0
PIT	29	College Tuition Credit	2013	240.3
SUT	19	Food Sold at School Cafeterias	2013	170.0
PIT	21c	Charitable Contribution Deduction	2013	82.4

10 SOCIAL SERVICES

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
PIT	31	Empire State Child Credit	2013	663.7
PIT	21c	Charitable Contribution Deduction	2013	477.8
SUT	127	Charitable Organizations	2013	444.0
PIT	26	Child and Dependent Care Credit	2013	193.7
SUT	103	Property Sold to Contractors for Capital Improvements or Repairs for Exempt Organizations	2013	105.0

11 HEALTH

<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	28	Drugs, Medicine and Medical Supplies	2013	1,080.0
SUT	29	Eyeglasses, Hearing Aids and Prosthetic Aids	2013	149.0
PIT	21a	Medical/Dental Deduction	2013	98.2
PIT	21c	Charitable Contribution Deduction	2013	22.0
SUT	127	Charitable Organizations	2013	20.4

SUMMARY OF TAX EXPENDITURES

12 INCOME SECURITY, SOCIAL SECURITY & RAILROAD RETIREMENT				
<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
SUT	17	Certain Food Products	2013	1,208.0
PIT	24	Earned Income Credit	2013	1,042.8
PIT	2	Exclusion of Social Security and Tier I Railroad Retirement Benefits	2013	846.7
PIT	4	Exclusion of Pensions, Annuities, Interest and Lump Sum Payments Received by NYS & Municipal Retirees	2013	844.9
SUT	114	Clothing and Footwear	2013	833.0
13 VETERANS BENEFITS & SERVICES				
<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
PBT	11	Not-For-Profit Groups and Veterans Organizations	2014	11.8
SUT	128	Veterans Posts or Organizations	2013	*
SUT	129	Veterans Home Gift Shops	2013	*
PBT	28	Not-For-Profit Groups and Veterans Organizations	2014	*
14 GENERAL PURPOSE FISCAL ASSISTANCE				
<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
PIT	21e	Taxes Paid Deduction	2013	297.3
15 OTHER				
<u>Tax</u>	<u>Item #</u>	<u>Tax Expenditure</u>	<u>Base Year</u>	<u>Amount</u>
PIT	20	Value of Standard Deductions for Those Returns with Itemized Deductions in Excess of Standard Deduction	2013	1,511.7
SUT	86	Trade-In Allowance	2013	732.0
INSURANCE	18	Exemption from Article 33 for Specified Types of Entities Engaged in an Insurance business	2012	365.2
SUT	63	Cable Television Service	2013	311.0
SUT	62	Internet Access Service	2013	282.0

RECENT LEGISLATION THAT HAS AFFECTED TAX EXPENDITURES

State legislation enacted in recent years has resulted in the addition, deletion, or modification of various provisions in the report this year. The changes are as follows:

Additions:

- For taxable years beginning on or after January 1, 2016 and before January 1, 2020, a real property tax relief credit is available for Article 22 resident taxpayers. The credit is applicable against school district taxes levied outside of the City of New York. For tax year 2016, the credit will equal a fixed amount depending on the taxpayer's place of residence. For tax years 2017 through 2019, the credit will equal a percentage of tax savings attributed to the basic and enhanced STAR exemptions and will vary based on the taxpayer's qualified gross income. The credits will be sent as an advance payment, with the initial payment occurring in the fall of 2016.
- For tax years beginning on or after January 1, 2015, a new refundable tax credit is available for certain employers that procure skills training for their employees or provide internship programs in advanced technology under the new Employee Training Incentive Program. The credit is available to qualified employers subject to tax under Articles 9-A and 22 for eligible costs incurred on or after the effective date. The credit is equal to 50 percent of eligible training costs, up to \$10,000 per employee receiving eligible training and 50 percent of the stipend paid to an intern, up to a credit of \$3,000 per intern. The total amount of tax credits for any taxable year may not exceed \$5 million and will be allotted by Empire State Development from funds available for tax credits under the Excelsior Jobs Program Act.
- A use tax exemption is available for beer, cider, and liquor furnished at no charge by a licensed brewery, farm brewery, cider producer, farm cidery, distillery, or farm distillery to a customer for consumption at tastings. Bottles, corks, caps, and labels used to package such beverages are also exempt from tax. This amendment is effective June 1, 2015.
- Receipts from the sale of electricity sold by a person primarily engaged in the sale of solar energy system equipment, and certain electricity generated by such equipment pursuant to a written agreement are exempt from sales tax. This amendment is effective December 1, 2015.
- Receipts in excess of \$230,000 for a vessel are exempt from sales tax. This amendment is effective June 1, 2015.

- Receipts from the sale of general aviation aircraft, and machinery and equipment to be installed on the aircraft, are exempt from sales tax. This amendment is effective September 1, 2015.
- Receipts from certain related-party sales arising as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act are exempt from sales tax. This amendment is effective September 1, 2015.
- Beer, cider, and liquor used at tastings, held in conformity with the Alcoholic Beverage Control Law, are exempt from the compensating use tax (Article 28) as of June 1, 2015. In addition, the use tax exemption for wine tastings applies to tastings held both on and off premises as of the passage of the SFY 2015-16 budget.

Modifications:

- The itemized deduction limitation for charitable contributions has been extended for two years. Total itemized deductions are limited to 50 percent of the Federal deduction for charitable contributions for individuals with NYAGI between \$1 million and \$10 million and 25 percent of the Federal deduction for charitable contributions for individuals with NYAGI over \$10 million. These limitations will remain in effect for tax years 2016 and 2017.
- The manufacturer's real property tax credit has been amended to allow farmers and commercial fishermen taxable under Article 22 of the Tax Law who lease real property from a related party or an unrelated third party to claim the credit. In addition, the credit is limited to real property taxes not deducted from the taxpayer's New York adjusted gross income.
- The PIT credit for excise taxes on telecommunication services incurred in START-UP tax-free area is limited to telecommunications taxes not deducted from the taxpayer's New York adjusted gross income.
- The enhanced real property tax circuit breaker credit for New York City residents has been extended for four years. The benefit was previously scheduled to expire January 1, 2016. Eligible New York City renters and homeowners will now be able to claim the refundable credit for tax years 2016 through 2019.
- The Excelsior Jobs Program was expanded to allow entertainment companies, music production companies, and video game software developers to participate in the program.
- Significant changes to the Brownfield Cleanup Program (BCP) were enacted. Generally, the changes only impact BCP applicants accepted into the program on or after July 1, 2015; existing participants will continue to utilize the rules and computations that pertain to their respective dates of acceptance by the Department of Environmental Conservation.

RECENT LEGISLATION

- The tangible property component of the brownfield redevelopment credit was amended to require sites located in New York City to meet one of three standards to be eligible for the tangible property component.
 - At least half the site is located in an En-Zone (environmental zone);
 - The property is upside down or underutilized; or
 - The project is an affordable housing project.
- The brownfield redevelopment credit was amended to enact two timing changes for the tangible property component of the credit.
 - Property placed in service prior to the issuance of a certificate of completion (COC) is allowed to generate credit in the tax year in which the COC is issued.
 - The post-COC window for the tangible property component is changed to 120 months from the date of the COC issuance.
- The calculation of the tangible property component cap, as it applies to the brownfield redevelopment tax credit, is amended to include costs that were expensed at the federal level under IRC Section 198 and thus not part of those component bases.
- The remediated brownfield credit for real property taxes and the environmental remediation insurance credit are no longer available for sites accepted into the Brownfield Cleanup Program on or after July 1, 2015.
- The alternative fuel vehicle refueling property and electric vehicle recharging property credit, available to Article 9, 9-A, and 22 taxpayers, was amended to allow alternative fuel vehicle refueling property and electric vehicle recharging property credit on costs that are not covered by a grant. The amount of the credit is amended to equal the lesser of \$5,000 or the product of 50 percent and the cost of any such property less any costs paid from the proceeds of grants. Previous law prohibited the credit if any of the cost of the refueling/recharging property had been paid through grant proceeds.
- The Youth Works Tax Credit Program, available to Article 9-A and Article 22 taxpayers, was renamed the Urban Youth Jobs Program tax credit and an additional allocation of \$10 million per year in Programs 3 through 5 was authorized.
- The START-UP NY Program was amended to include two airport facilities owned by the State of New York as tax-free START-UP NY areas. Specifically included is any vacant land or space owned by New York on the premises of Stewart Airport or Republic Airport. These facilities are subject to the 200,000 square-foot maximum for vacant land or vacant building space

designated as a START-UP NY area, but will not count against the Program's total square footage limitation.

- A petroleum business tax (Article 13-A) reimbursement is allowed for up to 4,500 gallons of highway diesel motor fuel used in farm production, in a 30-day period without prior approval from the Commissioner. This change was enacted immediately upon passage of the SFY 2015-2016 budget.

PERSONAL INCOME TAX

This section provides revenue estimates of tax expenditures for 86 provisions of the 2016 New York State Personal Income Tax. Tax expenditures are first estimated for the 2013 tax year (the latest year for which historical tax data are available) and then projected to the 2016 tax year. This section also provides historical estimates from 2009 through 2012 for comparison. Table 2 lists the income tax provisions for which estimates exist, and the estimates themselves. To provide some perspective, it also shows total Personal Income Tax liability for the 2013 tax year. The data used to generate the estimates do not include late filed returns, audited returns, or fiduciary returns because no contemporaneous data exist to make the estimates. On average, the sample used to make the estimates covers between 90 and 95 percent of total Personal Income Tax liability.

Description of Tax

The computation of the New York State Personal Income Tax starts with the Federal definition of adjusted gross income as included in the Internal Revenue Code (IRC). The IRC permits certain exclusions and adjustments in arriving at Federal adjusted gross income. New York allows several subtraction modifications and requires certain addition modifications in arriving at New York adjusted gross income (NYAGI). Taxpayers can then reduce their NYAGI by subtracting the higher of the New York standard deduction or New York itemized deductions. New York itemized deductions generally conform to Federal itemized deductions; however, certain modifications, such as an add-back for income taxes, apply. Federal law, to which New York conforms, requires certain high-income taxpayers to further limit itemized deductions. In addition, an overall New York State deduction limitation applies to upper-income taxpayers. New York taxpayers may also subtract from NYAGI a \$1,000 exemption for each dependent, not including the taxpayer and spouse.

The above computation determines taxable income. After computing taxable income, taxpayers apply a marginal tax rate schedule to compute their tax. For tax years 2003-2005, the top rate was 7.7 percent on taxable incomes above \$500,000 for all filing statuses. For tax years 2006-2008, the top rate returned to the pre-2003 level of 6.85 percent applying to taxable income in excess of \$20,000 for single individuals, \$30,000 for head of household, and \$40,000 for married couples filing jointly. For tax years 2009-2011, the top rate was 8.97 percent on taxable incomes above \$500,000 for all filing statuses. In 2012, the top rate was 8.82 percent on taxable incomes over \$1,000,000 for single individuals, \$1,500,000 for head of household, and \$2,000,000 for married couples filing jointly. For tax years 2013 through 2017, the tax brackets are indexed by a cost of living percentage adjustment. In 2016, the top rate remains 8.82 percent on taxable incomes over \$1,070,350 for single individuals,

PERSONAL INCOME TAX

\$1,605,650 for head of household, and \$2,140,900 for married couples filing jointly. If New York adjusted gross income exceeds \$106,950, then taxpayers must also compute a supplemental tax that recaptures the tax benefit that results from income being taxed at less than the top marginal rate. Taxpayers may then subtract certain credits in arriving at their actual tax liability.

Many of the effective dates for the income tax items occurred in 1960. The State Personal Income Tax was originally enacted in 1919, but the present system of Federal conformity with respect to income and deductions did not begin until 1960. Therefore, the report uses 1960 as the effective date for the provisions existing since the reorganization of the State's income tax. Many provisions have also been amended since their enactment; however, this report does not provide a detailed legislative history of each item covering the entire intervening time frame.

The descriptive paragraph on each income tax expenditure summarizes the provision as it appears in the Tax Law in effect as of January 1, 2016. It also includes any differences applicable between the 2013 and 2016 tax years. The listing does not include provisions repealed or sunsetted prior to 2016. Also, only tax credits specific to the Personal Income Tax are described here. Descriptions of tax credits available under multiple tax articles are contained in the Cross-Article Tax Credits section of the report

Data Sources

The major sources of data used in this section and the Appendix include:

- 2013 Personal Income Tax Study File — A data file based on a statistical sample of approximately 775,687 New York State Personal Income Tax returns. The sample is weighted to be consistent with income and liability totals for the taxpayer population contained on the New York State Department of Taxation and Finance's master file. Double-checking all sample data ensures accuracy and reliability. This data file is then used in conjunction with a Personal Income Tax simulation model, a set of complex computer programs which simulate the various features of the Tax Law and variations thereof for the years being estimated.
- 2013 Personal Income Tax Population File — A data file based on approximately 10,117,580 Personal Income Tax returns filed in 2014 with the New York State Department of Taxation and Finance. The data represent amounts accepted by the Department's tax return processing system.
- 2013 Federal Statistics of Income (SOI) — An annual statistical report produced by the U.S. Treasury Department. It contains Internal Revenue Service data collected from the Federal tax returns filed by New York residents. Verification of the data for accuracy ensures high data quality. The SOI sample of New York taxpayers contains 26,444 returns.

- Office of Management and Budget (OMB) Federal tax expenditure estimates — OMB's estimates of Federal tax expenditure items listed in this report came from the fiscal year 2016 *Corporate and Individual Income Tax Revenue Loss Estimates for Tax Expenditures*. Historical estimates were based on prior reports.
- U.S. Congressional Joint Committee on Taxation (JCT) Federal tax expenditure estimates — JCT's estimates of Federal tax expenditure items listed in this report came from *Estimates of Federal Tax Expenditures for Fiscal Years 2015-2019*. The JCT publishes this pamphlet annually. Historical estimates are based on prior reports.

Methodology

For estimating tax expenditures in 2016, components of income, modifications, and itemized deductions on the 2013 sample return file are extrapolated to 2016 levels using growth assumptions based on the economic forecast provided by the New York State Division of the Budget during December 2015. This data file is then used with the Personal Income Tax model revised to simulate 2016 tax law.

The Federal Office of Management and Budget and U.S. Joint Committee on Taxation tax expenditure estimates of Federal tax expenditure items are prorated to New York using New York's share of total U.S. personal income and applying New York State effective tax rates.

Tax expenditures with values of less than \$0.1 million are indicated with an asterisk.

PERSONAL INCOME TAX

Table 2
2016 Personal Income Tax Expenditure Estimates
(2013 Total Personal Income Tax Liability = \$37,342 Million)
(Millions of Dollars)

Tax Item	History					Forecast	Reliability
	2009	2010	2011	2012	2013	2016	Level
New York Modifications							
1. Pension/Annuity Exclusion	427.0	548.4	595.5	591.0	633.9	742.0	1
2. Exclusion of Social Security and Tier I Railroad Retirement Benefits (Taxable Social Security for Federal Purposes but New York Exempt)	614.7	715.7	742.8	783.5	846.7	1,097.0	1
3. Exclusion of Interest on U.S. Obligations	95.0	70.7	66.0	57.8	54.0	57.0	1
4. Exclusion of Pensions, Annuities, Interest, and Lump Sum Payments Received by New York State and Municipal Retirees	678.1	748.3	787.0	784.8	844.9	1,046.0	1
5. Exclusion of Pensions, Annuities, Interest, and Lump Sum Payments by Federal Retirement Systems	134.0	147.3	154.0	152.3	163.3	199.0	1
6. Disability Income Exclusion	N/A	N/A	N/A	N/A	N/A	N/A	5
7. Exclusion of Interest or Dividends on Obligations or Securities of a U.S. Agency	N/A	N/A	N/A	N/A	N/A	N/A	5
8. Exclusion of Interest or Dividend Income on Obligations or Securities Taxable for Federal Purposes but Exempt for New York Tax Purposes	N/A	N/A	N/A	N/A	N/A	N/A	5
9. Exclusion of Accelerated Death Benefits and Viatical Settlements	*	*	*	*	*	*	4
10. Exclusion for Contributions to New York State College Choice Tuition Savings Program	50.0	56.6	60.3	57.0	61.3	67.0	1
11. Deferral of Gain from Sale of Qualified Emerging Technology Investments	*	*	*	*	*	*	4
12. Exclusion of Payments to Victims of Nazi Persecution	*	*	*	*	*	*	4
13. Exclusion of Compensation for Members of an Organized Militia	*	*	*	*	*	*	4
14. Exclusion for Living Human Organ Donors	*	*	*	*	*	*	4
15. Exclusion of Compensation for Service in a Combat Zone for Members of the Armed Services	*	*	*	*	*	*	4
16. Exclusion of Small Business and/or Farm Income	--	--	--	--	--	60.0	4
17. Exclusion of Income Attributable to the New York State Business Incubator and Innovation Hot Spot Support Act	--	--	--	--	--	*	4
18. Exclusion of Wages Received From an Employer Located in START-UP New York Area	--	--	--	--	--	35.0	4
19. Exclusion of Service Award for Volunteer Firefighters and Ambulance Workers	--	--	--	--	--	1.0	4
New York Itemized Deductions and Exemptions							
20. Value of Standard Deductions for Those Returns with Itemized Deductions in Excess of Standard Deduction	1,677.5	1,652.9	1,645.4	1,533.2	1,511.7	1,548.0	1
21. Itemized Deductions							
a. Medical/Dental Deduction	100.5	113.8	118.0	119.3	98.2	107.0	1
b. Interest Deduction	1,195.6	1,104.4	1,029.0	877.4	798.4	826.0	1
c. Charitable Contribution Deduction	615.7	561.3	559.3	569.2	582.1	571.0	1
d. Casualty/Theft Deduction	4.9	2.6	10.4	70.0	9.3	10.0	1
e. Taxes Paid Deduction	790.0	771.5	775.0	719.3	743.4	751.0	1

PERSONAL INCOME TAX

Tax Item	History					Forecast	Reliability
	2009	2010	2011	2012	2013	2016	Level
f. Miscellaneous Deductions Subject to 2 Percent of AGI Limitation	300.5	303.7	316.0	288.2	291.3	286.0	1
g. Other Miscellaneous Deductions	41.2	40.1	35.0	31.6	30.1	30.0	1
22. Dependent Exemptions	304.1	308.8	308.8	292.0	291.1	308.0	1
New York Credits							
23. Household Credit	95.8	99.6	99.6	99.2	96.9	93.0	1
24. Earned Income Credit	966.9	943.8	986.3	993.6	1,042.8	1,200.0	1
25. Real Property Tax Credit (Circuit Breaker)	23.9	20.2	23.1	19.7	21.6	22.0	1
26. Child and Dependent Care Credit	245.7	199.6	184.7	193.6	193.7	196.0	1
27. Accumulation Distribution Credit ²	*	0.1	0.1	0.1	0.1	0.1	1
28. Solar Energy System Equipment Credit ^{1,2,4}	4.7	7.4	6.4	7.2	10.7	17.0	1
29. College Tuition Credit ³	268.3	248.5	254.0	239.0	240.3	248.0	1
30. Nursing Home Assessment Tax Credit	12.2	12.8	16.3	16.7	17.8	19.0	1
31. Empire State Child Credit	705.3	694.1	687.4	671.3	663.7	650.0	1
32. Enhanced State Earned Income Tax Credit for Certain Non-Custodial Parents	4.4	3.5	4.4	3.6	3.6	4.0	1
33. Volunteer Firefighters and Ambulance Workers Credit	13.4	13.9	15.0	15.4	15.9	18.0	1
34. Historic Homeownership Rehabilitation Credit ⁴	*	0.2	0.3	0.4	0.4	0.5	1
35. Family Tax Relief Credit	--	--	--	--	--	400.0	4
36. Enhanced Real Property Tax Credit	--	--	--	--	--	85.0	4
37. Real Property Tax Freeze Credit	--	--	--	--	--	342.0	4
38. Property Tax Relief Credit	--	--	--	--	--	414.0	4
Cross-Article Credits							
1. Investment Credit ^{2,4}	17.0	21.3	27.4	23.1	22.7	25.0	1
2. Investment Credit for Financial Services Industry ^{2,4}	0.1	0.2	0.1	0.1	0.2	0.2	1
3. Special Additional Mortgage Recording Tax Credit ^{2,4}	6.3	4.0	6.6	11.6	21.0	15.0	1
4. Empire Zone (EZ), Qualified Zone Enterprise (QEZE), and Zone Equivalent Areas Tax Credit ^{2,4}							
a. EZ Investment Tax Credit and Employment Incentive Credit	11.7	15.1	13.6	10.7	9.5	4.9	1
b. EZ/ZEA Wage Tax Credit	17.2	17.8	14.6	11.7	10.1	5.7	1
c. EZ Capital Credit	0.9	1.5	1.5	0.2	0.2	0.1	1
d. QEZE Real Property Tax Credit	83.2	86.1	91.7	80.4	70.0	40.0	1
e. QEZE Tax Reduction Credit	40.9	52.9	52.5	74.9	40.2	9.0	1
5. Farmers' School Property Tax Credit	29.1	31.2	33.5	35.7	38.2	40.0	1
6. Credit for Employment of Persons with Disabilities ^{2,4}	*	*	*	*	0.1	0.1	1
7. Qualified Emerging Technology Company Credits ^{2,4}							
a. QETC Capital Tax Credit	0.7	1.0	1.5	1.5	1.2	1.5	1
b. QETC Employment Credit	0.2	0.2	0.1	0.3	0.1	0.2	1
8. Low-Income Housing Credit ^{2,4}	*	*	*	*	*	*	1
9. Credit for Purchase of an Automated External Defibrillator ^{2,4}	*	0.1	1.0	0.1	*	0.1	1
10. Green Building Credit ^{2,4}	0.2	*	*	0.1	0.1	0.1	1

PERSONAL INCOME TAX

Tax Item	History					Forecast	Reliability
	2009	2010	2011	2012	2013	2016	Level
11. Long-Term Care Insurance Credit ²	51.7	71.3	74.7	79.6	85.3	95.0	1
12. Empire State Film and Commercial Production Credits							
a. Empire State Film Production Credit ²	7.8	8.8	7.7	3.4	3.3	10.0	1
b. Empire State Film Post Production Credit	--	0.0	0.1	0.1	1.0	1.0	1
c. Empire State Commercial Production Credit	*	1.0	0.9	*	*	*	1
13. Security Training Tax Credit ^{2,4}	0.2	0.1	*	*	0.1	0.1	1
14. Brownfields Tax Credits ⁴	71.5	7.8	64.1	33.4	2.6	73.5	1
a. Brownfield Redevelopment Tax Credit	70.3	5.6	62.3	31.1	2.3	68.5	1
b. Remediated Brownfield Credit for Real Property Taxes	1.2	2.2	1.8	2.3	0.3	5.0	1
c. Environmental Remediation Insurance Credit	0.0	0.0	0.0	*	*	*	1
15. Biofuel Production Credit ⁴	6.1	1.8	*	*	*	*	1
16. Land Conservation Easement Credit ⁴	1.2	1.2	1.4	1.4	1.4	1.4	1
17. Clean Heating Fuel Credit ⁴	0.4	0.3	0.6	0.7	1.9	2.0	1
18. Rehabilitation of Historic Properties Credit ⁴	0.2	0.5	0.6	1.5	4.2	5.0	1
19. Excelsior Jobs Program (EJP) Tax Credits	--	--	*	*	0.6	75.0	1
20. Credit for Companies Who Provide Transportation to Individuals with Disabilities	--	--	--	0.1	0.2	0.2	1
21. Economic Transformation and Facility Redevelopment Program Tax Credit	--	--	*	*	*	*	1
22. Urban Youth Jobs Program Tax Credit	--	--	--	1.0	0.7	2.0	1
23. Empire State Jobs Retention Program Credit ⁵	--	--	--	--	*	*	1
24. Beer Production Credit	--	--	--	0.6	0.6	0.6	1
25. Alternative Fuels and Electric Vehicle Recharging Property Credit	--	--	--	--	*	*	1
26. START-UP NY Tax Elimination Credit ¹	--	--	--	--	---	31.0	4
27. Minimum Wage Reimbursement Credit ¹	--	--	--	--	--	14.0	4
28. Hire A Vet Credit ¹	--	--	--	--	--	12.0	4
29. Musical and Theatrical Production Credit ¹	--	--	--	--	--	1.0	4
30. Real Property Tax Relief Credit for Manufacturing ¹	--	--	--	--	--	15.0	4
31. Credit for the Excise Tax on Telecommunication Services Paid by START-UP NY Businesses ¹	--	--	--	--	--	*	4
32. Workers with Disabilities Tax Credit ¹	--	--	--	--	--	2.0	4
33. Employee Training Incentive Credit ^{1,5}	--	--	--	--	--	2.0	4

1/ A new tax expenditure item or a revision of the methodology or revisions in the data sources resulted in an estimate which better reflects the tax expenditure value.

2/ Credit estimates include non-refundable amount used to reduce current year tax liability. Figure also includes refundable amounts where applicable.

3/ Estimate includes value of itemized deduction and credit.

4/ For tax years 2010, 2011, and 2012, credits subject to deferral. Values reported reflect the amount of credit computed absent deferral rules.

5/ 2014 Estimate included in Excelsior Jobs Program Credit.

* Less than \$0.1 Million

-- The tax expenditure was not applicable for these years.

PERSONAL INCOME TAX

Tax Item	History					Forecast	Reliability
	2009	2010	2011	2012	2013	2016	Level

N/A No data available.

NOTE: Totals may differ from estimates included with individual components of expenditure items due to rounding.

PERSONAL INCOME TAX

New York Modifications

The NYAGI of a resident or nonresident individual is defined as Federal adjusted gross income with modifications as specified by New York Tax Law, Article 22, Section 612.

1. **Pension/Annuity Exclusion**

Citation: Section 612(c)(3-a)

Effective Date: Effective for taxable years beginning on or after January 1, 1982

Description: Taxpayers aged 59 ½ and over may exclude from New York adjusted gross income pensions and annuities, to the extent included in Federal adjusted gross income, but not in excess of \$20,000 (\$20,000 each for two married pensioners or annuitants filing jointly).

Estimates: 2013: \$633.9 million — 2016: \$742.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

2. **Exclusion of Social Security and Tier 1 Railroad Retirement Benefits (Taxable Social Security for Federal Purposes but New York Exempt)**

Citation: Section 612(c)(3-c)

Effective Date: Effective for taxable years beginning after December 31, 1983

Description: Taxpayers may exclude from New York adjusted gross income Social Security and Tier 1 railroad retirement benefits, to the extent included in Federal adjusted gross income.

Estimates: 2013: \$846.7 million — 2016: \$1,097.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

3. **Exclusion of Interest on U.S. Obligations**

Citation: Section 612(c)(1)

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: Taxpayers may exclude from New York adjusted gross income interest income on obligations of the United States and its possessions, to the extent included in FAGI. Federal law prohibits New York from taxing this item.

Estimates: 2013: \$54.0 million — 2016: \$57.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

4. **Exclusion of Pensions, Annuities, Interest, and Lump Sum Payments Received by New York State and Municipal Retirees**

Citation: Section 612(c)(3)(i)

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: Retirement payments received by officers and employees (or their beneficiaries) of New York State and its municipalities (including corporations and authorities), to the extent includable in Federal adjusted gross income, may be subtracted in computing New York adjusted gross income. The State Constitution prohibits taxation of this income.

Estimates: 2013: \$844.9 million — 2016: \$1,046.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

5. **Exclusion of Pensions, Annuities, Interest, and Lump Sum Payments by Federal Retirement Systems**

Citation: Section 612(c)(3)(ii)

Effective Date: Effective for tax years beginning on or after January 1, 1989

Description: Payments received by officers and employees (and their beneficiaries) from Federal retirement systems, to the extent includable in Federal adjusted gross income, may be subtracted in determining New York adjusted gross income. A 1989 U.S. Supreme Court ruling (*Davis v. Michigan Department of Treasury*) mandated that states must provide equal tax treatment for Federal and state/local pensions.

Estimates: 2013: \$163.3 million — 2016: \$199.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

6. **Disability Income Exclusion**

Citation: Section 612(c)(3-b)

Effective Date: Effective for taxable years beginning after December 31, 1983

Description: A taxpayer may subtract up to \$5,200 of disability income included in Federal adjusted gross income, to the extent that such income would have been excluded from Federal gross income prior to January 1, 1984, under the repealed provisions of IRC Section 105(d). The total exclusion for disability and pension and annuity income may not exceed \$20,000. The exclusion is reduced by the amount that the taxpayer's adjusted gross income exceeds \$15,000.

Estimate: No data available. Included in "other" category for New York modifications in second pass data and, therefore, cannot be separately identified.

Reliability: Level 5

7. **Exclusion of Interest or Dividends on Obligations or Securities of a U.S. Agency**

Citation: Section 612(c)(2)

Effective Date: Effective for taxable years on or after January 1, 1960

Description: Taxpayers may subtract from Federal adjusted gross income, interest or dividend income on obligations or securities of a U.S. agency, to the extent that such income has been included in Federal adjusted gross income. Federal law prohibits New York from taxing this income.

PERSONAL INCOME TAX

Estimate: No data available. Included in “other” category for New York modifications in second pass data and, therefore, cannot be separately identified.

Reliability: Level 5

8. **Exclusion of Interest or Dividend Income on Obligations or Securities Taxable for Federal Purposes but Exempt for New York Tax Purposes**

Citation: Section 612(c)(6)

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: The taxpayer may subtract from Federal adjusted gross income interest or dividend income on obligations or securities, to the extent that such income is exempt for New York income tax purposes under New York law but is subject to Federal income tax.

Estimate: No data available. Included in “other” category for New York modifications in second pass data and, therefore, cannot be separately identified.

Reliability: Level 5

9. **Exclusion of Accelerated Death Benefits and Viatical Settlements**

Citation: Section 612(c)(30)

Effective Date: Effective for taxable years beginning on or after January 1, 1991 for death benefits and for payments received on or after July 27, 1994 on viatical settlements

Description: Taxpayers may subtract from Federal adjusted gross income accelerated payments of part or all of the death benefit or special surrender value of a life insurance policy as a result of certain diagnoses (i.e., terminal illnesses), specified in the Insurance Law. Also, taxpayers may subtract the amount received from a viatical settlement company from the sale of a life insurance policy. Persons with catastrophic or life threatening illnesses are eligible for this subtraction when they sell such policies to a viatical settlement company licensed by the State Insurance Department.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: Federal Office of Management and Budget

Reliability: Level 4

10. **Exclusion for Contributions to New York State College Choice Tuition Savings Program**

Citation: Section 612(c)(32)

Effective Date: Effective for taxable years beginning after December 31, 1997

Description: Taxpayers may subtract from Federal adjusted gross income up to \$5,000 per year (\$10,000 for married couples filing jointly) of contributions to “family tuition accounts,” as defined in Article 14-A of the Education Law, to the extent not deductible or eligible for credit for Federal tax purposes. The maximum account balance may not exceed \$235,000 per beneficiary, and the State Comptroller has authority to increase this figure to reflect increases in higher education costs.

Estimates: 2013: \$61.3 million — 2016: \$67.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

11. **Deferral of Gain from Sale of Qualified Emerging Technology Investments**

Citation: Section 612(c)(34)

Effective Date: Effective for qualified investments acquired on or after March 12, 1998

Description: Gain from the sale of qualified emerging technology investments may be subtracted from Federal adjusted gross income, if reinvested in another qualified emerging technology investment. The amount subtracted must be added to Federal adjusted gross income when the reinvestment is sold, if the gain is not reinvested in a qualified emerging technology investment.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: Industry Data

Reliability: Level 4

12. **Exclusion of Payments to Victims of Nazi Persecution**

Citation: Sections 612(c)(35) and (36)

Effective Date: Effective for taxable years beginning on or after January 1, 1995

Description: Taxpayers may subtract certain distributions, to the extent included in FAGI, made based on their status as a victim of Nazi persecution as defined in Public Law 103-286. The subtraction also applies to distributions received by victims' spouses and needy descendants. In addition, a subtraction is allowed for items of income included in FAGI attributable to assets stolen or hidden from, or otherwise lost by victims of Nazi persecution immediately prior to, during, or after World War II.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Banking Department

Reliability: Level 4

13. **Exclusion of Compensation for Members of an Organized Militia**

Citation: Section 612(c)(8-b)(i)(ii)

Effective Date: Effective for taxable years beginning on or after January 1, 2004

Description: An individual who is a member of a New York State organized militia may subtract from Federal adjusted gross income compensation received for performing active service within New York State pursuant to active duty orders issued by the Governor or the Federal government.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: Level 4

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14. **Exclusion for Living Human Organ Donors**
Citation: Section 612(c)(38)
Effective Date: Effective for taxable years beginning on or after January 1, 2007
Description: Resident taxpayers may subtract certain unreimbursed expenses from Federal adjusted gross income which are incurred by the taxpayer while donating one or more of their human organs, while living, to another human being for human organ transplantation. Unreimbursed expenses include travel expenses, lodging expenses and lost wages. In addition, a “human organ” is defined as all or part of a liver, pancreas, kidney, intestine, lung or bone marrow. The subtraction can only be claimed once and must be claimed in the taxable year in which the human organ transplantation occurs. The maximum allowable subtraction is \$10,000 per taxpayer.
Estimates: 2013: Minimal — 2016: Minimal
Data Source: New York State Division of the Budget
Reliability: Level 4
15. **Exclusion of Compensation for Service in a Combat Zone for Members of the Armed Services of the United States**
Citation: Section 612(c)(8-c)
Effective Date: Effective for taxable years beginning on or after January 1, 2008
Description: An individual who is a member of the armed services of the United States may subtract from federal adjusted gross income compensation received for performing active service in an area designated by the President of the United States by executive order as a “combat zone.”
Estimates: 2013: Minimal — 2016: Minimal
Data Source: New York State Division of the Budget
Reliability: Level 4
16. **Exclusion of Small Business and/or Farm Income**
Citation: Section 612(c)(39)
Effective Date: Effective for taxable years beginning on or after January 1, 2014
Description: Resident taxpayers with small business and/or farm income may subtract three percent of the net items of income, gain, loss and deduction attributable to a business or farm included in federal adjusted gross income (but not less than zero) for tax year 2014. This is increased to 3.75 percent in tax year 2015 and five percent for tax year 2016 and after. Small business is defined as a sole proprietor or a farm business employing one or more persons during the taxable year that has net business income or net farm income of less than \$250,000.
Estimates: 2013: Not Applicable – 2016: \$60.0 million
Data Source: New York State Division of the Budget
Reliability: Level 4

17. Exclusion of Income Attributable to the New York State Business Incubator and Innovation Hot Spot Support Act

Citation: Section 612(c)(39)

Effective Date: Effective for taxable years beginning on or after January 1, 2014

Description: The creation of the New York State Business Incubator and Innovation Hot Spot Support Act allows an exclusion for five years beginning with the first tax year a qualified entity becomes a tenant in or part of an innovation hot spot. An individual who is the sole proprietor of a qualified entity, or a member of a limited liability company treated as a partnership, a partner in a partnership, or a shareholder in a New York S corporation, who is taxable under Article 22 is allowed a deduction (in the form of a subtraction modification) for the amount of income or gain included in his or her federal adjusted gross income, only to the extent that the income or gain is attributable to the operations of the qualified entity at (or as part of) an innovation hot spot. The amount of the subtraction modification is determined using books and records.

Estimates: 2013: Not Applicable – 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: Level 5

18. Exclusion of Wages Received From an Employer Located in a START-UP New York Area

Citation: Section 612(c)(40)

Effective Date: Effective for taxable years beginning on or after January 1, 2014

Description: Resident taxpayers may subtract any wages received as an employee of a business located within a tax-free NY area during the first five years of such business's ten year taxable year period to the extent the wages are included in federal adjusted gross income. During the second five years of such business's ten year taxable period, resident taxpayers may subtract the first \$200,000 of such wages in the case of a taxpayer filing as a single individual, the first \$250,000 of such wages in the case of a taxpayer filing as a head of household, and \$300,000 of such wages in the case of a taxpayer filing a joint return, to the extent included in federal adjusted gross income.

Estimates: 2013: Not Applicable – 2016: \$35.0 million

Data Source: New York State Division of the Budget

Reliability: Level 5

19. Exclusion of Service Award for Volunteer Firefighters and Ambulance Workers

Citation: Section 612(c)(41)

Effective Date: Effective for taxable years beginning on or after January 1, 2014

Description: Volunteer firefighters and volunteer ambulance workers who have not attained the age of 59 ½ may subtract service awards included in

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gross income for Federal tax purposes. To qualify for the subtraction modification, the service award must be from a length of service defined contribution plan or defined benefit plan as provided for in Articles eleven-A, eleven-AA, eleven-AAA, and eleven-AAAA of the General Municipal Law and be included in the computation of the taxpayer's federal adjusted gross income for the tax year. However, a service award will not qualify for the subtraction modification if it is distributed in the form of a lump-sum distribution as defined in section 402(e)(4)(A) of the Internal Revenue Code (IRC) and taxed under section 603 of the Tax Law.

PIT Estimates: 2013: Not Applicable – 2016: \$1.0 million

Data Sources: New York State Division of the Budget

Reliability: Level 4

New York Itemized Deductions and Exemptions

Individual taxpayers who elect not to use the standard deduction may reduce their New York adjusted gross income by their itemized deductions, and all taxpayers are allowed exemptions for dependents who qualify for the Federal exemption.

20. Value of Standard Deductions for Those Returns with Itemized Deductions in Excess of Standard Deduction

Citation: Section 614

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: Because all taxpayers are entitled to a standard deduction as a minimum, itemizers have their standard deduction “built into” their total deduction.

Estimates: 2013: \$1,511.7 million — 2016: \$1,548.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

21. Itemized Deductions

Taxpayers who itemize deductions on their Federal returns may also itemize on their New York State returns if the aggregate of such deductions, minus state and local income taxes and certain other modifications, exceeds the New York standard deduction.

New York itemized deductions flow through from Federal law. Thus, the citations below reference the Internal Revenue Code. They are authorized in New York Tax Law, Article 22, Section 615. New York limits the availability of itemized deductions for certain high income taxpayers. The percentage of disallowed deductions varies according to the taxpayer's NYAGI and filing status. Itemized deductions for a single taxpayer with NYAGI in excess of \$100,000 are reduced by up to 25 percent. This reduction also applies to married taxpayers filing jointly with NYAGI in excess of \$200,000 and heads of household with NYAGI exceeding \$250,000. For all taxpayers with NYAGI above \$475,000, itemized

deductions are reduced by up to an additional 25 percent, equaling 50 percent for all taxpayers with NYAGI above \$525,000. Beginning in tax year 2009 and after, the New York itemized deduction limitation has been revised to further limit a taxpayer's New York itemized deduction. If a taxpayer's NYAGI is more than \$1,000,000, but not more than \$10 million, the New York itemized deduction is limited to 50 percent of the federal itemized deduction for charitable contributions. For tax years 2013 through 2017, if an individual's NYAGI is more than \$10 million, the itemized deduction is limited to 25 percent of the federal itemized deduction for charitable contributions. All other federal itemized deductions are reduced to zero based on the new limitation.

The Federal itemized deduction limitation further reduces the value of the deductions. However, for tax years after 2012, the Federal itemized deduction limitation is repealed for families with incomes below \$300,000 and single taxpayers with income below \$250,000.

a. **Medical/Dental Deduction**

Citation: IRC Section 213

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: Medical and dental expenses paid during the taxable year by and on behalf of the individual or his/her spouse or dependent may be deducted from Federal adjusted gross income, as an itemized deduction, to the extent that the expenses (a) exceed 7.5 percent of adjusted gross income, and (b) are not compensated for by insurance or otherwise.

Estimates: 2013: \$98.2 million — 2016: \$107.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

b. **Interest Deduction**

Citation: IRC Section 163

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: A taxpayer may deduct mortgage and investment interest paid or accrued during the taxable year on debt owed by the taxpayer. However, interest incurred on loans made to purchase securities, the income from which is tax-exempt in New York, is not deductible for New York purposes. Generally, mortgage interest is totally deductible (certain limitations apply).

Estimates: 2013: \$798.4 million — 2016: \$826.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

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c. **Charitable Contribution Deduction**

Citation: IRC Section 170

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: Taxpayers may subtract from Federal adjusted gross income contributions made to qualified organizations, up to a limit of 50 percent of their adjusted gross income. In certain cases, lower limits may apply.

Estimates: 2013: \$582.1 million — 2016: \$571.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

d. **Casualty/Theft Deduction**

Citation: IRC Section 165

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: Individuals may deduct casualty losses. Casualty losses mean uncompensated losses sustained as a result of the total or partial destruction of property, caused by a sudden, unexpected, or unusual event. Losses incurred as a consequence of the theft or embezzlement of the taxpayer's property may also be deducted from Federal gross income. In both cases, a deduction is allowed only with respect to individual losses which exceed \$100 and to the extent that total net losses exceed 10 percent of Federal adjusted gross income.

Estimates: 2013: \$9.3 million — 2016: \$10.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

e. **Taxes Paid Deduction**

Citation: IRC Section 164, Section 615(c)(1)

Effective Date: Effective for taxable years beginning on or after January 1, 1960 for property taxes. Effective for taxable years beginning on or after January 1, 2010 and expiring at the end of tax year 2011 for sales and use taxes.

Description: Individuals may deduct from Federal adjusted gross income, real and personal property taxes which have been paid to any state, local or foreign government during the year.

Estimates: 2013: \$743.4 million — 2016: \$751.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

f. **Miscellaneous Deductions Subject to 2 Percent of AGI Limitation**

Citation: IRC Sections 67, 212, 280A

Effective Date: Effective for taxable years beginning after December 31, 1986 (Sec. 67); on or after January 1, 1960 (Sec. 212); after December 31, 1975 (Sec. 280A)

Description: Taxpayers may deduct certain miscellaneous expenses. Miscellaneous itemized deductions consist of three broad categories of

personal expenses: deductible employee expenses, deductible expenses of producing income, and other deductible expenses (essentially, tax counsel and assistance and appraisal fees). The first two categories include such items as work clothes and uniforms, union dues and expenses, safe deposit box rentals, and malpractice insurance premiums.

Estimates: 2013: \$291.3 million — 2016: \$286.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

g. Other Miscellaneous Deductions

Citation: IRC Section 67

Effective Date: Effective for taxable years beginning on or after January 1, 1987

Description: Taxpayers may deduct miscellaneous expenses **not** subject to the 2 percent AGI limitation. These include gambling losses (up to the amount of gambling winnings), impairment-related work expenses, and certain other expenses.

Estimates: 2013: \$30.1 million — 2016: \$30.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

22. Dependent Exemptions

Citation: Section 616

Effective Date: Effective for taxable years beginning on or after January 1, 1960

Description: In computing taxable income, taxpayers may deduct \$1,000 for each exemption for qualified dependents to which they are entitled a deduction for Federal income tax purposes.

Estimates: 2013: \$291.1 million — 2016: \$308.0 million

Data Source: PIT Simulation Model

Reliability: Level 1

New York Credits

Credits are amounts which may be subtracted from the individual's computed State tax liability. Improvements in data sources and methodology allow the reporting of credit claims by New York adjusted gross income class for many of the largest income tax credits for tax year 2010. Furthermore, the nonrefundable credit amounts reported for 2010 are credit "used" to reduce liability for the tax year. For tax years beginning in 2010 and ending after tax year 2012, taxpayers were required to defer the use and refund of certain tax credits if they exceed \$2 million in aggregate. See Table 2 for a list of affected tax credits. The credits described below are specific to the Personal Income Tax. Descriptions of other tax credits that are available under the Personal Income Tax as well as other tax articles are contained in the Cross-Article Tax Credits section of the report.

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23. Household Credit

Citation: Section 606(b)

Credit Type: Non-refundable/Non-carryforward

Effective Date: Effective for taxable years beginning on or after January 1, 1978

Description: Taxpayers with certain incomes may claim a credit as shown in the table below:

Single Filing Status If Federal AGI is:			All Other Filing Statuses If Federal AGI is:			+	For Each Federal Exemption
Over	But Not Over	The Credit Is	Over	But Not Over	The Credit Is		
\$ 0	\$ 5,000	\$75	\$ 0	\$ 5,000	\$75		\$15
5,000	6,000	60	5,000	6,000	60		15
6,000	7,000	50	6,000	7,000	50		15
7,000	20,000	45	7,000	20,000	45		15
20,000	25,000	40	20,000	22,000	50		10
25,000	28,000	20	22,000	25,000	40		10
28,000	No Credit		25,000	28,000	35		5
			28,000	32,000	15		5
			32,000	No Credit			

Estimates: 2013: \$96.9 million — 2016: \$93.0 million

Data Source: PIT Population File

Reliability: Level 1

24. Earned Income Credit

Citation: IRC Section 32, Tax Law Section 606(d)

Credit Type: Refundable (Residents only)

Effective Date: Effective for taxable years beginning after 1993

Description: Taxpayers may claim a credit equal to 30 percent of their Federal earned income credit. In previous tax years, the credit equaled the following percentages of the Federal credit:

1994	1995	1996-1999	2000	2001	2002	2003+
7.5%	10%	20%	22.5%	25%	27.5%	30.0%

The table below shows income eligibility parameters and maximum amounts for the 2015 tax year:

	Maximum Creditable Earnings	Federal Credit Rate	Maximum State Credit	Income for Start of Phase-out (MFJ)*	Others	Income Cut-off (MFJ)*	Others
Taxpayers With 1 Child	\$9,920	34%	\$1,012	\$23,740	\$18,190	\$44,846	\$39,296
Taxpayers With 2 Children	\$13,930	40%	\$1,672	\$23,740	\$18,190	\$50,198	\$44,648
Taxpayers With 3 or More Children	\$13,930	45%	\$1,881	\$23,740	\$18,190	\$53,505	\$47,955
Taxpayers Age 25-64 Without Children	\$6,610	7.65%	\$152	\$13,820	8,270	\$20,430	\$14,880

* Earned income or Federal adjusted gross income, whichever is greater.

Taxpayers must subtract from the earned income credit the amount of household credit used to reduce tax liability.

Estimates: 2013: \$1,042.8 million — 2016: \$1,200.0 million

Data Source: Earned Income Tax Credit Study

Reliability: Level 1

25. Real Property Tax Credit (Circuit Breaker)

Citation: Section 606(e)

Credit Type: Refundable

Effective Date: Effective for taxable years beginning after December 31, 1977

Description: Qualified individuals may claim a credit in the amount of 50 percent of excess real property taxes, determined according to the level of household gross income, subject to certain specified conditions and limits. Eligibility for the credit depends on the size of household gross income (\$18,000 or less), property use, the value of the property, or the adjusted rent of a tenant. The credit claimant must be a New York resident for the entire taxable year. The maximum credit is \$375 for taxpayers age 65 and over and \$75 for taxpayers under age 65. The amount of the credit decreases as household gross income increases. Only one credit is allowed per household.

Estimates: 2013: \$21.6 million — 2016: \$22.0 million

Data Source: Real Property Tax Credit Study

Reliability: Level 1

26. Child and Dependent Care Credit

Citation: Section 606(c)

Credit Type: Refundable (Residents only)

Effective Date: Effective for taxable years beginning after December 31, 1976

Description: Taxpayers may claim a credit for a percentage of the Federal credit for household and dependent care expenses necessary to allow gainful employment. The Federal credit was significantly enhanced beginning in 2003 when allowable expenses increased from \$2,400 per child (\$4,800 maximum) to \$3,000 per child (\$6,000 maximum) and the credit rate schedule was enriched. Beginning in 2013, these enhancements have been permanently extended with the maximum credit rate increasing from 30 percent to 35 percent and the minimum credit available for incomes over \$43,000 instead of \$28,000. A taxpayer and spouse filing a joint Federal return, but electing to file separate New York returns, may apply the credit only against the tax of the spouse with the lower taxable income.

The credit equals the following percentages of the Federal credit:

- 110 percent for NYAGI of \$25,000 or less
- 110-100 percent for NYAGI between \$25,000 and \$40,000
- 100 percent for NYAGI between \$40,000 and \$50,000

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- 100-20 percent for NYAGI between \$50,000 and \$65,000
- 20 percent for NYAGI greater than \$65,000

Estimates: 2013: \$193.7 million — 2016: \$196.0 million

Data Source: Child and Dependent Care Credit Study

Reliability: Level 1

27. **Accumulation Distribution Credit**

Citation: Sections 621 and 635

Credit Type: Non-refundable/Non-carryforward

Effective Date: Effective for taxable years beginning on or after January 1, 1962

Description: Beneficiaries of trusts (residents and nonresidents) receiving an accumulation distribution can claim a credit for tax paid by the trust fiduciary on income included in the distribution.

Estimates: 2013: \$0.1 million — 2016: \$0.1 million

Data Source: PIT Population File

Reliability: Level 1

28. **Solar Energy System Equipment Credit**

Citation: Section 606(g-1)

Credit Type: Non-refundable/Carryforward

Effective Date: Effective for property placed in service in taxable years beginning on or after January 1, 1998

Description: Taxpayers may claim a credit equal to 25 percent of qualified solar energy system equipment expenditures which are expenditures for the purchase and installation of solar energy system equipment used at a principal residence in New York. Qualified expenditures also includes expenditures for the leasing of solar energy systems equipment or the purchase of power generated by qualified systems under a written agreement that spans at least ten years. The credit was expanded in 2008 to apply to members of large multi-unit dwellings like cooperative housing corporations and condominium associations. Qualified expenditures include material and installation costs relating to components utilizing solar radiation to produce energy designed to provide heating, cooling, hot water, or electricity for residential use. The credit is capped at \$3,750 for equipment placed in service before September 1, 2006 and \$5,000 for equipment placed in service after such date. If the credit exceeds tax liability, taxpayers may carry over the credit for five years.

Estimates: 2013: \$10.7 million — 2016: \$17.0 million

Data Source: PIT Population File

Reliability: Level 1

29. **College Tuition Credit/Deduction**

Citation: Sections 606(t), 615(d)(4)

Credit Type: Refundable

Effective Date: Effective for tax years beginning on or after January 1, 2001

Description: A credit is permitted for undergraduate college tuition expenses paid by New York residents on behalf of themselves, their spouses, or dependents to attend qualifying in-state or out-of-state institutions of higher education. The credit equals 4 percent of expenses, up to a maximum of \$10,000 of expenses per student. The minimum credit equals the lesser of expenses or \$200.

In lieu of the credit, both resident and nonresident taxpayers may elect to deduct qualifying expenses as an itemized deduction. The maximum deduction is a maximum of \$10,000 of expenses per student.

Qualifying tuition expenses are defined as net of scholarships and financial aid. Qualifying institutions include colleges and business, trade, technical, or other occupational schools recognized and approved by the Regents of the University of the State of New York, or by other nationally recognized accrediting agencies accepted by the Regents, which provide study leading to a post-secondary degree, certificate, or diploma. Tuition paid by a dependent student who is claimed on a parent’s New York return is attributed to the parent and used by the parent to claim the credit or deduction.

Estimates: 2013: \$240.3 million — 2016: \$248.0 million

**College Tuition Credit/Deduction in 2013
By New York Adjusted Gross Income**

NYAGI	Number of Claims	Amount Claimed (millions \$)
Less than \$10,000	84,799	\$22.3
\$ 10,000 - \$24,999	139,382	\$34.4
\$ 25,000 - \$49,999	146,623	\$37.7
\$ 50,000 - \$99,999	165,594	\$53.2
\$100,000 - \$199,999	147,811	\$66.0
\$200,000 and over	56,958	\$26.7
Total:	741,167	\$240.3

Data Source: PIT Simulation Model

Reliability: Level 1

30. Nursing Home Assessment Tax Credit

Citation: Section 606 (hh)

Credit Type: Refundable

Effective Date: Effective for taxable years beginning on or after January 1, 2005

Description: Taxpayers may claim a nursing home assessment tax credit equal to the assessment imposed on the gross receipts of residential health care facilities under Public Health Law §2807-d. The credit is allowed in cases where the assessment is paid by the taxpayer and is not covered under Medicaid or private insurance.

Estimates: 2013: \$17.8 million — 2016: \$19.0 million

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Nursing Home Assessment Tax Credit in 2013 By New York Adjusted Gross Income

NYAGI	Number of Claims	Amount Claimed (millions \$)
Less than \$10,000	2,187	\$8.1
\$ 10,000 - \$24,999	688	\$2.8
\$ 25,000 - \$49,999	566	\$2.7
\$ 50,000 - \$99,999	458	\$2.4
\$100,000 - \$199,999	256	\$1.4
\$200,000 and over	65	\$0.4
Total:	4,220	\$17.8

Data Source: PIT Population File

Reliability: Level 1

31. Empire State Child Credit

Citation: Section 606(c-1)

Credit Type: Refundable (Residents only)

Effective Date: Effective for taxable years beginning on or after January 1, 2006

Description: Resident taxpayers with children ages 4-16 may claim a credit equal to the greater of \$100 times the number of children who qualify for the Federal child tax credit, or 33 percent of the taxpayer's allowed Federal child tax credit. The Federal credit is currently a maximum of \$1,000 per qualifying child. The Federal credit phases-out beginning at \$110,000 of Modified Federal Adjusted Gross Income (MFAGI) for married taxpayers filing jointly, and \$75,000 for others. New York taxpayers with MFAGI above these thresholds may only claim a New York credit equal to 33 percent of their allowed Federal credit.

Estimates: 2013: \$663.7 million — 2016: \$650.0 million

Empire State Child Credit in 2013 By New York Adjusted Gross Income

NYAGI	Number of Claims	Amount Claimed (millions \$)
Less than \$10,000	139,026	\$31.6
\$ 10,000 - \$24,999	425,894	\$177.0
\$ 25,000 - \$49,999	418,815	\$204.0
\$ 50,000 - \$99,999	378,361	\$186.8
\$100,000 - \$199,999	159,991	\$64.3
\$200,000 and over	290	\$0.1
Total:	1,522,377	\$663.8

Data Sources: PIT Population File

Reliability: Level 1

32. Enhanced State Earned Income Tax Credit for Certain Non-Custodial Parents

Citation: Section 606(d-1)

Credit Type: Refundable (Residents only)

Effective Date: Effective for taxable years beginning on or after January 1, 2006 and before January 1, 2017

Description: Certain taxpayers may claim an enhanced State earned income tax credit (EITC). To qualify for the enhanced credit, claimants must be a resident taxpayer, age 18 and over, and have a minor child with whom they do not reside. The credit is equal to the greater of 20 percent of the Federal EITC that the taxpayer would otherwise be able to claim for one qualifying child (if he/she were a custodial parent) or 2.5 times the EITC for taxpayers without qualifying children. Claimants must have a child support order in effect for at least half the tax year and have made required support payments. In addition, unlike the existing State EITC, the amount of credit allowed is not reduced by the amount of the State household credit used by the taxpayer. Taxpayers are not allowed more than one credit if they have multiple children or support orders.

Estimates: 2013: \$3.6 million — 2016: \$4.0 million

Data Source: Earned Income Tax Credit Study

Reliability: Level 1

33. Volunteer Firefighters and Ambulance Workers Credit

Citation: Section 606(e-1)

Credit Type: Refundable

Effective Date: Effective for taxable years beginning on or after January 1, 2007

Description: Resident taxpayers serving as active volunteer firefighters or volunteer ambulance workers may claim a \$200 credit. To receive the credit, the taxpayer must be an active volunteer for the entire taxable year and must not be receiving a real property tax exemption relating to such service. In the case of a taxpayer and spouse filing jointly who both qualify for the credit, the amount of the credit is \$400.

Estimates: 2013: \$15.9 million — 2016: \$18.0 million

Data Source: PIT Population File

Reliability: Level 1

34. Historic Homeownership Rehabilitation Credit

Citation: Section 606(pp)

Credit Type: Non-refundable/Carryforward/Refundable to certain taxpayers

Effective Date: Effective for taxable years beginning on or after January 1, 2007/Amended credit effective for taxable years beginning on or after January 1, 2010 and before January 1, 2020.

Description: Taxpayers may claim a tax credit for the rehabilitation of historic homes located in New York State. The amount of the credit is equal to 20 percent of qualified rehabilitation expenditures made by the taxpayer with respect to a qualified historic home. A qualified historic home

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is defined as one located in a targeted area within the meaning of section 143(j) of the Internal Revenue Code and located in an area of a city, town, or village whose governing body has identified by resolution that such area is an area in need of community renewal and which has adopted an historic preservation and community renewal program. The taxpayer must own the home and reside there during the taxable year. The credit is limited to \$25,000 per residence. For taxable years beginning on or after January 1, 2010, the credit is amended by increasing the credit cap from \$25,000 to \$50,000, making the credit refundable for taxpayers with New York adjusted gross income that is less than or equal to \$60,000, and expanding the definition of eligible properties to include those located within a census tract that is at or below 100 percent of the state median family income in the most recent federal census. After December 31, 2019, the credit reverts back to pre-2010 law.

Estimates: 2013: \$0.4 million — 2016: \$0.5 million

Data Source: PIT Population File

Reliability: Level 1

35. Family Tax Relief Credit

Citation: Section 606(vv)

Credit Type: Refundable

Effective Date: Effective for taxable years beginning on or after January 1, 2014 and before January 1, 2017

Description: Resident taxpayers may claim a refundable credit equal to \$350 if the taxpayer claimed one or more dependents who were under the age of 17 on the last day of the tax year, had New York adjusted gross income of at least \$40,000 but no greater than \$300,000, and had tax less other credits greater than or equal to zero on the return they filed two years prior to the effective date (for tax year 2014). For tax years 2015 and 2016 eligibility for the credit is based on a taxpayer's current personal income tax return filed for the applicable tax year (2015 or 2016).

Estimates: 2013: Not applicable – 2016: \$400.0 million

Data Source: New York State Division of the Budget

Reliability: Level 4

36. Enhanced Real Property Tax Credit

Citation: Section 606(e-1)

Credit Type: Refundable

Effective Date: Effective for taxable years beginning on or after January 1, 2014 and before January 1, 2020

Description: A refundable enhanced real property tax circuit breaker credit is available to homeowners and renters residing in New York City for tax years 2014 through 2019. To qualify for the credit, a taxpayer must be a full-year New York City resident, pay either real property taxes or rent for his or her residence, occupy the same residence for six months or more during the tax year, and have household gross income of less than \$200,000 for the tax year. Qualifying property taxes include all real property taxes levied. The credit applies to excess real property tax above

a certain percentage of household gross income and is a maximum of \$500. This threshold varies from 4 percent to 6 percent of income and the credit rates range from 1.5 percent to 4.5 percent of excess real property. The real property tax equivalent for renters is set at 15.75 percent of adjusted rent paid in the taxable year.

PIT Estimates: 2013: Not Applicable – 2016: \$85.0 million

Data Sources: New York State Division of the Budget

Reliability: Level 4

37. Real Property Tax Freeze Credit

Citation: Section 606(bbb)

Credit Type: Refundable

Effective Date: For taxable years beginning on or after January 1, 2014 and before January 1, 2017

Description: The credit is applicable against school district and municipal taxes levied outside of the City of New York. Credits against school tax increases will be provided for school years 2014-15 and 2015-16. Credits against all other municipal taxes will be provided in 2015 and 2016.

In the first year of the credit, taxpayers who resided in taxing jurisdictions that kept growth in their real property tax levy at or below the real property tax cap received a credit equal to the change in their real property taxes from the prior year or the product of their previous year's taxes and the inflation factor used in the real property tax cap determination, whichever is greater. Only those taxes levied by jurisdictions that are cap compliant are included in the calculation of the credit.

In the second year, a credit will be available to taxpayers who reside in taxing jurisdictions that stay within the cap and produce state approved government efficiency plans that demonstrate 3-year savings and efficiencies from shared services, cooperation agreements and/or mergers or efficiencies. For those jurisdictions that were cap compliant in the first year, the second year's credit includes a repeat payment of the first year's credit as well.

Any tax bill increase that is due to a physical improvement, exemption loss, or disproportionate tax bill increase due to a general reassessment of all properties is not included in the credit. If a district reduces taxes over the relevant period, or increases them by a percentage that is lower than the inflation factor used in the tax cap determination, then eligible taxpayers receive a freeze credit equal to the prior year's tax bill times the allowed inflation factor.

PIT Estimates: 2013: Not Applicable – 2016: \$342.0 million

Data Sources: New York State Division of the Budget

Reliability: Level 4

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38. Property Tax Relief Credit

Citation: Section 606(n-1)

Credit Type: Refundable

Effective Date: For taxable years beginning on or after January 1, 2016 and before January 1, 2020

Description: The credit is applicable against school district taxes levied outside of the City of New York. The credit will be provided to resident taxpayers owning and residing in properties located within tax compliant districts, receiving a STAR exemption, and earning no greater than \$275,000 in gross income. Upon determination of eligibility, the Tax Department will issue the credit to the qualified taxpayer in the form of an advanced payment, with the first payments being made in the fall of 2016.

For tax year 2016, eligible homeowners living within the Metropolitan Commuter Transportation District (MCTD) will receive a credit worth \$130. Eligible homeowners living outside of the MCTD will receive a credit worth \$185.

For tax years 2017, 2018, and 2019, the amount of the credit equals a certain percentage of the tax savings associated with the basic and enhanced STAR exemption. The table below details how the percentage of STAR savings varies according to qualified gross income over each applicable tax year.

Percentage of Tax Savings Allowed

Basic STAR Exemption

	Taxable Year		
	2017	2018	2019
Less than \$75,001	28.0%	60.0%	85.0%
\$75,001 - \$150,000	20.5%	42.5%	60.0%
\$150,001 - \$200,000	13.0%	25.0%	35.0%
\$200,001 - \$275,000	5.5%	7.5%	10.0%
Over \$275,000	No credit		

Percentage of Tax Savings Allowed

Enhanced STAR Exemption

	Taxable Year		
	2017	2018	2019
Less than \$275,001	12.0%	26.0%	34.0%
Over \$275,000	No credit		

PIT Estimates: 2013: Not Applicable – 2016: \$414.0 million

Data Sources: New York State Division of the Budget

Reliability: Level 4

CORPORATION FRANCHISE TAX

The 2014-15 Enacted Budget contained the most significant reform of the State's corporate tax system since the 1940s. The new structure modernized and streamlined the tax code, made numerous simplifications, created clarity and certainty, and addressed the most common areas of dispute between taxpayers and the Tax Department. The reform plan also cut tax rates and eliminated two tax bases.

The biggest change was the merger of the Article 32 Bank Tax into the Article 9-A Corporate Franchise Tax. Prior to reform, New York taxed banks and other financial corporations under separate tax articles respectively. Merging the Bank Tax with the Corporate Franchise Tax reflects the modern landscape of New York's leading industry. Corporate reform also recognized the shift to a service and knowledge-based economy by adopting a comprehensive market state tax approach. Certain other corporations (public utilities and insurance companies) continue to pay tax under other articles of the Tax Law.

This section of the report provides tax expenditure estimates for 86 separate provisions of the Corporation Franchise Tax on general business corporations and banks. Historical estimates are not available because either the provisions did not previously exist or the changes under reform were of such significance that a historical estimate would be inappropriate. The list of tax expenditures is based on the Tax Law as of January 1, 2016. Table 3 summarizes the tax expenditure estimates.

Description of Tax

The Corporate Franchise Tax has three separate bases. The business income base is the primary tax base, while the business capital and fixed dollar minimum tax bases are alternatives. Corporations pay the highest tax computed on these bases less applicable credits, but generally not less than the fixed dollar amount.

The computation of the tax on business income begins with Federal taxable income (FTI) for U.S. corporations (including domestic banks) or effectively connected income (ECI), with treaty benefits added back, for alien (non-U.S.) corporations. Taxpayers then make several state specific modifications to arrive at entire net income (ENI). Many of these modifications are the tax expenditures included in this section. Investment income and other exempt income are then subtracted from ENI, resulting in business income (BI). Taxpayers doing business within and without the State use a single receipts factor with market-based sourcing rules to apportion BI to New York State.

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The following table provides the tax rate schedule as it applies to the BI base:

Type of Business	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018 and Thereafter
Qualified New York Manufacturers	0.0%	0.0%	0.0%	0.0%
Qualified Emerging Technology Companies (QETCs)	5.7%	5.5%	5.5%	4.875%
Small Businesses ¹	6.5%	6.5%	6.5%	6.5%
Remaining Taxpayers	7.1%	6.5%	6.5%	6.5%

¹ For the 2015 tax year, graduated rates apply to small businesses with BI over \$290,000 but below \$390,000. A flat 6.5% rate applies to tax years beginning on or after January 1, 2016.

The tax on business capital starts with the taxpayer's total assets reduced by its liabilities to arrive at total capital before apportionment. Taxpayers then subtract out investment capital as only business capital is subject to tax. Taxpayers multiply business capital by the business apportionment percentage to determine the apportioned business capital base. The tax is capped at \$350,000 for qualified New York manufacturers and qualified emerging technology companies (QETCs) and \$5 million for all other taxpayers. Small business taxpayers are exempt from the capital base tax in their first two years of existence.

The capital base phases out over a six year period beginning in tax year 2016. The following rate schedule applies to the capital base:

Type of Business	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021 and Thereafter
Qualified New York Manufacturers & QETCs	0.132%	0.106%	0.085%	0.056%	0.038%	0.019%	0%
Cooperative Housing Corporation	0.04%	0.04%	0.04%	0.04%	0.04%	0.025%	0%
Remaining Taxpayers	0.15%	0.125%	0.100%	0.075%	0.050%	0.025%	0%

The fixed dollar minimum (FDM) tax ranges from \$25 to \$200,000 depending on the taxpayer's amount of New York receipts for the taxable year. Manufacturers and QETCs are subject to lower amounts. The following tables provide the FDM schedules for the respective corporations:

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Qualified New York manufacturers and QETCs are subject to the following FDM schedule:

New York Receipts	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018 and Thereafter
Not more than \$100,000	\$22	\$21	\$21	\$19
More than \$100,000 but not over \$250,000	\$66	\$63	\$63	\$56
More than \$250,000 but not over \$500,000	\$153	\$148	\$148	\$131
More than \$500,000 but not over \$1,000,000	\$439	\$423	\$423	\$375
More than \$1,000,000 but not over \$5,000,000	\$1,316	\$1,269	\$1,269	\$1,125
More than \$5,000,000 but not over \$25,000,000	\$3,070	\$2,961	\$2,961	\$2,625
Over \$25 million	\$4,385	\$4,230	\$4,230	\$3,750

Remaining taxpayers are subject to the following FDM schedule:

New York Receipts	Tax Year 2015 and Thereafter
Not more than \$100,000	\$25
More than \$100,000 but not more than \$250,000	\$75
More than \$250,000 but not over \$500,000	\$175
More than \$500,000 but not over \$1,000,000	\$500
More than \$1,000,000 but not over \$5,000,000	\$1,500
More than \$5,000,000 but not over \$25,000,000	\$3,500
More than \$25,000,000 but not over \$50,000,000	\$5,000
More than \$50,000,000 but not over \$100,000,000	\$10,000
More than \$100,000,000 but not over \$250,000,000	\$20,000
More than \$250,000,000 but not over \$500,000,000	\$50,000
More than \$500,000,000 but not over	\$100,000
Over \$1 billion	\$200,000

Data Sources and Methodology

In 2014, New York enacted comprehensive corporate tax reform, which takes effect for tax years beginning on or after January 1, 2015. Given the significant changes to the tax structure, all of the individual expenditures listed in this section are considered effective for tax years beginning on or after January 1, 2015, even if they existed in years before reform. The original effective dates for select expenditures can be found in Appendices A and/or B. In addition, the estimates for the new Article 9-A's individual tax expenditures will not be available for several years. This is because the complete, verified study file containing the 2015 tax returns will not be available until 2018. The extent of the changes under reform are so vast, and the nature of the changes are so interrelated, it is not possible to forecast discrete components in isolation using existing study files. Forecasting of tax expenditures under the new Article 9-A will not be possible until tax returns containing actual data for these expenditure items are filed.

The limitations on developing estimates do not extend to tax credits. Credits generally operate as discrete spending programs and follow more stable,

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predictable trends. Refundable credits, which have increased in number, are particularly immune to changes in the underlying tax system as the entire fiscal impact of the credit will be realized either as an offset against liability or as a direct payment to the claimant. Finally, the universe of credit claimants is small - approximately 1% of general business corporations and banks.

Historical estimates for credits are provided in the Cross-Article Tax Credits section, where Article 9-A and Article 32 amounts are reported separately. Forecast values in this section represent estimates for all taxpayers filing under the newly constituted Article 9-A.

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Table 3
2016 New York State Article 9-A Tax Expenditure Estimates
(Millions of Dollars)

Tax Item	History					Forecast	Reliability
	2008	2009	2010	2011	2012	2016	Level
New York Modifications to FT/ECI							
1. Deduction of Distributions Made to Victims or Targets of Nazi Persecution	--	--	--	--	--	N/A	5
2. Deduction of Receipts from School Bus Operations	--	--	--	--	--	N/A	5
3. Refund of Qualified Empire Zone Enterprise (QEZE) Credit for Real Property Taxes	--	--	--	--	--	N/A	5
4. Deduction of Taxable Refunds or Credits of State Tax	--	--	--	--	--	N/A	5
5. Wage and Salary Expense Allowed as Federal Credits but not as Federal Expenses	--	--	--	--	--	N/A	5
6. Deferred Gain on Qualified Emerging Technology Investment (QETI)	--	--	--	--	--	N/A	5
7. Federal IRC Section 179 Deduction Recapture for a Sport Utility Vehicle (SUV)	--	--	--	--	--	N/A	5
8. Modification for Qualified Residential Loan Portfolios	--	--	--	--	--	N/A	5
9. Modification for Community Banks and Small Thrifts	--	--	--	--	--	N/A	5
10. Captive REIT Modification for Small Thrifts and Community Banks	--	--	--	--	--	N/A	5
11. Exclusion of Income for Foreign Airlines	--	--	--	--	--	N/A	5
12. Deductions for Qualified Public Utility Corporations, Power Producers, and Pipeline Companies	--	--	--	--	--	N/A	5
New York Modifications to Entire Net Income							
13. Deduction for Investment Income	--	--	--	--	--	N/A	5
14. Deduction for Other Exempt Income							
a. Exempt Controlled Foreign Corporation (CFC) Income	--	--	--	--	--	N/A	5
b. Exempt Unitary Corporation Dividends from Cross-Article Affiliates	--	--	--	--	--	N/A	5
c. Exempt Other Unitary Corporation Dividends	--	--	--	--	--	N/A	5
Corporate Exemptions							
15. Companies Operating in an Innovation Hot Spot	--	--	--	--	--	N/A	5
16. Exempt Companies	--	--	--	--	--	N/A	5
17. Companies Whose Income "Passes Through" to Shareholders							
a. Real Estate Investment Trusts (REITs)	--	--	--	--	--	N/A	5
b. Regulated Investment Companies (RICs)	--	--	--	--	--	N/A	5
18. Homeowners Association Exemption from Fixed Dollar Minimum Tax	--	--	--	--	--	N/A	5
19. New Small Business Capital Base Exemption	--	--	--	--	--	N/A	5
Preferential Tax Rates							
20. Special Tax Benefits for New York Manufacturers/QETCs							
a. Manufacturers							
1. Zero Percent BI Rate	--	--	--	--	--	N/A	5
2. Reduced Business Capital Base Rate	--	--	--	--	--	N/A	5
3. Lower Capital Base Liability Cap	--	--	--	--	--	N/A	5
4. Reduced Fixed Dollar Minimum Base Amounts	--	--	--	--	--	N/A	5

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Tax Item	History					Forecast	Reliability
	2008	2009	2010	2011	2012	2016	Level
b. Qualified Emerging Technology Companies (QETCs)							
1. Reduced BI Rate	--	--	--	--	--	N/A	5
2. Reduced Business Capital Base Rate	--	--	--	--	--	N/A	5
3. Lower Capital Base Liability Cap	--	--	--	--	--	N/A	5
4. Reduced Fixed Dollar Minimum Base Amounts	--	--	--	--	--	N/A	5
Corporation Franchise Tax Credits							
21. Credit for Servicing SONYMA Mortgages	--	--	--	--	--	9.0	1
Cross-Article Credits³							
22. Investment Tax Credit and Employment Incentive Credit	--	--	--	--	--	100.0	1
23. Investment Tax Credit for the Financial Services Industry	--	--	--	--	--	10.0	1
24. Special Additional Mortgage Recording Tax Credit	--	--	--	--	--	26.0	1
25. Empire Zone (EZ) and Qualified Empire Zone Enterprise (QEZE) Credits							
a. EZ Investment Tax Credit and Employment Incentive Credit	--	--	--	--	--	10.0	1
b. EZ and Zone Equivalent Area Wage Tax Credit	--	--	--	--	--	4.0	1
c. EZ Capital Credit	--	--	--	--	--	*	1
d. QEZE Real Property Tax Credit	--	--	--	--	--	67.0	1
e. QEZE Tax Reduction Credit	--	--	--	--	--	9.0	1
26. Farmers' School Property Tax Credit	--	--	--	--	--	1.0	1
27. Credit for Employment of Persons with Disabilities	--	--	--	--	--	*	1
28. Qualified Emerging Technology Company (QETC) Credits							
a. QETC Capital Tax Credit	--	--	--	--	--	*	1
b. QETC Employment Credit	--	--	--	--	--	1.0	1
29. Low-Income Housing Credit	--	--	--	--	--	34.0	1
30. Credit for Purchase of an Automated External Defibrillator	--	--	--	--	--	*	1
31. Green Building Credit	--	--	--	--	--	*	1
32. Long-Term Care Insurance Credit	--	--	--	--	--	0.1	1
33. Empire State Film and Commercial Credits							
a. Empire State Film Production Credit	--	--	--	--	--	385.0	1
b. Empire State Film Post Production Credit	--	--	--	--	--	24.0	1
c. Empire State Commercial Production Credit	--	--	--	--	--	7.0	1
34. Security Training Tax Credit	--	--	--	--	--	*	1
35. Brownfields Tax Credits							
a. Brownfield Redevelopment Tax Credit	--	--	--	--	--	56.0	1
b. Remediated Brownfield Credit for Real Property Taxes	--	--	--	--	--	0.5	1
c. Environmental Remediation Insurance Credit	--	--	--	--	--	*	1
36. Biofuel Production Credit	--	--	--	--	--	1.0	1
37. Land Conservation Easement Credit	--	--	--	--	--	*	1
38. Clean Heating Fuel Credit	--	--	--	--	--	*	1
39. Credit for Rehabilitation of Historic Properties	--	--	--	--	--	22.0	1

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Tax Item	History					Forecast	Reliability
	2008	2009	2010	2011	2012	2016	Level
40. Excelsior Jobs Program Tax Credit	--	--	--	--	--	72.0	1
41. Credit for Companies Who Provide Transportation to Individuals with Disabilities	--	--	--	--	--	*	1
42. Economic Transformation and Facility Redevelopment Program Tax Credit	--	--	--	--	--	*	1
43. Urban Youth Jobs Program Tax Credit	--	--	--	--	--	18.0	4
44. Empire State Jobs Retention Program Tax Credit ²	--	--	--	--	--	*	4
45. Beer Production Credit	--	--	--	--	--	2.0	4
46. Alternative Fuels and Electric Vehicle Recharging Property Credit	--	--	--	--	--	1.0	4
47. Minimum Wage Reimbursement Credit	--	--	--	--	--	29.0	4
48. START-UP NY Tax Elimination Credit	--	--	--	--	--	22.5	4
49. Credit for the Excise Tax on Telecommunication Services Paid by START-UP NY Business	--	--	--	--	--	*	4
50. Real Property Tax Relief Credit for Manufacturing	--	--	--	--	--	85.0	4
51. Hire A Vet Credit	--	--	--	--	--	25.0	4
52. Musical and Theatrical Production Credit	--	--	--	--	--	3.0	4
53. Workers with Disabilities Credit	--	--	--	--	--	4.0	4
54. Employee Training Incentive Program ^{1,2}	--	--	--	--	--	3.0	4

- 1/ A new tax expenditure item, a revision of the methodology or revisions in the data sources resulting in an estimate which better reflects the tax expenditure value.
- 2/ Forecast is included in the forecast for Excelsior Jobs Program Tax Credits.
- 3/ See Cross-Article Tax Credits section for historical estimates under the prior Articles 9-A and 32 respectively. However, forecast estimates take into account the fact that Article 32 taxpayers are subject to Article 9-A for tax years beginning on or after January 1, 2015.
- * Less than \$0.1 million
- The tax expenditure was not applicable for these years
- N/A No data available

New York Modifications to Federal Taxable Income/Effectively Connected Income

In computing New York ENI, Article 9-A allows certain modifications to FTI/ECI.

1. Deduction of Distributions Made to Victims or Targets of Nazi Persecution

Citation: Section 13

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer may exclude the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of the victims or targets of Nazi persecution when computing New York ENI.

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Estimate: 2012: Not applicable – 2016: No data available

Reliability: Level 5

2. Deduction of Receipts from School Bus Operations

Citation: Section 208(9)(a)(4)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer may exclude income and deductions with respect to amounts received from school districts and nonprofit religious, charitable, or educational organizations for the operation of school buses in determining ENI.

Estimate: 2012: Not applicable – 2016: No data available

Reliability: Level 5

3. Refund of Qualified Empire Zone Enterprise (QEZE) Credit for Real Property Taxes

Citation: Section 208(9)(a)(5)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer may exclude the amount of a refund of the qualified empire zone enterprise (QEZE) credit for real property taxes that is included in FTI/ECI.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

4. Deduction of Taxable Refunds or Credits of State Tax

Citation: Section 208(9)(a)(5)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer may exclude any refund or credit of a tax imposed under Tax Law Article 9 (sections 183, 183-a, 184, and 184-a), or Article 9-A, 23, or 33 that was properly included as income for Federal income tax purposes, and for which no exclusion or deduction was allowed in determining the taxpayer's ENI for any prior year.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

5. Wage and Salary Expenses Allowed as Federal Credits but not as Federal Expenses

Citation: Section 208(9)(a)(7)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer may exclude the amount of wages disallowed under Internal Revenue Code (IRC) section 280C in the computation of their applicable Federal income.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

6. Deferred Gain on Qualified Emerging Technology Investment (QETI)

Citation: Section 208(9)(a)(14)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A deferral of gain on the sale of a qualified emerging technology investment (QETI) is available to taxpayers for a QETI that is (1) held for more than 36 months and (2) rolled over into the purchase of a replacement QETI within 365 days. Gain deferred under this provision must be recognized when the replacement QETI is sold. However, gain on the sale of the replacement QETI can be deferred if another replacement QETI is acquired within 365 days.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

7. Federal IRC Section 179 Deduction Recapture for a Sport Utility Vehicle (SUV)

Citation: Section 208(9)(a)(16)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer that previously claimed an IRC Section 179 deduction with respect to an SUV may exclude the amount of that deduction that was recaptured in computing Federal income.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

8. Modification for Qualified Residential Loan Portfolios

Citation: Section 208(9)(a)(19) and Section 208(9)(r)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A thrift institution or a qualified community bank that maintains a qualified residential loan portfolio may deduct from FTI the amount, if any, by which thirty-two percent of its ENI exceeds the amounts deducted by the taxpayer pursuant to sections 166 and 585 of the IRC less any amounts included in Federal taxable income as a result of a recovery of a loan. A taxpayer utilizing this modification may not use the modifications described in items 9 and 10.

Estimates: 2012: Not applicable – 2016: No data available

Reliability: Level 5

9. Modification for Community Banks and Small Thrifts

Citation: Section 208(9)(a)(19) and Section 208(9)(s)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A qualified community bank or a small thrift institution may be allowed a deduction in computing ENI equal to the product of the taxpayer's net interest income from loans, a ratio of gross interest income during the taxable year from qualifying loans to gross interest income during the taxable year from all loans, and fifty percent. A taxpayer

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utilizing this modification may not use the modifications described in items 8 and 10.

Estimates: 2012: Not applicable – 2016: No data available

Reliability: Level 5

10. Captive REIT Modification for Small Thrifts and Community Banks

Citation: Section 208(9)(a)(19) and Section 208(9)(t)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A small thrift institution or a qualified community bank that maintained a captive real estate investment trust (REIT) as of April 1, 2014 and continues to maintain such REIT must utilize a subtraction equal to one hundred sixty percent of the dividends paid deductions allowed to that captive REIT for the taxable year for Federal income tax purposes. A taxpayer utilizing this modification may not use the modifications described in items 8 or 9.

Estimates: 2012: Not applicable – 2016: No data available

Reliability: Level 5

11. Exclusion of Income for Foreign Airlines

Citation: Section 208(9)(c-1)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Certain foreign airlines may exclude all income from international operations of aircraft effectively connected to the United States, foreign passive income, and income earned overseas from overseas operations of aircraft from ENI. These foreign airlines may also exclude business and investment assets connected with such exempt income from the capital base tax. These tax benefits apply provided the “home country” provides similar treatment to United States airlines.

Estimates: 2012: Not applicable – 2016: No data available

Reliability: Level 5

12. Deductions for Qualified Public Utilities, Power Producers and Pipeline Companies

Citation: Section 208(9)(c-2)(4)and(5) and Section 208(9)(c-3)(4)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Taxpayers which are qualified public utility corporations, qualified power producers, or qualified pipeline corporations are allowed certain depreciation and expense deductions in determining ENI.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

New York Modifications to Entire Net Income

In computing New York Business Income, Article 9-A allows certain modifications to entire net income (ENI).

13. Deduction for Investment Income

Citation: Section 208(6) and Section 208(8)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer may deduct income from investment capital, including capital gains in excess of capital losses, from ENI.

Investment capital is defined as investments in stocks that:

1. satisfy the definition of a capital asset under Section 1221 of the IRC at all times the taxpayer owned such stock during the taxable year;
2. are held by the taxpayer for investment for more than one year;
3. the dispositions of which are, or would be, treated by the taxpayer as generating long-term capital gains or losses under the IRC;
4. for stocks acquired on or after January 1, 2015, at any time after the close of the day in which they are acquired, have never been held for sale to customers in the regular course of business; and
5. before the close of the day on which the stock was acquired, are clearly identified in the taxpayer's records as stock held for investment in the same manner as required under IRC Section 1236(a)(1) for the stock of a dealer in securities to be eligible for capital gain treatment (whether or not the taxpayer is in fact a dealer of securities).

In addition, investment capital includes debt and other securities the income of which cannot be apportioned under the U.S. Constitution.

Investment income must be reduced by interest expenses directly and indirectly attributable to those items of income. Finally, the amount of investment income, determined without regard to interest deductions, cannot exceed eight percent of the taxpayer's ENI.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

14. Deduction for Other Exempt Income

a. Exempt Controlled Foreign Corporation (CFC) Income

Citation: Section 208(6-a)(b) and Section 208(8)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer may deduct income received from a corporation conducting a unitary business with the taxpayer but not included in the combined report that is required to be included in the taxpayer's Federal gross income pursuant to subsection (a) of section 951 of the IRC ("CFC income"). The income must be reduced by interest expenses directly or indirectly attributable to the production of such income.

CORPORATION FRANCHISE TAX

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

b. Exempt Unitary Corporation Dividends from Cross-Article Affiliates

Citation: Section 208(6-a)(c) and Section 208(8)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer is allowed a deduction for dividends received from a corporation conducting a unitary business with the taxpayer but taxable, or would be taxable, under a franchise tax imposed by Article 9 or Article 33 of the Tax Law, less interest deductions directly or indirectly attributable to that income.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

c. Exempt Dividends from Other Unitary Corporation

Citation: Section 208(6-a)(c) and Section 208(8)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: A taxpayer is allowed a deduction for dividends from a corporation conducting a unitary business with the taxpayer but not included in the combined report. These excluded unitary corporations are alien corporations with no effectively connected income and corporations less than 50 percent directly or indirectly owned by the taxpayer. The income from the dividends must be reduced by interest expenses directly or indirectly attributable to the production of such income.

Estimate: 2012: Not applicable - 2016: No data available

Reliability: Level 5

Corporate Exemptions

15. Companies Operating In an Innovation Hot Spot

Citation: Section 38, Section 208(9)(a)(18), Section 209(11)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: The New York State Business Incubator and Innovation Hot Spot Support Act created special tax benefits for qualified entities operating in Innovation Hot Spots. These tax benefits are allowed for five tax years beginning with the first tax year the qualified entity becomes a tenant in (or part of) an Innovation Hot Spot.

Qualified entities located completely within an Innovation Hot Spot are exempt from the BI and capital tax bases. Instead, these entities must only pay the fixed dollar minimum tax.

Qualified entities located both within and without an Innovation Hot Spot, or that are a corporate partner in a qualified entity, are allowed a deduction in computing ENI for the amount of income or gain attributable to the operations at (or as part of) the Innovation Hot Spot.

Estimates: 2012: Not applicable – 2016: No data available

Reliability: Level 5

16. Exempt Companies

Citation: Sections 3 and 209(4)(5)(6)(7) and (9)

Effective Date: Effective for tax years beginning on or after January 1, 2015.

Description: The following companies or organizations are exempt from taxation under Article 9-A:

- Limited Profit Housing Companies
- Limited Dividend Housing Companies
- Trust Companies organized under a law of New York, all of the stock of which is owned by not less than 20 savings banks organized under a law of New York
- Urban Development Corporation and its subsidiaries
- Domestic corporations exclusively engaged in the operation of one or more vessels in foreign commerce
- Domestic International Sales Corporations (DISCs), to the extent a DISC is required to have its income imputed to its shareholders
- Passive Trusts
- Certain corporations organized other than for profit and those corporations that are generally exempt from Federal tax by the IRC
- Corporations exempt pursuant to Federal Public Law 86-272 wherein a foreign corporation has limited its activities in New York to the mere solicitation of orders for tangible property by its employees or representatives
- Real Estate Mortgage Investment Conduits (REMICs)
- Industrial Development Agencies
- Housing Development Fund Companies
- Corporations exempt from tax under IRC Sections 501(c)(2) and (25)
- Certain cooperative heating and cooling service companies that are organized without capital stock and that are exempt from tax pursuant to IRC Section 501(c)(12). Such corporations pay an annual fee of \$10 to the Commissioner of Taxation and Finance in lieu of all corporation franchise taxes.
- Federal and State credit unions chartered under 12 U.S. Code Section 1768, I.R.C. Section 501(c)(14)(A), or New York State Banking Law Section 479.

Estimate: 2012: Not applicable – 2016: No data available

Reliability: Level 5

CORPORATION FRANCHISE TAX

17. Companies Whose Income “Passes Through” to Shareholders

a. Real Estate Investment Trusts (REITs)

Citation: Section 209(5)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: To the extent that the REIT passes through its income to shareholders, the REIT is exempt from the franchise tax. The shareholders have their dividend or distributed gain taxed at their own rate of tax, usually under the Personal Income Tax. Any undistributed income by the REIT would be subject to the franchise tax. Captive REITs are required to be included in either an Article 9-A or Article 33 combined group.

Estimate: 2012: Not applicable – 2016: No data available

Reliability: Level 5

b. Regulated Investment Companies (RICs)

Citation: Section 209(7)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: To the extent that the RIC passes through its income to shareholders, the RIC is exempt from the franchise tax. The shareholders have their dividend or distributed gain taxed at their own rate of tax, usually under the Personal Income Tax. Any undistributed income by the RIC would be subject to the franchise tax. Captive RICs are required to be included in either an Article 9-A or Article 33 combined group.

Estimate: 2012: Not applicable – 2016: No data available

Reliability: Level 5

18. Homeowners Association Exemption from Fixed Dollar Minimum Tax

Citation: Section 210(1)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Article 9-A exempts qualified homeowners associations that have no homeowner’s taxable income from payment of the fixed dollar minimum tax. The associations would still be subject to the other taxable bases under Article 9-A, if applicable.

Estimates: 2012: Not applicable – 2016: No data available

Reliability: Level 5

19. New Small Business Capital Base Exemption

Citation: Section 210(1-c)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: The law exempts new small businesses from the tax based on allocated business capital. This exemption applies to the first two years of operation of a business that:

- has an ENI of not more than \$390,000 for the taxable year;
- the aggregate amount of money and other property received by the corporation for stock, as a contribution to capital, and as paid-in surplus, does not exceed \$1 million;
- which has an average of one hundred or fewer individuals, excluding general executive officers, employed full-time in the state during the taxable year; and
- which is not part of an affiliated group, as defined in section 1504 of the IRC, unless such group, if it had filed a report under article 9-A on a combined basis, would have itself qualified as a “small business taxpayer.”

Estimate: 2012: Not Applicable – 2016: No data available

Reliability: Level 5

Preferential Tax Rates

20. Special Tax Benefits for New York Manufacturers and Qualified Emerging Technology Companies (QETCs)

a. Special Tax Benefits for New York Manufacturers

Manufacturers in New York are subject to reduced tax rates and fixed dollar minimum amounts, as well as a lower capital base liability cap.

A *manufacturer* is defined as “a taxpayer...principally engaged in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing.” The generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity is specifically excluded for purposes of the lower ENI rates and FDM amounts.

To be a *qualified New York manufacturer* eligible for the preferential tax treatment, the taxpayer must meet two tests. First, the taxpayer, or the combined group, must be principally engaged in manufacturing. This test is satisfied if more than 50 percent of the taxpayer’s or group’s gross receipts are derived from the sale of goods produced by the activities listed above.

The second test requires the taxpayer to have manufacturing property in New York State with a Federal adjusted basis of at least \$1 million, or have all of its real and personal property located in New York State.

A taxpayer, or combined group, that fails the receipts test may still be a *qualified New York manufacturer* if it has at least 2,500 New York manufacturing employees and at least \$100 million of manufacturing property in New York.

CORPORATION FRANCHISE TAX

1. Zero Percent BI Rate

Citation: Section 210(1)(a)(vi)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Taxpayers that are qualified New York manufacturers are subject to a 0 percent BI rate.

Estimates: 2012: Not applicable — 2016: No data available

Reliability: Level 5

2. Reduced Capital Base Tax Rate

Citation: Section 210(1)(b)(1)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Taxpayers that are qualified New York manufacturers are subject to the following reduced capital base rates:

Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021 and Thereafter
0.132%	0.106%	0.085%	0.056%	0.038%	0.019%	0.000%

Estimates: 2012: Not applicable — 2016: No data available

Reliability: Level 5

3. Lower Capital Base Liability Cap

Citation: Section 210(1)(b)(1)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: The maximum liability under the capital base is \$5 million, except taxpayers that are qualified New York manufacturers are subject to a lower cap of \$350,000.

Estimates: 2012: Not applicable — 2016: No data available

Reliability: Level 5

4. Reduced FDM Amounts

Citation: Section 210(1)(d)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Taxpayers that are manufacturers are subject to the following reduced fixed dollar minimum amounts:

CORPORATION FRANCHISE TAX

NY Receipts	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018 and Thereafter
Not more than \$100,000	\$22	\$21	\$21	\$19
More than \$100,000 but not more than \$250,000	\$66	\$63	\$63	\$56
More than \$250,000 but not more than \$500,000	\$153	\$148	\$148	\$131
More than \$500,000 but not more than \$1,000,000	\$439	\$423	\$423	\$375
More than \$1,000,000 but not more than \$5,000,000	\$1,316	\$1,269	\$1,269	\$1,125
More than \$5,000,000 but not more than \$25,000,000	\$3,070	\$2,961	\$2,961	\$2,625
Over \$25 million	\$4,385	\$4,230	\$4,230	\$3,750

Estimates: 2012: Not Applicable — 2016: No data available

Reliability: Level 5

b. **Special Tax Benefits for Qualified Emerging Technology Companies (QETCs)**

QETCs in New York are subject to reduced tax rates and fixed dollar minimum amounts, as well as a lower capital base liability cap.

A corporation is a *qualified emerging technology company* if it meets the definition in Public Authorities Law Section 3102-e(1)(c), except that the \$10 million limitation under 3102-e(1)(c)(1) does not apply. A combined group may be considered a QETC and meet the definition of a qualified New York manufacturer if all members of the group meet the definition of a QETC.

1. **Reduced BI Rate**

Citation: Section 210(1)(a)(vii)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Taxpayers that are QETCs are subject to the following reduced BI rates:

Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018	Tax Year 2019 and Thereafter
5.9%	5.7%	5.5%	5.5%	4.875%

Estimates: 2012: Not applicable — 2016: No data available

Reliability: Level 5

2. **Reduced Capital Base Tax Rate**

Citation: Section 210(1)(b)(1)

Effective Date: Effective for tax years beginning on or after January 1, 2015

CORPORATION FRANCHISE TAX

Description: Taxpayers that are QETCs are subject to the following reduced capital base rates:

Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021 and Thereafter
0.132%	0.106%	0.085%	0.056%	0.038%	0.019%	0.000%

Estimates: 2012: Not applicable — 2016: No data available

Reliability: Level 5

3. Lower Capital Base Liability Cap

Citation: Section 210(1)(b)(1)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: The maximum liability under the capital base is \$5 million, except taxpayers that are QETCs are subject to a lower cap of \$350,000.

Estimates: 2012: Not applicable — 2016: No data available

Reliability: Level 5

4. Reduced FDM Amounts

Citation: Section 210(1)(d)

Effective Date: Effective for tax years beginning on or after January 1, 2015

Description: Taxpayers that are QETCs are subject to the following reduced fixed dollar minimum amounts:

NY Receipts	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018 and Thereafter
Not more than \$100,000	\$22	\$21	\$21	\$19
More than \$100,000 but not more than \$250,000	\$66	\$63	\$63	\$56
More than \$250,000 but not more than \$500,000	\$153	\$148	\$148	\$131
More than \$500,000 but not more than \$1,000,000	\$439	\$423	\$423	\$375
More than \$1,000,000 but not more than \$5,000,000	\$1,316	\$1,269	\$1,269	\$1,125
More than \$5,000,000 but not more than \$25,000,000	\$3,070	\$2,961	\$2,961	\$2,625
Over \$25 million	\$4,385	\$4,230	\$4,230	\$3,750

Estimates: 2012: Not applicable — 2016: No data available

Reliability: Level 5

Corporate Franchise Tax Credits

21. Credit for Servicing SONYMA Mortgages

Citation: Section 210-b(10)

Pre-Reform Citation: Section 210(21-a), Section 1456(a)

Credit Type: Non-refundable/Non-carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2015

Description: Banking corporations and mortgage bankers registered under Article 12-D of the Banking Law and meeting certain regulatory requirements established by the State of New York Mortgage Agency (SONYMA) may claim a credit for servicing mortgages acquired by SONYMA. The credit equals 2.93 percent of the total principal and interest collected for each SONYMA mortgage secured by a one-to-four family residence. In addition, banks and mortgage bankers may receive an amount equal to the interest collected during the taxable year on each SONYMA mortgage secured by a five or more family residence multiplied by a fraction. The fraction depends on the types of properties which secure the serviced mortgage loans. The credit may reduce tax liability to zero.

CFT Estimates: 2012: Not Applicable — 2016: \$9.0 million

Data Sources: CFT Study File

Reliability: Level 1

Cross-Article Credits

Credits include amounts that the taxpayer may subtract in calculating New York tax liability or request as a refund or apply as a payment for the next tax period. Full descriptions of all the tax credits available under Article 9-A as well as other tax articles are contained in the Cross-Article Tax Credits section of this report. For tax years 2010, 2011, and 2012, taxpayers are required to defer the use and refund of certain tax credits if they exceed \$2 million in aggregate.

INSURANCE TAX

This section of the report provides tax expenditure estimates for 52 separate provisions of the corporate franchise tax on insurance companies. The list of tax expenditures contained in Table 4 is based on the Tax Law as of January 1, 2016. The estimates are based on data from the 2012 tax year, the latest year for which Article 33 tax return data are available. They are also extrapolated to the 2016 tax year. The tax years refer to both the 2012 and 2016 calendar years and fiscal tax years beginning in 2012 and 2016. Total insurance tax liability for the 2012 tax year has been included to provide some perspective to the tax expenditure estimates.

Description of Tax

Article 33 imposes a franchise tax on insurance companies. There are two components of the tax: (1) an income tax based on the higher of four bases plus a tax on subsidiary capital; and (2) a tax based on gross direct premiums written on State-located risks or residents in the State. Life insurance corporations are subject to both the income tax component and the premiums tax. Non-life insurance corporations are subject only to the tax on premiums.

The income tax component is based on one of four alternative bases. A life insurance corporation's tax liability for this component is based on the alternative that results in the largest tax, plus an additional 0.08 percent tax on subsidiary capital allocated to New York. The four bases are:

- 7.1 percent of allocated entire net income; or
- 0.16 percent on allocated business and investment capital; or
- 9 percent of 30 percent of allocated entire net income plus officers' salaries less specified deductions; or
- a fixed dollar minimum tax of \$250.

The second component of the Article 33 tax is a tax on gross premiums, less return premiums thereon, written on risks located or resident in New York. The rate of the tax on premiums varies according to the type of insurance risk covered by a premium. Furthermore, accident and health premiums are taxed at different rates depending on the type of insurer. A 0.7 percent tax rate applies to premiums received by corporations licensed as life and health insurers, including premiums on accident and health contracts. A 2.0 percent tax rate applies to premiums written by corporations licensed as property and casualty insurers. However, a 1.75 percent tax rate applies to premiums on accident and health contracts written by property and casualty insurers.

INSURANCE TAX

Life insurance corporations doing business within and without the State allocate entire net income, business and investment capital, and entire net income plus officers' salaries bases to New York based on weighted ratios of premiums and wages earned or paid in New York to those earned or paid everywhere.

In computing the Article 33 tax, life insurance corporations add the tax on gross premiums to the highest of the four alternative taxes. The total tax liability of the two components, less Empire Zone (EZ) credits, cannot be greater than 2 percent or less than 1.5 percent of taxable premiums. Taxpayers may then claim other credits against the total tax liability. The Article 33 tax for non-life insurance corporations is solely the tax on gross premiums, although a fixed dollar minimum tax of \$250 still applies.

Data Sources

The major sources of data used to compute the tax expenditure estimates under Article 33 Insurance Tax include:

- 2012 Article 33 Insurance Tax Study File — This file, compiled by the Department of Taxation and Finance, includes the tax returns of all insurance companies filing under Article 33.
- Congressional Joint Committee on Taxation Estimates of Federal Tax Expenditures — No data are available for Federal items at the State level. Federal tax expenditure items estimated by the JCT are prorated to New York.
- New York State Department of Financial Services aggregate data.

Methodology

The projections of the tax expenditures from 2012 to 2016 use a variety of economic forecast variables. Projections of items under Federal exclusions from income in the Appendix were taken from JCT estimates of Federal tax expenditures and prorated to New York.

Tax expenditures whose values are less than \$0.1 million are considered minimal and are designated by an asterisk.

Table 4
2016 New York State Insurance Tax Expenditure Estimates
(2012 Total Insurance Tax Liability = \$1,239.7 Million)
(Millions of Dollars)

Tax Item	History					Forecast	Reliability
	2008	2009	2010	2011	2012	2016	Level
New York Modifications to Federal Taxable Income							
1. Exclusion of Interest, Dividends, and Capital Gains from Subsidiary Capital ¹	0.2	0.2	0.2	0.1	0.2	*	1
2. Deduction of 50 Percent of Dividends from Non-Subsidiary Corporations ¹	0.4	4.3	3.8	8.5	7.6	8.0	1
3. Distributions Made to Victims or Targets of Nazi Persecution	N/A	N/A	N/A	N/A	N/A	N/A	5
4. Taxable Refunds or Credits of State Tax	N/A	N/A	N/A	N/A	N/A	N/A	5
5. Wage and Salary Expense Allowed as Federal Credits but not as Federal Expenses	N/A	N/A	N/A	N/A	N/A	N/A	5
6. Unearned Premiums	N/A	N/A	N/A	N/A	N/A	N/A	5
7. Discounted Unpaid Losses	N/A	N/A	N/A	N/A	N/A	N/A	5
8. IRC Section 832(b)(5)(B)	N/A	N/A	N/A	N/A	N/A	N/A	5
9. IRC Sections 847(5) and 847(6)	N/A	N/A	N/A	N/A	N/A	N/A	5
10. Qualified Emerging Technology Investments (QETI)	N/A	N/A	N/A	N/A	N/A	N/A	5
Alternative Bases							
11. Exclusion of Assets Held as Reserves Under NYS Insurance Law Sections 1303, 1304, and 1305 ¹	*	*	*	*	*	*	4
Exclusions from Premiums Based Tax							
12. Exclusion of Annuities from the Tax on Premiums ¹	20.5	15.0	14.5	17.5	10.4	10.0	1
13. Exclusion of Premiums Written on Certain Joint Underwriting Policies ¹	5.1	3.7	3.6	4.4	2.6	3.0	1
14. Exclusion of Premiums Written on Marine Vessels	7.1	6.3	6.2	6.6	6.3	6.0	1
15. Exclusion of Premiums Written on Certain Reinsurance Policies	293.9	317.3	205.8	234.2	278.7	279.0	1
16. Exclusion for Certain Non-New York Property or Individuals	N/A	N/A	N/A	N/A	N/A	N/A	5
Limitation on Tax							
17. Limitation on Tax Liability ¹	60.2	77.0	65.2	116.5	152.4	152.0	1
Corporate Exemptions							
18. Exemption from Article 33 for Specific Types of Entities Engaged in an Insurance Business	285.5	308.4	326.2	342.3	365.2	400.0	4
Preferential Tax Rates							
19. Preferential Tax Treatment for Captive Insurance Companies	17.6	17.0	14.1	18.3	38.4	26.1	2
Insurance Tax Credits							
20. Fire Insurance Premiums Tax Credit	47.7	49.6	47.7	48.5	50.4	55.0	1
21. Retaliatory Tax Credit	56.5	34.1	36.5	42.1	56.9	54.0	1
22. Credit for Assessments Paid to the Life Insurance Company Guaranty Corporation ¹	0.0	0.0	0.0	0.0	0.0	107.0	4
23. Credit for Investment in Certified Capital Companies ²	36.4	33.7	30.1	23.8	12.3	6.0	1
Cross-Article Credits							
24. Investment Tax Credit for the Financial Services Industry ²	0.0	0.0	0.0	0.0	0.0	*	1
25. Special Additional Mortgage Recording Tax Credit ²	0.0	0.0	0.0	0.0	0.0	*	1

INSURANCE TAX

Tax Item	History					Forecast	Reliability
	2008	2009	2010	2011	2012	2016	Level
26. Empire Zone (EZ) and Qualified Empire Zone Enterprise (QEZE) Tax Credits ²							
a. EZ and Zone Equivalent Area Wage Tax Credit	4.3	0.4	0.4	*	*	*	1
b. EZ Capital Credit	0.0	0.0	0.0	0.0	0.0	*	1
c. QEZE Real Property Tax Credit	0.1	0.2	0.2	0.2	2.8	*	1
d. QEZE Tax Reduction Credit	16.0	10.1	15.8	15.0	21.9	7.0	1
27. Credit for Employment of Persons with Disabilities ²	0.0	0.0	0.0	0.0	0.0	*	1
28. Low-Income Housing Credit ²	0.1	0.0	0.1	0.1	0.8	1.0	1
29. Credit for Purchase of Automated External Defibrillator ²	0.0	0.0	0.0	0.0	0.0	*	1
30. Green Buildings Credit ²	0.4	0.0	0.0	0.0	0.0	*	1
31. Long-Term Care Insurance Credit	0.1	0.2	0.0	0.0	0.0	*	1
32. Security Training Tax Credit ²	0.0	0.0	0.0	0.0	0.0	*	1
33. Brownfields Tax Credits ²							
a. Brownfield Redevelopment Tax Credit	0.0	0.0	0.0	0.7	0.0	*	1
b. Remediated Brownfield Credit for Real Property Taxes	0.0	0.0	0.0	0.0	0.0	*	1
c. Environmental Remediation Insurance Credit	0.0	0.0	0.0	0.0	0.0	*	1
34. Credit for Rehabilitation of Historic Properties ²	--	--	2.0	3.4	2.3	3.0	1
35. Excelsior Jobs Program (EJP) Tax Credit	--	--	0.0	0.0	0.0	*	1
36. Economic Transformation and Facility Redevelopment Program Tax Credit	--	--	--	0.0	0.0	*	1
37. Empire State Jobs Retention Program Credit ⁴	--	--	--	--	0.0	*	1
38. Minimum Wage Reimbursement Credit	--	--	--	--	--	*	4
39. Hire A Vet Credit	--	--	--	--	--	*	4

1/ Tax expenditure item applies only to life insurance corporations

2/ For tax years 2010, 2011, and 2012, credit is subject to deferral. Values reported reflect the amount of credit computed absent deferral rules.

3/ A new tax expenditure item, a revision of the methodology or revisions in the data sources resulting in an estimate which better reflects the tax expenditure value.

4/ Forecast is included in the forecast for Excelsior Jobs Program Tax Credits.

* Less than \$0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.

New York Modifications to Federal Taxable Income

In computing New York entire net income, modifications to Federal taxable income are provided for under Article 33 of the Tax Law. These modifications apply only to life insurance corporations.

1. **Exclusion of Interest, Dividends, and Capital Gains from Subsidiary Capital**

Citation: Section 1503(b)(1)(A)

Effective Date: Effective for tax years beginning on or after January 1, 1974

Description: In computing New York entire net income, taxpayers may subtract from Federal taxable income dividends, interest, and gains derived from subsidiary corporations that are not part of the combined filing entity.

Estimates: 2012: \$0.2 million — 2016: Minimal

Data Source: Insurance Tax Study File

Reliability: Level 1

2. **Deduction of 50 Percent of Dividends from Non-Subsidiary Corporations**

Citation: Section 1503(b)(1)(B)

Effective Date: Effective for tax years beginning on or after January 1, 1974

Description: Insurance corporations may deduct from Federal taxable income, before Federal exclusion, 50 percent of the company's share of dividend income received from non-subsidiary corporations.

Estimates: 2012: \$7.6 million — 2016: \$8.0 million

Data Source: Insurance Tax Study File

Reliability: Level 1

3. **Distributions of Distributions Made to Victims or Targets of Nazi Persecution**

Citation: Section 13

Description: A taxpayer may exclude the amount received (including accumulated interest) from an eligible settlement fund, or from an eligible grantor trust established for the benefit of the victims or targets of Nazi persecution when computing New York ENI.

Section 13

Estimate: No data available

Reliability: Level 5

4. **Taxable Refunds or Credits of State Tax**

Citation: Section 1503(b)(1)(C)

Description: A taxpayer may exclude any refund or credit of a tax imposed under Tax Law Article 9 (sections 183, 183-a, 184, and 184-a), or Article 9-A, 23, or 33 that was properly included as income for Federal income tax purposes, and for which no exclusion or deduction was allowed in determining the taxpayer's ENI for any prior year.

INSURANCE TAX

Estimate: No data available

Reliability: Level 5

5. **Wage and Salary Expense Allowed as Federal Credits but not as Federal Expenses**

Citation: Section 1503(b)(1)(D)

Description: A taxpayer may exclude the amount of wages disallowed under IRC section 280C in the computation of their applicable Federal income.

Estimate: No data available

Reliability: Level 5

6. **Unearned Premiums**

Citation: Section 1503(b)(1)(L)

Description: A taxpayer may include the amount of unearned premiums on outstanding business at the end of the tax year included in premiums earned as a result of IRC sections 832(b)(4)(B), 832(b)(7)(B)(i) and 832(b)(8)(A)(i).

Estimate: No data available

Reliability: Level 5

7. **Discounted Unpaid Losses**

Citation: Section 1503(b)(1)(N)

Description: A taxpayer may include the difference between the amount of discounted unpaid losses at the end of the tax year used in the computation of losses incurred as a result of IRC section 832(b)(5)(A), and the amount of unpaid losses at the end of the tax year that would have been used in such computation if such losses were not discounted for federal income tax purposes.

Estimate: No data available

Reliability: Level 5

8. **IRC Section 832(b)(5)(B)**

Citation: Section 1503(b)(1)(O)

Description: A taxpayer may include the amount by which losses incurred were reduced as a result of IRC section 832(b)(5)(B).

Estimate: No data available

Reliability: Level 5

9. **IRC Sections 847(5) and 847(6)**

Citation: Section 1503(b)(1)(P)

Description: A taxpayer may include the amount included in federal gross income as a result of IRC sections 847(5) and 847(6).

Estimate: No data available

Reliability: Level 5

10. **Qualified Emerging Technology Investments (QETI)**

Citation: Section 1503(b)(1)(Q)

Description: A deferral of gain on the sale of a qualified emerging technology investment (QETI) is available to taxpayers for a QETI that is (1) held for more than 36 months and (2) rolled over into the purchase of a replacement QETI within 365 days. Gain deferred under this provision must be recognized when the replacement QETI is sold. However, gain on the sale of the replacement QETI can be deferred if another replacement QETI is acquired within 365 days.

Estimate: No data available

Reliability: Level 5

Alternative Bases

One tax expenditure item applicable to life insurance corporations is provided for under the alternative tax base measured by business and investment capital.

11. **Exclusion of Assets Held as Reserves Under NYS Insurance Law Sections 1303, 1304, and 1305**

Citation: State Insurance Law Sections 1303, 1304, and 1305; Tax Law Section 1500(l)(j)

Effective Date: Effective for tax years beginning on or after January 1, 1974

Description: Insurance corporations may exclude assets that are held for loss or claim reserves, valuation reserves, and unearned premium reserves (as specified in the Insurance Law) from the definition of business capital and investment capital for purposes of computing tax liability under the capital base tax.

Estimates: 2012: Minimal — 2016: Minimal

Data Source: Insurance Tax Study File, Industry Data

Reliability: Level 4

Exclusions from Premiums Base Tax

The premiums tax base excludes premiums from several types of insurance.

12. **Exclusion of Annuities from the Tax on Premiums**

Citation: Section 1510(c)(1)

Effective Date: Effective for tax years beginning on or after January 1, 1974

Description: The premiums tax base excludes annuities.

Estimates: 2012: \$10.4 million — 2016: \$10.0 million

Data Source: Insurance Study File

Reliability: Level 1

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13. **Exclusion of Premiums Written on Certain Joint Underwriting Policies**
Citation: Section 1510(c)(2)
Effective Date: Effective for tax years beginning on or after January 1, 1974
Description: The premiums tax base does not include premiums on joint underwriting of group health insurance for persons aged 65 and over.
Estimates: 2012: \$2.6 million — 2016: \$3.0 million
Data Source: Insurance Study File
Reliability: Level 1
14. **Exclusion of Premiums Written on Marine Vessels**
Citation: Section 1510(c)(2)
Effective Date: Effective for tax years beginning on or after January 1, 1974
Description: The premiums tax base does not include premiums for ocean marine insurance.
Estimates: 2012: \$6.3 million — 2016: \$6.0 million
Data Source: Insurance Study File
Reliability: Level 1
15. **Exclusion of Premiums Written on Certain Reinsurance Policies**
Citation: Section 1510(c)(3)(A-B)
Effective Date: Effective for tax years beginning on or after January 1, 1974
Description: The premiums tax base does not include premiums received by way of reinsurance from corporations or other insurers authorized to transact business in New York. It also excludes premiums received by way of reinsurance from corporations or other insurers not authorized to transact business in New York if such premiums are subject to the Excess Line Tax imposed under the Insurance Law.
Estimates: 2012: \$278.7 million — 2016: \$279.0 million
Data Source: Insurance Study File
Reliability: Level 1
16. **Exclusion for Certain Non-New York Property or Individuals**
Citation: Section 1512(b)(1)-(3)
Effective Date: Effective for tax years beginning on or after January 1, 1974 (Section 1512(b)(3) effective for tax years beginning on or after January 1, 1978)
Description: The premiums tax base does not include premiums from:
 - Property, risks, or residents located outside of New York written by nonprofit life or fire insurance companies;
 - Insurance risks on residents outside of the State of New York written by federally exempt life insurance companies organized by nonprofit voluntary employees' beneficiary associations.**Estimate:** No data available
Reliability: Level 5

Limitation on Tax

Article 33 provides for a maximum tax liability cap for life insurance corporations. The total tax less EZ credits, but before other credits, may not exceed 2 percent of taxable premiums. Taxpayers may apply all other insurance corporation tax credits to reduce the tax as determined under the cap.

17. Limitation on Tax Liability

Citation: Section 1505

Effective Date: Effective for tax years beginning on or after January 1, 1977

Description: Article 33 limits the total tax liability of a life insurance corporation. Effective for taxable years beginning on or after January 1, 1998, the limitation, or cap, equals 2.0 percent of gross premiums for life insurers. An insurance corporation's tax liability equals the lower of (1) the tax determined under the cap, or (2) the tax determined on the highest of four alternative bases, plus the taxes on the subsidiary capital and premiums bases.

Estimates: 2012: \$152.4 million — 2016: \$152.0 million

Data Source: Insurance Tax Study File

Reliability: Level 1

Corporate Exemptions

Article 33 of the Tax Law does not apply to several types of entities that may be engaged in an insurance business. Several additional types of entities are exempt only from the premiums tax.

18. Exemption from Article 33 for Specific Types of Entities Engaged in an Insurance Business

Citation: Section 1512(a)(1)-(8), (c)

Effective Date: Effective for tax years beginning on or after January 1, 1974 (Sections 1512(a)(8) and 1512 (c) effective for taxable years beginning on or after January 1, 1978)

Description: Entities exempt from tax under Article 33 include:

- Charitable, religious, missionary, educational, and philanthropic non-stock corporations. (1512(a)(2))
- Retirement systems or pension funds engaged solely in an annuity business. (1512(a)(3))
- Nonprofit medical expense indemnity or hospital service corporations. (1512(a)(4))
- Incorporated or unincorporated fraternal benefit societies. (1512(a)(5))
- Corporations for the insurance of domestic animals on a cooperative plan. (1512(a)(6))
- A town or county cooperative insurance corporation exempt from tax under Section 187 of the Tax Law as it existed prior to 1974. (1512(a)(7))

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- Not-for-profit voluntary employees' beneficiary associations exempted from Federal income tax the members of which are employees (or beneficiaries or dependent of employees) of a single employer. (1512(a)(8))
- Any nonprofit property/casualty insurance company organized pursuant to Section 6703 of the Insurance Law. (1512(a)(9))
- Entities conducting insurance business as a member of the New York Insurance Exchange. (1512 (c))

Estimates: 2012: \$365.2 million — 2016: \$400.0 million

Data Source: New York State Department of Financial Services

Reliability: Level 4

Preferential Tax Rates

19. Preferential Tax Treatment for Captive Insurance Companies

Citation: Section 1502-b

Effective Date: Effective for tax years beginning on or after January 1, 1998

Description: Captive insurers are subject to a special premiums tax at lower rates than the rate that applies to other insurers. The tax imposed on captives equals the greater of the sum of the tax imposed on gross direct premiums and the tax imposed on assumed reinsurance premiums, or \$5,000. The tax rates that apply to gross direct premiums and assumed reinsurance premiums decrease as the amount of premiums subject to tax increases, with the highest rate equaling 0.4 percent.

For tax years beginning on or after January 1, 2009 and before January 1, 2014, an overcapitalized captive insurance company must be included in a combined return under either Article 9-A or 32 with the closest corporation that directly or indirectly owns or controls over 50 percent of the voting stock of the overcapitalized captive insurance company. For tax years beginning on or after January 1, 2015, a combinable captive insurance company must be included in a combined return under Article 9-A if it is more than 50 percent owned by an Article 9-A corporation.

Estimates: 2012: \$38.4 million — 2016: \$26.1 million

Data Source: Captive Tax Return Data

Reliability: Level 2

Credits

Credits are amounts, enumerated by Article 33 of the New York State Tax Law, that insurance corporations may subtract from their calculated New York tax liability. Article 33 credits are available to both life and non-life insurance corporations unless otherwise noted. For tax years 2010, 2011, and 2012, taxpayers were required to defer the use and refund of certain tax credits if they exceeded \$2 million in aggregate.

Insurance Tax Credits

The credits described below are specific to the Insurance Tax.

20. Fire Insurance Premiums Tax Credit

Citation: Section 1511(a)

Credit Type: Non-refundable/Non-Carryforward

Effective Date: Effective for tax years beginning on or after January 1, 1974

Description: A credit is allowed for additional taxes on premiums written by foreign or alien corporations for any insurance against loss or damage by fire, paid by foreign and alien fire insurance companies and foreign mutual fire insurance companies. Such taxes are imposed under the Insurance Law and under the charters of the cities of Buffalo and New York. Taxpayers must have paid or accrued the taxes during the tax year covered by the return.

Estimates: 2012: \$50.4 million — 2016: \$55.0 million

Data Source: Insurance Tax Study File

Reliability: Level 1

21. Retaliatory Tax Credit

Citation: Section 1511(c)

Credit Type: Refundable

Effective Date: Effective for tax years beginning on or after January 1, 1974

Description: Taxpayers may claim a credit for up to 90 percent of any retaliatory taxes paid to other states by New York domiciled or organized insurers as a result of New York State imposed taxes on insurers domiciled or organized in those other states.

Estimates: 2012: \$56.9 million — 2016: \$54.0 million

Data Source: Insurance Tax Study File

Reliability: Level 1

22. Credit for Assessments Paid to the Life Insurance Company Guaranty Corporation

Citation: Insurance Law Section 7712(a)(b); Tax Law Section 1511(f)

Credit Type: Non-refundable/Carryforward

Effective Date: Effective for tax years beginning after December 31, 1986

Description: Life insurance corporations may claim a tax credit for a portion of the cost of assessments paid to the life insurance company guaranty corporation in prior years. The maximum credit allowed to all life insurance companies for a particular year is limited to the greater of \$40 million or 40 percent of the total tax liability of all such companies. To calculate its respective credit amount, an individual corporation multiplies the \$40 million/40 percent maximum by the assessments it paid divided by the sum all assessments paid by all corporations.

Estimates: 2012: \$0.0 million — 2016: \$107.0 million

Data Source: New York State Division of the Budget

Reliability: Level 5

23. **Credit for Investment in Certified Capital Companies**

Citation: Section 1511(k)

Credit Type: Non-refundable/Carryforward

Effective Date: Effective for tax years beginning after 1998, although the credit may be earned before 1999; the credit has been expanded four times since its enactment, to a combined statewide cap for all five programs of \$400 million, effective January 1, 2007

Description: Under the five programs, taxpayers may claim a credit for 100 percent of the amount invested in certified capital companies (CAPCOs). The credit can be claimed over 10 years, at a rate of 10 percent per year. The combined statewide cap is \$400 million on the total amount of investments for which credits may be claimed. The total for all five programs may not exceed \$40 million in any year.

Estimates: 2012: \$12.3 million — 2016: \$6.0 million

Data Source: Insurance Tax Study File

Reliability: Level 1

Cross-Article Credits

Descriptions of other tax credits that are available under the Insurance Tax as well as other tax articles are contained in the Cross-Article Tax Credits section of the report.

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This section of the report provides descriptions of 37 separate tax expenditure provisions of the Article 9 tax. It contains estimates of the tax expenditures for tax years 2008 through 2012 (2012 is the latest year for which Article 9 tax return data is available). The list of tax expenditures is based on the Tax Law as of January 1, 2016. The estimates are also extrapolated to the 2016 tax year. The tax year refers to both the 2016 calendar year and fiscal years beginning in 2016. Table 6 summarizes the tax expenditure estimates. It also includes total tax liability of Article 9 to provide perspective.

Description of Tax

Article 9 of the Tax Law imposes capital stock-based franchise and gross receipts-based taxes on a variety of specialized businesses.

Section 183 imposes a franchise tax on transportation and transmission companies and associations (excluding aviation companies which are taxable under Article 9-A) on the basis of allocated capital stock. Generally, a corporation's stock is allocated to New York in the ratio that the corporation's gross assets employed in the State bear to gross assets everywhere. U.S. obligations and cash in hand are excluded from the calculation. The tax equals the highest of the three amounts computed by the following methods: (1) allocated value of issued capital stock multiplied by 1.5 mills; (2) allocated value of issued capital stock on which dividends are paid 6 percent or more, multiplied by 0.375 mills for each one percent of dividends paid; or (3) a fixed minimum tax of \$75. Effective January 1998, trucking and railroad companies previously taxable under Section 183 became taxable under Article 9-A, unless an election had been made to remain taxable under Article 9. Effective January 1, 2000, gas pipelines became taxable under Article 9-A.

Section 184 imposes an additional franchise tax on transportation and transmission corporations and associations based on their gross earnings within the state. The tax is 3/8 percent of gross earnings received from business conducted in New York. Beginning in 1995, Section 184 no longer applies to inter-exchange carriers, but applies only to those telecommunications corporations or associations principally engaged in a local telephone business. Companies principally engaged in long distance services are excluded from the tax. In addition, the law provided two exclusions to equalize the tax treatment of telecommunications services provided by local carriers, which remain subject to the Section 184 tax, and inter-exchange carriers. One hundred percent of receipts from sales for ultimate consumption from interLATA, interstate, or international services and 30 percent of intraLATA toll services, including interregion regional calling plan services are excluded in the computation of tax under Section 184. In January 1998, trucking and railroad companies formerly

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taxable under Section 184 became taxable under Article 9-A, unless they elected to remain taxable under Article 9. In January 2000, gas pipelines became taxable under Article 9-A.

Section 185 imposes a franchise tax on farmers, fruit growers, and other like agricultural corporations organized and operated on a cooperative basis. The tax is the highest amount computed under the following calculations: (1) allocated value of issued capital stock multiplied by one mill; (2) allocated value of issued capital stock on which dividends paid are six percent or more, multiplied by $\frac{1}{4}$ mill for each one percent of dividends paid; or (3) a fixed dollar minimum tax of \$10. Section 185 is repealed for tax years beginning on or after January 1, 2018.

Section 186, which was repealed effective January 1, 2000, provided for a franchise tax on waterworks companies, gas companies, electric or steam heating, lighting, and power companies. The tax was imposed at a rate of .75 percent on New York gross earnings and 4.5 percent on the amount of dividends paid which exceeded 4 percent of the amount of the taxpayer's paid-in capital employed in New York State. The minimum tax alternative of \$125 applied, but only in case and to the extent that the tax computed under the primary method was less than \$125. An additional excess dividends tax may have also applied. Energy and water companies formerly taxable under this Section are now taxable under Article 9-A. However, a company may elect to remain a continuing Section 186 taxpayer, and be subject to the tax as it existed in 1999, if certain conditions apply.

Section 186-a provides for a gross receipts tax on the furnishing of utility services. A utility is defined as any seller of gas, electricity, steam, water, or refrigeration. Utilities that provide telephone or telegraph services which are subject to the supervision of the Public Service Commission pay the tax on their gross receipts not derived from the sale of telecommunications services at a rate of 2.5 percent. Telecommunications service receipts are taxable under Section 186-e. The tax rate imposed on receipts from transportation, transmission, distribution, or delivery of energy for residential customers is 2.0 percent.

The following table shows the history of the Section 186-a rate structure as it pertains to receipts from the sale of an energy commodity and charges for the transportation, transmission, distribution, or delivery of energy.

Calendar Year	2000	2001	2002	2003	2004	2005 and After
Commodity Rate	2.1%	2.0%	1.9%	0.85%	0.4%	0%
T&D Rate	2.5%	2.45%	2.4%	2.25%	2.125%	2.0%

Section 186-e provides for an excise tax on telecommunications services at a rate of 2.5 percent on the gross receipts of providers of non-mobile telecommunications services. The tax applies to gross receipts from all intrastate

services and interstate and international services that either originate or terminate in New York and are billed to a service address in the State.

A separate excise tax is imposed on the sale of mobile telecommunication services by a telecommunication services provider at the rate of 2.9 percent. This rate applies to gross receipts from any mobile telecommunication service provided on or after May 1, 2015 by a home service provider where the mobile telecommunications customer's place of primary use is within New York State.

Most of the revenue from the Article 9 tax resulted from the gross receipts-based taxes (Sections 184, 186, 186-a, and 186-e).

Data Sources

The major source of data used to compute the tax expenditure estimates under Article 9 is the 2012 Corporation Tax Study File. This file, compiled by the Department of Taxation and Finance, includes all corporations filing under Article 9. It includes selected data items from the tax returns of each corporation. Simulations of the file generate the base case tax expenditures.

Methodology

The projections of the tax expenditures from 2012 to 2016 use a variety of economic forecast variables.

Tax expenditures whose values are less than \$0.1 million are considered minimal and are designated by an asterisk.

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Table 5
2016 New York State Corporation and Utilities (Article 9) Tax Expenditure Estimates
(2012 Corporation and Utilities Tax Liability = \$633.1 Million)
(Millions of Dollars)

Tax Item ¹	History					Forecast	Reliability
	2008	2009	2010	2011	2012	2016	Level
New York Modifications to Gross Income							
1. Exclusion of Interstate and Foreign Income	N/A	N/A	N/A	N/A	N/A	N/A	5
2. Exclusion of Receipts from InterLATA, Interstate, and International Telephone Services	5.1	4.6	4.5	6.5	3.4	5.0	1
3. Exclusion of Thirty Percent of Receipts from IntraLATA Toll Telephone Services	4.6	3.8	3.5	3.6	0.7	3.0	1
4. Exclusion of Cable Television Service	116.0	121.0	123.0	122.0	118.0	121.0	3
5. Exclusion of Receipts from Certain Telecommunications Services for Air Safety and Navigation Purposes	N/A	N/A	N/A	N/A	N/A	N/A	5
Corporate Exemptions							
6. Ferry Companies	N/A	N/A	N/A	N/A	N/A	N/A	5
7. Taxicabs and Omnibuses	N/A	N/A	N/A	N/A	N/A	N/A	5
8. Railroads and Vessels Engaged in Interstate or Foreign Commerce	N/A	N/A	N/A	N/A	N/A	N/A	5
9. Corporations Principally Engaged in Providing Telecommunications for Air Safety and Navigation Purposes	N/A	N/A	N/A	N/A	N/A	N/A	5
10. Foreign Commerce	N/A	N/A	N/A	N/A	N/A	N/A	5
11. Railroad Leasing	N/A	N/A	N/A	N/A	N/A	N/A	5
12. Foreign Taxicabs and Omnibuses	N/A	N/A	N/A	N/A	N/A	N/A	5
13. Exempt Companies	N/A	N/A	N/A	N/A	N/A	N/A	5
14. Exempt Organizations – Section 186-a	N/A	N/A	N/A	N/A	N/A	N/A	5
15. Water Pollution Facilities	N/A	N/A	N/A	N/A	N/A	N/A	5
16. Commercial, Industrial, and Not-For-Profit Relief	N/A	N/A	N/A	N/A	N/A	N/A	5
17. Exempt Organizations – Section 186-e	N/A	N/A	N/A	N/A	N/A	N/A	5
Corporation Tax Credits							
18. Credit for Tax Paid in Another Jurisdiction ¹	*	*	*	*	0.0	*	1
Cross-Article Credits							
19. Special Additional Mortgage Recording Tax Credit ^{1,2}	0.0	0.0	0.0	0.0	0.0	*	1
20. Empire Zone (EZ) and Qualified Empire Zone Enterprise (QEZE) Credits ^{1,2}							
a. EZ Investment Tax Credit and Employment Incentive Credit ²	0.1	*	*	*	*	*	1
b. EZ Wage Tax Credit ¹	*	0.1	*	*	*	*	1
c. QEZE Real Property Tax Credit ¹	0.4	0.4	0.3	0.3	0.3	*	1
21. Credit for Employment of Persons with Disabilities ^{1,2}	0.0	0.0	0.0	0.0	0.0	*	1
22. Green Building Credit ^{1,2}	0.0	0.0	0.0	0.0	0.0	*	1
23. Long-Term Care Insurance Credit ¹	0.0	0.0	0.0	0.0	0.0	*	1
24. Security Training Tax Credit ²	0.0	0.0	0.0	0.0	0.0	*	1
25. Brownfields Tax Credits ^{2,3}							
a. Brownfield Redevelopment Tax Credit	0.0	0.0	0.0	0.0	0.0	*	1

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Tax Item ¹	History					Forecast	Reliability
	2008	2009	2010	2011	2012	2016	Level
b. Remediated Brownfield Credit for Real Property Taxes	0.0	0.0	0.0	0.0	0.0	*	1
c. Environmental Remediation Insurance Credit	0.0	0.0	0.0	0.0	0.0	*	1
26. Biofuel Production Credit ²	0.0	0.0	0.0	0.0	0.0	*	1
27. Economic Transformation and Facility Redevelopment Program Tax Credit	--	--	--	0.0	0.0	*	1
28. Alternative Fuels and Electrical Vehicle Recharging Property Credit ³	--	--	--	--	--	*	4
29. Minimum Wage Reimbursement Credit ³	--	--	--	--	--	*	4

1/ Amounts in the table are the sum of the expenditure estimates across all Article 9 tax sections. See specific descriptions to determine the sections to which the expenditure applies and to view the section-specific estimates.

2/ For tax years 2010, 2011, and 2012, credits subject to deferral. Values reported reflect the amount of credit computed absent deferral rules.

3/ A new tax expenditure item, a revision of the methodology or revisions in the data sources resulting in an estimate which better reflects the tax expenditure value.

* Less than \$0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.

New York Modifications to Gross Income

Article 9 of the New York State Tax Law provides for select modifications when computing New York gross income.

- 1. Exclusion of Interstate and Foreign Income**
Citation: Section 184(1)
Effective Date: June 15, 1896
Description: Corporations, joint stock corporations, or associations formed for or principally engaged in canal, steamboat, ferry, navigation, or corporations formed for or principally engaged in the operation of vessels may exclude earnings derived from business of an interstate or foreign character.
Section 184 Estimate: No data available
Reliability: Level 5
- 2. Exclusion of Receipts from InterLATA, Interstate, and International Telephone Services**
Citation: Section 184(1)
Effective Date: January 1, 1995
Description: Telephone companies subject to the tax may exclude 100 percent of receipts (other than those from the provision of carrier access services) from sales for ultimate consumption of interLATA, interstate, and international services.
Section 184 Estimates: 2012: \$3.4 million — 2016: \$5.0 million
Data Source: Corporation Tax Study File
Reliability: Level 1
- 3. Exclusion of Thirty Percent of Receipts from IntraLATA Toll Telephone Services**
Citation: Section 184.1
Effective Date: Effective for tax years beginning on or after January 1, 1996
Description: Telephone companies subject to the tax may exclude 30 percent of receipts (other than those from the provision of carrier access services) from sales for ultimate consumption of intra-LATA toll services, including inter-region regional calling plan services.
Section 184 Estimates: 2012: \$0.7 million — 2016: \$3.0 million
Data Source: Corporation Tax Study File
Reliability: Level 1
- 4. Exclusion of Cable Television Service**
Citation: Section 186-e(2)(b)(2)
Effective Date: January 1, 1995
Description: Cable television service is specifically excluded from the definition of telecommunications services and receipts from the sale of such service are not subject to tax.
Section 186-e Estimates: 2012: \$118.0 million — 2016: \$121.0 million

Data Source: Annual Reports to the New York State Public Service Commission

Reliability: Level 3

5. Exclusion of Receipts from Certain Telecommunications Services for Air Safety and Navigation Purposes

Citation: Section 186-e(2)(b)(3)

Effective Date: January 1, 1995

Description: Receipts from the sale of telecommunications to air carriers solely for the purposes of air safety and navigation are excluded from the tax. Providers must be at least 90 percent owned (directly or indirectly) by air carriers and have the principal function of fulfilling requirements of the Federal Aviation Administration (FAA) or International Civil Aviation Organization (ICAO) relating to the existence of a communication system between aircraft and dispatcher, aircraft and air traffic control or ground station and ground station (or any combination of these entities).

Section 186-e Estimate: No data available

Reliability: Level 5

Corporate Exemptions

6. Ferry Companies

Citation: Sections 183(1)(b) and 184(1)

Effective Date: April 14, 1914

Description: Ferry companies operating between any of the boroughs of the City of New York under a lease granted by the City are exempt from tax under Sections 183 and 184.

Section 183 Estimate: No data available

Section 184 Estimate: No data available

Reliability: Level 5

7. Taxicabs and Omnibuses

Citation: Section 183(1)(c)

Effective Date: April 11, 1951 (taxicabs); January 1, 1960 (omnibuses)

Description: With certain exceptions, and so long as the State tax on motor fuel exceeds two cents per gallon, corporations classified as taxicabs and omnibuses are taxable under Article 9-A and therefore are exempt from the tax imposed by Section 183.

Section 183 Estimate: No data available

Reliability: Level 5

8. Railroads and Vessels Engaged in Interstate or Foreign Commerce

Citation: Section 183(7)

Effective Date: November 11, 1981 for taxable periods beginning on or after January 1, 1981 (original exclusion for vessels only, June 15, 1896)

Description: A railroad, palace car, or sleeping car corporation, navigation, canal, ferry (except a ferry operating between any of the boroughs of New York under a lease granted by the City), steamboat, or

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any other corporation formed for or principally engaged in the operation of vessels in interstate or foreign commerce is not subject to the Section 183 tax, even though it maintains an office or otherwise employs capital in New York.

Section 183 Estimate: No data available

Reliability: Level 5

9. Corporations Principally Engaged in Providing Telecommunications for Air Safety and Navigation Purposes

Citation: Sections 183(1)(b) and 184(1)

Effective Date: January 1, 1995

Description: Corporations principally engaged in selling of telecommunications to air carriers solely for the purposes of air safety and navigation are exempt from the tax under Sections 183 and 184. Providers must be at least 90 percent owned (directly or indirectly) by air carriers and have the principal function of fulfilling requirements of the Federal Aviation Administration (FAA) or International Civil Aviation Organization (ICAO) relating to the existence of a communication system between aircraft and dispatcher, aircraft and air traffic control or ground station and ground station (or any combination of these entities).

Section 183 Estimate: No data available

Section 184 Estimate: No data available

Reliability: Level 5

10. Foreign Commerce

Citation: Article 1, Section 3

Effective Date: November 11, 1981 (original exclusion for vessels only, June 15, 1896)

Description: All corporations incorporated under the laws of the State of New York, exclusively engaged in the operation of vessels in foreign commerce, are exempted from tax on their capital stock, franchises, and earnings for State and local purposes.

Section 184 Estimate: No data available

Reliability: Level 5

11. Railroad Leasing

Citation: Section 184(3)

Effective Date: June 1, 1917

Description: In lieu of the tax on gross earnings, a railroad corporation involved in leasing railroad property to another railroad is subject to an excess income tax measured at the rate of 4 ½ percent on that portion of dividends paid in a calendar year in excess of 4 percent on the capital stock of the company.

Section 184 Estimate: No data available

Reliability: Level 5

12. Foreign Taxicabs and Omnibuses

Citation: Section 184(2)(b)(1)(iv)

Effective Date: January 1, 1988

Description: A foreign taxicab or omnibus company doing business in New York by making fewer than 12 trips into New York State on an annual basis, but not otherwise owning or leasing property, maintaining an office, or otherwise doing business in the State so as to become subject to tax, pays a tax equal to \$15 per trip.

Section 184 Estimate: No data available

Reliability: Level 5

13. Exempt Companies

Citation: Section 186-a(2)(a)

Effective Date: January 1, 1960 (omnibuses)

Description: Persons engaged in operating omnibuses having a seating capacity of more than seven persons; or, street surface, rapid transit, subway, and elevated railroads are not subject to the Section 186-a tax.

Section 186-a Estimate: No data available

Reliability: Level 5

14. Exempt Organizations

Citation: Section 186-a(2)(b)

Effective Date: 1937

Description: The furnishing of utilities services by the State is exempt from tax. Utility services furnished by municipalities, political and civil subdivisions of the State or a municipality, public districts, and certain corporations and associations organized and operated exclusively for religious, charitable, or educational purposes are exempt from tax under certain circumstances.

Section 186-a Estimate: No data available

Reliability: Level 5

15. Water Pollution Facilities

Citation: Section 186-a(2)(b)

Effective Date: January 1, 1969

Description: Section 186-a does not apply to a corporation organized and operated exclusively for the purpose of leasing from a city a water works system designed to alleviate water pollution within the city.

Section 186-a Estimate: No data available

Reliability: Level 5

16. Commercial, Industrial, and Not-For-Profit Relief

Citation: Section 182-a(2)(c)(1)

Effective Date: January 1, 2000

Description: In addition to the reduction and elimination of the tax on the commodity, the Section 186-a tax on transmission and distribution for commercial, industrial and not-for-profit customers was eliminated through a phased in exclusion according to the following schedule:

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<u>Calendar Year</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005 and</u> <u>After</u>
Exclusion	0%	0%	25%	50%	75%	100%

Section 186-a Estimate: No data available

Data Source: No data available

Reliability: Level 5

17. Exempt Organizations

Citation: Section 186-e(1)(c)

Effective Date: January 1, 1995

Description: Telecommunications services provided by the State, municipalities, political and civil subdivisions of the State or municipality, public districts, and corporations and associations organized and operated exclusively for religious, charitable, or educational purposes are exempt from Section 186-e tax.

Section 186-e Estimate: No data available

Reliability: Level 5

Credits

Credits include amounts, stipulated by the New York State Tax Law, which the taxpayer may subtract in calculating New York tax liability. For tax years 2010, 2011, and 2012, taxpayers are required to defer the use and refund of certain tax credits if they exceed \$2 million in aggregate.

Corporation Tax Credits

The credits described below are specific to the Corporation Tax.

18. Credit for Tax Paid in Another Jurisdiction

Citation: Section 186-e(4)(a)(2)

Credit Type: Non-refundable/Non-Carryforward

Effective Date: January 1, 1995

Description: To prevent actual multijurisdictional taxation of sales of telecommunications services, providers of interstate and international telecommunications services may claim a credit for a like tax paid to another state or country on a telecommunications service taxable under Section 186-e. The amount of the credit is the amount of tax lawfully due and paid to the other country or jurisdiction not exceeding the tax due to New York.

Section 186-e Estimates: 2012: \$0.0 million — 2016: Minimal

Data Source: Corporation Tax Study File

Reliability: Level 1

Cross-Article Credits

Descriptions of tax credits that are available under the Corporation Tax as well as other tax articles are contained in the Cross-Article Tax Credits section of the report.

SALES AND USE TAX

This section of the report provides tax expenditure descriptions and estimates for 158 provisions of the Sales and Use Tax Law. The list of expenditures is based on the Tax Law in effect as of January 1, 2016. The tax expenditure estimates only pertain to the State portion of the tax and do not include any estimates of the revenue foregone by local governments levying sales and use taxes.

The report presents historical estimates for calendar years 2009 through 2013. Table 6 lists the tax expenditures and provides historical year and projected 2016 estimates. It also lists the years for which data are available. For recently added tax expenditures, the report displays historical estimates only for years the item existed as a tax expenditure. The effective dates recorded in the report refer to the date the applicable provision took effect.

Description of Tax

The New York State Sales and Use Tax was enacted in 1965 and took effect August 1, 1965. This tax applies primarily to sales of tangible personal property in New York State, not for subsequent resale. The Sales and Use Tax also applies to a variety of services, notably, services to real or personal property, telephone service, and commercial energy use. Certain admissions, hotel occupancies, and restaurant meals are also taxed. Generally the tax base includes tangible personal property unless the law provides a specific exclusion or exemption and does not include services unless the law specifically enumerates the service as taxable.

The Tax Law provides manufacturers with exemptions for the purchase, repair, and maintenance of machinery and equipment used in production. Other exempt items include food, medicine, residential energy, and sales to exempt entities. Although most services are not subject to sales or use tax, this report examines only services which are specifically exempted by New York State law. Thus, this report does not list unenumerated services (e.g., accounting services, engineering services) as tax expenditures.

The Department of Taxation and Finance administers the Sales and Use Tax for the State and its constituent jurisdictions that also impose the tax. The State rate equals 4 percent. Local rates range from 3 percent to 4.75 percent. Communities within the Metropolitan Commuter Transportation District are subject to an additional 3/8 of 1 percent tax rate. In State fiscal year 2014-15, the Department collected about \$12.3 billion for the State and approximately \$15.3 billion for local governments from sales and use taxes.

SALES AND USE TAX

Data Sources

Most tax expenditure estimates for the Sales Tax use aggregate, non-tax data sources because no tax return data exists for the many exclusions and exemptions. Thus, the estimates are only suggestive of the revenue loss associated with each of the provisions. The estimates are rounded to the nearest million dollars.

The major non-tax data sources used to compute the tax expenditure estimates include:

- Government publications and surveys such as the U.S. Census Bureau's *Economic Census*;
- Data compiled by individual New York State agencies; and
- Industry surveys and information, such as the information provided by the International Dairy Food Association.

Methodology

The report bases the historical estimates on the most recent data available. If data are not available for a particular year covered by the report, the tax expenditure is estimated from the most recent data. For example, where 2012 represents the latest year for which relevant data are available, the 2012 data are used to derive the historical estimates. Historical estimates may vary from prior year reports due to the availability of more recent data. From the most recent data, tax expenditure estimates are projected to 2016 levels. Historical estimates are projected to 2016 levels using the New York State Division of the Budget's forecast of the U.S. and New York economies. Where applicable, such measures as price, employment, and productivity were used to extrapolate to the expenditure value.

A sales tax transaction can be exempt from tax because the good or service is exempt or because its use, purchaser, or seller is exempt. In valuing the exemptions, no account is taken of the fact that if the good or service were made taxable, some of the transactions would remain exempt because of the nature of the use, purchaser, or seller. Hence, the value of a particular good or service may be included in two or more tax expenditure estimates. Because of this overlapping, the revenue value of eliminating an exemption would not necessarily coincide with the estimated value herein.

SALES AND USE TAX

Table 6
2016 New York State Sales and Use Tax Expenditure Estimates
(2014-15 Total NY Sales and Use Tax Liability = \$12,263 Million)
(Millions of Dollars)

Tax Item	Data Source Year(s)	History					Forecast	Reliability
		2009	2010	2011	2012	2013	2016	Level
Services								
1. Certain Information Services		N/A	N/A	N/A	N/A	N/A	N/A	5
2. Certain Information Services Provided Over the Telephone		N/A	N/A	N/A	N/A	N/A	N/A	5
3. Services Performed on a Non-Trade Basis		N/A	N/A	N/A	N/A	N/A	N/A	5
4. Laundering, Tailoring, Shoe Repair, and Similar Services	2012	73.0	73.0	73.0	73.0	73.0	80.0	4B
5. Capital Improvement Installation Services ¹	2009-2012	483.0	393.0	376.0	414.0	434.0	477.0	4C
6. Services Related to Railroad Rolling Stock	2013	2.0	2.0	2.0	2.0	2.0	2.0	4B
7. Services to Property Delivered Outside New York		N/A	N/A	N/A	N/A	N/A	N/A	5
8. Municipal Parking Services	2009-2010	8.0	9.0	9.0	9.0	9.0	10.0	4A
9. Parking and Garaging at a Private Residence	2012	*	*	*	*	*	*	4A
10. Certain Protective and Detective Services	2009-2010	*	*	*	*	*	*	4A
11. Medical Emergency Alarm Call Services	2013	1.0	1.0	1.0	1.0	1.0	1.0	4C
12. Coin-Operated Car Wash Services	2012	9.0	8.0	8.0	12.0	11.0	12.0	4C
13. Trash Removal from a Waste Transfer Facility	2009-2011	2.0	2.0	3.0	3.0	3.0	3.0	4B
14. Transportation Services in Connection with Funerals ²	2013	*	1.0	1.0	1.0	1.0	1.0	4C
15. Transportation Services Provided by Affiliated Livery Vehicles ²	2013	1.0	3.0	3.0	3.0	3.0	3.0	4C
16. Water and Sewer Line Protection Programs ²	2013	--	--	--	--	*	*	4C
Food								
17. Certain Food Products	2009-2013	1,173.0	1,151.0	1,194.0	1,190.0	1,208.0	1,331.0	4B
18. Food Sold to Airlines	2012	5.0	5.0	5.0	5.0	5.0	6.0	4A
19. Food Sold at School Cafeterias	2011-2013	148.0	150.0	152.0	171.0	170.0	189.0	4A
20. Food Purchased with Food Stamps	2009-2013	174.0	206.0	218.0	224.0	225.0	266.0	4A
21. Water Delivered Through Mains or Pipes	2009-2013	68.0	75.0	81.0	84.0	86.0	90.0	4B
22. Mandatory Gratuity Charges	2009-2011	27.0	30.0	32.0	35.0	38.0	40.0	4A
23. Wine Used for Wine Tastings	2013	*	*	*	*	*	*	4A
24. Beer, Cider and Liquor Tastings ¹	2013	--	--	--	--	--	*	4B
25. Vending Machine Sales of Hot Drinks and Certain Foods	2009-2013	16.0	14.0	14.0	14.0	13.0	14.0	4C
26. Vending Machine Sales of Candy, Juice and Soft Drinks	2009-2013	3.0	3.0	3.0	3.0	3.0	6.0	4C
27. Food Sold at Senior Citizen Housing Communities	2013	*	*	*	*	*	*	4B
Medical								
28. Drugs, Medicine, and Medical Supplies	2009-2013	892.0	929.0	983.0	1,027.0	1,080.0	1,389.0	4C
29. Eyeglasses, Hearing Aids and Prosthetic Aids	2012	138.0	145.0	146.0	148.0	149.0	154.0	4C
30. Veterinarian Services	2009-2010, 2012-2013	29.0	32.0	33.0	33.0	35.0	38.0	4B
31. Service Dogs	2013	*	*	*	*	*	*	4B

SALES AND USE TAX

Tax Item	Data Source Year(s)	History					Forecast	Reliability
		2009	2010	2011	2012	2013	2016	Level
Energy								
32. Residential Energy	2009-2013	708.0	749.0	798.0	702.0	756.0	747.0	4A
33. Fuel, Gas, Electricity, Refrigeration, and Steam Used in Research and Development and Production	2009-2012	159.0	178.0	168.0	147.0	129.0	122.0	4C
34. Fuel, Gas, Electricity, Refrigeration, and Steam Used in Farming and Commercial Horse Boarding	2009-2012	11.0	12.0	13.0	15.0	17.0	14.0	4B
35. Reduced Rate on Gas and Electric Delivery ¹	2009-2013	88.0	102.0	109.0	116.0	114.0	118.0	4B
36. Gas and Electricity Used in Transmission, Distribution and Storage	2009-2013	6.0	6.0	7.0	6.0	7.0	7.0	4C
37. Residential Solar Energy Systems ¹	2013	2.0	2.0	2.0	2.0	1.0	1.0	4B
38. Commercial Solar Energy Systems	2013	--	--	--	--	1.0	1.0	4C
39. Solar Power Purchase Agreements ¹	2013	--	--	--	--	--	*	4C
40. Electricity, Refrigeration, and Steam Sold by Certain Cooperative Corporations		N/A	N/A	N/A	N/A	N/A	N/A	5
41. Automotive Fuel Receipts Exceeding Two Dollars Per Gallon	2009-2013	70.0	178.0	369.0	396.0	359.0	49.0	4A
42. Alternative Fuels	2009-2013	*	1.0	1.0	2.0	1.0	1.0	4A
43. B20 Bio-Diesel Fuel	2009-2013	*	*	*	*	*	*	4A
Transportation								
44. Commercial Vessels		N/A	N/A	N/A	N/A	N/A	N/A	5
45. Vessels ¹	2014	--	--	--	--	--	*	4B
46. Barge Repairs	2012	*	*	*	*	*	*	4C
47. Commercial Aircraft	2009-2013	14.0	11.0	14.0	15.0	21.0	22.0	4C
48. General Aviation Aircraft ¹	2014	--	--	--	--	--	10.0	4C
49. Fuel Sold to Airlines	2009-2012	46.0	52.0	76.0	129.0	103.0	87.0	4A
50. Parts for Foreign Aircraft		N/A	N/A	N/A	N/A	N/A	N/A	5
51. Services to Private Aircraft	2009-2011, 2013	4.0	4.0	4.0	5.0	5.0	6.0	4C
52. Intra-family Sales of Motor Vehicles		N/A	N/A	N/A	N/A	N/A	N/A	5
53. Motor Vehicles and Vessels Sold to Nonresidents		N/A	N/A	N/A	N/A	N/A	N/A	5
54. Motor Vehicles Purchased Out-of-State by a Member of the Military Service ²	2013	--	--	--	--	*	4.0	4C
55. Rental of Trucks in Certain Cases		N/A	N/A	N/A	N/A	N/A	N/A	5
56. Tractor-Trailer Combinations	2013	21.0	22.0	22.0	23.0	24.0	29.0	4B
57. Sales of Property by Railroads in Reorganization	2009-2013	0.0	0.0	0.0	0.0	0.0	0.0	4A
58. Commercial Buses	2010	5.0	5.0	5.0	5.0	5.0	6.0	4A
59. Marine Terminal Facility Equipment	2013	*	*	*	*	*	*	4B
60. Ferry Boats	2009, 2012	*	*	*	*	*	*	4A
Communication and Media								
61. Interstate or International Telephone and Telegraph Service	2009	244.0	237.0	230.0	232.0	232.0	255.0	4A
62. Internet Access Service	2009-2012	208.0	233.0	261.0	271.0	282.0	317.0	4C
63. Cable Television Service	2009-2011	249.0	264.0	280.0	295.0	311.0	363.0	4C
64. Newspapers and Periodicals	2009	53.0	50.0	48.0	48.0	47.0	45.0	4B

SALES AND USE TAX

Tax Item	Data Source Year(s)	History					Forecast	Reliability
		2009	2010	2011	2012	2013	2016	Level
65. Electronic News Services and Electronic Periodicals ²	2010	--	--	--	*	*	*	4C
66. Shopping Papers	2009	1.0	1.0	1.0	1.0	1.0	1.0	4C
67. Telephone Service Used by the Media		N/A	N/A	N/A	N/A	N/A	N/A	5
68. Certain Coin-Operated Telephone Charges	2009	1.0	1.0	1.0	1.0	1.0	*	4C
69. Telecommunications and Internet Equipment	2009-2010	72.0	74.0	74.0	76.0	80.0	89.0	4B
70. Internet Data Centers	2011	11.0	12.0	12.0	12.0	13.0	14.0	4C
71. Radio and Television Broadcasting	2009-2011	3.0	4.0	3.0	3.0	3.0	4.0	4C
72. Film Production		N/A	N/A	N/A	N/A	N/A	N/A	5
73. Certain Mobile Telecommunication Services	2009-2010	4.0	4.0	4.0	4.0	4.0	4.0	4B
Industry								
74. Tools and Supplies Used in Production		N/A	N/A	N/A	N/A	N/A	N/A	5
75. Farm Production and Commercial Horse Boarding	2009-2011	61.0	65.0	73.0	76.0	80.0	80.0	4B
76. Research and Development Property	2009	61.0	63.0	65.0	66.0	69.0	79.0	4B
77. Machinery and Equipment Used in Production	2009-2011	335.0	319.0	325.0	329.0	330.0	330.0	4B
78. Services to Machinery and Equipment Used in Production	2007	16.0	16.0	16.0	16.0	16.0	16.0	4B
79. Wrapping and Packaging Materials		N/A	N/A	N/A	N/A	N/A	N/A	5
80. Milk Crates	2010, 2013	*	1.0	1.0	1.0	1.0	1.0	4C
81. Commercial Fishing Vessels	2009-2011	1.0	1.0	1.0	1.0	*	*	4B
82. Certain Services Used in Gas or Oil Production	2009-2011	2.0	1.0	1.0	1.0	1.0	1.0	4C
83. Pollution Control Equipment	2009-2011	10.0	11.0	14.0	14.0	14.0	14.0	4C
84. Property Manufactured by the User	2009-2010	*	*	*	*	*	*	4B
Miscellaneous								
85. Certain Property Sold Through Vending Machines	2009-2011	1.0	1.0	1.0	1.0	1.0	1.0	4C
86. Trade-in Allowance	2009-2011	449.0	541.0	638.0	695.0	732.0	845.0	4A
87. Certain Hotel Room Rent		N/A	N/A	N/A	N/A	N/A	N/A	5
88. Dues for Fraternal Societies	2009-2011	17.0	17.0	17.0	17.0	18.0	19.0	4C
89. Homeowner Association Dues		N/A	N/A	N/A	N/A	N/A	N/A	5
90. Homeowner Association Parking Services		N/A	N/A	N/A	N/A	N/A	N/A	5
91. Property Sold by Morticians	2009-2011	9.0	9.0	9.0	9.0	9.0	10.0	4C
92. Flags		N/A	N/A	N/A	N/A	N/A	N/A	5
93. Military Decorations	2009-2011	*	*	*	*	*	*	4C
94. Military Flags and Banners ²	2012	--	--	--	*	*	*	4C
95. Garage Sales		N/A	N/A	N/A	N/A	N/A	N/A	5
96. New Mobile Homes	2009-2011	1.0	1.0	1.0	1.0	1.0	1.0	4A
97. Used Mobile Homes		N/A	N/A	N/A	N/A	N/A	N/A	5
98. Modular Homes ²	2009	*	*	*	*	*	*	4B
99. Registered Race Horses		N/A	N/A	N/A	N/A	N/A	N/A	5
100. Race Horses Purchased Through Claiming Races		N/A	N/A	N/A	N/A	N/A	N/A	5
101. Race Horses Purchased Out of State		N/A	N/A	N/A	N/A	N/A	N/A	5
102. Training and Maintaining Race Horses	2007	3.0	3.0	3.0	3.0	3.0	3.0	4C

SALES AND USE TAX

Tax Item	Data Source Year(s)	History					Forecast	Reliability
		2009	2010	2011	2012	2013	2016	Level
103. Property Sold to Contractors for Capital Improvements or Repairs for Exempt Organizations	2009-2011	102.0	98.0	96.0	101.0	105.0	129.0	4C
104. Property Donated by a Manufacturer to an Exempt Organization		N/A	N/A	N/A	N/A	N/A	N/A	5
105. Sales and Use Tax Paid to Other States		N/A	N/A	N/A	N/A	N/A	N/A	5
106. Precious Metal Bullion and Coins	2011	294.0	373.0	494.0	504.0	512.0	528.0	4C
107. Computer Software Transferred to Affiliated Corporations		N/A	N/A	N/A	N/A	N/A	N/A	5
108. Services to Computer Software		N/A	N/A	N/A	N/A	N/A	N/A	5
109. Self-use of Prewritten Software by its Author		N/A	N/A	N/A	N/A	N/A	N/A	5
110. Computer System Hardware	2009-2011	12.0	16.0	14.0	15.0	15.0	16.0	4C
111. Promotional Materials Mailed Out of State		N/A	N/A	N/A	N/A	N/A	N/A	5
112. Printed Promotional Materials	2007	46.0	49.0	53.0	57.0	56.0	54.0	4C
113. U.S. Postage Used in the Distribution of Promotional Materials		N/A	N/A	N/A	N/A	N/A	N/A	5
114. Clothing and Footwear	2009-2012	700.0	515.0	359.0	712.0	833.0	891.0	4B
115. Coin-Operated Photocopying Machines	2009-2011	*	*	*	*	*	*	4C
116. Luggage Carts	2012	*	*	*	*	*	*	4C
117. Emissions Testing Equipment	2009-2012	*	*	*	*	*	*	4A
118. College Textbooks	2009-2011	25.0	25.0	25.0	25.0	24.0	21.0	4B
119. Live Dramatic or Musical Arts Production	2009	4.0	4.0	4.0	5.0	5.0	5.0	4A
120. Lower Manhattan Commercial Office Space	2012	14.0	9.0	7.0	8.0	12.0	9.0	4B
121. Dodd-Frank Wall Street Reform and Consumer Protection Act ¹	2014	--	--	--	--	--	*	4C
Exempt Organizations								
122. New York State Agencies and Political Subdivisions	2009-2010	1,261.0	1,275.0	,277.0	1,280.0	1,289.0	1,315.0	4C
123. Industrial Development Agencies	2009-2010	72.0	73.0	74.0	76.0	77.0	81.0	4A
124. Federal Agencies	2009-2012	340.0	333.0	271.0	251.0	251.0	256.0	4B
125. United Nations		N/A	N/A	N/A	N/A	N/A	N/A	5
126. Diplomats and Foreign Missions		N/A	N/A	N/A	N/A	N/A	N/A	5
127. Charitable Organizations	2009-2011	488.0	508.0	530.0	533.0	541.0	566.0	4C
128. Veterans' Posts or Organizations	2009-2012	*	*	*	*	*	*	4C
129. Veterans' Home Gift Shops	2007	*	*	*	*	*	*	4C
130. Indian Nations and Members of Such Indian Nations	2010	4.0	5.0	6.0	7.0	7.0	7.0	4C
131. U.S. Military Base Post Exchanges	2008	7.0	7.0	7.0	7.0	7.0	8.0	4A
132. Nonprofit Health Maintenance Organizations	2009-2012	14.0	14.0	15.0	17.0	17.0	18.0	4A
133. Nonprofit Medical Expense Indemnity or Hospital Service Corporations	2009-2012	5.0	5.0	5.0	5.0	5.0	5.0	4A
134. Nonprofit Property/Casualty Insurance Companies		N/A	N/A	N/A	N/A	N/A	N/A	5
135. Certain State Credit Unions	2009-2012	2.0	2.0	2.0	2.0	2.0	3.0	4A
136. Rural Electric Cooperatives	2009-2012	*	*	1.0	1.0	1.0	1.0	4A
137. Municipal Trash Removal Services	2009-2012	40.0	38.0	37.0	37.0	36.0	34.0	4B

SALES AND USE TAX

Tax Item	Data Source Year(s)	History					Forecast	Reliability
		2009	2010	2011	2012	2013	2016	Level
Exempt Admission Charges								
138. Certain Admission Charges	2007	69.0	72.0	74.0	77.0	79.0	84.0	4B
139. Amusement Park Admissions	2012	2.0	2.0	2.0	2.0	3.0	3.0	4A
140. Events Given for the Benefit of Charitable Organizations, Veterans Posts, and Indian Nations		N/A	N/A	N/A	N/A	N/A	N/A	5
141. Events Given for the Benefit of Certain Orchestras and Opera Companies		N/A	N/A	N/A	N/A	N/A	N/A	5
142. National Guard Organization Events		N/A	N/A	N/A	N/A	N/A	N/A	5
143. Municipal Police and Fire Department Events		N/A	N/A	N/A	N/A	N/A	N/A	5
144. Certain Athletic Games		N/A	N/A	N/A	N/A	N/A	N/A	5
145. Carnivals or Rodeos for Certain Charitable Organizations	2009	1.0	1.0	1.0	1.0	1.0	1.0	4B
146. Agricultural Fairs	2009-2012	1.0	1.0	1.0	1.0	1.0	1.0	4A
147. Historical Homes, Gardens, Sites, and Museums		N/A	N/A	N/A	N/A	N/A	N/A	5
148. Performances at a Roof Garden or Cabaret	2012	3.0	3.0	3.0	3.0	3.0	3.0	4C
Credits								
149. Sales Tax Vendor Credit	2009-2013	96.0	79.0	74.0	76.0	77.0	88.0	3
150. Tangible Property Sold by Contractors in Certain Situations		N/A	N/A	N/A	N/A	N/A	N/A	5
151. Veterinary Drugs		N/A	N/A	N/A	N/A	N/A	N/A	5
152. Construction Materials Used in Empire Zones		N/A	N/A	N/A	N/A	N/A	N/A	5
153. Bus Companies Providing Local Transit Service	2009	1.0	1.0	1.0	1.0	1.0	1.0	4A
154. Vessel Operators Providing Local Transit Service	2012	*	*	*	*	*	*	4B
155. Qualified Empire Zone Enterprises ²	2010	*	20.0	20.0	20.0	20.0	17.0	4C
156. Economic Transformation and Facility Redevelopment Program	2012	--	--	--	0.0	0.0	0.0	4B
157. New York State Business Incubator and Innovation Hot Spot Program ²	2013	--	--	--	--	*	*	4C
158. START-UP NY Tax Elimination Credit	2013	--	--	--	--	--	16.0	4C

1/ A new tax expenditure item or a revision of the methodology, data or data sources resulting in an estimate that better reflects the tax expenditure value.

2/ First estimate in history is a partial calendar year estimate.

-- The tax expenditure was not applicable for these years.

* Less than \$1 million.

N/A No data available.

SALES AND USE TAX

Services

1. **Certain Information Services**

Citation: Section 1105(c)(1)

Effective Date: August 1, 1965; September 1, 1995 for meteorological services; March 1, 2012 for electronic news services.

Description: An exclusion is allowed for the furnishing of information that is personal or individual in nature, the services of advertising or other agents acting in a representative capacity, information services used by newspapers, electronic news services, radio broadcasters, and television broadcasters in the collection and dissemination of news, and meteorological services.

Estimate: No data available

Reliability: Level 5

2. **Certain Information Services Provided Over the Telephone**

Citation: Section 1105(c)(9)

Effective Date: September 1, 1990

Description: An information service that would be exempt from tax if delivered in printed form is also exempt from tax when provided over the telephone. This exemption complements Section 1105(c)(1), which is Item number 1 above.

Estimate: No data available

Reliability: Level 5

3. **Services Performed on a Non-Trade Basis**

Citation: Section 1105(c)(3)(i) and Section 1105(c)(5)(i)

Effective Date: August 1, 1965

Description: An exclusion is allowed for installation, repair, and maintenance services rendered by an individual who is engaged directly by a private homeowner or lessee in or about his residence and who is not in a regular trade or business offering those services to the public.

Estimate: No data available

Reliability: Level 5

4. **Laundering, Tailoring, Shoe Repair, and Similar Services**

Citation: Section 1105(c)(3)(ii)

Effective Date: August 1, 1965

Description: Charges for laundering, dry cleaning, tailoring, weaving, pressing, shoe repairing, and shoe shining are excluded from tax.

Estimates: 2013: \$73.0 million — 2016: \$80.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4B

5. **Capital Improvement Installation Services**

Citation: Section 1105(c)(3)(iii)

Effective Date: August 1, 1965

- Description:** An exclusion is allowed for installing property which, when installed, will constitute an addition or capital improvement to real property.
- Estimates:** 2013: \$434.0 million — 2016: \$477.0 million
- Data Source:** U.S. Census Bureau
- Reliability:** Level 4C
6. **Services Related to Railroad Rolling Stock**
- Citation:** Section 1105(c)(3)(viii)
- Effective Date:** September 1, 1985
- Description:** Excluded from tax are repair and maintenance services rendered with respect to railroad rolling stock primarily engaged in carrying freight, but not including any charge for parts.
- Estimates:** 2013: \$2.0 million — 2016: \$2.0 million
- Data Source:** New York State Department of Transportation
- Reliability:** Level 4B
7. **Services to Property Delivered Outside New York**
- Citation:** Section 1115(d)
- Effective Date:** August 1, 1965
- Description:** Services to tangible personal property are exempt when the property is delivered outside New York State for use outside the State.
- Estimate:** No data available
- Reliability:** Level 5
8. **Municipal Parking Services**
- Citation:** Section 1105(c)(6)
- Effective Date:** December 1, 1996
- Description:** Charges for parking, garaging, or storing motor vehicles are exempt at facilities owned and operated by local governments and local public parking authorities.
- Estimates:** 2013: \$9.0 million — 2016: \$10.0 million
- Data Source:** New York State Office of the Comptroller; City of New York Office of Management and Budget
- Reliability:** Level 4A
9. **Parking and Garaging at a Private Residence**
- Citation:** Section 1105(c)(6)
- Effective Date:** June 1, 1990
- Description:** Charges for parking, garaging or storing vehicles at a garage that constitutes part of the premises occupied solely as a private one- or two-family dwelling are exempt.
- Estimates:** 2013: Minimal — 2016: Minimal
- Data Source:** New York State Department of Taxation and Finance
- Reliability:** Level 4A

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10. **Certain Protective and Detective Services**
Citation: Section 1105(c)(8)
Effective Date: June 1, 1990
Description: Protective and detective services provided by a port watchman licensed by the Waterfront Commission of New York Harbor are exempt from tax.
Estimates: 2013: Minimal — 2016: Minimal
Data Source: New York Shipping Association, Inc.
Reliability: Level 4A

11. **Medical Emergency Alarm Call Services**
Citation: Section 1115(r)
Effective Date: September 1, 1994
Description: Exempt from tax are medical emergency alarm services.
Estimates: 2013: \$1.0 million — 2016: \$1.0 million
Data Source: U.S. Census Bureau; Philips Lifeline, Inc.
Reliability: Level 4C

12. **Coin-Operated Car Wash Services**
Citation: Section 1115(t)
Effective Date: December 1, 1997; December 1, 2004 for certain vacuuming services; December 1, 2005 for additional automated services.
Description: The sales tax exempts the service of washing, waxing, or vacuuming a motor vehicle or other property by means of coin-operated equipment.
Estimates: 2013: \$11.0 million — 2016: \$12.0 million
Data Source: U.S. Census Bureau
Reliability: Level 4C

13. **Trash Removal from a Waste Transfer Facility**
Citation: Section 1105(c)(5)(iv)
Effective Date: December 1, 2005
Description: Excluded from tax is the removal of waste material from a waste transfer station or construction and demolition debris processing facility, where the waste to be removed was not originally generated by the facility.
Estimate: 2013: \$3.0 million — 2016: \$3.0 million
Data Source: New York State Department of Environmental Conservation; New York State Department of Taxation and Finance
Reliability: Level 4B

14. **Transportation Services in Connection with Funerals**
Citation: Sections 1101(b)(34)
Effective Date: June 1, 2009
Description: Excluded from tax is the transportation service of transporting persons in connection with funerals.
Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: New York State Department of Health; National Funeral Directors Association

Reliability: Level 4B

15. **Transportation Services Provided by Affiliated Livery Vehicles**

Citation: Sections 1101(b)(34)

Effective Date: June 1, 2009

Description: Charges for transportation services provided by affiliated livery vehicles within New York City are excluded from the sales tax on certain transportation services.

Estimates: 2013: \$3.0 million — 2016: \$3.0 million

Data Source: New York State Division of the Budget

Reliability: 4C

16. **Water and Sewer Service Line Protection Programs**

Citation: Section 1115(ii)

Effective Date: October 21, 2013

Description: Water and sewer service line protection programs sold to owners of residential property are exempt from tax.

Estimates: 2013: Not Applicable — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: 4C

Food

17. **Certain Food Products**

Citation: Sections 1115(a)(1), 1105(d)(i)(3)

Effective Date: August 1, 1965

Description: Exempt from tax are food, food products, beverages, dietary foods, and health supplements sold for human consumption. The exemption does not include candy and confectionery, fruit drinks which contain less than 70 percent of natural fruit juice, soft drinks, sodas, beer, wine, or other alcoholic beverages. In addition, sales of food (other than sandwiches) or drink of a type commonly sold in food stores (other than food stores principally engaged in selling prepared foods) are exempt when sold by a restaurant or other establishment in an unheated state, for off-premises consumption.

Estimates: 2013: \$1,208.0 million — 2016: \$1,331.0 million

Data Source: U.S. Bureau of Labor Statistics

Reliability: Level 4B

18. **Food Sold to Airlines**

Citation: Section 1105(d)(ii)(A)

Effective Date: August 1, 1965

Description: The sales tax does not apply to food or drink that is sold to an airline for consumption by passengers while in flight.

Estimates: 2013: \$5.0 million — 2016: \$6.0 million

Data Source: U.S. Department of Transportation

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Reliability: Level 4A

19. **Food Sold at School Cafeterias**

Citation: Section 1105(d)(ii)(B)
Effective Date: September 1, 1968
Description: Food or drink sold to nursery school, kindergarten, elementary, or secondary school students at a restaurant or cafeteria located at the school is excluded from tax. Also excluded are food and nonalcoholic beverages sold at a restaurant, tavern, or other establishment located on the premises of a college or university when sold to enrolled students under a contractual arrangement whereby the students do not pay cash at the time they are served.
Estimates: 2013: \$170.0 million— 2016: \$189.0 million
Data Source: New York State Department of Education
Reliability: Level 4A
20. **Food Purchased with Food Stamps**

Citation: Section 1115(k)
Effective Date: October 1, 1987
Description: Food and beverages eligible to be purchased with Food Stamps (the Supplemental Nutrition Assistance Program) are exempt from tax.
Estimates: 2013: \$225.0 million — 2016: \$266.0 million
Data Source: New York State Office of Temporary and Disability Assistance
Reliability: Level 4A
21. **Water Delivered Through Mains or Pipes**

Citation: Section 1115(a)(2)
Effective Date: August 1, 1965
Description: Water delivered to consumers through mains or pipes is exempt.
Estimates: 2013: \$86.0 million — 2016: \$90.0 million
Data Source: New York State Department of Public Service; New York State Office of the State Comptroller; New York City Water and Sewer System
Reliability: Level 4B
22. **Mandatory Gratuity Charges**

Citation: Section 1105(d) and Regulation Section 527.8(l)
Effective Date: August 1, 1965
Description: A separately stated charge specifically designated as a gratuity is exempt where all such monies received are paid over to employees.
Estimates: 2013: \$38.0 million — 2016: \$40.0 million
Data Source: New York State Department of Taxation and Finance; Cornell University School of Hotel and Food Service Management
Reliability: Level 4A

23. **Wine Used for Wine Tastings**

Citation: Section 1115(a)(33)

Effective Date: December 1, 1997; April 13, 2015 for bottles, corks, caps, and labels.

Description: Exempt from tax is the wine or wine product, and the bottles, corks, caps, and labels used to package the wine or wine product that a winery, wine wholesaler, or wine importer furnishes to customers or prospective customers at a wine tasting.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4A

24. **Beer, Cider and Liquor Tastings**

Citation: Section 1118(13)

Effective Date: June 1, 2015

Description: Beer, cider, and liquor furnished at no charge by a licensed brewery, farm brewery, cider producer, farm cidery, distillery, or farm distillery to a customer or prospective customer for consumption at tastings is exempt from tax. Also exempt are bottles, corks, caps, and labels used to package the alcoholic beverages served at the tastings.

Estimates: 2013: Not Applicable — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: 4B

25. **Vending Machine Sales of Hot Drinks and Certain Foods**

Citation: Section 1105(d)(i)(3)

Effective Date: December 1, 1997; December 1, 1999 for credit/debit card-operated machines.

Description: Exempt from tax are hot drinks sold through coin-operated vending machines and vending machines accepting credit cards or debit cards. In addition, vending machine sales of other food and beverage, including food and beverage sold for on-premises consumption, are exempt if the food or beverage would be exempt when sold at a grocery store.

Estimates: 2013: \$13.0 million — 2016: \$14.0 million

Data Source: Vending Times; U.S. Census Bureau

Reliability: Level 4C

26. **Vending Machine Sales of Candy, Juice and Soft Drinks**

Citation: Section 1115(a)(1)

Effective Date: September 1, 2000; \$1.50 exemption effective June 1, 2014

Description: Candy, fruit drinks, and soft drinks sold for \$1.50 or less through a vending machine are exempt from tax. For September 1, 2000 through May 31, 2014, the exemption threshold was 75 cents.

Estimates: 2013: \$3.0 million — 2016: \$6.0 million

Data Source: Vending Times; U.S. Census Bureau

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Reliability: Level 4C

27. **Food Sold at Senior Citizen Housing Communities**

Citation: Section 1115(w)

Effective Date: December 1, 2000

Description: Sales by a senior citizen independent housing community of food or drink (except alcoholic beverages) for on-premise consumption are exempt from tax when served to residents and their guests at the dining facility or in the resident's room.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Taxation and Finance; New York State Department of Health

Reliability: Level 4B

Medical

28. **Drugs, Medicine, and Medical Supplies**

Citation: Section 1115(a)(3), (g)

Effective Date: August 1, 1965 for drugs and medicines; September 1, 1976 for medical equipment and supplies and services to medical equipment.

Description: Exempt from tax are drugs and medicines intended for use, internally or externally, in the cure, mitigation, treatment, or prevention of illnesses or diseases in human beings. The exemption extends to medical equipment and supplies and services to medical equipment. This exemption does not include medical equipment and supplies purchased by a person who provides medical or dental services for compensation.

Estimates: 2013: \$1,080.0 million — 2016: \$1,389.0 million

Data Source: U.S. Department of Commerce; U.S. Census Bureau

Reliability: Level 4C

29. **Eyeglasses, Hearing Aids, and Prosthetic Aids**

Citation: Section 1115(a)(4), (g)

Effective Date: August 1, 1965 (Sec. 1115(a)(4)); September 1, 1969 (Sec. 1115(g))

Description: Eyeglasses, hearing aids, prosthetic aids, and artificial devices and component parts purchased to correct physical incapacity in human beings, as well as services performed upon these items, are exempt from tax.

Estimates: 2013: \$149.0 million — 2016: \$154.0 million

Data Source: U.S. Department of Commerce; U.S. Census Bureau

Reliability: Level 4C

30. **Veterinarian Services**

Citation: Section 1115(f)

Effective Date: June 1, 1967

Description: Services rendered by a licensed veterinarian in the practice of veterinary medicine are exempt from tax. Tangible personal property designed for use by domestic animals or poultry is also exempt when sold by a veterinarian. However, the veterinarian pays sales tax on the purchase of such property.

Estimates: 2013: \$35.0 million — 2016: \$38.0 million

Data Source: American Veterinary Medical Association; The Nelson A. Rockefeller Institute of Government

Reliability: Level 4B

31. Service Dogs

Citation: Section 1115(s)

Effective Date: September 24, 1995

Description: The sale of any good or service necessary to acquire, sustain, or maintain a guide dog, a hearing dog, or a service dog which is used by a person with a disability is exempt.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Agriculture and Markets; New York City Department of Health

Reliability: Level 4B

Energy

32. Residential Energy

Citation: Sections 1105-A, 1115(a)(25)

Effective Date: October 1, 1980 (Section 1105-A); September 1, 1985 (Section 1115(a)(25))

Description: Receipts from the retail sale of wood used for residential heating purposes, fuel oil, propane (except when sold in containers that hold less than 100 pounds), natural gas, electricity and steam, and gas, electric, and steam services used for residential purposes are taxed at the rate of zero percent and thus are exempt from State sales tax. Residential use of natural gas obtained from a gas well located on the landowner's property is exempt.

Estimates: 2013: \$756.0 million — 2016: \$747.0 million

Data Source: New York State Department of Taxation and Finance; U.S. Census Bureau

Reliability: Level 4A

33. Fuel, Gas, Electricity, Refrigeration, and Steam Used in Research and Development and Production

Citation: Section 1115(a)(10), (b)(ii), (c)(1)

Effective Date: August 1, 1965

Description: Fuel, gas, electricity, refrigeration, and steam; and gas, electric, refrigeration, and steam service used directly and exclusively in research and development in the experimental or laboratory sense, or used directly and exclusively in the production of tangible personal property, gas, electricity, refrigeration, or steam, for sale, by

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- manufacturing, processing, assembling, generating, refining, mining, or extracting are exempt from the sales tax.
Estimates: 2013: \$129.0 million — 2016: \$122.0 million
Data Source: New York State Energy Research and Development Authority; U.S. Department of Energy
Reliability: Level 4C
34. **Fuel, Gas, Electricity, Refrigeration, and Steam Used in Farming and Commercial Horse Boarding**
Citation: Section 1115(c)(2)
Effective Date: September 1, 2000
Description: Fuel, gas, electricity, refrigeration, and steam; and gas, electric, refrigeration, and steam service used in the production of tangible personal property, for sale, by farming or in a commercial horse boarding operation are exempt from tax.
Estimates: 2013: \$17.0 million — 2016: \$14.0 million
Data Source: U.S. Department of Agriculture; New York State Department of Agriculture and Markets
Reliability: Level 4B
35. **Reduced Rate on Gas and Electric Delivery**
Citation: Section 1105-C
Effective Date: September 1, 2000
Description: Effective September 1, 2003, the sales and use tax rate on transportation, transmission, or distribution of gas or electricity is zero percent.
Estimates: 2013: \$114.0 million — 2016: \$118.0 million
Data Source: New York State Public Service Commission; U.S. Department of Energy
Reliability: Level 4B
36. **Gas and Electricity Used in Transmission, Distribution and Storage**
Citation: Section 1115(w)
Effective Date: June 1, 2000
Description: Gas or electricity or gas or electric service used directly and exclusively to provide gas or electric service consisting of operating a gas pipeline or gas distribution line or an electric transmission or distribution line and ensuring the necessary working pressure in an underground gas storage facility is exempt.
Estimates: 2013: \$7.0 million — 2016: \$7.0 million
Data Source: New York State Public Service Commission; U.S. Department of Energy
Reliability: Level 4C
37. **Residential Solar Energy Systems**
Citation: Section 1115(ee)
Effective Date: September 1, 2005

- Description:** Residential solar energy systems equipment and the service of installing such systems is exempt from tax.
Estimate: 2013: \$1.0 million — 2016: \$1.0 million
Data Source: New York State Energy Research and Development Authority
Reliability: Level 4B
38. **Commercial Solar Energy Systems**
Citation: Section 1115(hh)
Effective Date: January 1, 2013
Description: Commercial solar energy systems equipment and the service of installing such systems is exempt from tax.
Estimates: 2013: \$1.0 million — 2016: \$1.0 million
Data Source: New York State Division of the Budget
Reliability: 4C
39. **Solar Power Purchase Agreements**
Citation: Section 1115(ee), (ii)
Effective Date: December 1, 2015
Description: Electricity sold by a solar energy company is exempt when the electricity is generated by equipment owned by the solar energy company and installed at the purchaser's residential or non-residential premises.
Estimates: 2013: Not Applicable 2016: Minimal
Data Source: New York State Division of the Budget
Reliability: 4C
40. **Electricity, Refrigeration, and Steam Sold by Certain Cooperative Corporations**
Citation: Section 1115(b)(iii)
Effective Date: March 1, 2006
Description: Exempt from tax are electricity, steam, and refrigeration produced by a cogeneration facility owned and operated by certain cooperative corporations and distributed to tenants.
Estimate: No data available
Reliability: Level 5
41. **Automotive Fuel Receipts Exceeding Two Dollars Per Gallon**
Citation: Section 1111(m)
Effective Date: June 1, 2006
Description: Certain motor fuel and diesel motor fuel sales are subject to tax at the rate of 8 cents per gallon. This effectively exempts the portion of the taxable receipt exceeding two dollars per gallon.
Estimate: 2013: \$359.0 million — 2016: \$49.0 million
Data Source: New York State Department of Taxation and Finance; New York State Energy Research and Development Authority
Reliability: Level 4A

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42. Alternative Fuels

Citation: Section 1115(a)(42)

Effective Date: September 1, 2006

Description: E85, CNG, or hydrogen is exempt from sales tax when used directly and exclusively in the engine of a motor vehicle.

Termination Date: Expires August 31, 2016

Estimate: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4A

43. B20 Bio-Diesel Fuel

Citation: Section 1111(n)

Effective Date: September 1, 2006

Description: Bio-diesel fuel that is B20 is exempt from 20 percent of the cents-per-gallon sales tax rate imposed on certain sales of diesel motor fuel.

Termination Date: Expires August 31, 2016

Estimate: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4A

Transportation

44. Commercial Vessels

Citation: Sections 1101(b)(16), 1105(c)(3)(iv), 1115(a)(8)

Effective Date: August 1, 1965 (Sections 1105(c)(3)(iv), 1115(a)(8)); December 1, 1996 (Section 1101(b)(16))

Description: Sales of commercial vessels primarily engaged in interstate or foreign commerce and property used by or purchased for the use of such vessels for fuel, provisions, supplies, maintenance, and repairs are exempt. Services rendered with respect to commercial vessels are also exempt.

Estimates: No data available

Reliability: Level 5

45. Vessels

Citation: Section 1115(jj)

Effective Date: June 1, 2015

Description: Receipts in excess of \$230,000 for a vessel (as defined in Section 2250 of the Vehicle and Traffic Law), including any outboard motor or trailer when sold in conjunction with the vessel, are exempt from sales tax.

Estimates: 2013: Not Applicable — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: 4B

46. **Barge Repairs**
Citation: Section 1115(q)
Effective Date: December 1, 1993
Description: Exempt from tax are maintenance and repair services (including parts) performed on a barge having a cargo capacity of at least 1,000 short tons used exclusively to transport goods in the conduct of its owner's business and primarily engaged in transportation between New York State and any other state or foreign country.
Estimates: 2013: Minimal — 2016: Minimal
Data Source: U.S. Department of Commerce; U.S. Army Corps of Engineers
Reliability: Level 4C
47. **Commercial Aircraft**
Citation: Sections 1101(b)(17), 1105(c)(3)(v), 1115(a)(21)
Effective Date: March 1, 1979 (Sections 1105(c)(3)(v), 1115(a)(21)); December 1, 1996 (Section 1101(b)(17))
Description: Exempt from tax are commercial aircraft primarily engaged in intrastate, interstate, or foreign commerce; machinery or equipment to be installed on such aircraft; property used by or purchased for the use of such aircraft for maintenance and repairs; flight simulators purchased by commercial airlines; and services rendered with respect to exempt purchases.
Estimates: 2013: \$21.0 million — 2016: \$22.0 million
Data Source: U.S. Census Bureau
Reliability: Level 4C
48. **General Aviation Aircraft**
Citation: Section 1115(a)(21-a)
Effective Date: September 1, 2015
Description: General aviation aircraft, and machinery and equipment to be installed on the aircraft, are exempt from sales tax.
Estimates: 2013: Not Applicable — 2016: \$10.0 million
Data Source: New York State Division of the Budget
Reliability: 4B
49. **Fuel Sold to Airlines**
Citation: Section 1115(a)(9)
Effective Date: August 1, 1965
Description: Fuel sold to an airline for use in its airplanes is exempt from tax.
Estimates: 2013: \$103.0 million — 2016: \$87.0 million
Data Source: New York State Energy Research and Development Authority
Reliability: Level 4A

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50. **Parts for Foreign Aircraft**
Citation: Section 1118(8)
Effective Date: September 1, 1977
Description: Parts, engines, consumable technical supplies, and maintenance and ground equipment used exclusively in the operation, handling, or maintenance of aircraft are exempt from use tax if it is a foreign airline which brings such items into New York from a foreign country. These items must be used on aircraft owned by the foreign airline, and are exempt only if similar items would not be subject to tax in the airline's home country if taken into such country by a U.S. airline.
Estimate: No data available
Reliability: Level 5
51. **Services to Private Aircraft**
Citation: Section 1115(dd)
Effective Date: December 1, 2004
Description: A sales and use tax exemption is provided for maintenance and certain other services performed on private aircraft, as well as the tangible personal property purchased and used in performing the services and any related storage charges.
Estimate: 2013: \$5.0 million — 2016: \$6.0 million
Data Source: General Aviation Manufacturers Association; New York State Department of Transportation
Reliability: Level 4C
52. **Intra-family Sales of Motor Vehicles**
Citation: Section 1115(a)(14)
Effective Date: September 1, 1969 for transactions between spouses, and September 1, 1972 for transactions between parents and children.
Description: Motor vehicles sold between spouses, or by a parent to a child or child to parent are exempt from tax.
Estimate: No data available
Reliability: Level 5
53. **Motor Vehicles and Vessels Sold to Nonresidents**
Citation: Section 1117(a)
Effective Date: August 1, 1965, as amended December 1, 1994 and March 1, 2001.
Description: Sales of motor vehicles and vessels in New York to nonresidents are exempt from the sales tax provided the nonresident purchaser is not registering the newly purchased vehicle or vessel for use in New York.
Estimate: No data available
Reliability: Level 5
54. **Motor Vehicles Purchased Out-of-State by a Member of the Military Service**
Citation: Section 1115(a)(14-a)

Effective Date: December 18, 2013

Description: Motor vehicles purchased in another state by a person while he or she was in the military service of the United States are exempt from tax.

Estimates: 2013: Minimal — 2016: \$4.0 million

Data Source: New York State Division of the Budget

Reliability: 4C

55. **Rental of Trucks in Certain Cases**

Citation: Section 1115(a)(22)

Effective Date: May 15, 1981

Description: Certain rentals or leases of trucks, tractors, or tractor-trailer combinations to an authorized carrier, pursuant to a written contractual agreement are exempt. To qualify for exemption the equipment must be for use as augmenting equipment in the transportation, for hire, of tangible personal property, provided the owner of the vehicle, or an employee of the owner, operates the vehicle.

Estimate: No data available

Reliability: Level 5

56. **Tractor-Trailer Combinations**

Citation: Section 1115(a)(26), (g)

Effective Date: January 1, 1988

Description: Exempt from tax are tractors, trailers or semitrailers, and property installed on such vehicles for their equipping, maintenance, or repair, provided the vehicle is used in combination where the gross weight of such combination exceeds 26,000 pounds. Related services performed on these vehicles are also exempt.

Estimates: 2013: \$24.0 million — 2016: \$29.0 million

Data Source: New York State Department of Motor Vehicles; U.S. Census Bureau

Reliability: Level 4A

57. **Sales of Property by Railroads in Reorganization**

Citation: Section 1115(h)

Effective Date: August 1, 1975

Description: Sales of tangible personal property by a railroad in reorganization to a profitable railroad are exempt if the transactions are part of a reorganization plan.

Estimates: 2013: \$0.0 million — 2016: \$0.0 million

Data Source: New York State Department of Transportation

Reliability: Level 4A

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58. **Commercial Buses**

Citation: Section 1115(a)(32), (u)

Effective Date: December 1, 1997

Description: Exempt from tax are buses and parts, equipment, and lubricants used in operating the bus, provided the vehicle weighs at least 26,000 pounds and measures 40 feet and is used to transport persons for hire. Related services performed on these vehicles are also exempt.

Estimates: 2013: \$5.0 million — 2016: \$6.0 million

Data Source: New York State Department of Motor Vehicles; The Bus Association of New York State

Reliability: Level 4A

59. **Marine Terminal Facility Equipment**

Citation: 1115(a)(41)

Effective Date: December 1, 2005

Description: Exempt from tax are machinery and equipment for use directly and predominantly in loading, unloading, and handling cargo at a marine terminal facility located in a city with a population of one million or more which in 2003, handled more than 350,000 twenty-foot equivalent units (TEUs).

Estimate: 2013: Minimal — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: Level 4B

60. **Ferry Boats**

Citation: Section 1115(a)(43)

Effective Date: September 1, 2008

Description: Exempt from tax are ferry boats and property used in conjunction with exempt boats for fuel, provisions, supplies, maintenance and repairs.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Taxation and Finance

Reliability: 4A

Communication and Media

61. **Interstate or International Telephone and Telegraph Service**

Citation: Section 1105(b)

Effective Date: August 1, 1965

Description: Charges for interstate and international telephone and telegraph services are exempt.

Estimates: 2013: \$232.0 million — 2016: \$255.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4A

62. **Internet Access Service**
Citation: Section 1115(v)
Effective Date: February 1, 1997
Description: The sales tax exempts Internet access service. Incidental services such as Internet communications or navigation software, an email address, and news headlines when offered in conjunction with Internet access are considered part of the exempt service.
Estimates: 2013: \$282.0 million — 2016: \$317.0 million
Data Source: U.S. Census Bureau
Reliability: Level 4C
63. **Cable Television Service**
Citation: Section 1105(c)(9)
Effective Date: September 1, 1990
Description: Cable television service is exempt from tax.
Estimates: 2013: \$311.0 million — 2016: \$363.0 million
Data Source: U.S. Census Bureau
Reliability: Level 4C
64. **Newspapers and Periodicals**
Citation: Sections 1101(b)(6), 1115(a)(5), Regulation Section 528.6, Section 1118(5)
Effective Date: August 1, 1965 (Section 1115(a)(5)); December 1, 1994 (Section 1101(b)(6))
Description: The sales of newspapers and periodicals, including newspapers and periodicals delivered electronically, are exempt from tax. In addition, the paper and ink used to publish newspapers and periodicals are exempt.
Estimates: 2013: \$47.0 million — 2016: \$45.0 million
Data Source: U.S. Census Bureau
Reliability: Level 4B
65. **Electronic News Services and Electronic Periodicals**
Citation: Section 1115(gg)
Effective Date: March 1, 2012
Description: Certain electronic news services and electronic periodicals are exempt from tax.
Estimates: 2013: Minimal — 2016: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: 4C
66. **Shopping Papers**
Citation: Section 1115(a)(20), (i)
Effective Date: September 1, 1977
Description: Receipts from the retail sale of a shopping paper to the publisher are exempt as well as the receipts from the sale of printing services performed in publishing such paper. In addition, the paper and ink used to publish a shopping paper are exempt.

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Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4C

67. Telephone Service Used by the Media

Citation: Section 1115(b)(i)

Effective Date: August 1, 1965; March 1, 2012 for electronic news services

Description: Charges for telephone and telegraph service used by newspapers, electronic news services, radio broadcasters, and television broadcasters in the collection or dissemination of news are exempt if the charges are toll charges or charges for mileage.

Estimates: No data available

Data Source:

Reliability: Level 5

68. Certain Coin-Operated Telephone Charges

Citation: Section 1115(e)

Effective Date: September 1, 1998

Description: Coin-operated telephone charges of 25 cents or less are exempt.

Estimates: 2013: \$1.0 million — 2016: Minimal

Data Source: U.S. Federal Communications Commission; New York State Public Service Commission

Reliability: Level 4C

69. Telecommunications and Internet Equipment

Citation: Sections 1115(a)(12-a), 1105(c)(3)(x)

Effective Date: September 1, 2000

Description: Exempt from tax is tangible personal property used directly and predominantly in the receiving, initiating, amplifying, processing, transmitting, re-transmitting, switching, or monitoring or switching of telecommunications services for sale or Internet access services for sale.

Estimates: 2013: \$80.0 million — 2016: \$89.0 million

Data Source: New York State Public Service Commission; CTIA – The Wireless Association

Reliability: Level 4B

70. Internet Data Centers

Citation: Section 1115(a)(37), (y)

Effective Date: September 1, 2000

Description: Machinery, equipment, and certain other tangible personal property sold to a person operating an Internet data center that is required for and directly related to the provision of Internet Web site hosting and other Web site services at the data center are exempt. Also exempt are certain services to the exempt tangible personal property and building security services.

Estimates: 2013: \$13.0 million — 2016: \$14.0 million

Data Source: The Uptime Institute

Reliability: Level 4C

71. Radio and Television Broadcasting

Citation: Section 1115(a)(38), (aa)

Effective Date: September 1, 2000

Description: Exempt from tax are purchases by radio and television broadcasters of machinery, equipment, parts, tools, and supplies used in the production and transmission of live or recorded programs. Installing, maintaining, servicing, or repairing the exempt items is also exempt. Moreover, the services of producing, fabricating, processing, printing, or imprinting tangible personal property furnished to the service provider by the broadcaster and performed in connection with the production, post-production, or the transmission of live or recorded programs are exempt.

Estimates: 2013: \$3.0 million — 2016: \$4.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4C

72. Film Production

Citation: Section 1115(a)(39) and Section 1115(bb)

Effective Date: December 1, 2002

Description: Tangible personal property used or consumed directly and predominantly in the production of a film for sale is exempt, regardless of the medium by which the film is conveyed to the purchaser. For purposes of this exemption, *film* means a feature film, documentary film, short, television film, television commercial, and similar production. The exemption also extends to services rendered to the exempt property and to fuel and utility services used directly and exclusively in production.

Estimate: No data available

Reliability: Level 5

73. Certain Mobile Telecommunication Services

Citation: Section 1115(cc)

Effective Date: August 1, 2002

Description: The sale of mobile telecommunication services by a home service provider is exempt from tax if the mobile telecommunications customer's place of primary use is outside of New York State.

Estimate: 2013: \$4.0 million — 2016: \$4.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4B

SALES AND USE TAX

Industry

74. Tools and Supplies Used in Production

Citation: Sections 1105-B(a), 1115(a)(36)

Effective Date: March 1, 1981, December 1, 1998 (Section 1115(a)(36))

Description: Receipts from the retail sale of parts with a useful life of one year or less, tools and supplies for use or consumption directly and predominantly in the production of tangible personal property, gas, electricity, refrigeration, or steam for sale by manufacturing, processing, generating, assembling, refining, mining, or extracting are exempt from sales tax.

Estimate: No data available

Reliability: Level 5

75. Farm Production and Commercial Horse Boarding

Citation: Sections 1115(a)(6), 1105(c)(3)(vi), 1105(c)(5)(iii)

Effective Date: August 1, 1965 (Section 1115(a)(6)); September 1, 1982 (Section 1105(c)(3)(vi)), September 1, 2000 (Section 1105(c)(5)(iii))

Description: Exempt from tax is tangible personal property for use or consumption predominantly in the production, for sale, of tangible personal property by farming or in a commercial horse boarding operation. Also exempt are the services of installing, repairing, maintaining, and servicing tangible personal property and real property used predominantly in farming or in a commercial horse boarding operation.

Estimates: 2013: \$80.0 million — 2016: \$80.0 million

Data Source: U.S. Department of Agriculture, Economic Research Service; New York State Department of Agriculture and Markets; U.S. Agriculture Statistics Service

Reliability: Level 4B

76. Research and Development Property

Citation: Section 1115(a)(10)

Effective Date: August 1, 1965

Description: Tangible personal property purchased for use or consumption directly and predominantly in research and development in the experimental or laboratory sense is exempt from tax.

Estimates: 2013: \$69.0 million — 2016: \$79.0 million

Data Source: National Science Foundation

Reliability: Level 4B

77. Machinery and Equipment Used in Production

Citation: Section 1115(a)(12)

Effective Date: August 1, 1965

Description: Exempt from sales tax are machinery and equipment for use or consumption directly and predominantly in the production of

tangible personal property, gas, electricity, refrigeration, or steam for sale by manufacturing, processing, generating, assembling, refining, mining, or extracting.

Estimates: 2013: \$330.0 million — 2016: \$330.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4B

78. **Services to Machinery and Equipment Used in Production**

Citation: Section 1105-B(b)

Effective Date: March 1, 1981

Description: The services of installing, repairing, maintaining, or servicing exempt production machinery and equipment or exempt parts, tools, and supplies are exempt.

Estimates: 2013: \$16.0 million — 2016: \$16.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4B

79. **Wrapping and Packaging Materials**

Citation: Section 1115(a)(19)

Effective Date: July 1, 1974

Description: Cartons, containers, wrapping, and packaging materials and supplies are nontaxable when used by a vendor in packaging or packing tangible personal property for sale and actually transferred to the purchaser.

Estimate: No data available

Reliability: Level 5

80. **Milk Crates**

Citation: Section 1115(a)(19-a)

Effective Date: September 1, 2007

Description: Exempt from tax are milk crates purchased by a dairy farmer or licensed milk distributor used exclusively and directly for packaging and delivering milk and milk products to customers.

Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: New York State Division of the Budget

Reliability: Level 4C

81. **Commercial Fishing Vessels**

Citation: Sections 1115(a)(24), 1105(c)(3)(vii)

Effective Date: August 1, 1985

Description: Exempt from tax are the sales of commercial fishing vessels used directly and predominantly in the harvesting of fish for sale, and property used by or purchased for the use of such vessels for fuel, provisions, supplies, maintenance, and repairs. Related services are also exempt.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: National Marine Fisheries Services

Reliability: Level 4B

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82. **Certain Services Used in Gas or Oil Production**

Citation: Section 1105(c)(3)(ix), (c)(5)

Effective Date: December 1, 1998

Description: Exempt from tax are the services of installing, maintaining, repairing, or servicing tangible personal property used directly and predominately in producing gas or oil for sale. Also exempt are maintenance and repair services rendered to real property or land used directly and predominately in producing gas or oil for sale.

Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: U.S. Department of Commerce, Bureau of Economic Analysis

Reliability: Level 4C

83. **Pollution Control Equipment**

Citation: Section 1115(a)(40)

Effective Date: March 1, 2001

Description: Machinery or equipment used directly and predominantly in the control, prevention, or abatement of pollution or contaminants from manufacturing or industrial facilities is exempt to the extent not exempted under expenditure Item number 77.

Estimates: 2013: \$14.0 million — 2016: \$14.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4C

84. **Property Manufactured by the User**

Citation: Section 1110(c)

Effective Date: March 1, 2001

Description: The Compensating Use Tax imposed on certain self-produced items used by a manufacturer on its own premises is computed on the cost of materials rather than on the manufacturer's normal selling price.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4B

Miscellaneous

85. **Certain Property Sold Through Vending Machines**

Citation: Section 1115(a)(13), (13-a)

Effective Date: August 1, 1965 (Section 1115(a)(13)); 50-cent exemption effective Department 1, 1997 (Section 1115(a)(13-a))

Description: Tangible personal property sold through coin-operated vending machines at 10 cents or less is exempt, provided the retailer is primarily engaged in making such sales. Also exempt is tangible personal property sold through coin-operated bulk vending machines at 50 cents or less, provided the retailer is primarily engaged in making such sales.

Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: Vending Times; U.S. Census Bureau
Reliability: Level 4C

86. **Trade-in Allowance**

Citation: Section 1101(b)(3)

Effective Date: August 1, 1965

Description: A credit for a trade-in on an automobile or other item qualifies as a reduction of the taxable receipts, provided the item traded in is intended for resale by the vendor.

Estimates: 2013: \$732.0 million — 2016: \$845.0 million

Data Source: National Automobile Dealers Association

Reliability: Level 4B

87. **Certain Hotel Room Rent**

Citation: Section 1105(e)(1),(2)

Effective Date: August 1, 1965

Description: The rent for occupancy of a hotel room by a permanent resident or where the rent is not more than two dollars per day is exempt from tax.

Estimates: No data available

Reliability: Level 5

88. **Dues for Fraternal Societies**

Citation: Section 1105(f)(2)(ii)(A), (B)

Effective Date: August 1, 1965

Description: Dues and initiation fees paid to a fraternal society, order, or association operating under the lodge system or any fraternal association of students of a college or university are excluded from tax. Also excluded are dues paid to any social or athletic club which are ten dollars or less a year.

Estimates: 2013: \$18.0 million — 2016: \$19.0 million

Data Source: U.S. Department of Commerce

Reliability: Level 4C

89. **Homeowner Association Dues**

Citation: Section 1105(f)(2)(ii)(C)

Effective Date: September 1, 1995

Description: The Tax Law exempts the dues paid to a homeowner association operating social or athletic facilities for its members.

Estimate: No data available

Reliability: Level 5

90. **Homeowner Association Parking Services**

Citation: Section 1105(c)(6)

Effective Date: December 1, 1997

Description: Charges paid by a homeowner association member for parking, garaging, or storing motor vehicles at a facility owned or operated by the association are exempt.

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Estimates: No data available

Reliability: Level 5

91. **Property Sold by Morticians**

Citation: Section 1115(a)(7)

Effective Date: August 1, 1965

Description: Exempt from tax is tangible personal property sold by a mortician, undertaker, or funeral director. However, sales to them for use in conducting funerals do not qualify as a sale for resale and are taxable.

Estimates: 2013: \$9.0 million — 2016: \$10.0 million

Data Source: National Funeral Directors' Association; Cremation Association of North America

Reliability: Level 4C

92. **Flags**

Citation: Section 1115(a)(11)

Effective Date: August 1, 1965

Description: Flags of the United States of America and the State of New York are exempt.

Estimate: No data available

Reliability: Level 5

93. **Military Decorations**

Citation: Section 1115(a)(11-a)

Effective Date: December 1, 2006

Description: Purchases of military decorations (e.g., ribbons, medals, and lapel pins) by a veteran or active member of the United States military are exempt from tax.

Estimate: 2013: Minimal — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: Level 4C

94. **Military Flags and Banners**

Citation: Section 1115(a)(11-b)

Effective Date: December 1, 2012

Description: Military service flags, prisoner of war flags and blue star banners are exempt from tax.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: 4C

95. **Garage Sales**

Citation: Section 1115(a)(18)

Effective Date: September 1, 1973

Description: Certain sales of property at private residences are not taxable if the sales do not take place more than three days in a calendar year, are reasonably expected not to exceed \$600, if no member of the

- household conducts a trade or business selling similar products, and the sale is not held to liquidate an estate.
Estimate: No data available
Reliability: Level 5
96. **New Mobile Homes**
Citation: Section 1111(f)
Effective Date: September 1, 1983
Description: Thirty percent of the receipts or consideration from sales of new mobile homes is exempt from tax.
Estimates: 2013: \$1.0 million — 2016: \$1.0 million
Data Source: U.S. Census Bureau
Reliability: Level 4A
97. **Used Mobile Homes**
Citation: Section 1115(a)(23)
Effective Date: January 1, 1982
Description: Sales of used mobile homes are tax exempt.
Estimate: No data available
Reliability: Level 5
98. **Modular Homes**
Citation: Section 1111(p)
Effective Date: December 1, 2009
Description: Forty percent of a vendor's receipt from the sale of a new modular home module is exempt from sales tax.
Estimates: 2013: Minimal — 2016: Minimal
Data Source: New York Housing Association Inc.; Modular Building Systems Association; Manufactured Housing Institute
Reliability: Level 4B
99. **Registered Race Horses**
Citation: Section 1115(a)(29)
Effective Date: June 1, 1994
Description: The Sales Tax exempts racehorses registered with the Jockey Club, the United States Trotting Association, or the National Steeplechase and Hunt Association (or such a horse during the first 24 months of its life if eligible to be so registered) purchased or used for entry in events on which pari-mutuel wagering is authorized by law. The exemption, however, does not apply to a horse which had never raced in such an event during the first four years of its life.
Estimate: No data available
Reliability: Level 5
100. **Race Horses Purchased Through Claiming Races**
Citation: Section 1111(g)
Effective Date: July 1, 1985

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Description: The sale in New York of race horses through claiming races, if not otherwise exempt, is taxable on the full initial purchase price. On the second or later sale of the same horse in the same calendar year within the State, the tax applies only to the excess of the purchase price over the highest of the prior purchase prices.

Estimate: No data available

Reliability: Level 5

101. Race Horses Purchased Out of State

Citation: Section 1118(9), (10)

Effective Date: July 28, 1981 (Section 1118(9)); July 1, 1985 (Section 1118(10))

Description: Race horses purchased by New York residents outside New York and brought into the State for the purpose of entering racing events on five or less days in any one calendar year for which pari-mutuel racing is authorized, if not otherwise exempt, are exempt from use tax. For those race horses not otherwise exempt and entered in racing events in New York on more than five days and subject to use tax, the tax does not apply to the extent that the value of the race horse exceeds \$100,000.

Estimate: No data available

Reliability: Level 5

102. Training and Maintaining Race Horses

Citation: Section 1115(m)

Effective Date: July 19, 1988

Description: Exempt from tax are the services of training and maintaining race horses. Also exempt is the tangible personal property actually transferred by a trainer to the race horse owner in conjunction with the above services.

Estimates: 2013: \$3.0 million — 2016: \$3.0 million

Data Source: American Horse Council Foundation; New York State Agricultural Statistics Service

Reliability: Level 4C

103. Property Sold to Contractors for Capital Improvements or Repairs for Exempt Organizations

Citation: Section 1115(a)(15), (16)

Effective Date: September 1, 1969

Description: Tangible personal property sold to a contractor, subcontractor, or repairman is exempt from tax if the property is used in erecting structures, maintaining, servicing, repairing, or adding to or altering the real property of an exempt organization and such property becomes an integral component part of the realty.

Estimates: 2013: \$105.0 million — 2016: \$129.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4C

104. **Property Donated by a Manufacturer to an Exempt Organization**
Citation: Section 1115(l)
Effective Date: September 1, 1986
Description: Tangible personal property manufactured and donated by the manufacturer to an exempt organization is exempt from tax provided that the manufacturer offers the same kind of property for sale in the regular course of business and that the manufacturer has not made any other use of the donated property.
Estimate: No data available
Reliability: Level 5
105. **Sales and Use Tax Paid to Other States**
Citation: Section 1118(7)
Effective Date: August 1, 1965
Description: Exempt from tax are property or services upon which a sales or use tax was properly paid to another state, providing such state allows a corresponding exemption for taxable purchases in New York, and no credit or refund is available from such other state. However, tax is due to New York to the extent that the tax imposed by New York is at a higher rate than the rate of such other state.
Estimate: No data available
Reliability: Level 5
106. **Precious Metal Bullion and Coins**
Citation: Section 1115(a)(27)
Effective Date: September 1, 1989
Description: Precious metal bullion and coins purchased for investment are exempt.
Estimates: 2013: \$512.0 million — 2016: \$528.0 million
Data Source: New York Mercantile Exchange
Reliability: Level 4C
107. **Computer Software Transferred to Affiliated Corporations**
Citation: Section 1115(a)(28)
Effective Date: September 1, 1991
Description: Computer software that was originally purchased as a nontaxable custom computer program, and which is subsequently sold by the original purchaser to a corporation which is a member of an affiliated group to which the original purchaser also belongs, is exempt from tax.
Estimate: No data available
Reliability: Level 5
108. **Services to Computer Software**
Citation: Section 1115(o)
Effective Date: September 1, 1991
Description: Installing, maintaining, servicing, or repairing prewritten computer software is exempt from tax.

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Estimate: No data available

Reliability: Level 5

109. **Self-use of Prewritten Software by its Author**

Citation: Section 1110(g)

Effective Date: September 1, 1991

Description: The Use Tax on prewritten computer software used by its author or creator is calculated on the cost of the blank medium, such as the disks or tapes, and not at the price at which the software is normally offered for sale.

Estimate: No data available

Reliability: Level 5

110. **Computer System Hardware**

Citation: Section 1115(a)(35)

Effective Date: June 1, 1998; March 1, 2001 for Internet Web sites

Description: Exempt from tax are purchases, leases, or rentals of computer system hardware used or consumed directly and predominantly in designing and developing computer software for sale or in providing the service, for sale, of designing and developing Internet Web sites.

Estimates: 2013: \$15.0 million — 2016: \$16.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4C

111. **Promotional Materials Mailed Out of State**

Citation: Section 1115(n)(1), (2)

Effective Date: September 1, 1989

Description: Exempt from tax are promotional materials mailed out of state, envelopes, and Cheshire labels used in mailing promotional materials from points in New York State to customers outside New York State. A pro rata exemption is also allowed for charges for the use of a mailing list, in connection with mailing such promotional materials.

Estimates: No data available

Reliability: Level 5

112. **Printed Promotional Materials**

Citation: Section 1115(n)(4), (5) and (6)

Effective Date: March 1, 1997

Description: Exempt from tax are printed promotional materials distributed by U.S. mail or common carrier. Also exempt are certain services purchased in connection with the exempt promotional materials, such as mailing list services and a printer's storage service.

Estimates: 2013: \$56.0 million — 2016: \$54.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4C

113. **U.S. Postage Used in the Distribution of Promotional Materials**
Citation: Section 1115(n)(3)
Effective Date: September 1, 1991
Description: Separately stated charges by a vendor to the purchaser of promotional materials, or of taxable services to such promotional material, for the cost of mailing such promotional materials by means of the United States Postal Service to the purchaser's customers or prospective customers are exempt from tax where such charges do not exceed the vendor's United States Postal Service costs.
Estimate: No data available
Reliability: Level 5
114. **Clothing and Footwear**
Citation: Section 1115(a)(30)
Effective Date: March 1, 2000; Eliminated for the period October 1, 2010 through March 31, 2011; Reimposed at a \$55 exemption threshold for the April 1, 2011 through March 31, 2012 period; Exemption threshold reinstated at \$110 on April 1, 2012.
Description: Exempt from tax are items of clothing and footwear costing less than \$110. The exemption applies to most clothing and footwear worn by human beings. It also applies to most fabric, thread, yarn, buttons, snaps, hooks, zippers, and like items which become a physical component part of exempt clothing or are used to make or repair the exempt clothing.
Estimates: 2013: \$833.0 million — 2016: \$891.0 million
Data Source: New York State Division of the Budget; New York State Department of Taxation and Finance
Reliability: Level 4B
115. **Coin-Operated Photocopying Machines**
Citation: Section 1115(a)(31)
Effective Date: December 1, 1997
Description: Copies made using a coin-operated photocopy machine where the charge is 50 cents or less per copy are exempt from tax.
Estimates: 2013: Minimal — 2016: Minimal
Data Source: Vending Times
Reliability: Level 4C
116. **Luggage Carts**
Citation: Section 1115(a)(13-b)
Effective Date: December 1, 1997
Description: Exempt from tax are temporary transportation devices (e.g., luggage carts) sold through coin operated equipment, provided the retailer is primarily engaged in making such sales.
Estimates: 2013: Minimal — 2016: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4C

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117. **Emissions Testing Equipment**

Citation: Section 1115(a)(31)

Effective Date: September 1, 1997

Description: Exempt from tax is enhanced emissions inspection equipment certified by the Department of Environmental Conservation for use in an enhanced emissions inspection and maintenance program as required by the Federal Clean Air Act of 1990, where such equipment is purchased and used by an official inspection station authorized to conduct the enhanced emissions inspections.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Environmental Conservation

Reliability: Level 4A

118. **College Textbooks**

Citation: Section 1115(a)(34)

Effective Date: June 1, 1998

Description: Course textbooks purchased by full or part-time students enrolled in an institution of higher education are exempt.

Estimates: 2013: \$24.0 million — 2016: \$21.0 million

Data Source: New York State Department of Education

Reliability: Level 4B

119. **Live Dramatic or Musical Arts Production**

Citation: Section 1115(x)

Effective Date: March 1, 2001

Description: Exempt from sales and use taxes are certain items of tangible personal property and certain services that are used directly and predominantly in producing live dramatic or musical arts performances. The performances must take place in a theater or other similar place of assembly with a fixed seating capacity of at least 100.

Estimates: 2013: \$5.0 million — 2016: \$5.0 million

Data Source: Alliance for the Arts

Reliability: Level 4A

120. **Lower Manhattan Commercial Office Space**

Citation: Section 1115(ee)

Effective Date: September 1, 2005

Description: Exempt from sales and compensating use tax is a commercial tenant's, landlord's, and contractor's purchases and uses of certain property used to outfit, furnish, and equip certain leased commercial office space in eligible areas in Lower Manhattan.

Estimate: 2013: \$12.0 million — 2016: \$9.0 million

Data Source: New York State Division of the Budget

Reliability: Level 4B

121. **Dodd-Frank Wall Street Reform and Consumer Protection Act**
Citation: Section 1115(jj)
Effective Date: September 1, 2015
Description: A sales tax exemption is granted to certain related-party sales arising as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
Estimates: 2013: Not Applicable — 2016: Minimal
Data Source: New York State Division of the Budget
Reliability: 4C

Exempt Organizations

122. **New York State Agencies and Political Subdivisions**
Citation: Section 1116(a)(1)
Effective Date: August 1, 1965
Description: Exempt from tax is the State of New York, or any of its agencies, instrumentalities, public corporations, or political subdivisions where it is the purchaser, user, or consumer, or where it is a vendor of services or property of a kind not ordinarily sold by private persons.
Estimates: 2013: \$1,289.0 million — 2016: \$1,315.0 million
Data Source: New York State Division of the Budget; U.S. Department of Commerce
Reliability: Level 4C
123. **Industrial Development Agencies**
Citation: Section 1116(a)(1), and General Municipal Law Article 18-A
Effective Date: May 26, 1969
Description: An Industrial Development Agency (IDA) qualifies as an exempt government organization under Section 1116(a)(1) and receives all the benefits of that status. In addition, Article 18-A of the General Municipal Law grants tax exempt status to purchases made by an IDA project beneficiary (as agent of the IDA) and for sales by an IDA even where it is a vendor of services or property of a kind ordinarily sold by private persons.
Estimates: 2013: \$77.0 million — 2016: \$81.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4A
124. **Federal Agencies**
Citation: Section 1116(a)(2), and 12 U.S. Code, Section 1768
Effective Date: August 1, 1965
Description: Exempt from tax is the United States of America, and any of its agencies and instrumentalities where it is the purchaser, user, or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.
Estimates: 2013: \$251.0 million — 2016: \$256.0 million
Data Source: U.S. Census Bureau
Reliability: Level 4B

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125. United Nations

Citation: Section 1116(a)(3)

Effective Date: August 1, 1965

Description: Exempt from tax is the United Nations, or any international organization of which the United States is a member, where it is the purchaser, user, or consumer, or where it sells services or property of a kind not ordinarily sold by private persons.

Estimate: No data available

Reliability: Level 5

126. Diplomats and Foreign Missions

Citation: Federal treaties with diplomat's country

Effective Date: Effective dates vary by Federal treaties

Description: Diplomats of foreign countries and foreign missions are exempt from all national, state, and local taxes if the treaty with the foreign nation provides a reciprocal exemption for U.S. diplomats abroad.

Estimate: No data available

Reliability: Level 5

127. Charitable Organizations

Citation: Section 1116(a)(4)

Effective Date: August 1, 1965

Description: Exempt from tax are purchases by nonprofit organizations organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, fostering national or international amateur sports competition, or for the prevention of cruelty to children or animals. These organizations may not be engaged substantially in political activities and no part of net earnings may inure to the benefit of a private shareholder or individual.

Estimates: 2013: \$541.0 million — 2016: \$566.0 million

Data Source: U.S. Department of Commerce

Reliability: Level 4C

128. Veterans Posts or Organizations

Citation: Section 1116(a)(5), (g)

Effective Date: September 1, 1974 (Section 1116(a)(5)); December 1, 1993 (Section 1116(g))

Description: Exempt from tax are purchases by posts or organizations of past or present members of the Armed Forces of the United States, provided that such post or organization is organized in New York and at least 75 percent of its members are past or present members of the U.S. Armed Forces, and no part of net earnings inures to the benefit of a private shareholder or individual. Purchases of hotel accommodations by individual members acting as duly authorized representatives of the post or organization are also exempt from tax.

Estimates: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Taxation and Finance;
Food Institute

Reliability: Level 4C

129. **Veterans' Homes Gift Shops**

Citation: Section 1115(ff)

Effective Date: December 1, 2006

Description: Sales of tangible personal property by any gift shop located in a veterans' home are exempt.

Estimate: 2013: Minimal — 2016: Minimal

Data Source: U.S. Census Bureau

Reliability: Level 4C

130. **Indian Nations and Members of Such Indian Nations**

Citation: Section 1116(a)(6); Federal restrictions

Effective Date: September 1, 1976

Description: The following Indian Nations residing in New York are exempt where they are the purchaser, user, or consumer: Cayuga, Oneida, Onondaga, Poospatuck, Saint Regis Mohawk, Seneca, Shinnecock, Tonawanda, and Tuscarora. In addition, members of these Nations are excluded from tax for purchases made by them on the reservation in New York State.

Estimates: 2013: \$7.0 million — 2016: \$7.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4C

131. **U.S. Military Base Post Exchanges**

Citation: 4 U.S. Code, Sections 104-110

Effective Date: August 1, 1965

Description: Sales, except sales of motor fuel, made on a military base at a post exchange or commissary are exempt.

Estimates: 2013: \$7.0 million — 2016: \$8.0 million

Data Source: Regional sales offices of U.S. Armed Services

Reliability: Level 4A

132. **Nonprofit Health Maintenance Organizations**

Citation: Section 1116(a)(7)

Effective Date: April 1, 1980

Description: Purchases by a nonprofit health maintenance organization subject to the provisions of Article 44 of the Public Health Law are tax exempt.

Estimates: 2013: \$17.0 million — 2016: \$18.0 million

Data Source: New York State Department of Health

Reliability: Level 4A

133. **Nonprofit Medical Expense Indemnity or Hospital Service Corporations**

Citation: Insurance Law Article 43, Section 4310(j)

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Effective Date: June 15, 1939

Description: The Insurance Law provides for an exemption from all State and local taxes (including State and local sales taxes) for certain entities. These entities include nonprofit corporations organized for the purpose of family medical expense indemnity, dental expense indemnity, hospital services, or health services.

Estimates: 2013: \$5.0 million — 2016: \$5.0 million

Data Source: New York State Insurance Department

Reliability: Level 4A

134. **Nonprofit Property/Casualty Insurance Companies**

Citation: Insurance Law, Article 67, Section 6707

Effective Date: December 20, 2000

Description: The Insurance Law provides for an exemption from sales tax for a nonprofit property/casualty insurance company subject to the provisions of Article 67 with respect to any property owned by it or under its jurisdiction, control, or supervision.

Estimate: No data available

Reliability: Level 5

135. **Certain State Credit Unions**

Citation: Section 1116(a)(9)

Effective Date: March 1, 2006

Description: New York State chartered credit unions are exempt from tax if they had converted to a State charter from a federal charter on or after January 1, 2006.

Estimate: 2013: \$2.0 million — 2016: \$3.0 million

Data Source: New York State Credit Union League

Reliability: Level 4A

136. **Rural Electric Cooperatives**

Citation: Section 1116(a)(8)

Effective Date: September 1, 1983

Description: Exempt from tax on their purchases are cooperatives and foreign corporations doing business in this State pursuant to the Rural Electric Cooperative Law.

Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: U.S. Department of Agriculture

Reliability: Level 4A

137. **Municipal Trash Removal Services**

Citation: Section 1116(e)

Effective Date: June 30, 1980

Description: Receipts from the service of trash removal are exempt from tax where such service is rendered by or on behalf of a municipal corporation of the State other than New York City.

Estimates: 2013: \$36.0 million — 2016: \$34.0 million

Data Source: New York State Office of the Comptroller

Reliability: Level 4B

Admission Charges

138. Certain Admission Charges

Citation: Section 1105(f)(1)

Effective Date: August 1, 1965; December 1, 1997 for circus admissions

Description: Exempt from tax are admission charges of ten cents or less, plus admission charges to: race tracks; boxing or wrestling matches; live circus performances, dramatic, or musical arts performances; motion picture theaters; and sporting facilities where the patron is to be a participant, such as bowling alleys, health and fitness centers, and swimming pools.

Estimates: 2013: \$79.0 million — 2016: \$84.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4B

139. Amusement Park Admissions

Citation: Section 1122

Effective Date: July 27, 2004

Description: An exemption from Sales and Use Tax applies to 75 percent of the admission charge to certain amusement parks when the charge includes a fee for the use of amusement rides within the park.

Estimate: 2013: \$3.0 million — 2016: \$3.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: 4A

140. Events Given for the Benefit of Charitable Organizations, Veterans Posts, and Indian Nations

Citation: Section 1116(d)(1)(A)

Effective Date: August 1, 1965

Description: In general, admissions are exempt if all of the proceeds go exclusively to the benefit of a tax-exempt charitable organization, Indian Nations, or organization of past or present members of the Armed Forces.

Estimate: No data available

Reliability: Level 5

141. Events Given for the Benefit of Certain Orchestras and Opera Companies

Citation: Section 1116(d)(1)(B)

Effective Date: August 1, 1965

Description: Admissions are exempt if all of the proceeds go exclusively to the benefit of a society or organization conducted for the sole purpose of maintaining symphony orchestras or operas and receiving substantial support from voluntary contributions.

Estimate: No data available

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Reliability: Level 5

142. **National Guard Organization Events**

Citation: Section 1116(d)(1)(c)

Effective Date: August 1, 1965

Description: Admissions are exempt if all of the proceeds go exclusively to the benefit of a National Guard organization.

Estimate: No data available

Reliability: Level 5

143. **Municipal Police and Fire Department Events**

Citation: Section 1116(d)(1)(D)

Effective Date: August 1, 1965

Description: Admissions are exempt if all of the proceeds go exclusively to the benefit of a police or fire department of a political subdivision of the State, including its pension or disability funds, or to volunteer fire and ambulance companies.

Estimate: No data available

Reliability: Level 5

144. **Certain Athletic Games**

Citation: Section 1116(d)(2)(A)

Effective Date: August 1, 1965

Description: Admissions to any athletic game or exhibition are exempt where the proceeds go exclusively to the benefit of elementary or secondary schools.

Estimate: No data available

Reliability: Level 5

145. **Carnivals or Rodeos for Certain Charitable Organizations**

Citation: Section 1116(d)(2)(B)

Effective Date: July 30, 1983

Description: Admissions to carnivals or rodeos in which any professional performer or operator participates for compensation are exempt when the entire net profit inures exclusively to the benefit of a tax-exempt charitable organization having as its charitable purpose the operation of a school.

Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: U.S. Census Bureau

Reliability: Level 4B

146. **Agricultural Fairs**

Citation: Section 1116(d)(3)(A)

Effective Date: August 1, 1965

Description: Admissions to agricultural fairs are exempt if no part of net earnings inures to the benefit of any stockholders or members of the association conducting the fair, and if the proceeds from the fair are

used exclusively for the improvement, maintenance, and operation of such agricultural fairs.

Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: New York State Department of Agriculture

Reliability: Level 4A

147. Historical Homes, Gardens, Sites, and Museums

Citation: Section 1116(d)(3)(B), (c)

Effective Date: August 1, 1965

Description: Admissions to an historical home or garden, historic sites, houses and shrines, or museums which are maintained and operated by a society or organization devoted to the preservation and maintenance of such historic places are exempt, provided that no part of net earnings goes to the benefit of any private stockholder or individual.

Estimate: No data available

Reliability: Level 5

148. Performances at a Roof Garden or Cabaret

Citation: Section 1123

Effective Date: December 1, 2006

Description: The admission charge to a roof garden, cabaret, or similar place to attend a dramatic or musical arts performance is exempt from tax when separate from other charges such as charges for food or drink.

Estimate: 2013: \$3.0 million — 2016: \$3.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4C

Credits

149. Sales Tax Vendor Credit

Citation: Section 1137(f)

Effective Date: September 1, 1994; September 1, 2006 for current rates; September 1, 2010 for limitation of the credit to quarterly and annual filers.

Description: A vendor allowance is provided to vendors that timely file and fully pay quarterly or annual returns. The credit is equal to five percent of State and local taxes remitted up to \$200 per return.

Estimates: 2013: \$77.0 million — 2016: \$88.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 3

150. Tangible Property Sold by Contractors in Certain Situations

Citation: Section 1119(a)

Effective Date: August 1, 1965

Description: A credit for taxes paid is allowed on the sale to or use by a contractor or subcontractor of tangible personal property if that property is used solely in the performance of a preexisting lump sum or unit price

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construction contract. The credit would only be applicable following a sales and use tax rate change.

Estimate: No data available

Reliability: Level 5

151. **Veterinary Drugs**

Citation: Section 1119(a)

Effective Date: September 1, 1978

Description: A credit for taxes paid is allowed on the sale to, or use by, a veterinarian of drugs or medicine if they are used by the veterinarian in rendering exempt services to livestock or poultry used in the production for sale of tangible personal property by farming. The credit also extends to farmers, who qualify for the farming exemption, for use by such persons on livestock or poultry.

Estimate: No data available

Reliability: Level 5

152. **Construction Materials Used in Empire Zones**

Citation: Section 1119(a)

Effective Date: September 1, 1986

Description: A credit for taxes paid is allowed on the sale of tangible personal property purchased for use in constructing, expanding, or rehabilitating industrial or commercial real property located in an Empire Zone, but only to the extent that such property becomes an integral component part of the real property.

Estimate: No data available

Reliability: Level 5

153. **Bus Companies Providing Local Transit Service**

Citation: Section 1119(b)

Effective Date: March 1, 1974

Description: A credit for taxes paid is allowed on the sale to, or use by, an omnibus carrier in New York of any omnibus, parts, equipment, lubricants, motor fuel, diesel fuel, maintenance or service, or repair purchased and used in the operation of any such omnibus by such carrier. The amount of credit is based on the ratio of the vehicle mileage in local transit service in New York to the total vehicle mileage in the State.

Estimates: 2013: \$1.0 million — 2016: \$1.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4A

154. **Vessel Operators Providing Local Transit Service**

Citation: Section 1119(b)

Effective Date: December 1, 2004

Description: A credit or refund for taxes paid is allowed on the sale to, or use by, a vessel operator of any vessel, parts, equipment, lubricants, diesel motor fuel, maintenance, servicing, or repairs purchased and used

in the operation of certain vessels providing local transit service (e.g., water taxis). The credit or refund is provided according to the percentage of the vessel's use in local transit service.

Estimate: 2013: Minimal — 2016: Minimal

Data Source: New York State Department of Taxation and Finance

Reliability: 4B

155. **Qualified Empire Zone Enterprises**

Citation: Section 1119(d)

Effective Date: September 1, 2009

Description: A credit or refund is available for tax paid on tangible personal property and certain services purchased by a Qualified Empire Zone Enterprise (QEZE) and used directly and predominantly in an Empire Zone in which the QEZE has qualified for benefits. A refund or credit is also allowed for tax paid on tangible personal property sold to a contractor, subcontractor or repairman if the property is used in erecting a structure or building of a QEZE, or used in adding to, altering, improving, maintaining, servicing, or repairing the real property of a QEZE. (Prior to September 1, 2009, the QEZE sales tax benefit was available as a sales tax exemption instead of a credit or refund.)

Estimates: 2013: \$20.0 million — 2016: \$17.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 4C

156. **Economic Transformation and Facility Redevelopment Program**

Citation: Section 1119(f)

Effective Date: March 31, 2011

Description: A refund is available to a participant in this program (or its contractor) for State tax paid on tangible personal property used in the construction, expansion, or rehabilitation of industrial or commercial real property located in an economic transformation area, but only to the extent that such property becomes an integral component part of the real property.

Estimates: 2013: \$0.0 million — 2016: \$0.0 million

Data Source: New York State Division of the Budget

Reliability: 4B

157. **New York State Business Incubator and Innovation Hot Spot Program**

Citation: Section 1119(d)

Effective Date: March 28, 2013

Description: A credit or refund for taxes paid is allowed on tangible personal property and certain services purchased by a qualified entity that is a tenant in or part of a New York State innovation hot spot.

Estimates: 2013: Not Applicable — 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: 4C

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158. **START-UP NY Tax Elimination Credit**

Citation: Section 1119(d)

Effective Date: March 1, 2014

Description: A credit or refund is available for tax paid on tangible personal property and certain services purchased by an approved business that is located in a tax-free NY area. In addition, a credit or refund is available for certain purchases of tangible personal property by contractors, subcontractors, and repairmen that is used in constructing, improving, maintaining, servicing, or repairing real property of such an approved business.

Estimates: 2013: Not Applicable — 2016: \$16.0 million

Data Source: New York State Division of the Budget

Reliability: 4C

PETROLEUM BUSINESS TAX

This section provides tax expenditure estimates for 34 provisions of the Petroleum Business Tax. Table provides a list of expenditures based on the Tax Law as of January 1, 2016. The estimates are based on data for the 2014 calendar year (the latest complete year for which tax return data is available) and then extrapolated to the 2016 calendar year. Total Petroleum Business Tax liability for calendar 2014 is provided as a benchmark for the tax expenditure estimates.

Description of Tax

Article 13-A of the Tax Law imposes a business privilege tax on petroleum businesses operating in New York State. The tax is measured by the quantity of various petroleum products refined or sold in the State or imported for sale or use in the State. Imposition of the tax occurs at different points in the distribution chain, depending upon the type of petroleum product. Motor fuel (gasoline) is subject to tax upon importation to New York State. Highway diesel motor fuel is taxable upon removal from an in-state registered fuel terminal. Non-highway diesel motor fuel and residual petroleum products become taxable on the final sale or use of the product in New York.

The Article 13-A business privilege tax was added to the Tax Law in 1983 and was imposed on the gross receipts of such businesses. The tax was initially imposed at the rate of 3.25 percent and was reduced to 2.75 percent on April 1, 1984. On June 1, 1990, the rate was increased to 7.2 percent and was subject to a 15 percent surcharge similar to that applied temporarily to other businesses. On September 1, 1990, the tax was restructured, converting the annual gross receipts tax to a monthly tax measured by gallons.

Some of the exemptions, credits, and reimbursements provided for in the restructuring applied to the prior gross receipts tax. Although these provisions already had been in place, the effective dates and estimates cited herein reflect the date on which they were restructured.

The rate schedule displays the petroleum business tax rates effective January 1, 2016. These rates generally have two components: the basic tax whose rates vary by product type and the supplemental tax. For example, the motor fuel tax rate of 17.0 cents per gallon consists of a 10.2 cents per gallon basic tax and a 6.8 cents per gallon supplemental tax.

Data Sources

The major sources of data used to compute the tax expenditure estimates under Article 13-A include:

PETROLEUM BUSINESS TAX

- Petroleum Business Tax (PBT) Master File for 2010-2014. This is an unverified file of all taxpayers filing a return under Article 13-A. Some of the expenditure items, as indicated, were simulated using this file by reading the gallons from the database and applying the statutory tax rate for the appropriate periods to arrive at an estimate of revenue foregone. For kerosene, bunker fuel, and liquid petroleum gas, where no statutory tax rate existed, the most closely associated tax rate was selected. The rate used for each type of fuel are as follows: kerosene — the non-highway diesel fuel rate; bunker fuel — the residual petroleum products rate; and for liquid petroleum gas — the motor fuel rate and non-highway diesel rates.
- Refund data from the Department of Taxation and Finance's Audit Division.
- Nontax data sources such as: Data from the U.S. Department of Energy and U.S. Department of Defense and New York State Energy Research and Development Authority.

Methodology

The projections of the tax expenditures from 2014 to 2016 are based, where possible, on forecasted consumption of various petroleum products. These forecasts were produced by the United States Department of Energy - Energy Information Agency. The remaining expenditure estimates used forecasts of appropriate economic variables.

Tax expenditures whose values are less than \$0.1 million are considered Minimal and are designated by an asterisk.

PETROLEUM BUSINESS TAX

Petroleum Business Tax Rates as of January 1, 2016 (Cents-Per-Gallon)

Product	Base Tax	Supplemental Tax	Total Tax
Taxes:			
Motor Fuel and Aviation Gasoline	10.2	6.8	17.0
Highway Diesel Fuel	10.2	5.05	15.25
Railroad Diesel	8.9	—	8.9
Kero-jet Fuel	6.8	—	6.8
Non-highway Diesel Fuel	9.3	6.8	16.1
Residual Petroleum Product	7.1	6.8	13.9
	Base Credit	Supplemental Credit	Total Credit
Credits/Reimbursements:			
Electric Utility Credit/Reimbursement			
Non-highway Diesel Fuel	6.23	—	6.23
Residual Fuel	6.20	—	6.20
Manufacturing Reimbursement ¹			
Non-highway Diesel Motor Fuel	9.3	6.8	16.1
Residual Petroleum Product	7.1	6.8	13.9
Commercial Gallonage			
Non-highway Diesel Fuel	—	6.8	6.8
Residual Petroleum Product	—	6.8	6.8
Non-residential Heating ⁴			
Non-highway Diesel Motor Fuel	4.3	—	4.3
Residual Petroleum Product	3.3	—	3.3
Railroad Gallonage	1.3	5.05	6.35
Farm Use Reimbursement ²			
Motor Fuel	10.2	6.8	17.0
Commercial Fisherman Reimbursement			
Motor Fuel	10.2	6.8	17.0
Diesel Motor Fuel	10.2	5.05	15.25
Distributor of Aviation Gasoline Reimbursement	3.6	7.1	10.7
Not-for-Profit and Veterans' Group Credit/Reimbursement ³			
Non-highway Diesel Motor Fuel	9.3	6.8	16.1
Residual Petroleum Product	7.1	6.8	13.9
Alternative Fuels Reimbursements			
E-85 and CNG	10.2	6.8	17.0
B-20	2.04	1.01	3.05

¹ Non-highway diesel motor fuel and residual petroleum product used and consumed directly and exclusively in the production of tangible personal property are exempt from the tax.

² Diesel motor fuel and residual petroleum product for farm use are exempt from the tax.

³ Non-highway diesel motor fuel and residual petroleum product used and consumed exclusively by certain not-for-profit organizations and veterans' groups for related activities are exempt from the tax.

⁴ This reimbursement rate applies where the PBT commercial gallonage rate of 9.3 cents per gallon was paid at the time of purchase and the product was subsequently used for non-residential heating purposes. Other reimbursement rates would apply if the product used was the full highway or non-highway diesel rates were paid at the time of purchase and the product was subsequently used for non-residential heating purposes.

PETROLEUM BUSINESS TAX

Table 7
2016 New York State Petroleum Business Tax Expenditure Estimates
(2014 Calendar Year Total Petroleum Business Tax Liability = \$1,162.87 Million)

Tax Item	History					Forecast	Reliability
	2010	2011	2012	2013	2014	2016	Level
Exemptions							
Products							
1. Kerosene	2.0	1.7	1.3	1.7	2.9	2.7	2
2. Bunker Fuel	45.0	32.0	42.9	31.1	41.8	39.5	2
3. Liquid Petroleum Gases	48.2	53.8	51.3	63.8	71.2	65.5	4
4. CNG and Hydrogen ¹	0.3	0.4	2.7	0.6	0.9	0.8	2
5. E-85 ¹	0.6	1.3	1.5	1.3	1.2	1.1	2
6. B-20 ¹	0.2	0.4	0.5	0.5	0.5	0.5	2
Sales							
7. Governments	57.8	58.7	58.2	67.8	67.6	62.4	2
8. Residential Heating	207.0	198.3	171.4	210.2	214.9	195.5	2
9. Fuel Used for Manufacturing Purposes	7.8	7.8	6.9	7.2	9.5	9.0	2
10. Fuel Used for Farm Production	7.8	7.9	8.2	9.0	9.8	9.1	2
11. Not-for-Profit Organizations and Veterans Groups	8.6	8.8	8.7	9.7	11.8	11.0	2
12. Fuel Used for Railroad Purposes	1.3	1.6	2.3	2.2	2.8	2.6	2
13. Certain Commercial Gallonage	8.4	6.4	4.4	5.1	5.8	5.4	2
14. Fuel Used for Non-Residential Heating Purposes	8.6	8.8	7.4	9.0	9.0	8.4	2
Credit, Refund, or Reimbursement							
15. Residential Heating Fuel	*	*	*	*	*	*	2
16. Governments	4.8	5.4	5.4	5.6	6.1	5.7	2
17. Omnibus Carriers	5.1	5.1	5.4	4.8	5.6	5.2	2
18. Non-Public School Operators	0.2	0.2	0.2	0.3	0.2	0.2	2
19. Regulated Electric Utilities	0.1	0.1	0.1	0.1	0.2	0.2	2
20. Fuel Used for Manufacturing Purposes	*	*	*	0.2	0.1	0.1	2
21. Certain Commercial Gallonage	*	*	*	*	*	*	2
22. Fuel Used by Commercial Fishers	0.2	0.5	0.3	0.2	0.2	0.2	2
23. Fuel Used for Farm Production	0.4	0.4	0.4	0.6	0.3	0.8	2
24. Fuel Used for Railroad Purposes	*	*	*	*	0.5	0.5	2
25. Fuel Used for Non-Residential Heating Purposes	*	*	*	*	*	*	2
26. Fuel Used for Mining or Extracting Purposes	1.2	1.6	1.3	1.2	1.5	1.4	2
27. Bad Debts	0.1	0.2	*	*	*	*	2
28. Not-for-Profit Organizations and Veterans Groups	*	*	*	*	*	*	2
29. Fuel Used by Passenger Commuter Ferries	0.3	0.2	0.3	0.3	0.3	0.3	2
30. E-85 ¹	*	*	*	*	*	*	2
31. B-20 ¹	*	*	*	*	*	*	2

PETROLEUM BUSINESS TAX

Tax Item	History					Forecast	Reliability
	2010	2011	2012	2013	2014	2016	Level
Exempt Entities							
32. Fuel Used by Voluntary Ambulance Services and Volunteer Fire Departments	--	--	--	*	*	*	2
33. Governments, the United Nations and Certain Not-for-Profit Organizations	*	*	*	*	*	*	4
34. Certain Airlines	1.1	1.2	1.3	1.9	2.0	1.8	2

1) Effective for sales through August 31, 2015.

* Less than \$0.1 million.

-- The tax expenditure was not applicable for these years

N/A No data available.

PETROLEUM BUSINESS TAX

Exemptions

The Petroleum Business Tax allows certain exemptions for gallonage otherwise included in the calculation of tax.

Products

1. **Kerosene**

Citation: Section 301-b(a)(1)

Effective Date: September 1, 1990

Description: Exemptions from tax apply to kerosene sold or used by a petroleum business registered as a diesel motor fuel distributor. The exemption applies to kerosene which has not been blended or mixed with any diesel motor fuel, motor fuel, or residual petroleum product and is not used by the petroleum business as fuel to operate a motor vehicle or sold to a consumer to use as fuel for operation of a motor vehicle.

Estimates: 2014: \$2.9 million — 2016: \$2.7 million

Data Source: PBT Master File

Reliability: Level 2

2. **Bunker Fuel**

Citation: Section 301-b(a)(4)

Effective Date: September 1, 1990

Description: This section exempts from tax residual petroleum products sold by a business registered as a “residual petroleum business” to a consumer for exclusive use as bunker fuel, or, for use by the residual petroleum business as bunker fuel for its own vessels. Bunker fuel is petroleum fuel used in ships.

Estimates: 2014: \$41.8 million — 2016: \$39.5 million

Data Source: PBT Master File

Reliability: Level 2

3. **Liquid Petroleum Gases**

Citation: Section 301-b(a)(5)

Effective Date: September 1, 1990

Description: An exemption from tax is allowed for liquid petroleum gases such as butane, ethane, or propane.

Estimates: 2014: \$71.2 million — 2016: \$65.5 million

Data Source: Crude oil: U.S. Department of Energy; Liquid Petroleum Gases: PBT Master File and U.S. Department of Energy

Reliability: Level 4

4. **CNG and Hydrogen**

Citation: Section 301-b(a)(8)

Effective Date: September 1, 2006

Description: Exemptions from tax apply to compressed natural gas (CNG) and hydrogen which are suitable for use in the engine of a motor vehicle. This provision sunsets on September 1, 2016.

Estimates: 2014: \$0.9 million — 2016: \$0.8 million

Data Source: PBT Master File

Reliability: Level 2

5. E-85

Citation: Section 301-b(a)(6)

Effective Date: September 1, 2006

Description: Exemptions from tax apply to sales of E-85 provided the E-85 is delivered to and placed in a storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the motor vehicle. This provision sunsets on September 1, 2016.

Estimates: 2014: \$1.2 million — 2016: \$1.1 million

Data Source: PBT Master File

Reliability: Level 2

6. B-20

Citation: Section 301-b(a)(7)(i,ii)

Effective Date: September 1, 2006

Description: A partial exemption from tax applies to sales of B-20 (20% biodiesel and 80% diesel motor fuel). The partial exemption is equal to a 20 percent reduction of the otherwise applicable PBT rates on diesel motor fuel. This provision sunsets on September 1, 2016.

Estimates: 2014: \$0.5 million — 2016: \$0.5 million

Data Source: PBT Master File

Reliability: Level 2

Sales

7. Governments

Citation: Section 301-b(c), 301-e(e)(4)

Effective Date: September 1, 1990

Description: The petroleum business tax exempts the sales of motor fuel, diesel motor fuel, or residual petroleum products to the State of New York, the United States of America, or any of their agencies, instrumentalities, or political subdivisions. The exemption applies where such fuel is used by these entities for its own use or consumption. An exemption from tax also exists for naphtha based aviation fuel used solely for propelling military jet aircraft of the United States Armed Forces.

Estimates: 2014: \$67.6 million — 2016: \$62.4 million

Data Source: PBT Master File and U.S. Department of Defense

Reliability: Level 2

8. Residential Heating

Citation: Section 301-b(d)(1)

Effective Date: September 1, 1990

Description: An exemption from tax applies to non-highway diesel motor fuel and residual petroleum product sold by a registered distributor of the product to a consumer, exclusively for residential heating purposes.

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Estimates: 2014: \$214.9 million — 2016: \$195.5 million

Data Source: PBT Master File

Reliability: Level 2

9. Fuel Used for Manufacturing Purposes

Citation: Section 301-a(f)(4), 301-a(g)(4)

Effective Date: January 1, 1998

Description: The sale or use of residual fuel or non-highway diesel fuel for use and consumption directly and exclusively in the production of tangible personal property for sale by manufacturing, processing, or assembly are exempt from the full petroleum business tax. Prior to January 1, 1998 (effective in September 1994), the above sales or uses of such fuels were exempt from the supplemental portion of the petroleum business tax. (See item 20: “Fuel Used for Manufacturing Purposes” for reimbursement if the tax was paid on subsequent sales.)

Estimates: 2014: \$9.5 million — 2016: \$9.0 million

Data Source: PBT Master File

Reliability: Level 2

10. Fuel Used for Farm Production

Citation: Section 301-b(g)

Effective Date: September 1, 1994

Description: The sale or use of non-highway diesel motor fuel and residual petroleum product for off-highway farm production of goods for sale are exempt from the tax. However, the fuel must be delivered on the farm site. (See item 23: “Fuel Used for Farm Production.”)

Estimates: 2014: \$9.8 million — 2016: \$9.1 million

Data Source: PBT Master File

Reliability: Level 2

11. Not-for-Profit Organizations and Veterans Groups

Citation: Section 301-b(h)

Effective Date: January 1, 1996

Description: Not-for-profit organizations and veterans’ groups purchasing and using residual fuel, non-highway diesel motor fuel for their exclusive use are eligible for a full, up-front exemption from the tax. These organizations include not-for-profit groups organized for religious, charitable, scientific, testing for public safety, literary or educational purposes, to foster national or international amateur sports competition, for the prevention of cruelty to children or animals, or veteran groups as listed in Section 1116(a)(4) or (5) of the Tax Law. (See item 28: “Not-for-Profit Organizations and Veterans Groups” for a full credit/reimbursement of the tax.)

Estimates: 2014: \$11.8 million — 2016: \$11.0 million

Data Source: PBT Master File

Reliability: Level 2

12. Fuel Used for Railroad Purposes

Citation: Section 301-a(e)(4); 301-j(a)(3)

Effective Date: January 1, 1997

Description: The sale of non-highway diesel motor fuel for use or consumption directly and exclusively in the operation of a locomotive or a self-propelled vehicle run only on rails or tracks is exempt from the supplemental portion of the tax. Such fuel is also taxed at a preferential rate under the base portion of the tax which is computed as the automotive diesel base rate less 1.3 cents. (See item 24: "Fuel Used for Railroad Purposes" for refund/reimbursement of tax.)

Estimates: 2014: \$2.8 million — 2016: \$2.6 million

Data Source: PBT Master File and refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

13. Certain Commercial Gallonage

Citation: Section 301-j(a)(2)

Effective Date: March 1, 1997

Description: Commercial gallonage defined as non-highway type diesel motor fuel and residual fuel that does not qualify for the utility credit/reimbursement or the manufacturing exemption or the not-for-profit exemption or the non-residential heating rate or will not be used in a commercial vessel is exempt from the supplemental portion of the tax. This fuel is primarily used for electric generation purposes. (See item 21: "Certain Commercial Gallonage" for refund/reimbursement of tax.)

Estimates: 2014: \$5.8 million — 2016: \$5.4 million

Data Source: PBT Master File

Reliability: Level 2

14. Fuel Used for Non-Residential Heating Purposes

Citation: Section 301-b(d)(2)

Effective Date: April 1, 2001

Description: A partial exemption from tax applies to non-highway diesel motor fuel and residual petroleum product sold by a registered distributor of the product to a consumer exclusively for non-residential heating purposes. The rate of the partial exemption was calculated as the then-current PBT supplemental tax rate (imposed under Section 301-j) plus 20 percent of the then current PBT base rate (imposed under Section 301-a) for the applicable fuel above. Effective September 1, 2002, this partial exemption is calculated as the then-current supplemental tax rate plus 46 percent of the then-current PBT base rate.

Estimates: 2014: \$9.0 million — 2016: \$8.4 million

Data Source: PBT Master File

Reliability: Level 2

Credit, Refund, or Reimbursement

A credit, refund, or reimbursement is allowed against taxes paid by certain petroleum businesses for particular petroleum products.

15. **Residential Heating Fuel**

Citation: Section 301-c(a)(1)

Effective Date: September 1, 1990

Description: A reimbursement is allowed for taxes paid by subsequent purchasers of non-highway diesel motor fuel purchased in the State and sold to a consumer for use exclusively for residential heating purposes.

Estimates: 2014: Minimal — 2016: Minimal

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

16. **Governments**

Citation: Section 301-c(b)

Effective Date: September 1, 1990

Description: This section provides a reimbursement for taxes paid pursuant to the petroleum business tax on motor fuel and diesel motor fuel purchased in the State and then sold by the purchaser to the State of New York, the United States of America, or any of their instrumentalities, agencies, or political subdivisions.

Estimates: 2014: \$6.1 million — 2016: \$5.7 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

17. **Omnibus Carriers**

Citation: Section 301-c(c)

Effective Date: April 1, 1992

Description: A reimbursement is allowed for taxes paid on motor fuel and diesel motor fuel purchased in the State by an omnibus carrier. The reimbursement applies to fuel used in the operation of: i) an omnibus in local transit service pursuant to a certificate of convenience and necessity issued by the Commissioner of the Department of Transportation, or issued by the Interstate Commerce Commission of the United States, or pursuant to a contract, franchise, or consent with a city having a population of one million or more; and ii) as a school bus used for the transportation of children in the State pursuant to the Education Law.

Estimates: 2014: \$5.6 million — 2016: \$5.2 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

18. Non-Public School Operators

Citation: Section 301-c(d)

Effective Date: April 1, 1992

Description: This section provides a reimbursement for taxes paid on motor fuel and diesel motor fuel purchased in the State by a non-public school operator and consumed by the operator exclusively for education related activities.

Estimates: 2014: \$0.2 million — 2016: \$0.2 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

19. Regulated Electric Utilities

Citation: Section 301-d

Effective Date: September 1, 1990

Description: This section extends a credit, refund, or reimbursement for the tax surcharge and part of the basic tax for fuel used in the production of electricity. For periods July 1991 and August 1991, this credit was available only for petroleum used to produce residential electricity.

Estimates: 2014: \$0.2 million — 2016: \$0.2 million

Data Source: PBT Master File

Reliability: Level 2

20. Fuel Used for Manufacturing Purposes

Citation: Section 301-c(j)

Effective Date: January 1, 1998

Description: Purchasers who subsequently sell residual fuel or non-highway diesel fuel used and consumed for manufacturing purposes may be reimbursed for the full Petroleum Business Tax. (See item 9: "Fuel Used for Manufacturing Purposes" for the up-front exemption.) Prior to January 1, 1998 (effective in September 1994), the above purchasers making such sales were eligible for reimbursement of the supplemental portion of the petroleum business tax.

Estimates: 2014: \$0.1 million — 2016: \$0.1 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

21. Certain Commercial Gallonage

Citation: Section 301-c(i)(1, 2)

Effective Date: March 1, 1997

Description: Reimbursements are allowed to a consumer where such consumer purchased non-highway type diesel fuel or residual fuel, absorbed the supplemental portion of the tax in the purchase price and used such gallonage as "commercial gallonage." The reimbursement is calculated as the amount of such gallonage multiplied by the then-applicable supplemental tax rate. (See item 13: "Certain Commercial Gallonage" for refund/reimbursement of tax.) Prior to March 1997 (and

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subsequent to September 1994), commercial gallonage was eligible for a credit/reimbursement at a rate of one-half the then-applicable supplemental tax plus surcharge on the supplemental tax under Section 301-k.

Estimates: 2014: Minimal — 2016: Minimal

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

22. Fuel Used by Commercial Fishers

Citation: Section 301-c(g)

Effective Date: September 1, 1994

Description: A reimbursement is allowed for diesel motor fuel and motor fuel used in the operation of a commercial fishing vessel by commercial fishers while such vessel is engaged in harvesting fish for sale.

Estimates: 2014: \$0.2 million — 2016: \$0.2 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

23. Fuel Used for Farm Production

Citation: Section 301-c(e), (f)

Effective Date: September 1, 1994

Description: Reimbursements are allowed for non-highway diesel motor fuel and residual fuel purchased in this State and sold by such purchaser to a consumer for farm use. In addition, a purchaser of motor fuel or highway diesel motor fuel who uses the fuel for farm production is eligible for a reimbursement of the PBT. The reimbursement is only allowed if it is not more than 1,500 gallons of gasoline or 4,500 gallons of highway diesel motor fuel purchased in a 30 day period, or for greater amounts with prior clearance by the Commissioner of Taxation and Finance. The motor fuel or highway diesel motor fuel must be delivered on the farm site and consumed off-highway in the production of goods for sale. (See item 10: "Fuel Used for Farm Production" for the up-front exemption)

Estimates: 2014: \$0.3 million — 2016: \$0.8 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

24. Fuel Used for Railroad Purposes

Citation: Section 301-c(k)(1, 2)

Effective Date: January 1, 1997

Description: Reimbursements are allowed to subsequent purchasers, who are registered as distributors of diesel motor fuel, have absorbed the full PBT non-highway diesel rate and then sell such fuel as "railroad diesel." The amount of the reimbursement is equal to the difference between the full non-highway diesel rate and the railroad diesel rate. (See item 12: "Fuel Used for Railroad Purposes" for the exemption from tax.)

Estimates: 2014: \$0.5 million — 2016: \$0.5 million

Data Source: Department of Taxation and Finance Audit Division
Reliability: Level 2

25. Fuel Used for Non-Residential Heating Purposes

Citation: Section 301-c(a)(2)

Effective Date: April 1, 2001

Description: A partial reimbursement from tax applies to non-highway diesel motor fuel purchased in the State and then sold by such purchaser to a consumer exclusively for non-residential heating purposes. The partial reimbursement is provided only when such non-highway diesel motor fuel is delivered into a storage tank (which is not equipped with a hose or other apparatus where such fuel can be dispensed into the tank of a motor vehicle) – and where such tank is attached to the heating unit burning such fuel. Additionally, the purchaser must possess documentary proof that it absorbed the full amount of the PBT.

The rate of the partial reimbursement was calculated as the then-current PBT supplemental tax rate (imposed under Section 301-j) plus 20 percent of the then-current PBT base rate (imposed under Section 301-a) applicable for the specific diesel motor fuel rate above. Effective September 1, 2002, this partial exemption is calculated as the then-current supplemental tax rate plus 46 percent of the then-current PBT base rate.

Estimates: 2014: Minimal — 2016: Minimal

Data Source: Department of Taxation and Finance Audit Division

Reliability: Level 2

26. Fuel Used for Mining or Extracting Purposes

Citation: Section 301-c(l)

Effective Date: April 1, 2001

Description: A purchaser may obtain a reimbursement of the PBT paid on non-highway diesel motor fuel or residual petroleum product when such fuel is purchased exclusively for use and consumption directly and exclusively in the production of tangible personal property for sale by mining or extracting. The reimbursement is provided only where such fuel is delivered at the mining or extracting site and is consumed other than on the public highways of the State. Additionally, the purchaser must possess documentary proof that it absorbed the full amount of the PBT.

Estimates: 2014: \$1.5 million — 2016: \$1.4 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

27. Bad Debts

Citation: Section 301-l

Effective Date: September 1, 1994

Description: A registered petroleum business or aviation fuel business may apply for a refund for PBT that it has paid with respect to gallons sold in-bulk by the business for the purchaser's own consumption. The

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same must then give rise to a debt that becomes worthless for Federal income tax purposes. In addition, a sale of motor fuel and highway diesel motor fuel to a filling station is a sale in-bulk for such filling station's own use and consumption. Sales by a filling station are not eligible for this refund.

Estimates: 2014: Minimal — 2016: Minimal

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

28. Not-for-Profit Organizations and Veterans Groups

Citation: Section 301-c(h)

Effective Date: January 1, 1996

Description: Purchasers who subsequently sell residual fuel or non-highway diesel motor fuel used and consumed exclusively by certain not-for-profit organizations and veterans' groups may apply for a full refund of the PBT. These organizations include the organizations listed in Section 1116(a)(4) or (5) of the Tax Law. (See item 8: "Not-for-Profit Organizations and Veterans Groups" for the full up-front exemption.)

Estimates: 2014: Minimal — 2016: Minimal

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

29. Fuel Used by Passenger Commuter Ferries

Citation: 301-c(m)

Effective Date: December 1, 2000

Description: A reimbursement is allowed for non-highway diesel motor fuel and residual petroleum product used and consumed by a passenger commuter ferry when such fuel is used exclusively in providing a mass transportation service.

Estimates: 2014: \$0.3 million — 2016: \$0.3 million

Data Source: Refund data from the Department of Taxation and Finance's Audit Division

Reliability: Level 2

30. E-85

Citation: Section 301-c(n)

Effective Date: September 1, 2006

Description: A reimbursement of tax applies for purchases of E-85 where the tax was paid by the purchaser and the E-85 was delivered to and placed in a storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the motor vehicle. This provision sunsets on September 1, 2014.

Estimates: 2014: Minimal — 2016: Minimal

Data Source: Department of Taxation and Finance Audit Division

Reliability: Level 2

31. **B-20**

Citation: 301-c(o)

Effective Date: September 1, 2006

Description: A partial reimbursement of tax applies for purchases of B-20 where the tax was paid by the purchaser and subsequently resold. The partial reimbursement is equal to 20 percent of the PBT tax paid on diesel motor fuel. This provision sunsets on September 1, 2014.

Estimates: 2014: Minimal — 2016: Minimal

Data Source: Department of Taxation and Finance Audit Division

Reliability: Level 2

EXEMPT ENTITIES

32. **Fuel Used by Volunteer Ambulance Services and Volunteer Fire Departments**

Citation: Section 301-c (p)

Effective Date: June 1, 2013

Description: A reimbursement is allowed for petroleum business tax paid on motor fuel and diesel motor fuel purchased by volunteer ambulance services (as defined in section three thousand one of the Public Health Law), volunteer fire companies and volunteer fire departments (as defined in section three of the volunteer firefighters' benefit law) and volunteer rescue squads. To qualify, the entity must be the purchaser, user or consumer of the motor fuel or diesel motor fuel and use it in a vehicle owned and operated by such entity exclusively for its purposes.

Estimates: 2014: Minimal — 2016: Minimal

Reliability: Level 2

33. **Governments, The United Nations, and Certain Not-for-Profit Organizations**

Citation: Section 305

Effective Date: July 1, 1983

Description: Organizations exempt under the Sales Tax Law Section 1116(a) that import petroleum into New York exclusively for their own use and consumption are not considered petroleum businesses and are exempt from the PBT. These organizations include: the State of New York, the United States of America and any of its agencies, instrumentalities, or political subdivisions; the United Nations; or any international organization of which the United States is a member; any trust, corporation, association, fund, or foundation operated exclusively for religious, charitable, or scientific purposes, or to foster international amateur sports competition, for the prevention of cruelty to children or animals, or veteran's groups; certain Indian nations or tribes; and certain not-for-profit health maintenance organizations.

Estimates: 2014: Minimal — 2016: Minimal

Data Source: PBT Master File

Reliability: Level 4

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34. Certain Airlines

Citation: 301-e(f)

Effective Date: June 1, 2005

Description: Aviation fuel businesses (i.e., airlines) which service four or more cities in the State with direct non-stop flights between these cities are fully exempt from the PBT. This provision will allow these airlines to “burn” jet fuel on take-offs in New York State without paying the PBT whether the associated flights or legs of flights are intra or interstate in destination.

Estimates: 2014: \$2.0 million — 2016: \$1.8 million

Data Source: PBT Master File

Reliability: Level 2

REAL ESTATE TRANSFER TAX

This section of the report provides tax expenditure estimates for 18 separate provisions of the Real Estate Transfer Tax. Table 9 provides a list of expenditures based on the Tax Law as of January 1, 2016. The estimates are based on liability data from the 2013-14 fiscal year. Base year 2013-14 liability is also extrapolated to the 2016-17 fiscal year. The estimates are based on an examination of liability incurred between April 1 and March 31. Real Estate Transfer Tax liability for the 2013-14 fiscal year has been included to provide some perspective to the tax expenditure estimates.

Description of Tax

Adopted in 1968, Article 31 of the New York State Tax Law imposes a Real Estate Transfer Tax on the conveyance of real property or an interest in real property where the consideration exceeds \$500. Payment is due no later than fifteen days after the delivery of the instrument affecting the conveyance (such as a deed). The rate of tax equals two dollars for every five hundred dollars (or fraction thereof) of consideration. Responsibility for payment rests with the person making the conveyance, the grantor. If the grantor (the seller) has failed to pay the tax or is exempt from liability, the grantee (the buyer) is responsible for payment.

The transfer tax also applies to conveyances of shares of stock in a cooperative housing corporation, the creation of long-term leaseholds and subleases, and transfers or acquisitions of a controlling interest in an entity which owns an interest in real property.

Together with the basic transfer tax, an additional one percent tax (the “mansion” tax) is imposed on the conveyance of residential real property or interest therein where the consideration is one million dollars or more. The additional tax is imposed upon the grantee. However, if the grantee is exempt from tax, then the tax is imposed on the grantor.

Data Sources

The major source of data used to compute the tax expenditure estimates include:

- Real Estate Transfer Tax Return Database — This file, compiled by the Department of Taxation and Finance, includes information on selected transfers of real property. It includes data items from the TP-584 tax return filed with these transfers and is an unverified data file.

REAL ESTATE TRANSFER TAX

Methodology

Historical estimates are projected to Fiscal Year 2016-17 levels using various economic forecast variables.

Table 8
2016 New York State Real Estate Transfer Tax Expenditure Estimates
(Fiscal Year 2014 Total Real Estate Transfer Tax Liability = \$911.35 Million)

Tax Item	History				Forecast	Reliability
	2010-11	2011-12	2012-13	2013-14	2016-17	Level
Exclusions						
1. Continuing Lien Deduction	2.1	1.6	2.0	2.0	1.9	2
Exemptions						
2. State of New York	N/A	N/A	N/A	N/A	N/A	5
3. The United Nations and United States of America	N/A	N/A	N/A	N/A	N/A	5
4. Conveyances to the United Nations, United States of America, or State of New York	4.3	4.8	2.8	3.3	3.9	2
5. Conveyances Which Secure a Debt or Other Obligation	0.1	0.3	0.1	0.1	0.2	2
6. Conveyances that Confirm, Correct, Modify, or Supplement a Prior Conveyance	0.1	0.1	0.2	0.1	0.1	2
7. Bona Fide Gifts and Conveyance Without Consideration	0.6	0.4	0.5	0.3	0.4	2
8. Tax Sale	0.4	1.1	0.5	0.5	0.6	2
9. Mere Changes of Identity	8.6	1.6	2.1	3.2	2.8	2
10. Deeds of Partition	*	*	*	*	*	2
11. Federal Bankruptcy Act	2.8	5.1	9.3	6.5	5.3	2
12. Contract to Sell or Option to Purchase Without Use	0.1	*	*	0.1	0.1	2
13. Option or Contract to Purchase With Right to Occupy	*	*	*	*	*	2
14. START-UP NY Leases	--	--	--	0.0	*	2
Credits						
15. Credit for Prior Transfer Tax Paid	0.1	0.1	*	*	0.1	2
16. Cooperative Housing Corporation Transfer Credit	0.4	0.6	0.4	0.2	0.4	2
Preferential Tax Rates						
17. Real Estate Investment Trust Transfers (Initial Formation REITS)	0.0	0.0	0.0	0.0	0.0	2
18. Real Estate Investment Trust Transfers (Existing REITS)	D/	3.5	0.3	D/	0.8	2

-- The tax expenditure was not applicable for these years.

* Less than \$0.1 million

N/A No data available.

D/ Tax Law prohibits the disclosure of individual taxpayer information.

Exclusions

1. Continuing Lien Deduction

Citation: Section 1402

Effective Date: August 1, 1968 (amended May 1, 1983)

Description: The Real Estate Transfer Tax excludes the amount of any lien or encumbrance remaining at the time of sale involving a one-, two-, or three-family house or individual residential condominium unit, from the total consideration used to calculate the tax due. Additionally, consideration does not include the value of any lien or encumbrance at the time of sale where consideration is less than \$500,000.

Estimates: FY2014: \$2.0 million — FY2017: \$1.9 million

Data Source: RETT Database

Reliability: Level 2

Exemptions

Section 1405 of the New York State Tax Law exempts certain organizations from payment of the transfer tax. Liability for any tax incurred, when an exempt organization is the grantor, becomes the responsibility of the grantee and is payable no later than 15 days after delivery of the instrument affecting the conveyance. Where both parties are exempt there is no tax due. Section 1405 also exempts certain conveyances from tax.

2. State of New York

Citation: Section 1405(a)(1)

Effective Date: August 1, 1968

Description: This section exempts the State of New York or any of its agencies, instrumentalities, political subdivisions, or public corporations (including a public corporation created pursuant to an agreement with another state or Dominion of Canada) from liability for the transfer tax.

Estimate: No data available

Reliability: Level 5

3. The United Nations and United States of America

Citation: Section 1405(a)(2)

Effective Date: August 1, 1968

Description: The real estate transfer tax excuses the United Nations, the United States of America, and any of its agencies or instrumentalities from incurring liability for payment of the tax.

Estimate: No data available

Reliability: Level 5

4. Conveyances to the United Nations, United States of America, or State of New York

Citation: Section 1405(b)(1)

Effective Date: August 1, 1968

REAL ESTATE TRANSFER TAX

Description: Exempt from tax are conveyances to the United Nations, the United States of America, the State of New York, or any of their agencies, political subdivisions, instrumentalities, or any public corporation (including public corporations created pursuant to an agreement with another state or Dominion of Canada).

Estimates: FY2014: \$3.3 million — FY2017: \$3.9 million

Data Source: RETT Database

Reliability: Level 2

5. Conveyances which Secure a Debt or Other Obligation

Citation: Section 1405(b)(2)

Effective Date: August 1, 1968

Description: The transfer tax exempts conveyances used to secure a debt or other obligation.

Estimates: FY2014: \$0.1 million — FY2017: \$0.2 million

Data Source: RETT Database

Reliability: Level 2

6. Conveyances that Confirm, Correct, Modify, or Supplement a Prior Conveyance

Citation: Section 1405(b)(3)

Effective Date: August 1, 1968

Description: The real estate transfer tax does not apply to conveyances which without additional consideration confirm, correct, modify, or supplement a prior conveyance.

Estimates: FY2014: \$0.1 million — FY2017: \$0.1 million

Data Source: RETT Database

Reliability: Level 2

7. Bona Fide Gifts and Conveyance Without Consideration

Citation: Section 1405(b)(4)

Effective Date: August 1, 1968

Description: Conveyances exempted from the tax include: conveyances made without consideration, bona fide gifts, bequests, or inheritances.

Estimates: FY2014: \$0.3 million — FY2017: \$0.4 million

Data Source: RETT Database

Reliability: Level 2

8. Tax Sale

Citation: Section 1405(b)(5)

Effective Date: August 1, 1968

Description: The real estate transfer tax exempts any conveyance given in connection with a tax sale.

Estimates: FY2014: \$0.5 million — FY2017: \$0.6 million

Data Source: RETT Database

Reliability: Level 2

- 9. Mere Changes of Identity**
Citation: Section 1405(b)(6)
Effective Date: July 1, 1989
Description: The transfer tax does not apply to a conveyance used to effectuate a mere change in identity or form of ownership where there is no change in beneficial ownership. This exemption is not applicable to conveyances to a cooperative housing corporation of the real property comprising the cooperative dwelling.
Estimates: FY2014: \$3.2 million — FY2017: \$2.8 million
Data Source: RETT Database
Reliability: Level 2
- 10. Deeds of Partition**
Citation: Section 1405(b)(7)
Effective Date: August 1, 1968
Description: Exempt from the tax are conveyances which consist of a deed of partition. Partition is the division of property between several persons who are co-owners of the property. The object of a partition is to end the joint tenancy or tenancy in common and divide the property among the respective co-owners.
Estimates: FY2014: Minimal — FY2017: Minimal
Data Source: RETT Database
Reliability: Level 2
- 11. Federal Bankruptcy Act**
Citation: Section 1405(b)(8)
Effective Date: August 1, 1968
Description: This section exempts from taxation any conveyance given pursuant to the Federal Bankruptcy Act.
Estimates: FY2014: \$6.5 million — FY2017: \$5.3 million
Data Source: RETT Database
Reliability: Level 2
- 12. Contract to Sell or Option to Purchase Without Use**
Citation: Section 1405(b)(9)
Effective Date: July 1, 1989
Description: The real estate transfer tax exempts a conveyance which consists of a contract to sell real property without the use or occupancy of such property. Likewise, exempt from tax are conveyances granting an option to purchase real property without the use or occupancy of the property.
Estimates: FY2014: \$0.1 million — FY2017: \$0.1 million
Data Source: RETT Database
Reliability: Level 2
- 13. Option or Contract to Purchase With Right to Occupy**
Citation: Section 1405(b)(10)
Effective Date: July 1, 1989

REAL ESTATE TRANSFER TAX

Description: An exemption from the transfer tax is allowed for conveyances of an option or contract to purchase real property, which includes the right to use or occupy the property, providing:

- a. the consideration is less than \$200,000;
- b. such property or at least one unit of a two- or three-family house was used solely as the grantor's personal residence; and
- c. the real property consists of a one-, two-, or three-family house, an individual residential condominium unit or the sale of stock in a cooperative housing corporation in connection with a grant or transfer of a proprietary leasehold covering an individual residential cooperative unit.

Estimates: FY2014: Minimal — FY2017: Minimal

Data Source: RETT Database

Reliability: Level 2

14. **START-UP NY Leases**

Citation: Section 1405(b)(11)

Effective Date: January 1, 2014

Description: Under the Real Estate Transfer Tax certain leases created for a term in excess of 49 years, as well as assignments of any existing leases, are taxable. An exemption is allowed for these leases of real property located in tax-free NY areas to an approved business participating in the START-UP NY program.

Estimates: FY2014: \$0.0 million – FY2017: Minimal

Data Source: RETT Database

Reliability: Level 1

Credits

The real estate transfer tax allows credits for taxes paid in certain transactions.

15. **Credit for Prior Transfer Tax Paid**

Citation: Section 1405-A

Effective Date: July 1, 1989

Description: A grantor is allowed credit against the tax due on a conveyance of real property to the extent tax was paid by the grantor on a prior creation of a leasehold for all or a portion of the same real property or on the granting of a contract or option to purchase all or a part of the same real property.

Estimates: FY2014: Minimal — FY2017: \$0.1 million

Data Source: RETT Database

Reliability: Level 2

16. Cooperative Housing Corporation Transfer Credit

Citation: Section 1405-B

Effective Date: July 1, 1989

Description: A credit is allowed for a proportionate part of the amount of tax paid upon the conveyance to the cooperative housing corporation of real property comprising the cooperative dwelling(s). The credit applies to the conveyance of cooperative shares to unit purchases. It is allowed only to the extent that the original conveyance of the real property to the cooperative housing corporation effectuates a mere change in identity or form of ownership, and not a change in the beneficial ownership of the property.

Estimates: FY2014: \$0.2 million — FY2017: \$0.4 million

Data Source: RETT Database

Reliability: Level 2

Preferential Tax Rates

The Real Estate Transfer Tax allows a preferential tax rate in the following instances.

17. Real Estate Investment Trust Transfers (Initial Formation REITs)

Citation: Section 1402(b)

Effective Date: June 9, 1994 (amended July 13, 1996)

Description: The transfer tax rate is reduced to \$1.00 per \$500 (or fractional part thereof) on transfers of real property effected through qualifying “real estate investment trust transfers” in order to form a REIT occurring on or after June 9, 1994.

Estimates: FY2014: \$0.0 million — FY2017: \$0.0 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 2

18. Real Estate Investment Trust Transfers (Existing REITs)

Citation: Section 1402(b)

Effective Date: July 13, 1996

Description: The transfer tax rate is reduced to \$1.00 per \$500 (or fractional part thereof) on transfers of real property to existing REITs effected through qualifying “real estate investment trust transfers” occurring on or after July 13, 1996 and before September 1, 2017.

Estimates: FY2014: D/ — FY2017: \$0.8 million

Data Source: New York State Department of Taxation and Finance

Reliability: Level 2

REAL ESTATE TRANSFER TAX

CROSS-ARTICLE TAX CREDITS

Many of the tax credits New York State offers are available to taxpayers regardless of the tax article to which they are subject. This section provides descriptions of these credits and notes where there may be article-specific differences. The section also provides an estimate for the credit under each article where it is available. Credits that are only available under one tax article are reported in their respective section.

The historical data reflects the separation between Article 9-A for general business corporations (CFT) and Article 32 for banks (Bank). Starting in 2015, Article 32 no longer exists, which necessitates the "--" indication in the Bank forecast column. The 2016 forecast for CFT includes the estimated impact from taxpayers formerly filing under Article 32 but now filing under Article 9-A as a result of the recently enacted corporate tax reform.

Taxpayers using and refunding over \$2 million in certain tax credits in tax years 2010, 2011, and 2012 were required to defer excess amounts. Taxpayers could begin to redeem deferred credits starting in the 2013 tax year. All deferred nonrefundable tax credits are aggregated into the *temporary deferral nonrefundable payout credit* and may be applied to the extent permitted by the taxpayer's liability. Amounts in excess of any liability limitations will be allowed to be carried forward indefinitely for future use. All deferred refundable credits are aggregated into the *temporary deferral refundable payout credit*. Taxpayers may use and refund 50 percent of the total credit in tax year 2013, 75 percent of the remainder in tax year 2014, and the remaining balance in tax year 2015.

Because the temporary credit deferral program was essentially a shift in the timing of credit utilization, credit amounts reported in the Tax Expenditure Report do not account for the impact of deferral. Thus, data for the 2010-2012 tax years reflect the cost of credits as if deferral was not in place. This allows for a consistent basis against which to measure trends in credit utilization without needing to adjust for the timing distortion caused by the deferral program.

Because credit amounts in 2010-2012 are reported without regard to deferral, including the amounts of the deferral payout credits would amount to double-counting of the cost of credits. In the years where deferral was in effect, the impact on the financial plan was lower than the reported credit amounts. Likewise, in years where deferral payout credits are claimed, the total cost of credits is higher than what is shown. However, the two amounts will offset each other.

Finally, some credits contained in this section can no longer be earned in the current year. They are retained in this report, however, because taxpayers possess a large, unused reserve of certain credits that can be carried forward

CROSS-ARTICLE TAX CREDITS

and applied against future tax liabilities. These credits can be identified by looking at the effective dates included for each credit.

CROSS-ARTICLE TAX CREDITS

Table 9
2016 New York State Cross-Article Tax Credits Estimates

Tax Item	2008	2009	2010	History 2011	2012	2013 ³	Forecast 2016
1. Investment Tax Credit and Employment Incentive Credit ⁴							
PIT ¹	25.2	17.0	21.3	27.4	23.1	22.7	25.0
CFT ^{2, 9}	106.5	106.6	82.3	74.9	85.7		100.0
Total	131.7	123.6	103.6	102.3	108.8		125.0
2. Investment Tax Credit for the Financial Services Industry ⁴							
PIT	0.5	0.1	0.2	0.1	0.1	0.2	0.2
CFT	20.5	18.6	18.1	5.0	6.4		10.0
Bank	11.6	14.9	7.7	11.3	13.3		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
Total	32.6	33.6	26.0	16.4	19.8		10.2
3. Special Additional Mortgage Recording Tax Credit ⁴							
PIT	11.2	6.3	4.0	6.6	11.6	21.0	15.0
CFT	3.4	3.9	2.7	3.5	5.8		26.0
Bank	19.6	14.5	21.8	23.2	29.1		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186	0.0	0.0	0.0	0.0	0.0		*
Total	34.2	24.7	28.5	33.3	46.5		41.0
4. Empire Zone (EZ), Qualified Empire Zone Enterprise (QEZE), and Zone Equivalent Areas Tax Credits ^{4,6}							
a. EZ Investment Tax Credit and Employment Incentive Credit							
PIT	12.2	11.7	15.1	13.6	10.7	9.5	4.0
CFT	32.3	21.8	26.2	22.9	86.6		10.0
Article 9, §185	0.1	*	*	*	*		*
b. EZ/ZEI Wage Tax Credit							
PIT	17.0	17.2	17.8	14.6	11.7	10.1	5.0
CFT	23.4	14.6	11.9	10.9	11.0		4.0
Bank	0.2	0.7	0.7	0.9	*		--
Insurance	4.3	0.4	0.4	*	*		*
Article 9, §185	*	0.1	0.1	*	*		*
c. EZ Capital Credit							
PIT	1.2	0.9	1.5	1.5	0.2	0.2	*
CFT	0.1	*	*	*	*		*
Bank	*	*	*	*	*		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
d. QEZE Real Property Tax Credit							
PIT	70.7	83.2	86.1	91.7	80.4	70.0	40.0
CFT	119.0	128.0	131.8	118.9	110.3		67.0
Bank	4.9	10.6	4.9	4.7	2.8		--
Insurance	0.1	0.2	0.2	0.2	2.8		*
Article 9, §185	0.4	0.4	0.3	0.3	0.3		*
e. QEZE Tax Reduction Credit							
PIT	29.8	40.9	52.9	52.5	74.9	40.2	9.0
CFT	31.7	28.5	28.4	21.9	22.8		9.0
Bank	1.2	1.2	8.7	7.6	4.4		--
Insurance	16.0	10.1	15.8	15.0	21.9		7.0
Total	364.6	370.5	402.8	377.2	440.8		155.0
5. Farmers' School Property Tax Credit							
PIT	28.6	29.1	31.2	33.5	35.7	38.2	40.0
CFT	1.1	1.2	1.1	1.1	1.3		1.0
Total	29.7	30.3	32.3	34.6	37.0		41.0

CROSS-ARTICLE TAX CREDITS

Tax Item	2008	2009	2010	History 2011	2012	2013 ³	Forecast 2016
6. Credit for Employment of Persons with Disabilities ⁴							
PIT	*	*	*	*	*	0.1	0.1
CFT	*	*	*	*	*		*
Bank	0.0	0.0	0.0	*	*		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186	0.0	0.0	0.0	0.0	0.0		*
Total	0.0	0.0	0.0	0.0	0.0		0.1
7. Qualified Emerging Technology Company (QETC) Credits ⁴							
a. QETC Capital Tax Credit							
PIT	0.9	0.7	1.0	1.5	1.5	1.2	1.5
CFT	*	*	*	*	*		*
b. QETC Employment Credit							
PIT	0.2	0.2	0.2	0.1	0.3	0.1	0.2
CFT	0.4	0.4	0.4	0.5	0.4		1.0
Total	1.5	1.3	1.6	2.1	2.2		2.7
8. Low-Income Housing Credit ⁴							
PIT	0.1	*	*	*	*	*	*
CFT	0.0	*	0.0	0.0	0.5		34.0
Bank	4.1	8.0	11.8	16.3	26.0		--
Insurance	0.1	0.0	0.1	0.1	0.8		1.0
Total	4.3	8.0	11.9	16.4	27.3		35.0
9. Credit for Purchase of an Automated External Defibrillator ⁴							
PIT	*	*	0.1	1.0	0.1	*	0.1
CFT	0.1	*	*	*	*		*
Bank	*	0.0	0.0	*	0.0		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
Total	0.1	0.0	0.1	1.0	0.1		0.1
10. Green Buildings Credit ⁴							
PIT	*	0.2	*	*	0.1	0.1	0.1
CFT	1.2	3.7	0.4	0.0	0.0		*
Bank	0.6	6.2	0.0	0.0	0.0		--
Insurance	0.4	0.0	0.0	0.0	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186	0.0	0.0	0.0	0.0	0.0		*
Total	2.2	10.1	0.4	0.0	0.1		0.1
11. Long-Term Care Insurance Credit							
PIT	63.9	51.7	71.3	74.7	79.6	85.3	95.0
CFT	0.1	0.2	0.2	0.1	0.1		0.1
Bank	0.0	*	*	*	*		--
Insurance	0.1	0.2	0.0	0.0	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186-a	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186-e	0.0	0.0	0.0	0.0	0.0		*
Total	64.1	52.0	71.5	74.8	79.7		95.1

CROSS-ARTICLE TAX CREDITS

Tax Item	2008	2009	2010	History 2011	2012	2013 ³	Forecast 2016
12. Empire State Film and Commercial Credits							
a. Empire State Film Production Credit							
PIT	8.3	7.8	8.8	7.7	3.4	3.3	10.0
CFT	137.1	102.6	200.4	273.6	245.2		385.0
b. Empire State Film Post Production Credit							
PIT	--	--	0.0	0.1	0.1	1.0	1.0
CFT	--	--	0.0	0.2	0.2		24.0
c. Empire State Commercial Production Credit ⁴							
PIT	*	*	1.0	0.9	*	*	*
CFT	1.6	0.8	1.0	0.8	0.2		7.0
Total	147.0	111.2	211.2	283.3	249.1		428.0
13. Security Training Tax Credit ⁴							
PIT	*	0.2	0.1	*	*	0.1	0.1
CFT	0.3	0.2	*	0.0	*		*
Bank	0.0	0.0	0.0	0.0	0.0		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186-a	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186-e	0.0	0.0	0.0	0.0	0.0		*
Total	0.3	0.4	0.1	0.0	0.0		0.1
14. Brownfields Tax Credits ⁴							
a. Brownfield Redevelopment Tax Credit							
PIT	81.4	70.3	5.6	62.3	31.1	2.3	68.5
CFT	32.4	8.7	171.6	14.6	45.8		56.0
Bank	2.0	59.1	0.1	0.0	4.1		--
Insurance	0.0	0.0	0.0	0.7	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
b. Remediated Brownfield Credit for Real Property Taxes							
PIT	0.9	1.2	2.2	1.8	2.3	0.3	5.0
CFT	2.6	2.8	2.8	3.2	3.2		0.5
Bank	0.0	0.0	0.0	0.0	0.0		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
c. Environmental Remediation Insurance Credit							
PIT	0.0	0.0	0.0	0.0	*	*	*
CFT	0.0	0.0	0.0	0.0	0.0		*
Bank	0.0	0.0	0.0	0.0	0.0		--
Insurance	0.0	0.0	0.0	0.0	0.0		*
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
Total	119.3	142.1	182.3	82.6	86.5		130.0
15. Biofuel Production Credit ⁴							
PIT	5.8	6.1	1.8	*	*	*	*
CFT	0.0	*	2.4	2.5	5.0		1.0
Article 9, §183	0.0	0.0	0.0	0.0	0.0		*
Article 9, §184	0.0	0.0	0.0	0.0	0.0		*
Article 9, §185	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186-a	0.0	0.0	0.0	0.0	0.0		*
Article 9, §186-e	0.0	0.0	0.0	0.0	0.0		*
Total	5.8	6.1	4.2	2.5	5.0		1.0
16. Land Conservation Easement Credit ⁴							
PIT	1.1	1.2	1.2	1.4	1.4	1.4	1.4
CFT	*	*	*	*	*		*
Total	1.11	1.2	1.2	1.4	1.4		1.4

CROSS-ARTICLE TAX CREDITS

Tax Item	2008	2009	2010	History 2011	2012	2013 ³	Forecast 2016
17. Clean Heating Fuel Credit ⁴							
PIT	0.3	0.4	0.3	0.6	0.7	1.9	2.0
CFT	*	*	*	*	0.3		*
Total	0.3	0.4	0.3	0.6	1.0		2.0
18. Rehabilitation of Historic Properties Credit ⁴							
PIT	0.1	0.2	0.5	0.6	1.5	4.2	5.0
CFT	*	*	1.0	4.3	5.7		22.0
Bank	--	--	7.1	4.5	2.0		--
Insurance	--	--	2.0	3.4	2.3		3.0
Total	0.1	0.2	10.6	12.8	11.5		30.0
19. Excelsior Jobs Program Tax Credits ¹¹							
PIT	--	--	--	*	*	0.6	73.0
CFT ¹⁰	--	--	--	*	13.1		72.0
Bank	--	--	--	0.0	0.0		--
Insurance	--	--	--	0.0	0.0		*
Total					13.1		145.0
20. Credit for Companies who Provide Transportation to Individuals with Disabilities							
PIT	--	--	--	--	*	0.2	0.2
CFT	--	--	--	*	*		*
Total	--	--	--	*	*		0.2
21. Economic Transformation and Facility Redevelopment Program Tax Credit ⁷							
PIT	--	--	--	*	*	*	*
CFT	--	--	--	0.0	0.0		*
Bank	--	--	--	0.0	0.0		--
Insurance	--	--	--	0.0	0.0		*
Article 9, §185	--	--	--	0.0	0.0		*
Total							
22. Urban Youth Jobs Program Tax Credit							
PIT	--	--	--	--	1.0	0.7	2.0
CFT	--	--	--	--	1.3		18.0
Total					2.3		20.0
23. Empire State Jobs Retention Program Credit ¹¹							
PIT	--	--	--	--	--	*	5/
CFT	--	--	--	--	7.0		5/
Bank	--	--	--	--	0.0		5/
Insurance	--	--	--	--	0.0		5/
Total					7.0		
24. Beer Production Credit							
PIT	--	--	--	--	0.6	0.6	0.6
CFT	--	--	--	--	1.3		2.0
Total					1.9		2.6
25. Alternative Fuels and Electric Vehicle Recharging Property Credit							
PIT	--	--	--	--	--	*	*
CFT	--	--	--	--	--		1.0
Article 9, §183	--	--	--	--	--		*
Article 9, §184	--	--	--	--	--		*
Article 9, §185	--	--	--	--	--		*
Total							1.0
26. Minimum Wage Reimbursement Credit							
PIT	--	--	--	--	--	--	14.0
CFT	--	--	--	--	--	--	29.0
Bank	--	--	--	--	--	--	--
Insurance	--	--	--	--	--	--	*
Article 9, §185	--	--	--	--	--	--	*
Total							43.0

CROSS-ARTICLE TAX CREDITS

Tax Item	2008	2009	2010	History 2011	2012	2013 ³	Forecast 2016
27. START-UP NY Tax Elimination Credit ⁸							
PIT	--	--	--	--	--	--	31.0
CFT	--	--	--	--	--	--	22.5
Total							53.5
28. Credit for the Excise Tax on Telecommunication Services Paid by START-UP New York Businesses							
PIT	--	--	--	--	--	--	*
CFT	--	--	--	--	--	--	*
Total							*
29. Real Property Tax Relief Credit for Manufacturing							
PIT	--	--	--	--	--	--	15.0
CFT	--	--	--	--	--	--	85.0
Total							100.0
30. Hire A Vet Credit							
PIT	--	--	--	--	--	--	12.0
CFT	--	--	--	--	--	--	25.0
Insurance	--	--	--	--	--	--	*
Total							37.0
31. Musical and Theatrical Production Credit							
PIT	--	--	--	--	--	--	1.0
CFT	--	--	--	--	--	--	3.0
Total							4.0
32. Workers with Disabilities Tax Credit							
PIT	--	--	--	--	--	--	2.0
CFT	--	--	--	--	--	--	4.0
Total							6.0
33. Employee Training Incentive Program ¹¹							
PIT	--	--	--	--	--	--	2.0
CFT	--	--	--	--	--	--	3.0
Total							5.0

1/ Personal Income Tax

2/ Corporation Franchise Tax

3/ Data for non-PIT items is not yet available

4/ For tax years 2010, 2011, and 2012, credits subject to deferral. Values reported reflect the amount of credit computed absent deferral rules.

5/ Forecasts for this program are included in the Excelsior Jobs Program estimates and are not separately available for PIT, CFT, Bank, and Insurance taxes.

6/ The total forecast for the EZ/QEZE Program, including \$17.0 million for Sales Tax, is \$172.0 million.

7/ The total forecast for the Economic Transformation and Facility Redevelopment Program, including a minimal amount for Sales Tax, is minimal.

8/ The total forecast for the START-UP NY Program, including \$16.0 million for Sales Tax and \$35.0 million for PIT Exclusion of Wages, is \$104.5 million.

9/ Data for tax years prior to 2015 include the costs of the retail enterprise tax credit and the rehabilitation credit for historic barns, although those amounts were typically zero or minimal.

10/ Component-level data is reported in the respective tax article section summary table where taxpayer confidentiality rules permit.

11/ The Employee Training Incentive Program and the Empire State Jobs Retention Program are funded out of the Excelsior Jobs Program. The total forecast for the Excelsior Jobs Program is \$150.0 million.

* Less than \$0.1 million

-- Tax expenditure not applicable for these years

CROSS-ARTICLE TAX CREDITS

1. Investment Tax Credit and Employment Incentive Credit

a. Investment Tax Credit (ITC)

Citation: Section 210-b(1), Section 606(a), a-1

Pre-Reform Citation: Section 210(12)

Credit Type: Refundable to New Businesses Only

Effective Date of Credit: Effective for tax years beginning on or after January 1, 1969; the sections of this credit covering research and development (R&D) property and pollution control facilities represent a consolidation of previously separate tax benefits and are effective for tax years beginning on or after January 1, 1987

Description: The law allows a credit based on the cost or other basis for Federal tax purposes of depreciable tangible personal property, including buildings and their structural components, acquired, constructed, reconstructed, or erected after December 31, 1968 having a useful life of four years or more, located within the State of New York, and used primarily for the production of goods by a variety of processes. The claiming of a depreciation or expense deduction for such property under certain other tax provisions, or the leasing of the property to another individual or corporation, unless explicitly allowed, disqualifies the taxpayer from exercising a claim under this provision. A taxpayer may carry forward any unused credit and apply it against the tax for subsequent years or, in the case of a qualified new business, claim it as a refund.

Taxpayers who provide three or more services, such as a studio lighting grid, lighting and grip equipment, or industrial scale electrical capacity to qualified film productions are eligible to claim the ITC on property used in the qualified film production facility.

The law allows a credit for expenditures paid or incurred during the tax year for the construction, reconstruction, erection, or improvement of pollution control, waste treatment, and acid rain control facilities. To qualify for the credit, facilities must be located within the State, used in regular business activities, and certified by the State Commissioner of Environmental Conservation.

Tangible property, including buildings and structural components of buildings used for the purpose of research and development in the laboratory or experimental sense is eligible for a higher credit rate. However, credit is not allowed with respect to property that has been leased to another individual or corporation, or that has been the basis of a claim for an elective expense deduction or a regular ITC.

PIT Filers – The credit rate equals 4 percent of the investment credit base. The taxpayer may claim a rate of 7 percent on R&D property but is not allowed to also claim the employment incentive credit. Where the allowable credit exceeds the taxpayer's liability

for a given year, the taxpayer may carry forward the excess credit for 10 subsequent tax years. In the case of a new business, excess credit may be received as a refund.

CFT Filers – The credit rate equals 5 percent of the first \$350 million of the investment credit base. A 4 percent rate applies to amounts above \$350 million. The taxpayer may claim a rate of 9 percent on R&D property but is not allowed to also claim the employment incentive credit. Where the allowable credit exceeds the taxpayer's liability for a given year, the taxpayer may carry forward the excess credit for 15 subsequent tax years. In the case of a new business, excess credit may be received as a refund.

NOTE: When qualified ITC property is disposed of or ceases to be in qualified use prior to the end of its useful life, a portion of the credit must be recaptured. Any ITC recapture may be added to the tax otherwise due in the year of disposition or disqualification.

b. **Employment Incentive Credit (EIC)**

Citation: Section 210-b(2), Section 606(a-1)

Pre-Reform Citation: Section 210(12-D)

Credit Type: CFT - Non-refundable/Carryforward; PIT - Refundable to New Businesses Only

Effective Date of Credit: Effective for tax years beginning on or after January 1, 1987 for corporate franchise taxpayers; January 1, 1997 for personal income taxpayers

Description: Taxpayers that increase employment may be eligible for the employment incentive credit, which is allowed for each of the two years succeeding the taxable year in which the ITC is earned. The amount of the credit is as follows:

- 1.5 percent of the ITC base if employment is at least 101 percent but less than 102 percent of the employment base year;
- 2.0 percent of the ITC base if employment is at least 102 percent but less than 103 percent of the employment base year;
- 2.5 percent of the ITC base if employment is at least 103 percent of the employment base year.

NOTE: As part of corporate tax reform, passed in the SFY 2014-15 Enacted Budget, the rehabilitation credit for historic barns and the retail enterprise tax credit were eliminated under Article 9-A (the Corporate Franchise Tax). These credits are still available under the personal income tax, but information on the amount of credits used and refunded in any year is not separately available.

PIT Estimates: 2013: \$22.7 million — 2016: \$25.0 million

CFT Estimates: 2012: \$85.7 million — 2016: \$100.0 million

Data Sources: PIT Population File, CFT Study File

Reliability: Level 1

CROSS-ARTICLE TAX CREDITS

2. Investment Tax Credit for the Financial Services Industry

Citation: Section 210-b(1), Section 606(a)(2)(A), Section 1511(q)

Pre-Reform Citation: Section 210(12), Section 1456(i)

Credit Type: Refundable to New Businesses Only

Effective Date of Credit: PIT/CFT/Bank - Effective for property placed in service on or after October 1, 1998 and before October 1, 2015; Insurance - Available for property placed in service on or after January 1, 2002 and before October 1, 2015.

Description: An ITC and EIC are allowed for qualified property used in the financial services industry and employment increases respectively. The rate of credit, maximum amounts, refund/carryforward provisions, and recapture rules are generally the same as for the regular ITC/EIC available under the corporate franchise and personal income taxes.

Qualified property includes property principally used in the ordinary course of the taxpayer's trade or business:

- as a broker or dealer in connection with the purchase or sale of stocks, bonds, or other securities (as defined in Internal Revenue Code (IRC) Section 475(c)(2)), or of commodities (as defined in IRC Section 475(e)), or in providing lending, loan arrangement, or loan origination services to customers in connection with the purchase or sale of securities as defined in IRC Section 475(c)(2);
- of providing investment advisory services for a regulated investment company as described in IRC Section 851; or
- as an exchange registered as a national securities exchange (such as the New York Stock Exchange) or a board of trade defined under the New York Not-For-Profit Corporation Law, or an entity wholly owned by one or more national security exchanges or boards of trade that provides automation or technical services to the national security exchanges or boards of trade.

Property purchased by a taxpayer affiliated with a regulated broker, dealer, registered investment advisor, or national securities exchange or board of trade, or property leased by a taxpayer to an affiliated regulated broker, dealer, registered investment advisor, national securities exchange, or board of trade is eligible for this credit if the property is used by the affiliate in an activity described above.

Taxpayers must also satisfy an annual employment test that measures New York State employment in the current tax year against one of three standards:

- 80% current-year test: 80% or more of the employees performing the administrative and support functions resulting from or relating to the qualifying uses of the property are located in New York State;
- 95% three-year back-office test: The average number of employees located in New York State performing the administrative and support functions resulting from or related to the qualifying uses of such equipment during the tax year is equal to or greater than 95% of the

number during the 36 months immediately preceding the year for which the credit is claimed; or

- **90% end-of-year test:** The number of New York State employees during the current tax year is equal to or greater than 90 percent of the number on December 31, 1998 or, if the taxpayer was not a calendar year taxpayer in 1998, the last day of its first taxable year ending after December 31, 1998.

PIT Estimates: 2013: \$0.2 million — 2016: \$0.2 million

CFT Estimates: 2012: \$6.4 million — 2016: \$10.0 million

Bank Tax Estimates: 2012: \$13.3 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Data Source: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File

Reliability: Level 1

3. **Special Additional Mortgage Recording Tax Credit**

Citation: Section 187, Section 210-b(9, 27), Section 606(f)(3), Section 1511(e)

Pre-Reform Citation: Section 210(17, 21), Section 1456(c)

Credit Type: Non-refundable/Carryforward (Refundable under PIT for Residential Mortgages Only)

Effective Date of Credit: CFT/Bank/Insurance/Corporation - Effective for tax years beginning after December 31, 1978; PIT - Effective for tax years beginning after 2003

Description: Taxpayers may claim a credit equal to the special additional mortgage recording tax paid on certain mortgages. The credit is not available for special additional tax paid on mortgages of real property principally improved by one or more structures containing in the aggregate not more than six residential dwelling units, each dwelling unit having its own separate cooking facilities, where the real property is located in one or more of the counties comprising the Metropolitan Commuter Transportation District or Erie County.

Effective for special additional mortgage recording tax paid in tax years beginning after January 1, 1994, an S corporation could elect to treat the unused portion of the credit as either a refund or carryforward instead of passing the credit through to shareholders. S corporations could also elect to take a refund regardless of whether the credit is carried from a New York C year or a New York S year. For two years beginning on and after January 1, 2015, the credit is no longer refundable.

PIT Estimates: 2013: \$21.0 million — 2016: \$15.0 million

CFT Estimates: 2012: \$5.8 million — 2016: \$26.0 million

Bank Tax Estimates: 2012: \$29.1 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186 Estimates: 2012: \$0.0 million — 2016: Minimal

CROSS-ARTICLE TAX CREDITS

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

4. Empire Zone (EZ), Qualified Empire Zone Enterprise (QEZE), and Zone Equivalent Area Tax Credits

The Empire Zones (EZ) Program expired on June 30, 2010. No new entrants will be admitted to the Program, but existing participants can continue to earn credits for several years. Taxpayers will be allowed to utilize the remainder of their five year period for the EZ wage tax credit and the remainder of their benefit period for the Qualified Empire Zone (QEZE) credits (15 or 10 years, depending on the date of first certification). Taxpayers will be allowed to earn additional Empire Zone Investment Tax Credit (EZ-ITC) until April 1, 2014, but qualified investment projects (QUIPs) can earn EZ-ITC for their next nine tax years. The Empire Zone Employment Incentive Credit (EZ-EIC) will be fully available for the three years after an EZ-ITC is claimed if the taxpayer meets the requisite employment tests. Finally, taxpayers can continue to earn the EZ capital credit through March 31, 2014 for certified contributions in fulfillment of a pledge made to an EZ community development project.

a. EZ-ITC and EZ-EIC*

Citation: Section 187-k, Section 187-l, Section 210-b(3), Section 210-b(4), Section 606(j), Section 606(j-1)

Pre-Reform Citation: Section 210(12-B), Section 210(12-C)

Credit Type: EZ-ITC - 50 percent Refundable to New Businesses Only; EZ-EIC - Non-refundable/Carryforward for corporate taxpayers; EZ-EIC - 50 percent Refundable to New Businesses Only for Personal Income Taxpayers

Effective Date of Credit: PIT/CFT - Effective for tax years beginning on or after January 1, 1986; Article 9, Section 185 Agricultural Cooperatives - Effective for tax years beginning on or after January 1, 2004

Description: Taxpayers may qualify for an enhanced investment tax credit (EZ-ITC) equal to a percentage of the cost or other Federal basis of tangible personal property, including buildings and structural components of buildings, located within a designated EZ. The credit is also available to taxpayers in the financial services industry and contains the same rules and qualifications as the regular financial services ITC. The credit rate is 10 percent for corporate taxpayers and 8 percent for personal income taxpayers.

Taxpayers may also claim an EZ-EIC similar to the regular EIC, based upon EZ-ITC claimed and employment increased within an EZ. The amount of the EZ-EIC allowed is 30 percent of the EZ-ITC for each of the three years following the year for which the original EZ-ITC was allowed. The EZ-EIC is allowed only for those years during which the

average number of employees (except general executive officers) in the EZ is at least 101 percent of the average number of employees (except general executive officers) in the EZ during the tax year immediately preceding the tax year for which the original EZ-ITC was allowed.

PIT Estimates: 2013: \$9.5 million — 2016: \$4.0 million

CFT Estimates: 2012: \$86.6 million — 2016: \$10.0 million

Section 185 Estimates: 2012: Minimal — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Corporation Tax Study File

Reliability: Level 1

**Estimates include combined amounts of EZ financial services ITC and EIC.*

b. **EZ/ZEA Wage Tax Credit**

Citation: Section 187-m, Section 210-b(46), Section 606(k), Section 1511(g)

Pre-Reform Citation: Section 210(19), Section 1456(e)

Credit Type: 50 percent Refundable to New Business Only

Effective Date of Credit: PIT/CFT/Bank/Insurance - Effective for tax years beginning on or after January 1, 1986; Article 9, Section 185 Agricultural Cooperatives - Effective for tax years beginning on or after January 1, 2004

Description: A taxpayer may claim a wage tax credit (EZ-WTC) for doing business and creating full-time jobs in an Empire Zone. The credit equals the product of the average number of newly hired targeted EZ employees receiving EZ wages multiplied by \$3,000. The corresponding credit amount for nontargeted employees is \$1,500. Taxpayers certified in Investment Zones may claim an additional \$500 for each employee paid over \$40,000 in wages. The EZ-WTC is available for five years. Taxpayers employing individuals in areas that met EZ eligibility criteria but were not so designated - Zone Equivalent Areas, or ZEAs - could claim a credit for ZEA wages paid for full-time employment in jobs created in the ZEA. The ZEA credit expired in 2004, but taxpayers are allowed to use carryforwards until exhausted. The total wage tax credit cannot exceed 50 percent of tax due before credits.

PIT Estimates: 2013: \$10.1 million — 2016: \$5.0 million

CFT Estimates: 2012: \$11.0 million — 2016: \$4.0 million

Bank Tax Estimates: 2012: Minimal — 2016: Not applicable

Insurance Tax Estimates: 2012: Minimal — 2016: Minimal

Section 185 Estimates: 2012: Minimal — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

NOTE: Excess amounts of EZ-ITC and EZ-WTC are 50 percent refundable to new business taxpayers or taxpayers designated as

CROSS-ARTICLE TAX CREDITS

owners of a qualified investment project (QUIP) or a significant capital investment project (SCIP). Owners of QUIPs or SCIPs may also refund 50 percent of excess EZ-EIC.

c. **EZ Capital Credit**

Citation: Section 210-b(46), Section 606(l), Section 1511(h)

Pre-Reform Citation: Section 210(20), Section 1456(d)

Credit Type: Non-refundable/Carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 1986

Description: Taxpayers may qualify for a credit for direct equity investments in certified zone businesses and contributions to community development projects. The credit equals 25 percent of the sum of each type of investment. The maximum credit per taxpayer is \$100,000 for each investment type for an aggregate limit of \$200,000 and cannot exceed one half of the taxpayer's pre-credit tax. Taxpayers may carry unused credits forward indefinitely.

PIT Estimates: 2013: \$0.2 million — 2016: Minimal

CFT Estimates: 2012: Minimal — 2016: Minimal

Bank Tax Estimates: 2012: Minimal — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Simulation Model, CFT Study File, Bank Tax Study File, Insurance Tax Study File

Reliability: Level 1

d. **QEZE Real Property Tax Credit**

Citation: Section 14, Section 15, Section 187-j, Section 210-b(5), Section 606(bb), Section 1511(r)

Pre-Reform Citation: Section 210(27), Section 1456(o)

Credit Type: Refundable

Effective Date of Credit: PIT/CFT/Bank/Insurance - Effective for tax years beginning on or after January 1, 2001; Article 9, Section 185 Agricultural Cooperatives - Effective for tax years beginning on or after January 1, 2004

Description: For taxpayers certified prior to April 1, 2005, the QEZE real property tax credit (RPTC) is the product of three factors. The benefit period factor is 1.0 in the first ten years of certification, declining by 0.2 each year thereafter. The employment increase factor is based upon the QEZE's job growth. The final factor is the QEZE's real property taxes for the current tax year.

For taxpayers certified on or after April 1, 2005 and located in an Investment Zone (IZ), the credit equals 25 percent of the wages and health and retirement benefits of net new employees. Taxpayers located in a Development Zone (DZ) use the same formula but include an additional factor, the DZ employment increase factor, scaled to reward greater job increases. The credit can exceed these amounts if

CROSS-ARTICLE TAX CREDITS

the capital investment limitation is greater, but the credit is capped at the amount of real property taxes.

Taxpayers certified on or after April 1, 2009 must reduce the computed credit amount by 25 percent.

PIT Estimates: 2013: \$70.0 million — 2016: \$40.0 million

CFT Estimates: 2012: \$110.3 million — 2016: \$67.0 million

Bank Tax Estimates: 2012: \$2.8 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$2.8 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.3 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

e. **QEZE Tax Reduction Credit**

Citation: Section 14, Section 16, Section 210-b(6), Section 606(cc), Section 1511(s)

Pre-Reform Citation: Section 210(28), Section 1456(p)

Credit Type: Non-refundable/Non-carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2001

Description: The QEZE tax reduction credit is the product of four factors: the benefit period factor, the employment increase factor, the zone allocation factor, and the tax factor. The first two factors are discussed above. The zone allocation factor measures the QEZE's economic presence in the zone. The tax factor depends on the type of filer:

Tax Type	For Tax Years Beginning on or after January 1, 2015 the Tax Factor is:
Personal Income Tax	The amount of personal income tax attributable to allocated QEZE income
Corporation Franchise Tax	The QEZE's tax on the BI base
Insurance Tax	The greater of the QEZE's tax on the ENI or ENI plus compensation bases

For corporation franchise taxpayers located entirely within an EZ, the tax reduction credit can be applied against the fixed dollar minimum tax, potentially reducing a taxpayer's liability to zero.

PIT Estimates: 2013: \$40.2 million — 2016: \$9.0 million

CFT Estimates: 2012: \$22.8 million — 2016: \$9.0 million

Bank Tax Estimates: 2012: \$4.4 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$21.9 million — 2016: \$7.0 million

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File

Reliability: Level 1

CROSS-ARTICLE TAX CREDITS

5. Farmers' School Property Tax Credit

Citation: Section 210-b(11), Section 606(n)

Pre-Reform Citation: Section 210(22)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 1997

Description: Taxpayers primarily engaged in farming may claim a credit equal to 100 percent of total school property taxes paid on qualified New York agricultural property up to 350 acres, and 50 percent of the school taxes paid on acres in excess of 350. To be eligible, taxpayers must earn two-thirds of their Federal income from farming, with three-year income averaging allowed in determining this threshold. Recapture provisions apply if the taxpayer converts the property to a nonqualified use in the two years subsequent to first use of the credit.

PIT Filers - For purposes of this test, total gross income is reduced by the sum (not to exceed \$30,000) of earned income, pensions, social security, interest, and dividends. The credit begins to phase out for taxpayers with NYAGI in excess of \$200,000, after subtracting principal on farm indebtedness, and is phased out completely at \$300,000.

CFT Filers - The credit begins to phase out for taxpayers with New York entire net income in excess of \$200,000 and is phased out completely at \$300,000. Shareholders may elect to claim their pro rata share of the corporation's income and principal payments on farm indebtedness when determining the farmers' school tax credit. In such instances, the corporation does not claim any credit.

PIT Estimates: 2013: \$38.2 million — 2016: \$40.0 million

CFT Estimates: 2012: \$1.3 million — 2016: \$1.0 million

Data Sources: PIT Population File, CFT Study File

Reliability: Level 1

6. Credit for Employment of Persons with Disabilities

Citation: Section 187-a, Section 210-b(12), Section 606(o), Section 1511(j)

Pre-Reform Citation: Section 210(23), Section 1456(f)

Credit Type: Non-refundable/Carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 1998, applicable to individuals who begin work on or after January 1, 1997

Description: Employers may claim a credit equal to 35 percent of the first \$6,000 of first year wages paid to employees with disabilities (a maximum of \$2,100 per employee). However, if the first year's wages qualify for the Federal work opportunity tax credit, the New York credit will apply to second year wages. To be eligible for the State credit, the disabled employee must work for the employer on a full time basis for at least 180

days or 400 hours, and must be certified by the State Department of Education or another designated State agency. Visually handicapped individuals may receive certification from the appropriate agency responsible for vocational rehabilitation of the blind and visually impaired.

PIT Estimates: 2013: \$0.1 million — 2016: \$0.1 million

CFT Estimates: 2012: Minimal — 2016: Minimal

Bank Tax Estimates: 2012: Minimal — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186 Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

7. Qualified Emerging Technology Company (QETC) Credits

a. QETC Capital Tax Credit

Citation: Section 210-b(8), Section 606(r)

Pre-Reform Citation: Section 210(12-F)

Credit Type: Non-refundable/Carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 1999

Description: Taxpayers who make a qualified investment in a certified QETC can receive a credit that varies depending upon how long the investment is held. Taxpayers claim the credit in the year the investment is made and certify the duration of the holding period. Investments held for four years from the close of the tax year in which the credit is first claimed qualify for a 10 percent credit. Investments held for nine years qualify for a 20 percent credit. If the property is sold, transferred, or disposed of prior to the end of the holding period, the taxpayer must recapture a portion of the credit. The aggregate limits for all years are \$150,000 for the 10 percent credit, and \$300,000 for the 20 percent credit. The amount of credit deducted may not exceed 50 percent of the tax due before any credits.

PIT Estimates: 2013: \$1.2 million — 2016: \$1.5 million

CFT Estimates: 2012: Minimal — 2016: Minimal

Data Sources: PIT Population File, CFT Study File

Reliability: Level 1

b. QETC Employment Credit

Citation: Section 210-b(7), Section 606(q)

Pre-Reform Citation: Section 210(12-E)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 1999

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Description: A QETC may claim a credit equaling \$1,000 for each individual employed over a base year level. Credit is allowed for three years.

PIT Estimates: 2013: \$0.1million — 2016: \$0.2 million

CFT Estimates: 2012: \$0.4 million — 2016: \$1.0 million

Data Sources: PIT Population File, CFT Study File

Reliability: Level 1

8. Low-Income Housing Credit

Citation: Section 18, Section 210-b(15), Section 606(x), Section 1511(n)

Pre-Reform Citation: Section 210(30), Section 1456(l)

Credit Type: Non-refundable/Carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2000, with respect to commitments for construction of low-income housing agreed upon on or after May 15, 2000

Description: The “New York State Low-Income Housing Tax Credit Program,” based on the existing Federal program, requires an agreement between the taxpayer and the commissioner of the New York State Division of Housing and Community Renewal (DHCR) for a long-term commitment to low-income housing. The amount of the credit is determined by DHCR and depends on the applicable percentage of the qualified basis of each low-income building. The credit amount allocated is allowed as a credit against tax for 10 tax years.

PIT Estimates: 2013: Minimal — 2016: Minimal

CFT Estimates: 2012: \$0.5 million — 2016: \$34.0 million

Bank Tax Estimates: 2012: \$26.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.8 million — 2016: \$1.0 million

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

9. Credit for Purchase of an Automated External Defibrillator

Citation: Section 210-b(13), Section 606(s), Section 1511(l)

Pre-Reform Citation: Section 210(25), Section 1456(j)

Credit Type: Non-refundable/Non-carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2001

Description: Taxpayers may claim a credit for the purchase of an automated external defibrillator, as defined in section 3000-b of the Public Health Law. The amount of credit equals the cost of each unit, up to a maximum of \$500 per defibrillator.

PIT Estimates: 2013: Minimal — 2016: \$0.1 million

CFT Estimates: 2012: Minimal — 2016: Minimal

Bank Tax Estimates: 2012: \$0.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File

Reliability: Level 1

10. Green Buildings Credit

Citation: Section 19, Section 187-d, Section 210-b(16), Section 606(y), Section 1511(o)

Pre-Reform Citation: Section 210(31), Section 1456(m)

Credit Type: Non-refundable/Carryforward

Effective Date of Credit: Effective for taxable years beginning on or after January 1, 2001

Description: The green building credit consists of several incentives for the purchase of recyclable building materials and other environmentally preferable tangible personal property. It also contains components for the purchase of fuel cells, photovoltaic modules, and environmentally sensitive non-ozone depleting refrigerants. Phase I authorized \$25 million in credit for costs incurred on or after June 1, 1999, for property placed in service or that received a final certificate of occupancy in tax years from January 1, 2001 to 2004. Phase II of the program began in the 2005 tax year. An additional \$25 million in total credit could be issued, but the amount on any one credit certificate was limited to \$2 million.

PIT Estimates: 2013: \$0.1 million — 2016: \$0.1 million

CFT Estimates: 2012: \$0.0 million — 2016: Minimal

Bank Tax Estimates: 2012: \$0.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: 0.0 million — 2016: Minimal

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186 Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

11. Long-Term Care Insurance Credit

Citation: Section 190, Section 210-b(14), Section 606(aa), Section 1511(m)

Pre-Reform Citation: Section 210(25-a), Section 1456(k)

Credit Type: Non-refundable/Carryforward

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2002

Description: Taxpayers may take a credit equal to a percentage of the premiums paid for the purchase of, or continuing coverage under, a long-term care insurance policy approved by the New York State Department of Financial Services. When enacted, the credit rate was 10 percent. Subsequent legislation increased the credit to 20 percent for tax years beginning after 2003.

PIT Estimates: 2013: \$85.3 million — 2016: \$95.0 million

CFT Estimates: 2012: \$0.1 million — 2016: \$0.1 million

Bank Tax Estimates: 2012: Minimal — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

CROSS-ARTICLE TAX CREDITS

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186-a Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186-e Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

12. Empire State Film and Commercial Credits

a. Empire State Film Production Credit

Citation: Section 24, Section 210-b(20), Section 606(gg),

Pre-Reform Citation: Section 210(36)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2004

Description: Taxpayers satisfying a threshold level of film production activity in New York State may claim the Empire State film production credit. The credit equals 30 percent of qualified production costs incurred in the production of films and certain television shows. For tax years 2015 through 2019, Empire State film production and post-production projects are eligible for an additional credit equal to 10 percent of the wages or salaries of individuals employed by a qualified film or independent film production company for services performed in specific Upstate New York counties. Credit is awarded on a first come, first served basis with applications made to the New York State Governor's Office for Motion Picture and Television Development (MP/TV).

The annual amount of credit that can be allocated by MP/TV is \$420 million in 2010 through 2019. Initially, up to \$7 million of the annual allocation was available for the Empire State film post production credit. Starting in 2015, the amount of the allocation dedicated to the post production credit increased to \$25 million annually. MP/TV has the authority to redirect Empire State film post production credit funds to the film credit if there are insufficient claims for the post production credit and applications for the film production credit exceed the allotted total. For tax years prior to January 1, 2008, the film credit was refundable across two years. For tax years starting in 2008, the credit was fully refundable. For tax years beginning on or after January 1, 2009, the utilization of the credit is spread across several years, depending on the size of the credit:

If the amount of the credit is:	Then the film credit is claimed:
under \$1 million	in the taxable year in which the film is completed
at least \$1 million but less than \$5 million	over a two year period, with half claimed each year
at least \$5 million	over a three year period, with one-third claimed each year

Taxpayers awarded credit from the 2010-2019 allocations claim credit in the later of the tax year the production of the qualified film is completed or the tax year immediately following the allocation year from which the taxpayer was awarded credit.

PIT Estimates: 2013: \$3.3 million — 2016: \$10.0 million

CFT Estimates: 2012: \$245.2 million — 2016: \$385.0 million

Data Sources: PIT Population File, CFT Study File

Reliability: Level 1

b. **Empire State Film Post Production Credit**

Citation: Section 31, Section 210-b(32), Section 606(qq)

Pre-Reform Citation: Section 210(41)

Credit Type: Refundable – Over 2 Years

Effective Date of Credit: Effective for tax years beginning on or after August 11, 2010

Description: Companies that are ineligible for the film production credit may qualify for the film post production credit. To be eligible for the post production credit, the costs incurred at a qualified post production facility, generally a facility in New York State, must equal or exceed 75 percent of the total post production costs at any post production facility. The credit is allowed for the taxable year in which the production of the qualified film is completed. However, as of March 28, 2013, the utilization of the credit is subject to the same rules as the film credit.

The credit is administered by the Governor's Office for Motion Picture and Television Development (MP/TV) and was initially capped at \$7 million per year (total allocation of \$35 million) through tax year 2014. Starting in 2015, the amount of the allocation dedicated to the Empire State film post production credit increased to \$25 million annually. As enacted, the credit equaled 10 percent of qualified post production costs paid in the production of a qualified film at a qualified post production facility. Subsequent legislation increased the credit rate to 30 percent for costs incurred in the Metropolitan Commuter Transportation District (MCTD) and 35 percent for cost incurred outside the MCTD.

PIT Estimates: 2013: \$1.0 million – 2016: \$1.0 million

CFT Estimates: 2012: \$0.2 million – 2016: \$24.0 million

Data Source: New York State Division of the Budget

Reliability: Level 4 (PIT), Level 5 (CFT)

c. **Empire State Commercial Production Credit**

Citation: Section 28, Section 210-b(23), Section 606(jj)

Pre-Reform Citation: Section 210(38)

Credit Type: Refundable – Over 2 Years

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2007 and before January 1, 2017

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Description: A taxpayer satisfying a threshold level of commercial production activity may claim a tax credit for qualified commercial production in New York State. The credit is capped at \$7 million per year and is administered by the Governor's Office for Motion Picture and Television Development (MP/TV). The credit consists of three components:

- Incremental cost component (\$1 million): 20 percent of qualified production costs in excess of the average of the three prior years' costs. The credit is distributed on a *pro rata* basis among all credit applicants, although no individual company may receive an annual allocation greater than \$300,000.
- MCTD component (\$3 million): 5 percent of qualified production costs in excess of \$500,000 during the calendar year for work within the MCTD. This component is also awarded on a *pro rata* basis, but with no per company limitation.
- Outside MCTD component (\$3 million): 5 percent of qualified production costs in excess of \$100,000 during the calendar year for work done outside the MCTD. This component is distributed in the same manner as the MCTD component. If the amount authorized for this component exceeds credit claims, MP/TV may redirect the excess to the incremental cost component.

PIT Estimates: 2013: Minimal — 2016: Minimal

CFT Estimates: 2012: \$0.2 million — 2016 : \$7.0 million

Data Source: PIT Population File, CFT Study File

Reliability: Level 1

13. Security Training Tax Credit

Citation: Section 26, Section 187-n, Section 210-b(21), Section 606(ii), Section 1511(x)

Pre-Reform Citation: Section 210(37), Section 1456(t)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2005

Description: Owners of commercial buildings over 500,000 square feet can claim \$3,000 for each security guard employed who has undergone training certified by the New York State Office of Homeland Security (OHS) and is paid a certain minimum wage. The credit is administered by OHS.

PIT Estimates: 2013: \$0.1 million — 2016: \$0.1 million

CFT Estimates: 2012: Minimal — 2016: Minimal

Bank Tax Estimates: 2012: \$0.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186-a Estimates: 2012: \$0.0 million — 2016: Minimal

CROSS-ARTICLE TAX CREDITS

Section 186-e Estimates: 2012: \$0.0 million — 2016: Minimal
Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File
Reliability: Level 1

14. Brownfields Tax Credits

a. Brownfield Redevelopment Tax Credit

Citation: Section 21, Section 187-g, Section 210-b(17), Section 606(dd), Section 1511(u)

Pre-Reform Citation: Section 210(33), Section 1456(q)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after April 1, 2005; Eligibility contingent on site being accepted into the Brownfield Cleanup Program before January 1, 2023.

Description: The brownfield redevelopment tax credit consists of three components relating to costs associated with: site preparation; tangible property; and on-site groundwater remediation.

The rates and rules for the credit vary depending on when a site is accepted into the Brownfield Cleanup Program (BCP):

Rate Structure	Sites Prior to 6/23/08	Sites post-6/23/08	Sites 7/1/15+ ¹
Tangible Property Component²			
Base Rate	10%/12% ³	10%/12% ³	10%
Track 1 Remediation	+2%	+2%	+5%
50%+ in EnZone ⁴	+8%	+8%	+5%
BOA ⁵		+2%	+5%
Affordable Housing			+5%
Manufacturing			+5%
Site Prep/Groundwater Remediation Components			
Unrestricted use	The rates above apply to all 3 components; there are no separate rates for these categories	50%	50%
Residential use		40%	40%
Commercial Use		33%	33%
Industrial use		27%	27%
Residential – Track 4		28%	28%
Commercial – Track 4		25%	25%
Industrial – Track 4		22%	22%

PIT Estimates: 2013: \$2.3 million — 2016: \$68.5 million
CFT Estimates: 2012: \$45.8 million — 2016: \$56.0 million
Bank Tax Estimates: 2012: \$4.1 million — 2016: Not applicable
Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal
Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal
Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal
Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal
Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

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Reliability: Level 1

b. **Remediated Brownfield Credit for Real Property Taxes**

Citation: Section 22, Section 187-h, Section 210-b(18), Section 606(ee), Section 1511(v)

Pre-Reform Citation: Section 210(34), Section 1456(r)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after April 1, 2005; Not available to sites accepted into the BCP on or after July 1, 2015.

Description: The remediated brownfield credit for real property taxes equals 25 percent of the product of the taxpayer's employment factor (a percentage based on the number of persons employed by the taxpayer on a qualified site) and the taxpayer's eligible real property taxes. If the site is located in an En-Zone the credit increases to 100 percent. The credit is limited to the number of full time employees at the qualified site multiplied by \$10,000.

PIT Estimates: 2013: \$0.3 million — 2016: \$5.0 million

CFT Estimates: 2012: \$3.2 million — 2016: \$0.5 million

Bank Tax Estimates: 2012: \$0.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File

Reliability: Level 1

c. **Environmental Remediation Insurance Credit**

Citation: Section 23, Section 187-i, Section 210-b(19), Section 606(ff), Section 1511(w)

Pre-Reform Citation: Section 210(35), Section 1456(s)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after April 1, 2005; Not available to sites accepted into the BCP on or after July 1, 2015

Description: The environmental remediation insurance credit is allowed one time for premiums paid for environmental remediation insurance up to the lesser of \$30,000 or 50 percent of the cost of the premiums.

PIT Estimates: 2013: Minimal — 2016: Minimal

CFT Estimates: 2012: \$0.0 million — 2016: Minimal

Bank Tax Estimates: 2012: \$0.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million — 2016: Minimal

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File, Corporation Tax Study File
Reliability: Level 1

15. **Biofuel Production Credit**

Citation: Section 28, Section 187-c, Section 210-b(24), Section 606(jj)

Pre-Reform Citation: Section 210(38)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after 2006 and before January 1, 2020

Description: Taxpayers may claim a tax credit for the production of biofuel. Biofuel is defined as fuel which includes biodiesel and ethanol. Biodiesel is fuel comprised exclusively of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats, designated B100, which meets the specifications of American Society of Testing and Materials designated D 6751. The credit equals 15 cents per gallon after the production of the first 40,000 gallons per year presented to market. The credit is capped at \$2.5 million per taxpayer per year for up to four consecutive years per biofuel plant. The cap is applied at the entity level in the case of partnerships, limited liability companies, and S corporations. For taxpayers subject to tax under both Section 183 and 184, the credit must first be deducted from the taxes imposed under Section 183. Any credit remaining must then be deducted from the taxes imposed under Section 184.

PIT Estimates: 2013: Minimal — 2016: Minimal

CFT Estimates: 2012: \$5.0 million — 2016: \$1.0 million

Section 183 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 184 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186 Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186-a Estimates: 2012: \$0.0 million — 2016: Minimal

Section 186-e Estimates: 2012: \$0.0 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File, Corporation Tax Study File

Reliability: Level 1

16. **Land Conservation Easement Credit**

Citation: Section 210-b(22), Section 606(kk)

Pre-Reform Citation: Section 210(38)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2006

Description: Taxpayers may claim a tax credit equal to 25 percent of the school district, county, and city/town real property taxes paid on land that is under a conservation easement held by a public or private conservation agency. The maximum allowable tax credit is \$5,000. The credit, in combination with any other credit for property taxes, may not exceed such taxes. The term *conservation easement* means a perpetual and

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permanent conservation easement as defined in Article 49 of the Environmental Conservation Law (ECL) that serves to protect open space, scenic, natural resources, biodiversity, agricultural, watershed, and/or historic preservation resources. Any conservation easement for which a tax credit is claimed must be filed with the Department of Environmental Conservation and comply with the provisions of Article 49 Title 3 of the ECL and the provisions of subdivision (h) of section 170 of the Internal Revenue Code.

PIT Estimates: 2013: \$1.4 million — 2016: \$1.4 million

CFT Estimates: 2012: Minimal — 2016: Minimal

Data Sources: PIT Population File, CFT Study File

Reliability: Level 1

17. Clean Heating Fuel Credit

Citation: Section 210-b(25), Section 606(mm)

Pre-Reform Citation: Section 210(39)

Credit Type: Refundable

Effective Date of Credit: Effective for purchases made on July 1, 2006 through June 30, 2007 and on or after January 1, 2008 and before January 1, 2017 **Description:** Taxpayers may claim a tax credit for bioheat used for space heating or hot water production for residential purposes within the state. The credit equals 1 cent per percent of biodiesel per gallon of bioheat purchased by the taxpayer and is capped at 20 cents per gallon. Biodiesel is defined as fuel comprised exclusively of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats, designated B100, which meets the specifications of American Society of Testing and Materials designated D6751. In addition, bioheat means a fuel comprised of biodiesel blended with conventional home heating oil, which meets the specifications of the American Society of Testing and Materials designation D396 or D975.

PIT Estimates: 2013: \$1.9 million — 2016: \$2.0 million

CFT Estimates: 2012: \$0.3 million — 2016: Minimal

Data Sources: PIT Population File, CFT Study File

Reliability: Level 1

18. Rehabilitation of Historic Properties Credit

Citation: Section 210-b(26), Section 606(oo), Section 1511(y)

Pre-Reform Citation: Section 210(40), Section 1456(u)

Credit Type: Non-refundable/Carryforward/Refundable for qualified rehabilitations placed in service on/after 1/1/15

Effective Date of Credit: PIT/CFT - Effective for tax years beginning on or after January 1, 2007. Bank/Insurance - Effective for tax years beginning on or after January 1, 2010. Amended credit effective for tax years beginning on or after January 1, 2010 and before January 1, 2020

Description: Taxpayers may claim a tax credit for the rehabilitation of historic properties located in New York State. The amount of the State credit is based on the credit amount allowed for the same taxable year under subsection (a)(2) of section 47 of the Federal Internal Revenue

Code (IRC). IRC §47(c)(3) defines a certified historic structure as a building and its structural components that are listed in the National Register of Historic Places or located in a registered historic district and certified to be of historic significance to the district. Any State credit taken must be recaptured if the Federal credit upon which it is based is recaptured by the taxpayer.

For tax years beginning on or after January 1, 2010, the credit is 100 percent of the amount of the federal historic properties credit claimed by the taxpayer, capped at \$5 million. The cap is imposed at the entity level for partnerships, LLCs, or S corporations. Also, the credit is limited to projects located in distressed areas as defined in IRC§143(j) or located within a census tract that is at or below 100 percent of the State median family income in the most recent American Community Survey. After December 31, 2019, the credit reverts to a 30 percent rate and \$100,000 cap. For qualified rehabilitation projects placed in service on or after January 1, 2015 the credit is refundable.

PIT Estimates: 2013: \$4.2 million — 2016: \$5.0 million

CFT Estimates: 2012: \$5.7 million — 2016: \$22.0 million

Bank Tax Estimates: 2012: \$2.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$2.3 million — 2016: \$3.0 million

Data Sources: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File

Reliability: Level 1

19. **Excelsior Jobs Program Tax Credits**

Citation: Section 31, Section 210-b(31), Section 606(qq), Section 1511(y)

Pre-Reform Citation: Section 210(41), Section 1456(u)

Credit Type: Refundable

Effective Date of Credit: Program effective in 2010; credit effective for tax years beginning on or after January 1, 2011

Description: The Excelsior Jobs Program (EJP) Act was created by Chapter 59 of the Laws of 2010 and subsequently amended by Chapter 61 of the Laws of 2011. The program is administered by Empire State Development (ESD) and offers four tax credits focused on certain strategic industries. To claim credits, taxpayers must first apply to and be approved by ESD. ESD can issue up to \$50 million in new credits annually, with a fully effective annual total program cost of \$250 million. ESD will calculate the amount of each credit annually and issue a certificate of tax credit to participants entitling them to the credits. As initially enacted, taxpayers were allowed to claim credits for five consecutive years. Pursuant to Chapter 61, participants accepted into the program after April 1, 2011 have a 10 year benefit period.

Component-level data for the credits that comprise the Excelsior Jobs Program are provided in the following table. The values are for the amount of credit earned. The earned amounts are provided because the

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used/refunded values of the component credits are not separately available.

Excelsior Jobs Program Tax Credits – Credit Components Earned (\$ millions)				
Credit Component	Article 9-A (2012)	Article 22 (2013)	Article 32 (2012)	Article 33 (2012)
Jobs Tax Credit	5.4	0.4	0.0	0.0
Investment Tax Credit (EJP-ITC)	7.3	*	0.0	0.0
Research and Development Tax Credit (EJP-R&D)	0.2	*	0.0	0.0
Real Property Tax Credit (EJP-RPTC)	0.2	0.1	0.0	0.0

a. Excelsior Jobs Tax Credit

EJP participants may claim a credit for each net new job created in the State. For participants accepted into the program on or before April 1, 2011, the value of the credit cannot exceed \$5,000 per new job and is computed on marginal wages plus benefit basis as follows:

- 5 percent of wages plus benefits of \$50,000 or less;
- 4 percent of wages plus benefits between \$50,001 and \$75,000; and
- 1.33 percent of wages plus benefits over \$75,000.

For taxpayers accepted into the program after April 1, 2011, the credit is equal to the gross wages multiplied by 6.85 percent.

b. Excelsior Investment Tax Credit (EJP-ITC)

EJP participants may claim a credit equal to two percent of the cost of qualified investments in New York. Taxpayers cannot claim both the EJP-ITC and the brownfield tangible property credit component for the same property in a given year. In addition, taxpayers accepted into the program on or before April 1, 2011 are prohibited from claiming both the EJP-ITC and the regular ITC.

c. Excelsior Research and Development Tax Credit (EJP-R&D)

EJP participants may claim a credit for research and development expenditures in New York. The credit is a percentage of the portion of the taxpayer's federal research and development credit pertaining to expenditures attributable to New York. Eligible expenditures are defined in section 41 of the Internal Revenue Code. For taxpayers accepted into the program on or before April 1, 2011, the percentage is ten percent. For those accepted into the program after April 1, 2011, the percentage is fifty percent, subject to a limit of three percent of qualified research and development expenditures attributable to New York activity.

d. Excelsior Real Property Tax Credit (EJP-RPTC)

EJP participants located in areas formerly designated as Investment Zones under the Empire Zones Program or that qualify as regionally significant projects may claim a credit for real property taxes. The credit equals 50 percent of the property taxes assessed and paid in the

year immediately prior to a taxpayer's application to the EJP and is gradually phased out. For taxpayers accepted into the program on or before April 1, 2011, the credit is phased down ten percent a year over five years. For those accepted into the program after April 1, 2011, the credit declines by 5 percent a year over ten years.

PIT Estimates: 2013: \$0.6 million – 2016: \$73.0 million

CFT Estimates: 2012: \$13.1 million – 2016: \$72.0 million

Bank Tax Estimates: 2012: \$0.0 million – 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million – 2016: Minimal

Data Source: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File

Reliability: Level 1

20. **Credit for Companies who Provide Transportation to Individuals with Disabilities**

Citation: Section 210-b(38), Section 606(tt),

Pre-Reform Citation: Section 210(44)

Credit Type: Non-refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2011 and before January 1, 2017

Description: Taxpayers providing taxicab or livery service may claim a tax credit equal to the incremental cost associated with upgrading a vehicle so that it is accessible by individuals with disabilities. In addition, taxpayers may also claim the credit for the purchase of new vehicles manufactured to be accessible by individuals with disabilities and for which there is no comparable make or model. The credit is limited to \$10,000 per vehicle. Vehicles accessible for individuals with disabilities must comply with the Americans with Disabilities Act and other Federal regulations. Corporation franchise taxpayers may use the credit to reduce liability to zero. A similar credit existed for tax years beginning on or after January 1, 2006 and before January 1, 2011.

PIT Estimates: 2013: \$0.2 million – 2016: \$0.2 million

CFT Estimates: 2012: Minimal – 2016: Minimal

Data Source: PIT Population File, CFT Study File

Reliability: Level 1

21. **Economic Transformation and Facility Redevelopment Program Tax Credit**

Citation: Sections 35, Section 187-r, Section 210-b(35), Section 606(ss), Section 1511(aa)

Pre-Reform Citation: Section 210(43), Section 1456(x)

Credit Type: Refundable

Effective Date of Credit: Effective On or After March 31, 2011 and before December 31, 2021

Description: Chapter 61 of the Laws of 2011 created the Economic Transformation and Facility Redevelopment Program designed to mitigate the economic consequences in communities where correctional facilities

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and facilities operated by the Office of Children and Family Services (OCFS) were closed through the period ending March 31, 2012. The program is administered by Empire State Development (ESD) and offers a tax credit with four components to redevelop closed facilities and attract new businesses to the surrounding areas. Taxpayers may claim credit for five consecutive years.

Component-level data for the Economic Transformation and Facility Redevelopment Program Tax Credit are provided in the following table. The values are for the earned amount of each of the components. The earned amounts are provided because the used/refunded values of the components are not separately available.

Economic Transformation and Facility Redevelopment Program Tax Credit Credit Components Earned (\$ millions)				
Credit Component	Article 9-A (2012)	Article 22 (2013)	Article 32 (2012)	Article 33 (2012)
Jobs Tax Credit Component	0.0	*	0.0	0.0
Investment Tax Credit Component	0.0	*	0.0	0.0
Job Training Tax Credit Component	0.0	*	0.0	0.0
Real Property Tax Credit Component	0.0	*	0.0	0.0

- a. **Economic Transformation and Facility Redevelopment Jobs Tax Credit Component**
Participants may claim a credit for each net new job created in the State. The credit is equal to the gross wages multiplied by 6.85 percent.
- b. **Economic Transformation and Facility Redevelopment Investment Tax Credit Component**
Participants may claim a credit for qualified investments in the economic transformation area. For investments on the grounds of a closed facility, the credit is 10 percent of the cost of the investment, not to exceed \$8 million for the facility. For investments in areas outside of the facility but within the economic transformation area, the credit is 6 percent of the cost of the investment, not to exceed \$4 million per entity.
- c. **Economic Transformation and Facility Redevelopment Job Training Tax Credit Component**
Participants may claim a credit for fifty percent of qualified training expenses paid during the year for employees displaced by a facility closure, not to exceed \$4,000 per employee per tax year.
- d. **Economic Transformation and Facility Redevelopment Real Property Tax Credit Component**
Participants may claim a credit equal to 50 percent of the real property taxes assessed and paid in the first tax year of the benefit period for property located entirely within the grounds of a closed facility. The

percentage decreases by 10 percent each year for the subsequent years of the benefit period. For property located outside of the facility but within the economic transformation area, the credit is equal to 25 percent of the real property taxes assessed and paid decreasing by 5 percent each year for subsequent years of the benefit period.

PIT Estimates: 2013: Minimal – 2016: Minimal

CFT Estimates: 2012: \$0.0 million – 2016: Minimal

Bank Tax Estimates: 2012: \$0.0 million — 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million – 2016: Minimal

Section 185 Estimates: 2012: \$0.0 million – 2016: Minimal

Data Source: PIT Population File, CFT Study File, Bank Tax Study File, Insurance Tax Study File

Reliability: Level 1

22. **Urban Youth Jobs Program Tax Credit**

Citation: Section 210-b(36), Section 606(tt)

Pre-Reform Citation: Section 210(44)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2012 and before January 1, 2018

Description: Chapter 56 of the Laws of 2011 created the New York Youth Works Tax Credit Program designed to provide tax incentives to employers for employing at-risk youth in full-time and part-time positions in tax years 2012 through 2017. Chapter 56 of the Laws of 2015 renamed the program the Urban Youth Jobs Program Tax Credit. The program is administered by the New York State Department of Labor (NYDOL). The credit equals \$500 per month for up to six months for each qualified full-time employee or \$250 per month for each qualified part-time position of at least 20 hours per week, or 10 hours if a full-time high school student. An additional \$1,000 per full time employee or \$500 per part time employee is available if the qualified employee remains employed for at least an additional six months. Finally, an additional \$1,000 tax credit for each youth retained in full-time status and an additional \$500 for each youth retained in part-time status is available if the qualified employee remains employed for one additional year. Four additional independent annual credit programs were added, one each year beginning in 2014 and ending in 2017. The allocation for the program beginning in 2015 is capped at \$10 million. The allocation for programs three through five (for tax years 2015-2017) is capped at \$20 million each. To claim the credit, employers must first apply to and be approved by NYDOL. NYDOL will calculate the maximum amount of credit the employer will be allowed to claim and issue a certificate of eligibility to participants entitling them to the credit.

PIT Estimates: 2013: \$0.7 million – 2016: \$2.0 million

CFT Estimates: 2012: \$1.3 million – 2016: \$18.0 million

Data Source: PIT Population File, New York State Division of the Budget

Reliability: PIT: Level 1, CFT: Level 1

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23. **Empire State Jobs Retention Program Credit**

Citation: Section 36, Section 210-b(37), Section 606(tt), Section 1511(bb)

Pre-Reform Citation: Section 210(44), Section 1456(y)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2012 pertaining to emergencies declared on or after January 1, 2011

Description: Chapter 56 of the Laws of 2011 created the Empire State Jobs Retention Program designed to support the retention of strategic businesses and jobs directly impacted by an event that leads to an emergency declaration by the Governor. The Program offers a jobs tax credit equal to the product of 6.85 percent and the gross wages paid for each impacted job, defined as a job existing at the relevant location on the day before an event occurs that leads to an emergency declaration. A participant may also be eligible for a 2 percent ITC, but only for costs in excess of costs recovered by insurance. Taxpayers may claim the credit for ten consecutive years.

For a business to be eligible for the credit it must: (a) be located in the county where an emergency is declared; (b) must demonstrate substantial physical damage and economic harm; and (c) must retain or exceed 100 full-time equivalent jobs in the county where the emergency is declared. To claim credit, taxpayers must apply to and be approved by Empire State Development (ESD). ESD will calculate the amount of credit annually and issue a certificate of tax credit to participants entitling them to the credit. The total amount of tax credit issued by ESD shall be allocated from the funds available for tax credits under the Excelsior Jobs Program Act.

PIT Estimates: 2013: Minimal – 2016: Not applicable

CFT Estimates: 2012: \$7.0 million – 2016: Not applicable

Bank Tax Estimates: 2012: \$0.0 million – 2016: Not applicable

Insurance Tax Estimates: 2012: \$0.0 million – 2016: Not applicable

Data Source: PIT Population File, New York State Division of the Budget

Reliability: PIT: Level 1, CFT/Bank Tax/Insurance Tax: Level 1

24. **Beer Production Credit**

Citation: Section 37, Section 210-b(39), Section 606(uu)

Pre-Reform Citation: Section 210(45)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2012

Description: The beer production credit is equal to 14 cents per gallon for the first 500,000 gallons produced in New York State during the tax year, plus 4.5 cents per gallon for each additional gallon over 500,000 (up to 15 million additional gallons) produced in New York State in the same tax year, for a maximum credit amount of \$745,000. The credit cap is applied at the entity level for partnerships, LLCs, and S corporations. To

be eligible, a taxpayer must be a registered distributor under Article 18 of the Tax Law and produce 60 million or fewer gallons of beer in New York State in the tax year the credit is claimed.

PIT Estimates: 2013: \$0.6 million – 2016: \$0.6 million

CFT Estimates: 2012: \$1.3 million – 2016: \$2.0 million

Data Source: PIT Population File, New York State Division of the Budget

Reliability: PIT: Level 1, CFT: Level 1

25. **Alternative Fuels and Electric Vehicle Recharging Property Credit**

Citation: Section 187-b, Section 210-b(30), Section 606(p)

Pre-Reform Citation: Section 210(24)

Credit Type: Nonrefundable

Effective Date of Credit: Effective for taxable years beginning on or after January 1, 2013 and before January 1, 2018

Description: Taxpayers may claim a nonrefundable credit equal to the lesser of \$5,000 or 50 percent of the cost of alternative fuel vehicle refueling property or electric vehicle recharging property located in New York State less any costs paid from the proceeds of grants. This credit replaces a prior alternative fuels credit that expired in 2010.

PIT Estimates: 2013: Minimal – 2016: Minimal

CFT Estimates: 2012: Not applicable – 2016: \$1.0 million

Section 183 Estimates: 2012: Not applicable – 2016: Minimal

Section 184 Estimates: 2012: Not applicable – 2016: Minimal

Section 185 Estimates: 2012: Not applicable – 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: Level 4

26. **Minimum Wage Reimbursement Credit**

Citation: Section 38, Section 187-s, Section 210-b(40), Section 606(aaa), Section 1511(cc)

Pre-Reform Citation: Section 210(46), Section 1456(z)

Credit Type: Refundable

Effective Date of Credit: Effective for taxable years beginning on or after January 1, 2014 and before January 1, 2019

Description: Eligible employers may claim a credit for wages paid to eligible employees equal to the number of hours worked by eligible employees multiplied by the credit rate. The credit rate increases from \$0.75 in tax year 2014 to \$1.31 in tax year 2015, to \$1.35 in tax years 2017 and 2018. Eligible employees must be employed by an eligible employer in New York, paid at the minimum wage rate, be between the ages of 16 and 19, and be a student. In the event that the federal minimum wage is increased to more than 85 percent of New York's minimum wages, the credit rates will be reduced to the difference between New York's minimum wage and the federal minimum wage. The reduction will be effective on the first day that the eligible employer is required to pay the increased federal minimum wage, if such an increase takes place.

PIT Estimates: 2013: Not applicable – 2016: \$14.0 million

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CFT Estimates: 2012: Not applicable – 2016: \$29.0 million

Bank Tax Estimates: 2012: Not applicable – 2016: Not applicable

Insurance Tax Estimates: 2012: Not applicable – 2016: Minimal

Section 185 Estimates: 2012: Not applicable – 2016: Minimal

Data Source: New York State Division of the Budget

Reliability: Level 4

27. **START-UP NY Tax Elimination Credit**

Citation: Section 39, Section 40, Section 210-b(41), Section 606(ww)

Pre-Reform Citation: Section 210(47)

Credit Type: Refundable

Effective Date of Credit: Effective for taxable years beginning on or after January 1, 2014

Description: The tax-free NY area tax elimination credit is available to general business corporations, sole proprietorships, partnerships (including limited liability companies taxed as partnerships), and New York S corporations participating in the SUNY Tax-Free Areas to Revitalize and Transform Upstate New York Program (START-UP NY). The credit is equal to the product of:

- the tax-free NY area allocation factor and
- the tax factor.

The tax-free NY area allocation factor is the percentage of the business's economic presence in the tax-free NY area where the business was approved to locate under Article 21 of the Economic Development Law.

For Article 9-A taxpayers, the tax factor is the largest of the taxes on the business income base, capital base, or fixed dollar minimum tax after the deduction of any other credits. For Article 22 taxpayers, the tax factor is determined by reducing the individual's tax computed under section 601(a)-(d) of the Tax Law for the tax year by any other allowable credits and adjusting that reduced amount by the ratio of the income from business in the tax-free New York area to the taxpayer's New York adjusted gross income. In both cases, the ratios may not exceed 1.0.

For corporate franchise taxpayers, the credit cannot reduce the tax due below the fixed dollar minimum unless the taxpayer has a tax-free NY area allocation factor of 100%. In that instance, the tax can be reduced to zero. Any excess credit may be refunded. For personal income taxpayers, the credit may reduce the tax to zero and any excess may be refunded.

PIT Estimates: 2013: Not applicable – 2016: \$31.0 million

CFT Estimates: 2012: Not applicable – 2016: \$22.5 million

Data Source: New York State Division of the Budget

Reliability: Level 4

28. **Credit for the Excise Tax on Telecommunication Services Paid by START-UP New York Businesses**

Citation: Section 210-b(44), Section 606(yy)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2014

Description: The credit is available to a business or owner of a business that is approved to participate in the START-UP NY program and located in a tax-free NY area. The credit is equal to the excise tax on telecommunication services imposed by section 186-e of the Tax Law that is passed through to the approved business. The credit may be claimed when the tax is separately stated on a bill from the telecommunication service provider and the bill has been paid by such business. If a taxpayer claimed any federal deduction for excise taxes on telecommunication services and also claims the START-UP NY telecommunication services excise tax credit, when computing the taxpayer's New York adjusted gross income (or New York taxable income in the case of an estate or trust), the taxpayer must add back the federal deduction amount for excise taxes on telecommunication services used in the calculation of the credit.

PIT Estimates: 2013: Not applicable – 2016: Minimal

CFT Estimates: 2012: Not applicable – 2016: Minimal

Data Sources: New York State Division of the Budget

Reliability: Level 4

29. **Real Property Tax Relief Credit for Manufacturing**

Citation: Section 210-b(43), Section 606(i), Section 606(xx)

Credit Type: CFT – Non-refundable/PIT - Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2014

Description: A qualified New York manufacturer is allowed a credit equal to 20 percent of the real property taxes paid during the tax year for real property located in New York and principally used in manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture or commercial fishing. A manufacturer must have at least 50 percent of its receipts from the forgoing activities and either all or at least \$1 million of manufacturing property located in New York. A manufacturer that fails the receipts test may still qualify if it employs at least 2,500 people in manufacturing in New York and has \$100 million in manufacturing property in the state.

PIT Estimates: 2013: Not applicable – 2016: \$15.0 million

CFT Estimates: 2012: Not applicable – 2016: \$85.0 million

Data Sources: New York State Division of the Budget

Reliability: Level 4

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30. Hire A Vet Credit

Citation: Section 210-b(29), Section 606(a-2), Section 1511 (g-1)

Pre-Reform Citation: Section 210(23-a), Section 1456(e-1)

Credit Type: Nonrefundable/Carryforward for 3 years

Effective Date of Credit: Credit effective for taxable years beginning on or after January 1, 2015 and before January 1, 2017, but hiring may commence on January 1, 2014.

Description: Employers hiring a qualified veteran to begin employment on or after January 1, 2014 but before January 1, 2016, and who is employed in New York State for at least one year and 35 hours each week may claim the credit in the tax year in which the qualified veteran completes one year of employment with the taxpayer. The credit equals 10 percent of the total amount of wages paid during the veteran's first full year of employment, or 15 percent for a disabled veteran. The credit is capped at \$5,000 per veteran or \$15,000 per disabled veteran.

PIT Estimates: 2013: Not applicable – 2016: \$12.0 million

CFT Estimates: 2012: Not applicable – 2016: \$25.0 million

Insurance Tax Estimates: 2011: Not applicable – 2015: Minimal

Data Source: New York State Division of the Budget

Reliability: Level 4

31. Musical and Theatrical Production Credit

Citation: Section 24-A, Section 210-b(47), Section 606(u)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2015 and before January 1, 2019

Description: Eligible production companies taxable under Articles 9-A and 22 can claim a refundable credit equal to 25 percent of certain costs. The total amount of credit is capped at \$4 million per year and the credit is administered by Empire State Development (ESD). To be eligible, a company must produce a live, dramatic stage presentation in a qualified production facility on a tour that consists of eight or more shows in three or more localities. A qualified production facility is a 1,000 or more seat theater located outside of New York City for which ticket receipts constitute 75 percent or more of the total receipts. The credit is based on costs for tangible property used and services performed in the course of production, with personal compensation expenses capped at \$200,000 per week. The credit is also allowed for transportation expenditures, which includes costs for packaging, crating, and transporting production equipment, sets, costumes, and cast and crew.

PIT Estimates: 2013: Not applicable – 2016: \$1.0 million

CFT Estimates: 2012: Not applicable – 2016: \$3.0 million

Data Sources: New York State Division of the Budget

Reliability: Level 4

32. Workers with Disabilities Tax Credit

Citation: Section 210-b(48), Section 606(zz)

Credit Type: Non-refundable/Carryforward for three years

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2015 and before January 1, 2020

Description: The Workers with Disabilities Tax Credit Program, administered by the New York State Department of Labor (DOL), annually provides \$6 million in tax credits for employing individuals with developmental disabilities. To participate in the program, a taxpayer must apply to DOL by November 30th of the prior year. At the end of the tax year, the employer must obtain a final certificate of eligibility from DOL that states the maximum amount of credit allowed and provides verification for the credit claims.

The credit is equal to 15 percent of the qualified wages for qualified full-time employees and 10 percent of the qualified wages for qualified part-time employees. Full-time employment is defined as working at least 30 hours per week, and part-time employment at least 8 hours per week, each for at least 6 months. The credit is available for qualified wages paid after January 1, 2015. An employer is not allowed to concurrently claim this credit and any other credit for the employment of persons with disabilities for the same employee. Any unused credit may be carried forward for 3 years.

PIT Estimates: 2013: Not applicable – 2016: \$2.0 million

CFT Estimates: 2012: Not applicable – 2016: \$4.0 million

Data Sources: New York State Division of the Budget

Reliability: Level 4

33. **Employee Training Incentive Program (ETIP)**

Citation: Section 210-b(50), Section 606(ddd)

Credit Type: Refundable

Effective Date of Credit: Effective for tax years beginning on or after January 1, 2015

Description: The Employee Training Incentive Program (ETIP), administered by Empire State Development (ESD), provides a refundable tax credit under Articles 9-A and 22 for certain employers that procure skills training for their employees or provide internship programs in advanced technology. The total amount of tax credits for any taxable year may not exceed \$5 million dollars and will be allotted from the funds available for tax credits under the Excelsior Jobs Program Act. The portion of the tax credit cap allocated to internship programs in advanced technology shall be not less than \$250,000 or more than \$1 million.

The credit equals 50 percent of eligible training costs, up to \$10,000 per employee receiving eligible training and 50 percent of the stipend paid to an intern, up to a credit of \$3,000 per intern. The credit is limited to the amount listed on the certificate of tax credit issued by ESD. The credit is allowed in the taxable year in which the eligible training is completed. For Article 9-A taxpayers, the credit allowed may not reduce the tax due below the fixed dollar minimum base and amounts of unused credit will be refundable. The credit is fully refundable for PIT filers.

CROSS-ARTICLE TAX CREDITS

PIT Estimates: 2013: Not Applicable – 2016: \$2.0 million

CFT Estimates: 2012: Not Applicable – 2016: \$3.0 million

Data Source: New York State Division of the Budget

Reliability: Level 4

2016-17 EXECUTIVE BUDGET TAX EXPENDITURE PROPOSALS

This section describes the proposals contained in the 2016-17 Executive Budget that modify, add, or repeal specific tax expenditures. Each description begins with background information regarding the proposal, a summary of the proposal, reasons for recommending the change, and an estimate of the revenue implications. Table 10 provides a listing of these provisions.

Table 10
2016-17 Executive Budget Proposals Affecting Tax Expenditures
(Millions of Dollars)

	<u>2016-17 Fiscal Year Estimate</u>
Personal Income Tax	
1. Permanently Extend the Non-Custodial Earned Income Tax Credit	0.0
2. Convert New STAR Exemptions into an Income Tax Credit	0.0
3. Convert New York City STAR Credit into a New York State Income Tax Credit	0.0
Personal Income and Corporation Franchise Taxes	
4. Establish Education Tax Credits	0.0
5. Extend the Clean Heating Fuel Credit for Three Years	0.0
6. Provide a Corporate and Personal Income Tax Small Business Tax Cut	0.0
7. Authorize Additional Credits of \$8 Million for Low-Income Housing Credit for Each of the Next Five Fiscal Years	0.0
8. Extend the Empire State Commercial Production Tax Credit for Two Years	0.0
9. Extend the Credit for Companies Who Provide Transportation to Individuals with Disabilities for Six Years	0.0
10. Enhance the Urban Youth Jobs Tax Credits	0.0
11. Expand the Beer Production Credit to Include Wine, Liquor, and Cider	0.0
Personal Income, Corporation, Corporation Franchise, and Insurance Taxes	
12. Extend the Hire-A-Vet Credit for Two Years	0.0
13. Extend the Excelsior Jobs Program for Five Years	0.0
14. Establish Thruway Toll Tax Credit	0.0
Excise, Petroleum Business Tax, and Sales and Use Tax	
15. Extend Expiring Alternative Fuels Exemptions	2.0

EXECUTIVE BUDGET PROPOSALS

1. Permanently Extend the Non-Custodial Earned Income Tax Credit

Background: The credit is available to certain non-custodial parents who pay child support for a qualifying child with whom they do not reside. The credit applies to tax years beginning before January 1, 2017.

Proposal: This proposal would make permanent the non-custodial earned income tax credit. The proposal would take effect immediately.

Discussion: The credit was first available to taxpayers in tax year 2006. The credit equals the greater of 20 percent of the Federal EITC that the taxpayer would otherwise be able to claim for one qualifying child (if he/she were a custodial parent) or 2.5 times the EITC for taxpayers without qualifying children.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

2. Convert New STAR Exemptions into an Income Tax Credit

Background: The School Tax Relief (STAR) program has been administered as an exemption to real property since its inception in the late 1990's. Local assessors award basic STAR exemptions to qualified residential property and enhanced STAR benefits to qualified elderly homeowners. There is also an income limit of \$500,000 on owners of property that receive basic STAR exemptions.

Proposal: This bill would gradually convert the School Tax Relief (STAR) program from a program that offers a real property tax exemption into a program that offers a personal income tax credit.

Discussion: This bill would close the existing STAR exemption program to new applicants and establish a new refundable personal income tax (PIT) credit in its place. Current recipients of STAR exemptions would be permitted to keep those exemptions as long as they continue to own their current homes, but once their homes are transferred to new owners, the new owners would transfer to the PIT credit program. Current STAR recipients would also have the option of giving up their STAR exemptions if they wish to receive the PIT credit instead, but they would be under no obligation to do so.

The eligibility requirements for the new STAR PIT credit would be essentially identical to those of the existing STAR exemption. Most notably, (i) the property would still have to be owned by, and the primary residence of, the applicant(s); (ii) the income of the applicants would have to be less than the applicable limit (\$500,000 for Basic STAR, a much lower figure for Enhanced STAR that is annually adjusted for inflation); and (iii) for Enhanced STAR, all owners would have to be at least 65 years of age, unless the owners are spouses or siblings, in which case at least one owner must be age 65.

Likewise, the value of the STAR credit within each school district would be virtually the same as the value of the tax savings under the STAR exemption. The special eligibility features that have been part of the existing STAR program (e.g., allowing co-op tenant-shareholders and trust beneficiaries to receive the benefits even though technically they don't own the property) would be carried over into the new STAR PIT program as well.

Personal income taxpayers who itemize deductions must also reduce the amount of the deduction for real property taxes paid by the amount of the STAR income tax credit. Converting the STAR exemption benefit into a tax

credit would generate temporary cost savings of \$100 million annually until full conversion is complete; these savings would ultimately be offset by lower income tax revenues to the State.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

3. Convert New York City STAR Credit into a New York State Income Tax Credit

Background: New York City residents whose incomes are \$250,000 or less receive a School Tax Relief Credit against their City income tax in the amount of \$125 for married taxpayers filing jointly and \$62.50 for all others. This credit was established because the STAR exemption is worth less to New York City residents since property taxes are relatively low. Furthermore, City homeowners and renters support City education spending through the income tax.

Proposal: This proposal would convert the existing New York City Personal income tax credit into a New York State personal income tax credit. The proposal would take effect immediately and apply to taxable years beginning on or after January 1, 2016.

Discussion: Converting the New York City STAR credit into a New York State credit would result in administrative efficiencies by enabling the State to provide this benefit directly to City residents rather than using the City's tax structure as a pass through.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

4. Establish Education Tax Credits

Background: This proposal would amend the Education Law and Tax Law to enact the Parental Choice in Education Act, which would provide a tax credit incentive to encourage individual and business donations to support public schools' educational improvement programs, as well as scholarships for public and non-public elementary and secondary school students. This bill also includes a new tuition tax credit and a credit for purchases of classroom materials and supplies.

Proposal: This proposal has three distinct tax credit provisions under Articles 9-A (Corporate Franchise Tax) and Article 22 (Personal income Tax). First, it would create the Education Scholarship and Program Tax Credit (ESPTC) for contributions made to Educational Scholarship Organizations (ESOs) for eligible students to attend non-public schools or public schools outside their districts of residence. Scholarship eligibility is based on family income (Federal Adjusted Gross income of up to \$250,000 for two dependents, \$10,000 each additional dependent up to \$300,000 maximum). At least half of scholarships must be awarded to students whose family income does not exceed 150 percent of the threshold for reduced price school lunches under the National School Lunch Act. There is no maximum scholarship award per student.

The ESPTC also authorizes credits for contributions to public education entities, school improvement organizations, and local education funds used to support public school academic programs, pre-kindergarten programs, and other programs for at-risk students. The total ESPTC program would make

EXECUTIVE BUDGET PROPOSALS

available \$70 million in credits annually (\$50 million for ESOs and \$20 million for donations to other eligible entities). The credit rate is 75 percent of authorized donations. The maximum annual credit for an individual taxpayer or business is \$1 million.

Second, the bill would enact the refundable Family Choice Education Credit for taxpayers with New York Adjusted Gross Income (NYAGI) of \$60,000 or less. The credit equals the lesser of \$500 or tuition paid by taxpayers for enrollment or attendance of their dependents at not-for-profit or public pre-kindergarten program or elementary and secondary sectarian or nonsectarian schools in the State.

Third, the Instructional Materials and Supplies Credit which would provide teachers in public, non-public, and charter schools a refundable tax credit of up to \$200 annually for expenses paid for materials and supplies used in the classroom. This credit has an annual aggregate cap of \$10 million.

The proposal would take effect immediately and apply to taxable years beginning on or after January 1, 2017.

Discussion: The bill would direct the State Education Department (SED) and the Department of Taxation and Finance (DTF) to oversee and monitor various aspects of the program. SED would certify and monitor organizations eligible to receive donations through this program. DTF would administer and manage credits provided within the program cap, and also allocate Education Scholarship Program Tax Credits in two phases, ensuring a preference for small donors in the first phase of credit allocation.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

5. **Extend the Clean Heating Fuel Credit for Three Years**

Background: The clean heating fuel credit was initially in effect for bioheat used for space heating or hot water production for residential purposes in the state during portions of 2006 and 2007. The credit was subsequently extended to apply from 2008 through 2016 tax years.

Proposal: This proposal would extend the corporate and personal income tax credits for purchasing bioheat to the 2017-2019 tax years. The credit is currently scheduled to expire on January 1, 2017. Starting on or after January 1, 2017, the credit would not apply to bioheat that is less than six percent biodiesel per gallon of bioheat.

Discussion: This proposal would extend a credit that has been beneficial to taxpayers that are helping the environment by using more clean heating fuel. By implementing a minimum biodiesel percentage, the proposal will exclude heating fuels that are already commonly available and will incentivize the production and use of greener heating fuels.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

6. **Provide a Corporate and Personal Income Tax Small Business Tax Cut**

Background: Since tax year 2014, taxpayers have been allowed to subtract a certain percentage of qualifying small business and/or farm income from their adjusted gross income (AGI) in calculating their personal income tax liability. Under current law, for tax years 2016 and after, the modification equals

5 percent of the net items of income, gain, loss and deduction attributable to a business or farm included in federal adjusted gross income. For purposes of claiming the subtraction modification, the small business must be a sole proprietor or farm business employing one or more persons during the taxable year that has net business income or net farm income of less than \$250,000. Limited liability companies, partnerships and S corporations that are farm businesses are included.

Prior to corporate tax reform, Article 9-A small businesses with an entire net income (ENI) base of \$290,000 or less had a lower tax rate - 6.5 percent compared to the general 7.1 percent rate - that rose in stages to 7.1 percent as ENI increased to \$390,000 (i.e. rate recapture). Corporate tax reform enacted in 2014 changed the name of the ENI base to the business income base, effective for tax years starting in 2015, but the rate differential continued. Starting in 2016, the general rate is cut to 6.5 percent, eliminating any small business rate and recapture distinctions.

Proposal: This proposal would expand the small business subtraction modification under the Personal Income Tax and reduce the Article 9-A business income base rate for small businesses to 4 percent, with commensurate recapture. The bill would take effect immediately and would apply to taxable years beginning on or after January 1, 2017.

Discussion: This proposal will increase the current small business subtraction modification for sole proprietors and farmers from 5 percent to 15 percent of net business income or net farm income included in the taxpayer's federal adjusted gross income. In addition, the 15 percent exemption is expanded to include members of partnerships, LLCs, and S-corporations with New York gross business income attributable to a non-farm business of up to \$1.5 million. In order to claim the exemption, the taxpayer who is a member, partner, or shareholder in a limited liability company, a partnership, or an S-corporation, respectively, must have less than \$250,000 attributable to his share of flow-through income from all entities (including ones that would not qualify as a small business).

The original subtraction modification was phased in over a three year period, beginning with 3 percent in tax year 2014 and increasing to 5 percent for tax years 2016 and after. This exemption was only available for certain sole proprietors and farmers. This proposal not only provides a greater benefit to those taxpayers who were already claiming the exclusion but expands the benefit to include members of partnerships, LLCs, and S-corporations which are small businesses. According to the Division of the Budget, for tax year 2017, more than one million small businesses will qualify for the subtraction modification.

The business income rate for corporate small businesses would be cut in tax year 2017 and thereafter from 6.5 percent to 4.0 percent for businesses with a business income base of not more than \$290,000 rising to 6.5 percent as business income increased to \$390,000. The pre-2016 structure would be retained beginning in tax year 2017. The final rate for small businesses would represent an overall cut of more than 38 percent in the tax rate on such businesses.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

EXECUTIVE BUDGET PROPOSALS

7. Authorize Additional Credits of \$8 Million for Low-Income Housing Credit for Each of the Next Five Fiscal Years

Background: The New York State low-income housing tax credit program, based on the existing federal program, requires an agreement between the taxpayer and the Commissioner of the New York State Division of Housing and Community Renewal (DHCR) for a long-term commitment to low-income housing. The amount of the credit depends on the applicable percentage of the qualified basis of each low-income building. The credit amount allocated by DHCR is allowed as a credit against tax for ten tax years. Unused credits may be carried forward indefinitely.

Proposal: This bill would increase the aggregate amount of low-income housing tax credit the Commissioner of Housing and Community Renewal may allocate from \$64 million to \$104 million, in \$8 million increments annually for the next five fiscal years.

Discussion: The increases would be as follows:
from \$64 million to \$72 million in SFY 2016-17;
from \$72 million to \$80 million in FY 2017-18;
from \$80 million to \$88 million in SFY 2018-19;
from \$88 million to \$96 million in SFY 2019-20;
from \$96 million to \$104 million in SFY 2020-21.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

8. Extend the Empire State Commercial Production Tax Credit for Two Years

Background: For tax years beginning on or after January 1, 2007, Tax Law sections 28 and 210-B.23 provide for tax credits for qualified commercial production companies. The Empire State commercial production credit (also referred to simply as the commercial production credit) is available to taxpayers subject to tax under Article 9-A or Article 22. These credits apply to tax years beginning before January 1, 2017.

The credit is allowed for qualified production costs paid or incurred in the production of a qualified commercial in New York State. The credit is allowed for the tax year in which the production of the qualified commercial is completed. The credit may not reduce the tax due below the fixed dollar minimum tax. Any amount not used in the current tax year may be refunded or credited as an overpayment to next year's tax. The refund is limited to 50% of the excess credit in the current year; the balance may be carried forward to the following tax year and may be deducted from the tax in that year. All remaining excess after application in the succeeding year may also be refunded or credited as an overpayment to the succeeding tax year. Production costs used in the calculation of this credit cannot be used to claim any other credit.

The amount of credit allowed for the current tax year is allocated by the New York State Governor's Office for Motion Picture and Television Development.

Proposal: This bill would extend the Empire State Commercial Production Tax Credit for two years.

Discussion: The Empire State Commercial Production Tax Credit program provides incentives to qualified production companies that are principally

engaged in and control the production of qualified commercials in New York State. \$7 million in credits is available annually as follows: \$3 million for companies producing commercials downstate; \$3 million upstate; and an additional \$1 million for companies that demonstrate incremental “growth” in commercial production. This bill would ensure that these incentives continue to be available.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

9. **Extend the Credit for Companies Who Provide Transportation to Individuals with Disabilities for Six Years**

Background: Corporations providing a taxicab or livery service can claim a credit equal to the incremental cost associated with the purchase of a handicapped accessible vehicle or the conversion of a conventional vehicle to a handicapped accessible vehicle. The maximum credit is \$10,000 per vehicle. The credit can be used to reduce tax to the fixed dollar minimum and any remaining credit may be carried forward indefinitely. Initially, the credit applied to qualifying expenses incurred on or after January 1, 2006 but before January 1, 2011. A similar credit was enacted that took effect on January 1, 2011 and expires after December 31, 2016.

Proposal: This bill would extend the credit for companies who provide transportation to individuals with disabilities for six years.

Discussion: This bill would extend the credit for companies that provide transportation to individuals with disabilities for six years, through tax year 2022. The credit is available to businesses that incur an incremental cost for upgrading a taxicab or livery service vehicle so that the vehicle is accessible to persons with disabilities or that purchase certain new taxicab or livery service vehicles that are accessible to persons with disabilities. The credit is limited to \$10,000 per vehicle.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

10. **Enhance the Urban Youth Jobs Tax Credit**

Background: The Urban Youth Jobs Tax Credit Program is designed to provide tax incentives to employers for employing at-risk youth in full-time and part-time positions. Originally known as Youth Works, the program began for tax years 2012 and 2013, and was expanded and extended in 2013 to incorporate five separate programs through tax year 2017, each with independent credit allocation caps. The annual allocations have been increased several times.

Proposal: This bill would increase the cap on the amount of money available in 2016 and 2017 for the Urban Youth Jobs Program tax credit.

Discussion: This bill would amend Labor Law § 25-a to authorize additional funds for tax credits to be awarded in 2016 and 2017 to employers participating in the Urban Youth Jobs Program and expand the program Statewide. Under the existing law, programs four and five are each allocated \$20 million. Under this bill, program four would be allocated \$50 million for 2016, and program five would be allocated \$50 million for 2017, of which \$10 million in each program year may be allocated anywhere in the State that is not already eligible.

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Revenue: This proposal would have no effect on revenues in SFY 2016-17.

11. Expand the Beer Production Credit to Include Wine, Liquor and Cider

Background: To be eligible for the beer production credit, a taxpayer must be a registered distributor under Article 18 of the Tax Law and produce 60 million or fewer gallons of beer in New York State in the tax year the credit is claimed. The beer production credit is equal to 14 cents per gallon for the first 500,000 gallons produced in New York State during the tax year, plus 4.5 cents per gallon for each additional gallon over 500,000 (up to 15 million additional gallons) produced in New York State in the same tax year, for a maximum credit amount of \$745,000. The credit cap is applied at the entity level for partnerships, LLCs, and S corporations.

Proposal: This proposal would amend the Tax Law to expand the beer production credit to include wine, liquor and cider and would rename the credit the Alcohol Beverage Production Credit. This act would take effect immediately and would apply to taxable years beginning on or after January 1, 2016.

Discussion: Alcoholic beverage producers are an important growing part of New York's economy. The bill would extend the beer production credit under the corporate franchise tax and the personal income tax to include cider, wine and liquor, with some adjustments made based on each alcoholic beverage's alcohol by volume content. Specifically, the credit would be available to taxpayers that produce 60 million gallons or less of beer or cider, 20 million gallons or less of wine, or 800,000 gallons or less of liquor in New York State.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

12. Extend the Hire-A-Vet Credit for Two Years

Background: Participants may claim a nonrefundable tax credit for the hiring and employing of a qualified veteran. The veteran must be employed for not less than one year and for not less than 35 hours each week with the taxpayer claiming the credit in the year in which the qualified veteran completes one year of employment with the taxpayer.

The credit is equal to 10 percent of the total amount of wages paid to the qualified veteran during the veteran's first full year of employment. The amount is increased to 15 percent of the total wages paid if the qualified veteran is disabled. The credit is capped at \$5,000 per veteran or \$15,000 per disabled veteran. Any unused credit may be carried forward to the following three years.

The credit is allowed for taxable years beginning on or after January 1, 2015 and before January 1, 2017.

Proposal: This bill would extend the tax credit for hiring a veteran for an additional two years.

Discussion: Currently, the hire a vet credit is available for taxable years beginning on or after January 1, 2015 and before January 1, 2017. The credit is available to qualified taxpayers for the hiring of qualified veterans who commenced employment on or after January 1, 2014 and before January 1, 2016. This bill would extend this credit for two years beginning on or after

January 1, 2017, and before January 1, 2019, for employment commenced before January 1, 2018.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

13. Extend the Excelsior Jobs Program for Five Years

Background: The Excelsior Jobs Program (EJP) Act replaced the Empire Zones Program as the primary economic development program in New York State. The program is administered by Empire State Development (ESD) and offers four tax credits focused on certain strategic industries. ESD can issue up to \$50 million in new credit annually, with a fully effective annual total program cost of \$250 million. The credits include the jobs tax credit, investment tax credit, research and development tax credit, and the real property tax credit. The credits are first available for tax years beginning in 2011.

Proposal: This bill would amend the Economic Development Law and the Tax Law to authorize any unawarded tax credits remaining at the end of 2024 to be allocated in taxable years 2025 – 2029.

Discussion: This bill would extend the Excelsior Jobs Program by five years. Economic Development Law § 359 would be amended to authorize any unawarded tax credits remaining at the end of 2024 to be allocated in taxable years 2025 – 2029, including 100 percent of any unawarded tax credits attributable to years 2011 – 2024. However, under no circumstances may the aggregate statutory cap be exceeded, and no tax credits may be allowed for taxable years beginning on or after January 1, 2030.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

14. Establish Thruway Toll Tax Credits

Background: New York State currently does not provide any tax relief for individuals or businesses that use the New York State Thruway on a regular basis.

Proposal: This proposal would create a non-refundable tax credit for a portion of New York State Thruway tolls paid by qualifying taxpayers through individual, commercial or business E-Z Pass accounts. The proposal is effective for taxable years beginning on or after January 1, 2016 and before January 1, 2019.

Discussion: The bill amends Articles 9, 9-A, 22 and 33 of the Tax Law to provide a non-refundable Thruway toll tax credit for the 2016, 2017 and 2018 tax years.

For businesses operating farm vehicles, the credit would be equal to 100 percent of the Thruway tolls paid through E-Z Pass accounts for the operation of farm vehicles. For other businesses, the credit would be equal to 50 percent of the Thruway tolls paid through E-Z Pass accounts provided the taxpayer paid between \$100 and \$9,999 in annual tolls (inclusive). The credit could reduce the taxpayer's tax to the fixed dollar minimum and any excess credit may be carried forward to future taxable years.

Individuals would be eligible for a personal income tax credit equal to 50 percent of the Thruway tolls paid through an individual E-Z Pass account provided the individual paid at least \$50 in annual tolls.

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A taxpayer could claim either the credit for the operation of farm vehicles or the general credit, but not both. Also, taxpayers would have to add back to their income for New York State tax purposes any deduction they take for toll expenses that they also use to compute the credit.

Revenue: This proposal would have no effect on revenues in SFY 2016-17.

15. Proposal to Extend Expiring Alternative Fuels Exemptions

Background: Alternative fuel exemptions were enacted under Chapter 109 of the Laws of 2006, effective September 1, 2006. This law provides for a full exemption from the excise tax, petroleum business tax and State and local sales taxes for fuel products identified as E-85, compressed natural gas (CNG) and hydrogen, when suitable for use in a motor vehicle engine.

The law also provides for reduced tax rates under the excise tax and PBT for fuel product identified as biodiesel-B-20 [20 percent bio-product (e.g. soybean oil), 80 percent diesel fuel]. The rate reduction is 20 percent under both taxes. Further, 20 percent of the receipts from the retail sale of B-20 are exempted from the State and local sales tax.

Proposal: Part U of the Budget legislation would extend the alternative fuel tax exemptions for E-85, CNG and hydrogen and the partial exemption for B-20 for five years. Under current law, these exemptions are scheduled to expire on September 1, 2016. This bill would extend this expiration date until September 1, 2021. The bill would take effect immediately upon enactment.

Discussion: New York's alternative fuels tax exemptions and credits are among the most progressive in the country. Extension of these expiring tax exemptions will be an energy, environmental, and economic development based policy decision for the Legislature to consider in the upcoming State budget deliberation process.

Revenue: This bill would reduce State revenue by approximately \$2 million in SFY 2016-17. During its first full year of applicability (SFY 2017-18), this legislation would reduce State revenue by approximately \$4 million.

GLOSSARY

Compensating Use Tax: Tax levied on tangible personal property and services for its consumption, storage, or use in the State of residency upon which sales tax has not been collected.

Corporate Exemption: The partial or full statutory exemption of certain types of business entities from taxation.

Credit: Credits are amounts that are subtracted from tax liability (i.e., credits reduce the amount of tax due by the amount of the credit):

Credit Earned: The amount of credit generated in the current tax year.

Credit Claimed: The amount of credit which taxpayers have available during the taxable year. Taxpayers determine this by adding credit earned in the current year to any unused credit from prior years and subtracting any applicable credit recapture. The claimed amount also reflects the imposition of any statutory limitations.

Credit Used: The amount of credit which taxpayers actually apply to their tax liability.

Credit Carried Forward: Any unused amount of credit which is allowed to be used to offset tax liability in future years. The amount of credit carried forward is determined by subtracting the amount of credit used or refunded in the current year from the amount of credit claimed.

Credit Refunded: Unused credit amounts requested as a refund or applied against the next liability period. These are requested amounts from the tax return, not necessarily amounts actually paid. Refund requests are subject to audit and adjustment by the Tax Department and the Office of the State Comptroller.

Deduction: An amount which a taxpayer is allowed to subtract when computing the tax base.

Deferral: The legal authorization to delay the obligation to pay tax to a future period (e.g., a future tax year).

Dependent Exemptions: A fixed amount that is subtracted from New York Adjusted Gross Income for an individual's dependents, not including the taxpayer or spouse.

GLOSSARY

Entire Net Income (ENI): The amount of the taxable income base for corporate taxpayers. ENI equals federal taxable income after certain additions and subtractions for items that New York treats differently. The major adjustment in the computation of ENI for most taxpayers is the exclusion of income from subsidiary capital.

Excise Tax: A fixed, per unit tax imposed on a commodity or commodities (e.g., 11 cents per gallon of beer).

Exclusion/Exemption: The statutory elimination of certain items or transactions from the tax base.

Federal Adjusted Gross Income (FAGI): The amount of Federal income earned or received during the income year after certain exclusions and adjustments. Major exclusions from gross income include many government transfer payments, employer-provided pension contributions and fringe benefits, most capital gains from the sale of a primary residence, and a portion of social security benefits. Major adjustments to gross income include deductions for individual retirement arrangements, alimony paid, employee moving expenses, and one-half of self-employment tax paid.

Federal Conformity: The extent to which State tax laws adopt or conform to various provisions of Federal Tax Law.

Federal Taxable Income (FTI): The amount of taxable income before certain deductions reported by a corporate taxpayer on its Federal tax return. FTI includes all income received by the taxpayer during the tax year and most deductions from income. It does not include the Federal net operating loss deduction or the special Federal deductions for dividends received.

Flow-Through Provisions: Provisions (e.g., definitions, deductions, exclusions) that are derived from provisions of the Federal Tax Law and are applied to or flow-through to State Tax Law.

Franchise Tax: A tax imposed on business corporations for the privilege of conducting business in the State.

Gross Receipts Tax: Tax levied on the total receipts (e.g., income from sales) of a business.

Itemized Deductions: Individual deductions that are subtracted from New York Adjusted Gross Income and are applied in lieu of a standard deduction.

New York Adjusted Gross Income (NYAGI): The amount of Federal adjusted gross income earned or received during the income year after certain modifications and before the subtraction of either the standard deduction or itemized deductions, and dependent exemptions. For example, New York State income tax refunds, included in FAGI, are subtracted in determining NYAGI.

Personal Income Tax: A tax imposed on the income of persons. Examples of income that may be subject to tax include wages, non-wage income (interests, dividends, capital gains), business income, and investment income.

Premiums Tax: A tax imposed on insurance corporations and levied on the amount of net premiums received.

Reimbursement: An amount due to a taxpayer where there was a payment of tax, but no liability.

Sales Tax: An ad valorem tax levied on sales at retail.

Service: The performance of an action or activity for others.

Standard Deduction: A statutorily fixed amount, determined by filing status, subtracted from New York adjusted gross income.

Tangible Personal Property: Corporeal personal property of any nature.

Tax Expenditure: Features of the Tax Law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, deferral, or other statutory device, reduce the amount of taxpayers' liabilities to the State by providing either economic incentives or tax relief to particular classes of persons or entities, to achieve a public purpose.

Taxable Income: The amount to which the applicable tax rate is applied. Taxable income is gross income (prior to any adjustments) minus modifications, deductions, and exemptions.

Tax Liability: The amount of tax required to be paid by a taxpayer.

Transfer Tax: A tax imposed on the transfer of tangible personal property (e.g., real property) from one individual or entity to another.

APPENDIX A: PRE-REFORM CORPORATION FRANCHISE TAX

This section of the report provides tax expenditure estimates for the separate provisions of the Corporation Franchise Tax on general business corporations **as it existed on December 31, 2014**. It contains historical estimates of the tax expenditures for tax years 2008 through 2012, the latest year for which Article 9-A tax return data are available. Table 1 summarizes the tax expenditure estimates and includes total Article 9-A corporate franchise tax liability for the 2012 tax year to provide a benchmark for the tax expenditure estimates. This section will be continued until tax year 2014 data is reported to provide a full history of these expenditures under the pre-reform structure.

Description of Tax

Article 9-A imposes a Corporate Franchise Tax on general business corporations for the privilege of conducting business in New York. Certain other corporations (public utilities, banks, and insurance companies) pay tax under other articles of the Tax Law. The Corporation Franchise Tax has four separate bases: allocated entire net income (ENI); allocated business and investment capital; allocated minimum taxable income (AMT); and a fixed dollar minimum. Corporations pay the highest tax computed on these bases less applicable credits, but generally not less than the fixed dollar amount. The Tax Law imposes an additional tax on allocated subsidiary capital. Because of the similarities between the ENI and AMT computations, the tax expenditure provisions and estimates discussed in this section pertain only to the allocated ENI and allocated business and investment capital bases.

The computation of Corporation Franchise Tax on the allocated ENI and allocated AMT bases generally starts with Federal taxable income. Taxpayers then make several state-specific modifications to arrive at New York ENI and AMT. Both income bases consist of business and investment income. Taxpayers allocate each type of income to New York by its respective allocation percentage. The sum of these allocated incomes equals the taxable income bases. For most corporations, the tax rate is 7.1 percent of allocated ENI or 1.5 percent of AMT. Lower tax rates apply to small businesses, manufacturers, and qualified emerging technology companies (QETCs).

The tax on allocated business and investment capital starts with the taxpayer's total assets. Taxpayers reduce their assets by both long- and short-term liabilities to arrive at total capital. Total capital minus subsidiary capital and investment capital equals business capital. Taxpayers then multiply each type of capital by its respective allocation percentage. Total allocated business and investment capital forms the allocated capital base. (A separate tax applies to

APPENDIX A: PRE-REFORM CORPORATION FRANCHISE TAX

allocated subsidiary capital.) The tax rate of 0.15 percent applies to allocated capital of most corporations. Lower rates apply to manufacturers and QETCs. The maximum tax under this base is capped at \$350,000 for manufacturers and QETCs and \$1 million for all other taxpayers. For tax years 2008 through 2010, non-manufacturers/non-QETCs were subject to a temporary \$10 million cap.

In tax years beginning on or after January 1, 2008, the fixed dollar minimum tax generally ranges from \$25 to \$5,000 depending on the amount of New York receipts for the taxable year. Manufacturers and QETCs are subject to lower amounts. Prior to the 2008 tax year, the fixed dollar minimum tax was based on a taxpayer's gross payroll. The amounts ranged from \$100 to \$1,500, although in the 2004 and 2005 tax years, the \$1,500 amount was temporarily raised to \$5,000 and \$10,000. Also in those two tax years, taxpayers with gross payroll between \$250,001 and \$500,000 paid \$100 instead of the \$225 amount in effect for tax years prior to 2004 and in 2006 and 2007.

Starting in the 2012 tax year, manufacturers began to benefit from a series of additional tax rate preferences. In tax years 2012 through 2014, eligible qualified New York manufacturers had an AMT rate of 0.75 percent and fixed dollar minimum amounts that were one-half of the amounts for other taxpayers. In addition, the ENI rate for eligible qualified New York manufacturers was 3.25 percent in 2012 and 2013. Starting in the 2014 tax year, all qualified New York manufacturers (including eligible qualified New York manufacturers) are subject to a 0 percent ENI rate. In addition, in 2014, the remaining base rates and fixed dollar minimum amounts were cut by 9.2 percent for all qualified New York manufacturers. This resulted in a 1.362 percent AMT rate, a 0.1362 percent capital base rate, and commensurate reductions in each of the seven fixed dollar minimum amounts.

The 9.2 percent reduction in rates and fixed dollar minimum amounts in 2014 for qualified New York manufacturers also applied to QETCs. In addition, the ENI rate for QETCs was 5.9 percent in 2014.

Data Sources

The major sources of data used to compute the tax expenditure estimates include:

- 2012 Article 9-A Corporation Franchise Tax (CFT) Study File — This file, compiled by the Department of Taxation and Finance, includes all corporations filing under Article 9-A except certain fixed minimum tax filers and S corporations. It includes selected data items from the tax returns for each corporation.
- Congressional Joint Committee on Taxation (JCT) Estimates of Federal Tax Expenditures and relevant fiscal analyses.

APPENDIX A: PRE-REFORM CORPORATION FRANCHISE TAX

Methodology

Simulations and queries of the study file generate the base case tax expenditures.

Because no data for Federal exclusion items which are listed in Appendix C exist at the State level, the estimates of the Federal tax expenditure items come from prorations of JCT estimates to New York.

Tax expenditures whose values are less than \$0.1 million are considered minimal and are designated by an asterisk.

The study file is comprised of taxpayers whose filing period began in 2012.

No forecast values are provided because the structure of the reformed Article 9-A will be substantially different than the pre-reform structure.

APPENDIX A: PRE-REFORM CORPORATION FRANCHISE TAX

Table A-1
Pre-Reform Corporate Franchise Tax Expenditure Estimates
(2012 Total Corporate Franchise Tax Liability = \$2,221.7 Million)
(Millions of Dollars)

Tax Item	History					Reliability
	2008	2009	2010	2011	2012	Level
New York Modifications to Federal Taxable Income						
1. Exclusion of Interest, Dividends, and Capital Gains from Subsidiary Capital	592.3	1,031.2	1,221.9	1,043.6	705.0	1
2. Deduction of Fifty Percent of Dividends from Non-Subsidiary Corporations	12.5	22.9	32.5	19.7	22.0	1
3. New Small Business Exemption (Capital Base only)	N/A	N/A	N/A	N/A	N/A	5
4. Deduction of Receipts from School Bus Operation	N/A	N/A	N/A	N/A	N/A	5
5. Exclusion of Income for Foreign Airlines	N/A	N/A	N/A	N/A	N/A	5
Allocation Percentages						
6. Optional Treatment of Cash	22.3	20.9	18.5	5.1	4.3	1
Corporate Exemptions						
7. Exempt Companies	N/A	N/A	N/A	N/A	N/A	5
8. Companies Whose Income "Passes Through" to Shareholders						
a. Real Estate Investment Trusts (REITs) ²	N/A	N/A	N/A	N/A	N/A	5
b. Regulated Investment Companies (RICs) ²	N/A	N/A	N/A	N/A	N/A	5
9. Businesses Using Fulfillment Services	N/A	N/A	N/A	N/A	N/A	5
10. Corporate Parent with Bank and Insurance Subsidiaries or Gas and Electric Subsidiaries	9.8	16.7	14.7	14.1	15.7	1
11. Homeowners Association Exemption from Fixed Dollar Minimum Tax	N/A	N/A	N/A	N/A	N/A	5
12. Companies Operating In an Innovation Hot Spot	--	--	--	--	--	5
Preferential Tax Rates						
13. Special ENI Rates for Qualifying Small Business Corporations	6.8	6.0	6.1	6.1	6.1	1
14. Special Tax Benefits for QETCs and New York Manufacturers						
a. Lower Capital Base Liability Cap ³	4.2	13.2	7.8	0.8	1.5	1
b. Reduced 6.5 Percent ENI Rate	3.4	4.5	6.2	6.0	7.5	1
c. Zero Percent ENI Rate	--	--	--	--	--	5
d. Percent Reduction in All Tax Rates	--	--	--	--	--	5
e. Capped Tax Cut for Eligible Qualified New York Manufacturers	--	--	--	--	1.5	1
Cross-Article Credits						
15. Investment Tax Credit, Retail Enterprise Tax Credit, Employment Incentive Credit, and Rehabilitation Credit for Historic Barns ⁴	106.5	106.6	82.3	74.9	85.8	1
16. Investment Tax Credit for the Financial Services Industry ⁴	20.5	18.6	18.1	5.0	6.4	1
17. Credit for Servicing SONYMA Mortgages ⁴	0.0	0.0	0.0	0.0	*	1
18. Special Additional Mortgage Recording Tax Credit ⁴	3.4	3.9	2.7	3.5	5.8	1
19. Empire Zone (EZ) and Qualified Empire Zone Enterprise (QEZE) Credits ⁴						
a. EZ Investment Tax Credit and Employment Incentive Credit	32.3	21.8	26.2	22.9	86.6	1
b. EZ and Zone Equivalent Area Wage Tax Credit	23.4	14.6	11.9	10.9	11.0	1
c. EZ Capital Credit	0.1	*	*	*	*	1
d. QEZE Real Property Tax Credit	119.0	128.0	131.8	118.9	110.3	1

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Tax Item	History					Reliability
	2008	2009	2010	2011	2012	Level
e. QEZE Tax Reduction Credit	31.7	28.5	28.4	21.9	22.8	1
20. Farmers' School Property Tax Credit	1.1	1.2	1.1	1.1	1.3	1
21. Credit for Employment of Persons with Disabilities ⁴	*	*	*	*	*	1
22. Qualified Emerging Technology Company (QETC) Credits ⁴						
a. QETC Capital Tax Credit	*	*	*	*	*	1
b. QETC Employment Credit	0.4	0.4	0.4	0.5	0.4	1
23. Low-Income Housing Credit ⁴	0.0	*	0.0	0.0	0.5	1
24. Credit for Purchase of an Automated External Defibrillator ⁴	0.1	*	*	*	*	1
25. Green Building Credit ⁴	1.2	3.7	0.4	0.0	0.0	1
26. Long-Term Care Insurance Credit	0.1	0.2	0.2	0.1	0.1	1
27. Empire State Film and Commercial Credits						
a. Empire State Film Production Credit	137.1	102.6	200.4	273.6	245.2	1
b. Empire State Film Post Production Credit	--	--	0.0	0.2	0.2	1
c. Empire State Commercial Production Credit	1.6	0.8	1.0	0.8	0.2	1
28. Security Training Tax Credit ⁴	0.3	0.2	*	0.0	*	1
29. Brownfields Tax Credits ⁴						
a. Brownfield Redevelopment Tax Credit	32.4	8.7	171.6	14.6	45.8	1
b. Remediated Brownfield Credit for Real Property Taxes	2.6	2.8	2.8	3.2	3.2	1
c. Environmental Remediation Insurance Credit	0.0	0.0	0.0	0.0	0.0	1
30. Biofuel Production Credit ⁴	0.0	*	2.4	2.5	5.0	1
31. Land Conservation Easement Credit ⁴	*	*	*	*	*	1
32. Clean Heating Fuel Credit ⁴	*	*	*	*	0.3	1
33. Credit for Rehabilitation of Historic Properties ⁴	*	*	1.0	4.3	5.7	1
34. Excelsior Jobs Program Tax Credit	--	--	--	*	13.1	1
35. Credit for Companies Who Provide Transportation to Individuals with Disabilities	--	--	--	*	*	1
36. Economic Transformation and Facility Redevelopment Program Tax Credit	--	--	--	0.0	0.0	1
37. New York Youth Works Tax Credit	--	--	--	--	1.3	1
38. Empire State Jobs Retention Program Tax Credit	--	--	--	--	7.0	1
39. Beer Production Credit	--	--	--	--	1.3	1
40. Alternative Fuels and Electric Vehicle Recharging Property Credit	--	--	--	--	--	5
41. Minimum Wage Reimbursement Credit	--	--	--	--	--	5
42. START-UP NY Tax Elimination Credit	--	--	--	--	--	5
43. Credit for the Excise Tax on Telecommunication Services Paid by START-UP New York Businesses ¹	--	--	--	--	--	5
44. Real Property Tax Relief Credit for Manufacturing ¹	--	--	--	--	--	5

1/ A new tax expenditure item, a revision of the methodology or revisions in the data sources resulting in an estimate which better reflects the tax expenditure value.

2/ The income of a REIT or RIC which is passed through to its shareholders is not subject to entity level taxes imposed by the Federal government. (The income of the REIT or RIC that is paid to its shareholders is subject to individual income taxes imposed on the shareholders). New York conforms to the Federal government's treatment of REIT or RIC income. As a result, the Federal taxable income, which is the starting point for determining the State tax liability, of a REIT or RIC is minimal or zero. Thus, the New York State tax returns filed by a REIT or RIC do not provide the data necessary to determine or estimate the value of this tax expenditure.

APPENDIX A: PRE-REFORM CORPORATION FRANCHISE TAX

Tax Item	History					Reliability
	2008	2009	2010	2011	2012	Level
3/	In 2005, the liability cap only applied to manufacturers. For tax years beginning on or after January 1, 2008, the cap was extended to QETCs.					
4/	For tax years 2010, 2011, and 2012, credit is subject to deferral. Values reported reflect the amount of credit computed absent deferral rules.					
*	Less than \$0.1 million					
--	The tax expenditure was not applicable for these years					
N/A	No data available					

APPENDIX A: PRE-REFORM CORPORATION FRANCHISE TAX

New York Modifications to Federal Taxable Income

In computing New York entire net income (ENI), Article 9-A allows certain modifications to Federal taxable income.

1. Exclusion of Interest, Dividends, and Capital Gains from Subsidiary Capital

Citation: Section 208(9)(a)(1)

Effective Date: Effective for tax years beginning on or after January 1, 1944

Description: In computing New York entire net income, taxpayers may subtract dividends, interest, and gains derived from subsidiary corporations (other than DISCs) that are not part of the combined filing entity from Federal taxable income.

Estimate: 2012: \$705.0 million

Data Source: CFT Study File

Reliability: Level 1

2. Deduction of Fifty Percent of Dividends from Non-Subsidiary Corporations

Citation: Section 208(9)(a)(2)

Effective Date: Effective for tax years beginning on or after January 1, 1944

Description: A New York corporation may deduct 50 percent of dividend income received from non-subsidiary corporations (other than DISCs) from Federal taxable income. For tax years beginning on or after January 1, 1989, New York conforms to IRC Section 246(c); stock must be held for 45 days or more to qualify for the deduction.

Estimate: 2012: \$22.0 million

Data Source: CFT Study File

Reliability: Level 1

3. New Small Business Exemption (Capital Base only)

Citation: Section 210(1-c)

Effective Date: Effective for tax years beginning on or after January 1, 1981

Description: The law exempts new small businesses from the tax based on allocated business and investment capital. This exemption applies to the first two years of operation of a business that:

- operates as a small business corporation as defined under the Internal Revenue Code;
- has at least 90 percent of its assets and 80 percent of its employees located and employed within New York State;
- is not a subsidiary of a taxable New York corporation; and
- is not a corporation which is substantially similar in operation and in ownership to a business entity (or entities) previously taxable under Article 9-A.

Estimate: No data available

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Reliability: Level 5

4. Deduction of Receipts from School Bus Operation

Citation: Section 208(9)(a)(4)

Effective Date: Effective for tax years beginning on or after January 1, 1962

Description: A taxpayer may exclude income and deductions with respect to amounts received from school districts and nonprofit religious, charitable, or educational organizations for the operation of school buses in determining a corporation's taxable entire net income.

Estimate: No data available

Reliability: Level 5

5. Exclusion of Income for Foreign Airlines

Citation: Section 208(9)(c-1)

Effective Date: The law applies income provisions retroactive to January 1, 1989; the allocation of foreign airlines' business capital became effective for taxable years beginning on or after January 1, 1994

Description: Certain foreign airlines may exclude all income from international operations of aircraft effectively connected to the United States, foreign passive income, and income earned overseas from overseas operations of aircraft from entire net income. These foreign airlines may also exclude business and investment assets connected with such exempt income from the capital base tax. These tax benefits apply provided the "home country" provides similar treatment to United States airlines.

Estimate: No data available

Reliability: Level 5

Allocation Percentages

Business corporations are subject to tax only on the portion of their income and capital attributable to New York activities. Consequently, formulas have been devised (called allocation percentages) for the purpose of determining the portion of a corporation's business income and capital, investment income and capital, and subsidiary capital taxable in New York. The tax provisions listed in this section are the consequence of preferences given through the calculation of the allocation percentages contained in Article 9-A.

6. Optional Treatment of Cash

Citation: Section 208(7)

Effective Date: Effective for tax years beginning on or after January 1, 1944

Description: Taxpayers with investment capital may elect to report cash as either investment or business capital. Taxpayers reporting cash as investment capital allocate using the generally lower investment allocation percentage.

Estimate: 2012: \$4.3 million

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Data Source: CFT Study File

Reliability: Level 1

Corporate Exemptions

Certain entities are exempt from the Article 9-A corporate franchise tax.

7. Exempt Companies

Citation: Sections 3 and 209(4)(5)(6)(7) and (9)

Effective Date: Certain companies have been exempt from tax since Article 9-A was enacted in 1944. Other exemptions have been added over the years as new entities have been granted an exemption legislatively or in accordance with Federal exemption language. The approximate effective date of each of the following types of companies or organizations is noted in parentheses after each item.

Description: The following companies or organizations are exempt from taxation under Article 9-A:

- Limited Profit Housing Companies (6/7/74)
- Limited Dividend Housing Companies (1/1/74)
- Trust Companies organized under a law of New York, all of the stock of which is owned by not less than 20 savings banks organized under a law of New York (3/31/44)
- Urban Development Corporation and its subsidiaries (1/1/69)
- Domestic corporations exclusively engaged in the operation of one or more vessels in foreign commerce (3/31/44)
- Domestic International Sales Corporations (DISCs), to the extent a DISC is required to have its income imputed to its shareholders (1/1/71)
- Passive Trusts (3/31/44)
- Certain corporations organized other than for profit and those corporations which are generally exempt from Federal tax by the Internal Revenue Code (3/31/44)
- Corporations exempt pursuant to Federal Public Law 86-272 wherein a foreign corporation has limited its activities in New York to the mere solicitation of orders by its employees or representative (9/14/59)
- Real Estate Mortgage Investment Conduits (REMICs) (1/1/87)
- Industrial Development Agencies (1/1/69)
- Housing Development Fund Companies (7/24/86)
- Corporations exempt from tax under IRC Sections 501(c)(2) and (25) (1/1/87)
- Certain cooperative heating and cooling service companies that are organized without capital stock and that are exempt from tax pursuant to IRC Section 501(c)(12). Such corporations pay an annual fee of \$10 to the Commissioner of Taxation and Finance in lieu of all corporation franchise taxes. (1/1/95)

Estimate: No data available

Reliability: Level 5

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8. Companies Whose Income “Passes Through” to Shareholders

a. Real Estate Investment Trusts (REITs)

Citation: Section 209(5)

Effective Date: Effective for tax years beginning after December 31, 1972

Description: To the extent that the REIT passes through its income to the shareholders, the REIT is exempt from the franchise tax. The shareholders have their dividend or distributed gain taxed at their own rate of tax, usually under the Personal Income Tax. Any undistributed income by the REIT would be subject to the franchise tax. Effective for taxable years beginning on or after January 1, 2007, REITs that were subsidiaries of corporate franchise taxpayers were required to file combined with their parents and did not receive preferential tax treatment at the entity level. Effective for tax years beginning on or after January 1, 2008, the 2007 combined reporting rules were modified to require captive REITs to now file combined with their closest controlling stockholder.

Estimate: No data available

Reliability: Level 5

b. Regulated Investment Companies (RICs)

Citation: Section 209(7)

Effective Date: Effective for tax years beginning after December 31, 1980

Description: To the extent that the RIC passes through its income to the shareholders, the RIC is exempt from the franchise tax. The shareholders have their dividend or distributed gain taxed at their own rate of tax, usually under the Personal Income Tax. Any undistributed income by the RIC would be subject to the franchise tax. Effective for tax years beginning on or after January 1, 2007, RICs that were subsidiaries of corporate franchise taxpayers were required to file combined with their parents and did not receive preferential tax treatment at the entity level. Effective for tax years beginning on or after January 1, 2008, the 2007 combined reporting rules were modified to require captive RICs to now file combined with their closest controlling stockholder.

Estimate: No data available

Reliability: Level 5

9. Businesses Using Fulfillment Services

Citation: Sections 208(19) and 209(2)

Effective Date: September 1, 1997

Description: A corporation shall not be deemed to be doing business, employing capital, owning or leasing property, or maintaining an office in the State for purposes of the Corporation Franchise Tax by reason of the use of fulfillment services of an entity other than an affiliated entity and the ownership of property stored on the premises of such entity in conjunction with such services. Fulfillment services are defined as the: acceptance of

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orders; responses to consumers inquiries; billing collection activities; and shipment of orders from an inventory of products regularly offered for sale by the purchaser of such services.

Estimate: No data available

Reliability: Level 5

10. Corporate Parent with Bank and Insurance Subsidiaries or Gas and Electric Subsidiaries

Citation: Section 210(1)(e)(2)

Effective Date: Effective for tax years beginning after December 31, 1999 for corporate parents with bank and insurance subsidiaries; for corporate parents with gas and electric subsidiaries, the 30 percent exclusion is effective for tax years beginning on or after January 1, 2000; the 100 percent exclusion applies to tax years beginning on or after January 1, 2001.

Description: A corporate parent is allowed to exclude from its subsidiary capital tax base, capital attributable to subsidiaries taxable under Article 32 (bank) or 33 (insurance) taxes. The corporate parent is also allowed to exclude from its subsidiary capital tax base, capital attributable to gas and electric subsidiaries taxable under Section 186 of the Tax Law.

Estimate: 2012: \$15.7 million

Data Source: CFT Study File

Reliability: Level 1

11. Homeowners Association Exemption from Fixed Dollar Minimum Tax

Citation: Section 210(1)

Effective Date: Effective for tax years beginning on or after January 1, 2000

Description: Article 9-A exempts qualified homeowners associations that have no homeowner's taxable income from payment of the fixed dollar minimum tax. The associations would still be subject to the other taxable bases under Article 9-A, if applicable.

Estimate: No data available

Reliability: Level 5

12. Companies Operating In an Innovation Hot Spot

Citation: Section 38, Section 208(9)(a)(18), Section 209(11)

Effective Date: Effective for tax years beginning on or after January 1, 2014

Description: The New York State Business Incubator and Innovation Hot Spot Support Act created special tax benefits for qualified entities operating in Innovation Hot Spots. These tax benefits are allowed for five tax years beginning with the first tax year the qualified entity becomes a tenant in (or part of) an Innovation Hot Spot.

Qualified entities located completely within an Innovation Hot Spot are exempt from the ENI, AMT, and capital tax bases. Instead, these entities must only pay the fixed dollar minimum tax.

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Qualified entities located both within and without an Innovation Hot Spot, or that are a corporate partner in a qualified entity, are allowed a deduction in computing ENI for the amount of income or gain attributable to the operations at (or as part of) the Innovation Hot Spot.

Estimate: 2012: Not Applicable

Reliability: Level 5

Preferential Tax Rates

13. Special ENI Rates for Qualifying Small Business Corporations

Citation: Section 210(1)(a)(iv)

Effective Date: Effective for tax years beginning after December 31, 1986

Description: Special tax rates apply to corporations that qualify as small business taxpayers. The law defines a small business taxpayer as a taxpayer that meets the Federal definition of a small business (IRC Section 1244(c)(3)) and that has worldwide ENI of not more than \$290,000 for the taxable year. Prior to the 2005 tax year, small business taxpayers with an ENI base of \$200,000 or less paid a 6.85 percent rate. Taxpayers with an ENI base of more than \$200,000 but not more than \$290,000 paid \$13,700 plus 7.5 percent of the amount over \$200,000, plus 3.25 percent of the amount over \$250,000.

For tax years beginning on or after January 1, 2005, the preferential small business rate was lowered and the ENI threshold was raised to \$390,000. Taxpayers with an ENI base of \$290,000 or less paid a 6.5 percent rate. Taxpayers with an ENI base of more than \$290,000 but not more than \$390,000 paid \$18,850 plus 7.5 percent of the amount over \$290,000 plus 7.25 percent of the amount over \$350,000. To account for changes in the Article 9-A rate, starting in tax years beginning on or after January 1, 2007, taxpayers with an ENI base of \$290,000 or less continued to pay a 6.5 percent rate. However, taxpayers with an ENI base of more than \$290,000 but not more than \$390,000 pay \$18,850 plus 7.1 percent of the amount over \$290,000, plus 4.35 percent of the amount over \$350,000.

Estimate: 2012: \$6.1 million

Data Source: CFT Study File

Reliability: Level 1

14. Special Tax Benefits for Qualified Emerging Technology Companies and New York Manufacturers

Qualified emerging technology companies (QETCs) and manufacturers in New York are subject to reduced tax rates and fixed dollar minimum amounts, as well as a lower capital base liability cap.

A corporation is a *qualified emerging technology company* if it meets the definition in Public Authorities Law Section 3102-e(1)(c), except that the \$10 million limitation under 3102-e(1)(c)(1) does not apply.

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A *manufacturer* is defined as “a taxpayer...principally engaged in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing.” The generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity is specifically excluded for purposes of the lower ENI rates, AMT rates, and FDM amounts.

To be a *qualified New York manufacturer* eligible for the preferential tax treatment, the taxpayer must meet two tests. First, the taxpayer, or the combined group, must be principally engaged in manufacturing. This test is satisfied if more than 50 percent of the taxpayer’s or group’s gross receipts are derived from the sale of goods produced by the activities listed above.

The second test requires the taxpayer to have manufacturing property in New York State with a federal adjusted basis of at least \$1 million or have all of its real and personal property located in New York State.

For the 2014 tax year, a taxpayer, or combined group, that fails the receipts test may still be a *qualified New York manufacturer* if it has at least 2,500 New York manufacturing employees and at least \$100 million of manufacturing property in New York.

Eligible qualified New York manufacturers are subject to even lower rates for tax years 2012 through 2014. To be eligible, a qualified New York manufacturer must have a Metropolitan Commuter Transportation District allocation percentage of less than 15 percent for that year and have an average of 100 or fewer full-time equivalent employees in New York State during the tax year.

a. **Lower Capital Base Liability Cap**

Citation: Section 210(1)(b)(1)(vi)

Effective Date: Effective for qualified New York manufacturers for tax years beginning on or after January 1, 2005; Effective for QETCs for tax years beginning on or after January 1, 2008

Description: The maximum liability under the capital base is \$1 million, except taxpayers that are qualified New York manufacturers or QETCs are subject to a lower cap of \$350,000. For tax years beginning on or after January 1, 2008 and before January 1, 2011, the non-manufacturer/non-QETC cap was temporarily raised to \$10 million.

Estimate: 2012: \$1.5 million

Data Source: CFT Study File

Reliability: Level 1

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b. **Reduced 6.5 Percent ENI Rate**

Citation: Section 210(1)(a)(vi)

Effective Date: Effective for tax years beginning on or after January 31, 2007 and before January 1, 2014

Description: Taxpayers that are qualified New York manufacturers or QETCs are subject to a reduced ENI rate of 6.5 percent.

Estimate: 2012: \$7.5 million

Data Source: CFT Study File

Reliability: Level 1

c. **Zero Percent ENI Rate**

Citation: Section 210(1)(a)(vi)

Effective Date: Effective for tax years beginning on or after January 1, 2014

Description: Taxpayers that are qualified New York manufacturers (including eligible qualified New York manufacturers) are subject to a 0 percent ENI rate.

Estimate: 2012: Not Applicable

Data Source: New York State Division of the Budget

Reliability: Level 5

d. **Percent Reduction in All Tax Rates**

Citation: Section 210(1)(a)(vi), Section 210(b)(1)(3), Section 210(c)(1)(iii), Section 210(d)(1)(6)

Effective Date: Effective for tax years beginning on or after January 1, 2014 and before January 1, 2015

Description: For qualified New York manufacturers and QETCs, the tax rates applicable to the capital and AMT bases, as well as the fixed-dollar minimum amounts, are reduced by 9.2 percent. This results in a 1.362 percent AMT rate, a 0.1362 percent capital base rate, and commensurate reductions in each of the seven fixed dollar minimum amounts. The ENI rate for QETCs is also reduced by 9.2 percent, resulting in a 5.9 percent rate (see Item 14c for the 2014 ENI rate for qualified New York manufacturers).

Estimate: 2012: Not Applicable

Data Source: New York State Division of the Budget

Reliability: Level 5

e. **Capped Tax Cut for Eligible Qualified New York Manufacturers**

Citation: Section 210(1)(a)(vi), 210(1)(c)(ii), 210(1)(d)(5)

Effective Date: Effective for tax years beginning on or after January 1, 2012 and before January 1, 2015

Description: Eligible qualified New York manufacturers are subject to the following tax base preferences:

- entire net income rate of 3.25 percent in 2012 and 2013 (See Item 14c for the 2014 ENI rate for eligible qualified New York manufacturers);
- alternative minimum tax rate of 0.75 percent; and

APPENDIX A: PRE-REFORM CORPORATION FRANCHISE TAX

- fixed dollar minimum amounts equal to half the amounts applicable to all other taxpayers.

Estimate: 2012: \$1.5 million

Data Source: CFT Study File

Reliability: Level 1

Cross-Article Credits

Credits include amounts that the taxpayer may subtract in calculating New York tax liability or request as a refund or apply as a payment for the next tax period. Full descriptions of all the tax credits available under Article 9-A as well as other tax articles are contained in the Cross-Article Tax Credits section of this report. For tax years 2010, 2011, and 2012, taxpayers are required to defer the use and refund of certain tax credits if they exceed \$2 million in aggregate.

The following summary table presents total credit amounts for Article 9-A tax credits and their various components for the most recent year for which there is data. The definitions of the components are:

- Credit earned — the amount of credit generated in the current tax year.
- Unused credit from the prior year — amounts carried forward from the previous tax year.
- Recaptured credit — amounts that taxpayers had to subtract from credit available because the basis for the credit was no longer qualified.
- Credit claimed — credit available less recaptured credit; the claimed amount also reflects the impact of any statutory credit limitations.
- Credit used — amounts of credit actually applied by the taxpayer to reduce liability.
- Refundable credit — the amount of excess credit, where applicable, requested as a refund by the taxpayer or applied as a payment to the next tax period.
- Credit carried forward — unused, unrefunded amounts of credit allowed to offset tax liability in future years.

The amount of credit used plus refunded is the tax expenditure for the year. For additional detail on credits, see the Office of Tax Policy Analysis' annual publication, *Analysis of Article 9-A General Business Corporation Franchise Tax Credits*.

2012
(\$ in millions)

	Total Credit Earned	Unused Credit from the Prior Year	Total Credit Available	Recaptured Credit	Credit Claimed	Credit Used	Refundable Credit ¹	Credit Carried Forward
Investment Tax Credit	156.7	1,118.1	1,274.8	3.4	1,244.4	84.0	1.7	1,158.7
Investment Tax Credit for the Financial Services Industry	18.5	39.7	58.2	d/	58.2	6.4	0.0	51.8
Mortgage Servicing Tax Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Additional Mortgage Recording Tax Credit	6.7	4.2	10.9	0.0	10.9	2.7	3.1	5.1
Empire Zone Credits	466.3	1,373.7	1,840.0	1.5	1,795.1	65.8	164.9	1,564.4
Alternative Minimum Tax Credit	6.8	41.7	48.5	0.0	48.5	0.3	0.0	48.2
Farmers' School Tax Credit	1.3	0.6	1.9	0.0	1.9	0.1	1.2	0.6
Credit for Employment of Persons with Disabilities	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Alternative Fuels Credit ²	0.0	d/	d/	0.0	d/	0.0	0.0	d/
OETC Employment Credit	0.4	0.0	0.4	0.0	0.4	0.1	0.3	0.0
OETC Capital Tax Credit	0.8	0.5	1.3	0.0	0.6	0.1	0.0	0.5
Low-Income Housing Credit	d/	d/	0.5	0.0	0.5	0.5	0.0	0.0
Credit for Purchase of an Automated External Defibrillator	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Green Buildings Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-Term Care Insurance Credit	0.2	0.3	0.4	0.0	0.4	0.1	0.0	0.3
Empire State Film Production Credit ³	227.8	151.9	379.7	0.0	245.2	18.9	226.3	218.7
Empire State Commercial Production Credit	0.0	d/	d/	0.0	d/	0.0	d/	0.0
Security Officer Training Tax Credit	d/	0.0	d/	0.0	d/	d/	d/	0.0
Brownfield Tax Credits	49.0	0.0	49.0	d/	49.0	0.3	48.7	0.0
Biofuel Production Credit	d/	0.0	d/	0.0	d/	d/	d/	0.0
Conservation Easement Credit	0.0	0.0	0.0	0.0	0.0	0.0	d/	0.0
Clean Heating Fuel Credit	0.3	0.0	0.3	0.0	0.3	0.2	0.1	0.0
Historic Properties Rehabilitation Credit	5.3	3.0	8.2	0.0	8.2	5.7	0.0	2.5
Credit for Taxicabs & Livery Service Vehicles Accessible to Persons with Disabilities	d/	d/	0.4	0.0	0.4	0.0	0.0	0.4
Empire State Film Post-Production Credit	d/	d/	d/	0.0	d/	d/	d/	d/
Excelsior Jobs Program Tax Credit	13.1	0.0	13.1	0.0	13.1	1.0	12.1	0.0
Economic Transformation & Facility Redevelopment Program Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Urban Youth Jobs Program Tax Credit	1.3	0.0	1.3	0.0	1.3	1.2	0.2	0.0
Empire State Jobs Retention Program Credit	d/	0.0	d/	0.0	d/	0.0	d/	0.0
Beer Production Credit	1.3	0.0	1.3	0.0	1.3	d/	1.3	0.0
Total⁴	968.6	2,734.5	3,703.0	4.9	3,492.5	188.0	471.9	3,051.4

¹ Credit refunded includes amounts eligible for refund, but instead claimed as an overpayment applied against next year's tax liability at the discretion of the taxpayer.

² The provisions of this credit allow for the transfer of excess credit to affiliates of the taxpayer.

³ The amount of credit claimed only reflects amounts that will be used and refunded during the tax year. The amount of credit carried forward is the amount that was deferred due to the bifurcation rules of the credit. It will be utilized in the following year or two years depending on the size of the respective credit amount earned.

⁴ Total row reflects the vertical summation of the individual credit components. Horizontal calculations within the row are not valid. Totals may not add due to rounding.

d/ Tax Law provisions prohibit the disclosure of data.

APPENDIX B: PRE-REFORM BANK TAX

This section of the report provides tax expenditure estimates for separate provisions of the Franchise Tax on Banking Corporations **as it existed on December 31, 2014**. It contains historical estimates of the tax expenditures for tax years 2008 through 2012, the latest year for which Article 32 tax return data are available. Table 2 summarizes the tax expenditure estimates and includes total Article 32 tax liability for the 2012 tax year to provide a benchmark for the tax expenditure estimates. This section will be continued until tax year 2014 data is reported to provide a full history of these expenditures under the pre-reform structure.

Description of Tax

Article 32 imposes a franchise tax on banking corporations for the privilege of doing business in New York. Under Article 32, a bank's tax liability equals the larger of:

- 7.1 percent of allocated entire net income (ENI);
- 0.01 percent on each dollar of allocated assets (reduced rates of 0.002 percent or 0.004 percent apply to a bank that meets certain criteria based on its net worth to asset ratio and the percentage of mortgages included in its total assets);
- 3 percent of allocated alternative ENI; or
- a fixed dollar minimum tax of \$250.

Corporations doing business within and without the State use formula apportionment to determine the portion of the tax base (i.e., ENI, alternative ENI, or assets) attributable to New York. Taxpayers determine the base allocable to New York by multiplying the unallocated base by an allocation percentage based on the ratio of receipts, deposits, and payroll earned or paid in New York to those everywhere. The receipts and deposits factors are double-weighted. The payroll factor is single-weighted, but taxpayers can discount 20 percent of New York wages, salary, and compensation.

Calculation of the taxes on allocated ENI or allocated alternative ENI starts with Federal taxable income, which includes certain exclusions and deductions. Taxpayers then make several New York modifications and allocate the income to arrive at New York ENI, which is multiplied by the tax rate. Alternative ENI is the

APPENDIX B: PRE-REFORM BANK TAX

same as ENI, except that the deductions for subsidiary interest, subsidiary dividends, and interest on government obligations are not allowed. In addition, the factors of the alternative income allocation percentage are single-weighted. A three percent tax rate applies to allocated alternative ENI.

The tax on allocated taxable assets starts with the taxpayer's total assets. Taxable assets equal total assets minus assets attributable to the Federal Deposit Insurance Corporation (FDIC) and Federal Savings and Loan Insurance Corporation (FSLIC). Taxpayers multiply the total by their allocation percentage. The tax rate imposed on this amount (0.01 percent, 0.002 percent, or 0.004 percent), is determined by the taxpayer's net-worth-to-assets ratio and the percentage of its loans secured by mortgages.

Taxpayers apply certain credits against the highest tax liability to determine their after-credit tax liability.

Data Sources

The major data sources used to compute the tax expenditure estimates for the Article 32 Bank Tax include:

- 2012 Bank Tax Study File — This file, compiled by the Department of Taxation and Finance, includes all banks filing under Article 32. The file is used to simulate the tax expenditure items.
- Congressional Joint Committee on Taxation (JCT) Estimates of Federal Tax Expenditures — Since no data for Federal exclusion items are available at the State level, Federal tax expenditure items estimated by the JCT are prorated to New York.

Methodology

Simulations and queries of the study file generate the base case tax expenditures.

Projections of items under Federal exclusions from income in Appendix C were taken from JCT estimates of Federal tax expenditures and prorated to New York.

Tax expenditures whose values are less than \$0.1 million are considered minimal and are designated by an asterisk.

The study file is comprised of taxpayers whose filing period began in 2012.

No forecast values are provided because Article 32 will cease to exist for tax years beginning on or after January 1, 2015.

APPENDIX B: PRE-REFORM BANK TAX

Table B-1
Pre-Reform Bank Tax Expenditure Estimates
(2012 Total Bank Tax Liability = \$1,145.2 Million)
(Millions of Dollars)

Tax Item	History					Reliability
	2008	2009	2010	2011	2012	Level
New York Modifications to Federal Taxable Income						
1. Deduction of Money Received from the FDIC and FSLIC	0.0	*	4.0	8.8	8.1	1
2. Deduction for Eligible Net Income of IBFs	4.5	*	2.3	0.4	7.0	1
3. Deduction of 17 Percent of Interest Income from Subsidiary Capital	1.2	1.3	0.8	0.7	0.7	1
4. Deduction of 60 Percent of Dividend Income and Net Gains from Subsidiary Capital	31.4	33.9	36.1	98.2	108.9	1
5. Deduction of 22.5 Percent of Interest Income from Government Obligations	3.7	3.2	9.3	10.0	11.2	1
Alternative Bases						
6. Reduced Rate of Asset-Based Tax for Banks Meeting Net Worth and Mortgage Holdings Criteria	1.4	0.1	*	1.0	1.9	1
7. Exclusion of Money Received from FDIC and FSLIC from Asset Based Tax	*	*	*	*	*	1
Allocation Percentages						
8. Discounting of the Wage Factor in the Calculation of ENI and Taxable Assets Allocation Percentages	28.4	24.8	32.8	37.6	44.5	1
9. Exclusion of Wages of Executive Officers in the Calculation of ENI, Alternative ENI, and Taxable Assets Allocation Percentages	N/A	N/A	N/A	N/A	N/A	5
10. IBF Formula Allocation Election	33.0	22.6	8.6	39.3	178.7	1
Corporate Exemptions						
11. Exemption of Trust Companies Whose Capital Stock is Owned by Twenty or More New York Savings Banks	*	*	*	*	*	4
12. Exemption of Federal and State Chartered Credit Unions	34.1	38.7	32.6	38.5	52.9	4
Cross-Article Credits						
13. Investment Credit for Financial Services Industry ¹	11.6	14.9	7.7	11.3	13.3	1
14. Credit for Servicing SONYMA Mortgages	7.7	5.7	7.2	11.2	7.4	1
15. Special Additional Mortgage Recording Tax Credit ¹	19.6	14.5	21.8	23.2	29.1	1
16. Empire Zone (EZ) and Qualified Empire Zone Enterprise (QEZE) Credits ¹						
a. EZ and Zone Equivalent Area Wage Tax Credit	0.2	0.7	0.7	0.9	*	1
b. EZ Capital Credit	*	*	*	*	*	1
c. QEZE Real Property Tax Credit	4.9	10.6	4.9	4.7	2.8	1
d. QEZE Tax Reduction Credit	1.2	1.2	8.7	7.6	4.4	1
17. Credit for Employment of Persons with Disabilities ¹	0.0	0.0	0.0	*	*	1
18. Low-Income Housing Credit ¹	4.1	8.0	11.8	16.3	26.0	1
19. Credit for Purchase of an Automated External Defibrillator ¹	*	0.0	0.0	*	0.0	1
20. Green Buildings Credit ¹	0.6	6.2	0.0	0.0	0.0	1
21. Long-Term Care Insurance Credit	0.0	*	*	*	*	1
22. Security Training Tax Credit ¹	0.0	0.0	0.0	0.0	0.0	1

APPENDIX B: PRE-REFORM BANK TAX

Tax Item	History					Reliability
	2008	2009	2010	2011	2012	Level
23. Brownfields Tax Credits ¹						
a. Brownfield Redevelopment Tax Credit	2.0	59.1	0.1	0.0	4.1	1
b. Remediated Brownfield Credit for Real Property Taxes	0.0	0.0	0.0	0.0	0.0	1
c. Environmental Remediation Insurance Credit	0.0	0.0	0.0	0.0	0.0	1
24. Credit for Rehabilitation of Historic Properties ¹	--	--	7.1	4.5	2.0	1
25. Excelsior Jobs Program Tax Credits	--	--	--	0.0	0.0	1
26. Economic Transformation and Facility Redevelopment Program Tax Credit	--	--	--	0.0	0.0	1
27. Empire State Jobs Retention Program Credit	--	--	--	--	0.0	1
28. Minimum Wage Reimbursement Credit	--	--	--	--	--	5

1/ For tax years 2010, 2011, and 2012, credits subject to deferral. Values reported reflect the amount of credit computed absent deferral rules.

2/ A new tax expenditure item, a revision of the methodology or revisions in the data sources resulting in an estimate which better reflects the tax expenditure value.

* Less than \$0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.

New York Modifications to Federal Taxable Income

In computing New York ENI, Article 32 permits modifications to Federal taxable income.

1. **Deduction of Money Received from the Federal Deposit Insurance Corporation (FDIC) and Federal Savings and Loan Insurance Corporation (FSLIC)**

Citation: Section 1453(e)(9)-(10)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: A taxpayer may deduct certain money or other property received from the FDIC or FSLIC to the extent not deductible in determining Federal taxable income.

Estimate: 2012: \$8.1 million

Data Source: Bank Tax Study File

Reliability: Level 1

2. **Deduction for Eligible Net Income of International Banking Facilities (IBFs)**

Citation: Section 1453(f)

Effective Date: Effective for tax years ending on or after December 3, 1981

Description: An International Banking Facility is a separate set of asset and liability accounts established for the purpose of receiving deposits from, and extending credit to, foreign individuals or businesses. IBFs are free from domestic reserve requirements and limitations on interest rates and may be established by United States banks as well as agencies of foreign banks. A financial institution which establishes an IBF within New York may deduct, in computing its ENI, the adjusted eligible net income of the IBF.

Estimate: 2012: \$7.0 million

Data Source: Bank Tax Study File

Reliability: Level 1

3. **Deduction of 17 Percent of Interest Income from Subsidiary Capital**

Citation: Section 1453(e)(11)(i)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: In computing New York ENI, banks may deduct 17 percent of interest income from subsidiary capital. For purposes of calculating the amount of the deduction, interest income from subsidiary capital is not reduced by expenses directly or indirectly attributable to subsidiary capital.

Estimate: 2012: \$0.7 million

Data Source: Bank Tax Study File

Reliability: Level 1

APPENDIX B: PRE-REFORM BANK TAX

4. Deduction of 60 Percent of Dividend Income and Net Gains from Subsidiary Capital

Citation: Section 1453(e)(11)(ii) and (iii)

Effective Date: Effective for tax years beginning on or after January 1, 1985; Net gains added for taxable years beginning on or after January 1, 1994

Description: In computing New York ENI income, banks may deduct 60 percent of dividend income and net gains from subsidiary capital. For purposes of calculating the amount of the deduction, dividend income and net gains from subsidiary capital are not reduced by expenses directly or indirectly attributable to subsidiary capital.

Estimate: 2012: \$108.9 million

Data Source: Bank Tax Study File

Reliability: Level 1

5. Deduction of 22.5 Percent of Interest Income from Government Obligations

Citation: Section 1453(e)(12)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: Taxpayers may deduct 22.5 percent of interest income on New York or U.S. obligations, other than obligations held for resale in connection with regular trading activities. For purposes of calculating the amount of the deduction, income from New York and U.S. obligations is not reduced by expenses directly or indirectly attributable to that capital.

Estimate: 2012: \$11.2 million

Data Source: Bank Tax Study File

Reliability: Level 1

Alternative Bases

Article 32 of the Tax Law provides that the franchise tax paid by a banking corporation is to be determined by an asset-based tax if it results in a tax that is greater than that determined under the income or alternative income bases or the \$250 minimum tax. Two tax expenditure items exist under the asset-based tax.

6. Reduced Rate of Asset-Based Tax for Banks Meeting Net Worth and Mortgage Holdings Criteria

Citation: Section 1455(b)(1)(i)-(iv)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: Under the asset-based alternative tax, banks with a net worth below 5 percent of total assets and whose assets are comprised of at least

33 percent mortgages are subject to reduced rates of 0.00002 or 0.00004. The regular rate of the asset based tax equals 0.0001.

Estimate: 2012: \$1.9 million

Data Source: Bank Tax Study File

Reliability: Level 1

7. Exclusion of Money Received from FDIC and FSLIC from Asset Based Tax

Citation: Section 1455(b)(1)(v)(A)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: Under the asset based alternative tax, taxable assets do not include certain monies or other property received from the FDIC or the FSLIC.

Estimate: 2012: Minimal

Data Source: Bank Tax Study File

Reliability: Level 1

Allocation Percentages

Banking corporations are taxed on the portion of their income and assets attributable to New York activities. Consequently, formulas have been devised (called allocation percentages) for the purpose of determining the portion of a banking corporation's income and assets taxable in New York. The tax expenditures listed result from preferences given through the calculation of the allocation percentages.

8. Discounting of the Wage Factor in the Calculation of ENI and Taxable Assets Allocation Percentages

Citation: Section 1454(a), (b) and (d)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: In computing both the ENI and taxable assets allocation percentages, the numerator of the wage factor is discounted to 80 percent of the taxpayer's wages, salaries, and other personal service compensation during the taxable year.

Estimate: 2012: \$44.5 million

Data Source: Bank Tax Study File

Reliability: Level 1

9. Exclusion of Wages of Executive Officers in the Calculation of ENI, Alternative ENI, and Taxable Assets Allocation Percentages

Citation: Section 1454(a) and (d)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: The wages, salaries, and other personal service compensation paid to general executive officers are not included in the computation of a banking corporation's ENI, alternative ENI, and taxable asset allocation percentages.

Estimate: No data available

Reliability: Level 5

APPENDIX B: PRE-REFORM BANK TAX

10. International Banking Facility (IBF) Formula Allocation Election

Citation: Section 1454(b)(2)(A)

Effective Date: Effective for tax years beginning on or after January 1, 1985

Description: A banking corporation that establishes an IBF within New York may deduct, in computing its ENI, the adjusted eligible net income of the IBF. In lieu of this deduction, such banking corporation may elect to modify its ENI and alternative ENI allocation percentages by reducing payroll, receipts, and deposits (from foreign persons) which are attributable to the gross income of an IBF.

Estimate: 2012: \$178.7 million

Data Source: Bank Tax Study File

Reliability: Level 1

Corporate Exemptions

Certain banks are exempt from taxation under Article 32 of the Tax Law.

11. Exemption of Trust Companies Whose Capital Stock is Owned by Twenty or More New York Savings Banks

Citation: Section 1452(c)

Effective Date: Effective for tax years beginning on or after January 1, 1973

Description: Trust companies, all of whose capital stock is owned by 20 or more savings banks organized under New York law, are exempt from the corporation franchise tax on banking corporations.

Estimate: 2012: Minimal

Data Source: Industry Data

Reliability: Level 4

12. Exemption of Federal and State Chartered Credit Unions

Citation: 12 U.S. Code Section 1768; I.R.C. Section 501(c)(14)(A); New York State Banking Law Section 479

Effective Date: Effective March 13, 1945

Description: Pursuant to Federal law and the State Banking Law, Federal and State chartered credit unions are not subject to tax under Article 32.

Estimate: 2012: \$52.9 million

Data Source: JCT estimates prorated to New York

Reliability: Level 4

Cross-Article Credits

Credits are amounts stipulated by Article 32 that banking corporations may subtract from their calculated New York tax liability. For tax years 2010, 2011, and 2012, taxpayers are required to defer the use and refund of certain tax credits if they exceed \$2 million in aggregate. Descriptions of the tax credits that are available under the Bank Tax as well as other tax articles are contained in the Cross-Article Tax Credits section of the report.

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

Federal Exclusions from Income

This Appendix summarizes Federal “flow through” tax expenditure provisions which impact the New York State Personal Income, Corporate Franchise, Bank, and Insurance Taxes. It should be noted the Appendix items under the Insurance Tax apply only to life insurance corporations. These taxes begin with definitions of income which are derived from provisions of the Federal Internal Revenue Code. As a result of this “coupling” of State definitions of income base to Federal definitions, exclusions, or deductions from income at the Federal level become exclusions or deductions at the State level. Therefore, these provisions automatically become tax expenditures at the State level. The descriptions apply for Federal law as of January 1, 2015. Therefore, estimates for the 2008-2012 tax years (2007-2011 for Corporate Franchise Tax, Bank Tax, and Insurance Tax) might reflect law provisions which have changed since that time.

Code Sections 101-137 set forth items that are excluded from income. In addition, other special types of income are specifically excluded by law. The following types of income are also exempt:

- items that are protected by the U.S. Constitution,
- items that are exempted by virtue of any act of Congress, and
- items that arise under the provisions of foreign tax treaties.

These exclusions (and exemptions) are not interchangeable with deductions from gross income (e.g., losses, expenses, bad debts, etc.). Deductions must be shown on the taxpayer’s return, while exclusions generally are not.

Each of these estimates is derived from methodologies which allocate Federal tax expenditures to a New York State tax equivalent. Federal exclusions and deductions from income and their associated New York State tax expenditure value are presented in the following tables.

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

New York State Tax Expenditure Estimates of Federal Exclusions from and Adjustments to Income

Provision	2009	2010	2011	2012	2013	2016
Personal Income Tax						
1. <i>Deduction for IRA and Keogh Contributions</i> Taxpayers may deduct up to \$5,500 of contributions to qualified IRA plans. For married couples, each spouse may deduct \$5,500. Limitations apply for taxpayers covered by an employer-provided retirement plan. In addition, taxpayers may exclude earnings from plans for which they elected not to deduct contributions. Separate limits apply for contributions to a Keogh plan.	115.0	116.7	118.0	130.0	140.0	176.0
2. <i>Exclusion of Income Earned Abroad by U.S. Citizens</i> A citizen or resident of the United States whose principal residence is in a foreign country may exclude, for Federal income tax purposes, income earned in foreign countries and related housing costs.	163.0	139.7	136.0	95.0	121.0	139.0
3. <i>Limited Exception to Passive Loss Rules on Rental Real Estate</i> Taxpayers may deduct up to \$25,000 of passive losses attributable to rental real estate against active income.	231.3	279.0	257.0	186.0	154.0	197.0
4. <i>Exclusion of Capital Gains on Home Sales</i> Taxpayers may exclude up to \$250,000 (single) and \$500,000 (married joint) of gain from the sale or exchange of a principal residence. This exclusion applies for each sale or exchange.	583.1	480.0	550.0	735.0	757.0	892.0
5. <i>Exclusion of Capital Gains from Small Business Stock</i> Investors may exclude, subject to certain dollar limitations, 50 percent of capital gains from investment in the stock of a qualified small business when held at least five years. In addition, a portion of the gain may be an AMT preference item.	13.1	8.0	10.0	3.0	3.0	10.0
6. <i>Exclusion of Scholarship and Fellowship Income</i> Scholarship and fellowship income may be excluded from a student's Federal gross income.	72.6	77.0	70.0	62.0	63.0	70.0
7. <i>Exclusion of Employee Meals and Lodging</i> The value of meals supplied on the employer's business premises and lodging provided as a condition of employment are excluded from an employee's Federal gross income.	27.9	30.0	35.0	47.0	55.0	97.0
8. <i>Exclusion of Public Assistance Benefits</i> Public assistance benefits are excluded from Federal gross income.	16.8	16.9	18.0	17.0	13.0	15.0
9. <i>Exclusion of Veterans' Benefits</i> Various benefits received by veterans or their beneficiaries are tax-exempt.	126.3	157.6	140.0	129.0	162.0	201.0
10. <i>Exclusion of Employer Contributions for Medical Insurance and Care and Long-Term Care Insurance</i> Contributions made by an employer to a health insurance plan which provides compensation to the employee for personal injury and sickness and premiums for long-term care insurance may be excluded from the employee's gross income for Federal income tax purposes.	4,212.7	4,104.0	4,645.0	3,977.0	4,159.0	4,777.0
11. <i>Exclusion of Employer Contributions for Employee Pensions</i> Employer contributions to an employee's pension plan are excluded from the employee's Federal gross income. Also, earnings are excludible until distributed. Various limitations apply to contributions on behalf of highly-compensated employees.	2,415.9	2,260.0	2,282.0	1,900.0	2,245.0	2,584.0
12. <i>Exclusion of Workers' Compensation Benefits</i> Amounts received under workers' compensation acts, accident and health insurance, and similar plans are excluded from gross income.	178.1	177.5	272.0	217.0	211.0	215.0
13. <i>Exclusion of Employer-Provided Tuition Assistance</i> Employees may exclude up to \$5,250 of employer-paid tuition for undergraduate and graduate college education.	17.9	23.0	17.0	15.0	16.0	19.0

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

Provision	2009	2010	2011	2012	2013	2016
Personal Income Tax						
14. Exclusion of Employer-Provided Child Care The value of child care provided by an employer is excluded from the employee's Federal gross income. The exclusion may not exceed \$5,000 (\$2,500 for married filing separately).	32.1	21.1	34.0	19.0	19.0	22.0
15. Exclusion of Certain Employer-Provided Transportation Benefits Employees may exclude from income certain qualified transportation fringe benefits for commuter vehicles, transit passes, and parking.	93.4	91.1	81.0	71.0	73.0	81.0
16. Exclusion of Benefits and Allowances to Armed Forces Personnel Combat pay and certain other in-kind benefits and cash allowances received by members of the Armed Forces are excluded from Federal gross income.	145.0	155.0	275.0	249.0	276.0	275.0
17. Exclusion of Accelerated Death Benefits Taxpayers may exclude accelerated death benefits paid under life insurance contracts.	4.0	4.0	4.0	4.0	4.0	4.0
18. Deduction for Self-Employed Persons' Health and Long-Term Care Insurance Self-employed taxpayers may deduct the entire cost of health insurance and long-term care premiums they provide for themselves and their families. The deduction is not allowed for any month in which the taxpayer or spouse is eligible to participate in an employer's health insurance plan.	121.0	103.0	100.0	112.0	115.0	37.0
19. Exclusion of Employer-Provided Adoption Assistance Taxpayers may exclude up to \$13,190 per child of qualified adoption expenses provided by their employers.	17.4	30.2	15.0	10.0	6.0	7.0
20. Exclusion of Employer-Paid Premiums on Life Insurance, Accident Disability Insurance, and Accidental Death Insurance Plans Employer-paid life insurance premiums for coverage up to \$50,000 and premiums for accident disability and accidental death may be excluded from an employee's Federal gross income.	60.5	59.2	48.0	48.0	54.0	60.0
21. Exclusion of Interest on Life Insurance Policy and Annuity Cash Value Interest which is credited annually on the cash value of a life insurance policy or annuity contract is not included in the income of the policy holder or annuitant.	484.4	494.4	380.0	337.0	221.0	339.0
22. Exclusion of Interest on Qualified New York State and Local Bonds Interest payments from qualified New York State and municipal bonds are excluded from the taxpayer's Federal gross income.	540.0	534.0	552.0	481.0	510.0	627.0
23. Expensing of Exploration and Development Costs of Oil and Gas Investors in oil and gas extraction enterprises may deduct from Federal gross income exploration and development costs incurred during the taxable year.	*	*	*	*	*	*
24. Capital Gains at Death Capital gains on property which is transferred at death by inheritance or otherwise is exempt from taxation, being excluded from the Federal gross income of both the deceased and the recipient of the property.	668.3	601.0	580.0	495.0	571.0	674.0
25. Farm Income Stabilization: Expensing of Capital Outlays Farmers are allowed to deduct certain capital outlays for the taxable year during which they are paid or incurred instead of being apportioned over an extended period in the form of depreciation deductions.	18.7	21.1	28.0	25.0	34.0	40.0

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

Provision	2009	2010	2011	2012	2013	2016
Personal Income Tax						
26. Capital Asset Treatment of Timber Income, Iron Ore, and Coal Royalties Income earned from the sale of timber or royalties received pursuant to the lease of coal or iron ore mining rights may be treated as income from long term capital assets, allowing the owner to claim any capital losses against either capital gains or ordinary income.	*	*	*	*	*	*
27. Expensing of R&D Costs A taxpayer may elect to deduct costs incurred or paid during the taxable year with respect to research and development in connection with the taxpayer's trade or business. Alternatively, these expenses may, under specified conditions, be amortized over a period of not less than 60 months.	5.9	8.9	7.5	11.0	11.0	11.0
28. Expensing up to \$25,000 on Certain Depreciable Business Property Businesses investing in certain depreciable property during the taxable year may deduct as an expense, in lieu of depreciation, up to \$500,000 of the cost of new equipment put in service during the tax year. This "Section 179" expensing deduction begins to phase out dollar for dollar when the total cost of such property exceeds \$2 million.	18.4	116.0	100.0	73.0	95.0	100.0
29. Exclusion of Social Security and Tier I Railroad Retirement Benefits A minimum one-half of Social Security and Tier I benefits received by single taxpayers with modified adjusted gross income (MAGI) between \$25,000 and \$34,000 is excluded from Federal gross income. For single taxpayers with income above \$34,000, a minimum of 15 percent is excluded. For married taxpayers with MAGI between \$32,000 and \$44,000, a minimum of one half of Social Security is excluded, and for married taxpayers with MAGI above \$44,000, a minimum of 15 percent is excluded.	819.0	835.4	850.0	829.0	854.0	957.0
30. Deferred Tax on Installment Sales Non-dealer taxpayers may report certain sales using the installment method of accounting as provided by IRC Section 453.	13.2	13.0	13.0	25.0	26.0	15.0
31. Deduction for Student Loan Interest Taxpayers may deduct up to \$2,500 of interest paid on qualified education loans. The deduction phases out when modified AGI exceeds \$80,000 (single) and \$160,000 (married joint).	38.9	35.2	37.0	37.0	37.0	37.0
32. Exclusion for Education IRAs Taxpayers may exclude distributions (including earnings) from education IRAs if used for qualified higher education. The exclusion is completely phased out when modified AGI exceeds \$110,000 (single) and \$220,000 (married joint).	1.6	1.8	1.5	2.0	1.3	1.5
33. Exclusion of Earnings of Qualified Tuition Programs Taxpayers may exclude the earnings and distributions of qualified tuition programs, such as New York's "College Choice" programs.	10.5	15.0	45.0	36.0	38.0	48.0
34. Deduction for Contributions to Health Savings Accounts Eligible taxpayers may deduct contributions to HSA's equal to the lesser of the annual deductible under their high deductible health insurance plan or \$6,550 for those with family coverage (\$3,250 for those with individual coverage).	23.7	30.0	38.0	67.0	85.0	141.0

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

Provision	2008	2009	2010	2011	2012	2016
Corporate Franchise Tax						
No 2016 forecast values are provided because the structure of Article 9-A will be substantially different than the pre-reform structure						
1. Expensing of Certain Outlays for Farmers (Soil and Water Conservation Expenditures, etc.) Farmers may deduct certain capital outlays from gross income for the tax year in which they pay or incur such costs, instead of apportioning them over an extended period in the form of depreciation deductions.	0.5	0.4	0.4	0.5	0.5	—
2. Expensing up to \$25,000 on Certain Depreciable Business Property Businesses investing in certain depreciable property during the taxable year may deduct as an expense, in lieu of depreciation, up to \$25,000 of the cost of new equipment put in service during the tax year. This "Section 179" expensing deduction begins to phase out dollar for dollar when the total cost of such property exceeds \$200,000.	*	*	*	*	*	—
3. Utility Generation Property Transition Provisions Taxpayers that are qualified public utilities and were taxed under former Section 186 in 1999 and earlier may claim for New York depreciation on property placed in service before January 1, 2000, a deduction equal to the amount of depreciation expense shown on the taxpayer's books and records for the taxable year, rather than the Federal MACRS amount. Similarly, the basis for gain or loss upon disposition of such transition property that the taxpayer owned in 1999 is generally the book cost of the property less the aggregate of New York depreciation deductions taken.	N/A	N/A	N/A	N/A	N/A	—
4. Expensing of Research and Development Costs A corporation may deduct from Federal gross income costs incurred or paid during the tax year for research and development in connection with its business.	259.0	201.9	228.9	255.5	242.0	—
5. Amortization of Business Start-Up Costs A corporation may amortize, over a period of at least 180 months, certain investigatory and business start-up expenses.	0.2	0.2	0.2	0.2	0.2	—
6. Deferred Tax on Installment Sales Non-dealer sellers of property, other than inventory, may use the installment method of accounting as provided by IRC Section 453.	3.5	2.7	3.1	3.5	3.3	—
7. Deductibility of Charitable Contributions Taxpayers may deduct charitable contributions, not exceeding 10 percent of taxable income computed as specified, from gross income.	37.0	28.8	32.7	36.5	34.6	—
8. Expensing of Exploration and Development Costs Taxpayers may deduct exploration costs and development expenditures of a mine or natural deposit as expenses in the year incurred.	*	*	*	*	*	—
9. Completed Contract Accounting Under the completed contract accounting method, taxpayers report income and expenses associated with a long term contract in the tax year of contract completion. Expenses that are not allowable to the contract (i.e., period costs), are deductible in the year paid or incurred depending on the accounting method employed.	1.0	0.8	0.9	1.0	0.9	—
10. Amortization of Pollution Control Facilities and Reforestation Expenditures Instead of taking MACRS depreciation, a taxpayer may elect to amortize over a 60-month period qualified pollution control facilities, used in connection with a plant or other property in operation before 1976.	N/A	N/A	N/A	N/A	N/A	—

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

Provision	2008	2009	2010	2011	2012	2016
Bank Tax						
No 2016 forecast values are provided because Article 32 will cease to exist.						
1. Expensing up to \$25,000 on Certain Depreciable Business Property Businesses investing in certain depreciable property during the taxable year may deduct as an expense, in lieu of depreciation, up to \$25,000 of the cost of new equipment put in service during the tax year. This "Section 179" expensing deduction begins to phase out dollar for dollar when the total cost of such property exceeds \$200,000.	*	*	*	*	*	—
2. Deductibility of Charitable Contributions A corporation may deduct charitable contributions, not exceeding 10 percent of taxable income computed as specified, from gross income.	43.0	48.8	41.1	48.5	66.7	—
3. Amortization of Business Start-Up Costs A corporation may elect to amortize, over a period of 180 months or more, the investigatory and start-up expenses of a business.	N/A	N/A	N/A	N/A	N/A	—
4. Deferred Tax on Installment Sales Pursuant to the Tax Reform Act of 1986, non-dealer taxpayers may report certain sales using the installment method of accounting as provided by IRC Section 453.	18.0	20.4	17.2	20.3	27.9	—

APPENDIX C: FEDERAL EXCLUSIONS FROM INCOME

Provision	2008	2009	2010	2011	2012	2016
Insurance Tax						
<p>1. Expensing up to \$25,000 on Certain Depreciable Business Property Businesses investing in certain depreciable property during the taxable year may deduct as an expense, in lieu of depreciation, up to \$25,000 of the cost of new equipment put in service during the tax year. This "Section 179" expensing deduction begins to phase out dollar for dollar when the total cost of such property exceeds \$200,000.</p>	*	*	*	*	*	*
<p>2. Deductibility of Charitable Contributions Charitable contributions, not exceeding 10 percent of taxable income computed as specified, may be deducted from a corporation's gross income.</p>	*	*	*	*	*	*
<p>3. Amortization of Business Start-Up Costs A corporation may elect to amortize, over a period of no less than 180 months, the investigatory and start-up expenses of a business.</p>	N/A	N/A	N/A	N/A	N/A	N/A
<p>4. Deferred Tax on Installment Sales Pursuant to the Tax Reform Act of 1986, non-dealer taxpayers may report certain sales using the installment method of accounting as provided by IRC Section 453.</p>	*	*	*	*	*	*
<p>5. Small Life Insurance Company Taxable Income Adjustment Small life insurance companies may claim a special deduction from gross income which is not available to other insurance corporations. The deduction is 60 percent of that portion of tentative life insurance company taxable income which does not exceed \$3 million for the taxable year. A phase out of the deduction occurs for amounts over \$3 million.</p>	1.0	1.3	1.1	1.2	1.3	1.4
<p>6. Deduction of Life Insurance Reserves for Life Insurance Companies Life insurance companies may deduct a net increase in reserves which are maintained with respect to its insurance contracts and annuity contracts.</p>	8.0	10.1	9.2	9.6	10.2	11.2
<p>7. Exclusion of Investment Income on Life Insurance and Annuity Contracts Life insurance gross income excludes investment income on life insurance and annuity contracts, in the form of policy holder dividends.</p>	4.0	5.0	4.6	4.8	5.1	5.6

* Less than \$0.1 million.

-- The tax expenditure was not applicable for these years.

N/A No data available.