ANNUAL REPORT ON NEW YORK STATE TAX EXPENDITURES

George E. Pataki
Governor

New York State
Division of the Budget

New York State
Department of Taxation and Finance

TAX EXPENDITURE REPORT

Table of Contents

Tables

INTRODUCTION

The Division of the Budget and the Department of Taxation and Finance prepared this eleventh annual New York State Tax Expenditure Report. This report contains information on historical and current taxable year tax expenditures associated with the Personal Income Tax (Article 22), the Franchise Tax on Business Corporations (Article 9-A), the Sales and Compensating Use Tax (Article 28), the Corporation and Utility (Article 9) taxes (other than the organization tax under Section 180 of the Tax Law which the Department of State administers), the Bank Tax (Article 32), the Insurance Tax (Article 33), the Petroleum Business Tax (Article 13-A), and the Real Estate Transfer Tax (Article 31).

Sections II through IX of this report contain the expenditures for each of the covered taxes. Section X highlights the tax expenditures that span more than one tax article. Finally, Section XI analyzes the tax expenditure proposals contained in the Governor's 2000-2001 Executive Budget.

Defining Tax Expenditures

This report defines tax expenditures as features of the Tax Law that by exclusion, exemption, deduction, allowance, credit, deferral, preferential tax rate, or other statutory device reduce the amount of a taxpayer's liability 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." Nonetheless, significant differences of opinion exist (on both the State and federal levels) regarding the proper definition of a tax expenditure.

For example, statutory devices that may reduce a taxpayer's liability (but which are not considered tax expenditures in this report), are the provisions allowing for the formation of limited liability companies (LLCs). Basically, LLCs provide liability protection to their members without the entity level tax that corporations pay to achieve the same limited liability protection. Although a per-partner fee applies, in certain instances a revenue loss could occur. Many new firms could choose this form of business. Existing corporations became LLCs, in part, to reduce their tax liability.

This report does not propose to offer an official list of tax expenditures. Rather, it describes as many statutory "tax expenditures" as possible and provides revenue estimates for as many provisions as can be isolated and measured.

Technical Issues

The purpose of the annual report is to provide estimates of the cost of tax expenditures. Tax expenditure cost refers to the estimated amount by which a tax expenditure reduces taxpayers' liabilities to the State for a taxable year or on a calendar year basis if a taxable year basis is not appropriate. The estimates generally cover five historical years. These estimates may differ from those published in previous reports because improved information on which to base the estimate has become available. Finally, the forecast projects the cost of the tax expenditure to the current tax year.

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

	Historical	Forecast
Income Tax	1993, 1994, 1995, 1996, 1997	2000
Corporation Franchise Tax*	1992, 1993, 1994, 1995, 1996	2000
Sales Tax	1993, 1994, 1995, 1996, 1997	2000
Corporation & Utilities	1993, 1994, 1995, 1996, 1997	2000
Bank Tax*	1992, 1993, 1994, 1995, 1996**	2000
Insurance Tax*	1992, 1993, 1994, 1995, 1996	2000
Petroleum Business Tax	1994, 1995, 1996, 1997, 1998	2000
Real Estate Transfer Tax	1994-1995, 1995-1996, 1996-1997, 1997-1998, 1998-1999	2000-2001

* Tax year ending in December for calendar year filers and ending in January through November in the subsequent year for fiscal year filers.

** Bank tax historical years are unchanged from last year's report. Tax is now in conformity with the Corporation Franchise Tax and Insurance Tax.

The estimates represent the foregone revenue associated with each tax expenditure. This report defines foregone revenue as the difference between tax liability under the existing tax structure and the tax liability under an alternative tax regime. The alternative regime assumes that the particular tax provision does not exist in the Tax Law. Although conceptually straightforward, this approach involves implicit assumptions that influence the interpretation of the results.

Technical measurement problems prevent the summing of tax expenditures and the drawing of any precise conclusions about their aggregate value. The estimation process cannot always accurately capture these problems, which include the interaction of different tax provisions. In addition, tax expenditure estimates do not take into account how the elimination of a tax provision might alter taxpayer behavior. For example, the net revenue loss from the Investment Tax Credit does not take into account the change in investment behavior that could result from the elimination of the Investment Tax Credit. These important limitations of the methodology must be kept in mind when reviewing the cost of tax expenditures.

In addition to the estimates of the cost of each tax expenditure, this report also presents information about each relevant provision. This includes the legal citation from either the New York Tax Law or the Internal Revenue Code (IRC); enactment dates for the provisions; termination dates, if applicable; major changes in the provisions between the historical years and the present time; and a brief description of each provision as it existed in the historical years.

These descriptions provide only an overview and not detailed technical explanations of the provisions.

This report does not provide a detailed legislative history of each item. The description notes if a provision will terminate either by repeal or sunset. Repealing a provision means that legislation removed the section from the Tax Law or Internal Revenue Code. Sunsetting refers to the termination of the effect of certain provisions as of a date specified in the law.

Federal Exclusions

The personal income (Article 22), corporate franchise (9-A), bank (Article 32) and insurance (Article 33) taxes are all based, to some extent, on the federal tax structure. There are provisions in federal law which 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 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.

Changes to the Report

State legislation enacted during 1999 or earlier years resulted in the addition or deletion of various provisions in the report this year. The changes are as follows:

Additions:

- The report includes a new personal income tax expenditure for a credit for jobs created by, or investments in, qualified emerging technology companies (QETCs). This new credit follows the QETC credit previously limited to corporate franchise taxpayers.
- The report incorporates a new exemption for qualified settlement funds or grantor trusts established for the benefit of victims or targets of Nazi persecution by or in the Swiss Confederation from all state taxes imposed on or measured by income, as well as sales and use tax. Amounts received by such victims or targets of Nazi persecution, including accumulated interest, are also exempt from state taxes imposed on or measured by income. This expenditure appears only in the Cross-Article Tax Expenditures section of the report.
- A new corporate franchise tax expenditure is added that allows a corporate parent to exclude from its subsidiary capital tax base capital attributable to subsidiaries

taxable under Article 32 (bank) or Article 33 (insurance). A similar exclusion is being phased-in that applies to the corporate parents of gas and electric subsidiaries taxable under Section 186 of the Tax Law (Article 9).

- The report also includes the permanent clothing and footwear exemption for most items costing less than $110. This provision was previously scheduled to take effect on December 1, 1999, but is now effective March 1, 2000.

Deletions:

- Under the insurance tax, the weighting of the New York premiums percentage tax expenditure was deleted from the report. It was dropped because it does not meet the definition of a tax expenditure because all states must employ methods to apportion income among the states – any one method is not a tax expenditure.
- The tax expenditure relating to the deduction of unpaid loss reserves under the insurance tax was moved to the Appendix containing federal "flow through" tax expenditures. This expenditure is a federal deduction although New York calculates it somewhat differently. Including this expenditure in the Appendix is consistent with the report's treatment of other federal tax expenditures that have a modified New York component.

Other Changes:

- A new historical year was not added under the Bank Tax. This change conforms this section of the report to the historical years shown in the Corporate Franchise Tax and Insurance Tax sections.

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 all 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 New York-specific data from industry sources, 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. Earlier Tax Department discussion papers contain a complete analysis of the reliability classification system.

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, 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.

PERSONAL INCOME TAX

This section provides revenue estimates of tax expenditures for 30 provisions of the 2000 New York State personal income tax. Tax expenditures are first estimated for the 1997 tax year (the latest year for which historical tax data are available) and then projected to the 2000 tax year. This section also provides historical estimates from 1993 through 1996 for comparison. Table 1 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 1997 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. If New York adjusted gross income exceeds $100,000, 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. An add-on minimum tax then applies to certain federal tax preference items.

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.

Tax year 1997 marked the final year of a three-year income tax reduction program enacted in 1995. The table below indicates the major elements of the tax reduction legislation.

	Tax Year			
Provision	1994	1995	1996	1997 and After
Top Rate	7.875%	7.59375%	7.125%	6.85%
Married Standard Deduction	$9,500	$10,800	$12,350	$13,000
Single Standard Deduction	$6,000	$6,600	$7,400	$7,500
Head of Household Standard Deduction	$7,000	$8,150	$10,000	$10,500
Earned Income Credit (% of Federal)	7.5%	10%	20%	20%*

* Legislation enacted in 1999 increased the credit to 22.5 percent in 2000 and 25 percent after 2000.

The rate reductions occurring between 1994 and 1997 have generally reduced the cost of most tax expenditures. In addition, increases in standard deduction amounts and credits have tended to reduce the cost of tax expenditures because they reduce the value of itemized deductions and the number of taxpayers.

The descriptive paragraph on each income tax expenditure summarizes the provision as it appears in the Tax Law in effect as of January 1, 2000. It also includes any differences applicable between the 1997 and 2000 tax years. The listing does not include provisions repealed or sunsetted prior to 2000.

Data Sources

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

- 1997 Personal Income Tax Study File - A data file based on a statistical sample of 118,000 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.

- Second Pass - A study based upon the Tax Department's Personal Income Tax "second pass" data entry effort. The second pass study includes New York modifications and credits. Second pass data are incomplete. Some selected returns are unavailable to the second pass at the time of data entry because they are in use elsewhere. Aggregate level data adjustments compensate for missing returns. The second pass return data do not undergo the rigorous control process and double-checking procedures like those used in the 1997 personal income tax study.

The second pass data are extrapolated to 2000 together with the personal income tax study file.

- 1997 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 over 11,000 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 2000 Corporate and Individual Income Tax Revenue Loss Estimates for Tax Expenditures published in "*Tax Notes*" (February 22, 1999). 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 2000-2004" released in December 1999. The JCT publishes this pamphlet annually. Historical estimates were based on prior reports.

Methodology

For estimating tax expenditures in 2000, components of income, modications, and itemized deductions on the 1997 sample return file are extrapolated to 2000 levels using growth assumptions based on the economic forecast provided by the Division of the Budget during December 1999. This data file is then used with the personal income tax model revised to simulate 2000 tax law. The 2000 estimates presented in this year's report incorporate the impact of the three-year personal income tax cut, which became fully effective in tax year 1997. The tax reduction program reduced tax rates, increased the standard deduction, and accelerated tax benefits under the earned income credit.

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.

Table 1
2000 New York State Personal Income Tax Expenditure Estimates
(1997 Total Personal Income Tax Liability = $16,950 Million)
(Millions of Dollars)

Tax Item	History 1993	1994	1995	1996	1997	Forecast 2000	Reliability Level
New York Modifications							
1. Pension/Annuity Exclusion	301.3	303.5	330.7	306.6	317.9	368.0	1
2. Exclusion of Social Security and Tier I Railroad Retirement Benefits (Taxable for Federal Purposes but New York Exempt)	118.2	212.0	241.8	253.3	274.2	314.0	1
3. Exclusion of Interest on U.S. Obligations	153.3	144.6	198.8	202.6	181.7	231.0	1
4. Exclusion of Pensions, Annuities, Interest and Lump Sum Payments Received by New York State and Municipal Retirees	200.3	220.4	268.1	276.6	268.3	303.0	1
5. Exclusion of Pensions, Annuities, Interest and Lump Sum Payments by Federal Retirement Systems	54.7	60.2	67.0	67.0	61.7	70.0	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 of Long-Term Care Insurance Premiums and Continuing Care Fees	--	--	--	*	*	*	4
11. Exclusion for Contributions to New York State College Choice Tuition Savings Program	--	--	--	--	--	17.0	4
12. Deferral of Gain from Sale of Qualified Emerging Technology Investments	--	--	--	--	--	2.0	4
13. Exclusion of Payments to Victims of Nazi Persecution	--	--	*	*	*	*	4
New York Deductions and Exemptions							
14. Value of Standard Deductions for Those Returns With Itemized Deductions in Excess of Standard Deduction	991.5	1,017.0	1,074.0	1,024.5	1,012.4	1,190.0	1
15. Itemized Deductions							
a. Medical/Dental Deduction	67.7	64.8	66.0	57.9	50.0	55.0	1
b. Interest Deduction	645.1	660.7	632.8	545.0	560.0	645.0	1

		Tax Item	History 1993	1994	1995	1996	1997	Forecast 2000	Reliability Level
	c.	Charitable Contribution Deduction	280.5	276.3	277.9	270.6	294.3	365.0	1
	d.	Casualty/Theft Deduction	3.9	4.8	4.6	4.2	4.2	5.1	1
	e.	Taxes Paid Deduction	359.1	392.2	376.6	326.1	344.7	402.0	1
	f.	Miscellaneous Deductions Subject to 2 Percent of AGI Limi	179.0	184.3	187.3	172.9	176.5	205.0	1
	g.	Other Miscellaneous Deductions	10.7	13.0	16.3	15.4	15.3	19.0	1
16.		Dependent Exemptions	303.0	302.5	301.9	282.3	253.6	291.0	1
New York Credits									
17.		Household Credit	137.5	135.6	127.1	114.3	106.5	107.0	1
18.		Earned Income Credit	--	77.9	136.8	290.9	322.1	416.0	1
19.		Real Property Tax Credit (Circuit Breaker)	48.0	52.1	35.9	37.2	41.8	40.0	1
20.		Farmer School Property Tax Credit	--	--	--	--	12.4	20.0	1
21.		Investment Credit	16.0	20.0	20.1	23.0	28.0	36.0	2
22.		Investment Credit for Financial Securities Industry	--	--	--	--	--	0.2	4
23.		Child and Dependent Care Credit	36.0	40.1	39.1	35.5	40.1	123.0	1
24.		Accumulation Distribution Credit	2.4	3.1	3.2	4.0	1.2	2.8	2
25.		Economic Development Zone and Zone Equivalent Areas Tax Cred	0.5	0.5	0.5	2.5	3.3	4.5	2
26.		Special Additional Mortgage Recording Tax Credit Carryforward	2.8	3.5	3.6	4.1	2.7	3.3	2
27.		Solar Electric Generating Equipment Credit	--	--	--	--	--	1.0	4
28.		Employment of Persons with Disabilities Credit	--	--	--	--	--	*	4
29.		Alternative Fuels Vehicle Credit	--	--	--	--	--	0.6	4
30.		Emerging Technology Companies Credits 1/	--	--	--	--	--	8.0	

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.
* Less than $0.1 million.
-- The tax expenditure was not applicable for these years.
N/A No data available

New York Modifications

The New York adjusted gross income 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 1/2 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 retirees filing jointly).
Estimates: 1997: $317.9 million - 2000: $368.0 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. This provision is applicable to benefits received after December 31, 1983.
Estimates: 1997: $274.2 million - 2000: $314.0 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 federal adjusted gross income. Federal law prohibits New York from taxing this item.
Estimates: 1997: $181.7 million - 2000: $231.0 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: 1997: $268.3 million - 2000: $303.0 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: 1997: $61.7 million - 2000: $70.0 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 December 31, 1983, under the now 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.
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: 1997: Minimal - 2000: Minimal
Data Source: Federal Office of Management and Budget
Reliability: Level 4

10. Exclusion of Long-Term Care Insurance Premiums and Continuing Care Fees

Citation: Section 612(c)(31)
Effective Date: Effective for taxable years beginning on or after January 1, 1996
Description: Taxpayers may deduct from federal adjusted gross income premiums paid for eligible long-term-care insurance. "Eligible long-term-care insurance" is defined as insurance provided in a policy approved by the superintendent of insurance under Section 1117(g) of the Insurance Law, and defined under Section 213 of the Internal Revenue Code as an itemized deduction for medical expenses. Taxpayers must reduce their New York itemized deduction by the amount of the subtraction, to the extent they deducted the premiums as an itemized deduction. In addition, beginning in tax year 1998, taxpayers may also deduct a portion of fees they pay as residents of "approved continuing care retirement communities" located in New York and certified by the Department of Health.

The following limitations, which are indexed annually for inflation, apply separately for both qualifying insurance premiums and continuing care fees:

If the taxpayer is age 40 or less:	$220
If the taxpayer is more than age 40 but not more than 50	$410
If the taxpayer is more than age 50 but not more than 60	$820
If the taxpayer is more than age 60 but not more than 70	$2,200
If the taxpayer is more than age 70	$2,750

Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Insurance Department
Reliability: Level 4

11. Exclusion for Contributions to New York State College Choice Tuition Savings Program
Citation: Sections 612(c)(32) and (33)
Effective Date: Effective for taxable years beginning after December 31, 1997
Description: Taxpayers may subtract from federal adjusted gross income (FAGI) up to $5,000 per year 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. Married taxpayers may each subtract $5,000 of qualified contributions. The maximum amount of total contributions may not exceed $100,000 per person. In addition, taxpayers may subtract from FAGI distributions (including accumulated interest earnings) from a family tuition account if used for qualified higher education expenditures.
Estimates: 1997: Not Applicable - 2000: $17.0 million
Data Source: States with similar programs
Reliability: Level 4

12. 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, and the gain is not reinvested in a qualified emerging technology investment.
Estimates: 1997: Not Applicable - 2000: $2.0 million
Data Source: Industry Data
Reliability: Level 4

13. Exclusion of Payments to Victims of Nazi Persecution
Citation: Section 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: 1997: Minimal - 2000: Minimal
Data Source: New York State Banking Department
Reliability: Level 4

New York Deductions and Exemptions

Individual taxpayers may reduce their New York adjusted gross income by either a standard deduction or itemized deductions, and dependent exemptions.

14. Value of Standard Deductions for Those Returns With Itemized Deductions in Excess of Standard Deduction
Description: Taxpayers who itemize deductions on their federal returns may also itemize on their New York State returns if the aggregate of such deductions, exclusive of state and local income taxes paid (except for a portion of the New York City earnings tax on nonresidents) and certain other modifications, exceeds the New York standard deduction. Because all taxpayers are entitled to a standard deduction as a minimum, itemizers have their standard deduction "built into" their total deduction.
Estimates: 1997: $1,012.4 million - 2000: $1,190.0 million
Data Source: PIT Simulation Model
Reliability: Level 1

15. Itemized Deductions

New York itemized deductions flow through from federal law. Thus, the citations below reference the Internal Revenue Code. They are specified in New York Tax Law, Article 22, Section 615. New York limits the availability of itemized deductions for certain high income taxpayers. The maximum percentage of disallowed deductions equals 50 percent for all taxpayers with NYAGI above $525,000.

The federal itemized deduction limitation further reduces the value of the deductions. This limitation, to which New York mostly conforms, requires taxpayers to reduce their itemized deductions (other than medical expenses, gambling losses, casualty and theft and investment interest) by three percent of the amount by which their 2000 FAGI exceeds $128,950 ($64,475 for married filing separately). This threshold is indexed annually for inflation. Deductions subject to the limitation cannot be reduced by more than 80 percent. Because the interaction of the different itemized deductions cannot be accurately captured in the estimation process, the effect of the federal limitation cannot be itemized by deduction type.

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: 1997: $50.0 million - 2000: $55.0 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: 1997: $560.0 million - 2000: $645.0 million
Data Source: PIT Simulation Model
Reliability: Level 1

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: 1997: $294.3 million - 2000: $365.0 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: 1997: $4.2 million - 2000: $5.1 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
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. Also, a portion of the New York City nonresident earnings and self-employment taxes may be deducted.
Estimates: 1997: $344.7 million - 2000: $402.0 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: 1997: $176.5 million - 2000: $205.0 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: 1997: $15.3 million - 2000: $19.0 million
Data Source: PIT Simulation Model
Reliability: Level 1

16. **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: 1997: $253.6 million - 2000: $291.0 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.

17. Household Credit
Citation: Section 606(b)
Effective Date: Effective for taxable years beginning on or after January 1, 1978
Description:

Single Filing Status If Federal AGI is:			All Other Filing Statuses If Federal AGI is:			
Over	But Not Over	The Credit Is	Over	But Not Over	The Credit Is	For Each Federal Exemption
$ 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: 1997: $106.5 million - 2000: $107.0 million
Data Source: PIT Simulation Model
Reliability: Level 1

18. Earned Income Credit
Citation: IRC Section 32, Tax Law Section 606(d)
Effective Date: Effective for taxable years beginning after 1993
Description: Taxpayers may claim a credit equal to 22.5 percent of their federal earned income credit. For the 1994 tax year, the credit equaled 7.5 percent of the federal earned income credit. The percentage increased to 10 percent for tax year 1995, and to 20 percent from 1996 through 1999. The credit is fully refundable to residents, nonrefundable to nonresidents, and partly refundable to part-year residents. The table below shows income eligibility parameters and maximum amounts for the 2000 tax year:

	Maximum Creditable Earnings	Federal Credit Rate	Maximum State Credit	Income* for Start of Phase-out	Income Cut-off*
Families With 1 Child	$6,920	34%	$529	$12,690	$27,413
Families With 2 or More Children	$9,720	40%	$875	$12,690	$31,152
Workers Age 25-64 Without Children	$4,610	7.65%	$79	$5,770	$10,380

* Earned income or modified 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: 1997: $322.1 million - 2000: $416.0 million
Data Source: PIT Simulation Model
Reliability: Level 1

19. Real Property Tax Credit (Circuit Breaker)
Citation: Section 606(e)
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 resident of the State 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. The credit is refundable.
Estimates: 1997: $41.8 million - 2000: $40.0 million
Data Source: Real Property Tax Credit Study
Reliability: Level 1

20. Farmer School Property Tax Credit
Citation: Section 606(n)
Effective Date: Effective for taxable years beginning on or after January 1, 1997
Description: Taxpayers primarily engaged in farming may claim a refundable credit equal to 100 percent of total school property taxes paid on qualified New York agricultural property up to 250 acres, and 50 percent of the school taxes paid on acres in excess of 250. To be eligible, taxpayers must earn two thirds of their federal income from farming. 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 phases out for taxpayers with NYAGI in excess of $100,000, after subtracting principal on farm indebtedness. Recapture provisions apply if the taxpayer converts the property to a nonqualified use in the two years subsequent to first use of the credit.

Estimates: 1997: $12.4 million - 2000: $20.0 million
Data Source: PIT Simulation Model
Reliability: Level 1

21. Investment Credit
Citation: Section 606(a), a-1
Effective Date: Effective for taxable years beginning on or after January 1, 1969
Description: Taxpayers may claim an investment tax credit (ITC) of 4 percent of the cost of tangible property including buildings and structural components of buildings which are depreciable, have a useful life of four years or more, are located within the State, and are used principally for the production of goods. Eligible costs also include those associated with retail enterprises' investments in qualified rehabilitated building, and research and development (R&D) property. The rate of credit for R&D property equals 7 percent. 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, only excess credit may be received as a refund.

Beginning in 1997, a credit applies for 25 percent of the taxpayer's qualified expenditure paid to rehabilitate historic barns and similar structures. Qualified expenditures do not qualify for the regular ITC.

Effective for tax years beginning after 1997, taxpayers who increase their number of employees may be eligible for the employment incentive tax credit (EIC) with respect to property acquired or constructed on or after January 1, 1997. This credit applies to property that is eligible for the investment tax credit.

The taxpayer is allowed the EIC for each of the two years next succeeding the taxable year for which the investment tax credit is allowed. The amount of the EIC is as follows:

1.5 percent of the investment tax credit base if employment is at least 101 percent but less than 102 percent of the employment base year,
or
2.0 percent of the investment tax credit base if employment is at least 102 percent but less than 103 percent of the employment base year,
or
2.5 percent of the investment tax credit base if employment is at least 103 percent of the employment base year.

The EIC is refundable.

An 8 percent credit is allowed if qualified property is located within State-designated economic development zones (EDZs). The regular ITC cannot be claimed for property on which EDZ credit is claimed.

Estimates: 1997: $28.0 million - 2000: $36.0 million
Data Source: PIT Simulation Model estimate of total credits allocated by historical second pass data
Reliability: Level 2

22. Investment Credit for Financial Securities Industry

Citation: Section 606(a)(2)(A)

Effective Date: Effective for property placed in service on or after October 1, 1998, and before October 1, 2003

Description: An investment credit is allowed for qualified property used in the financial services industry. The rate of credit, maximum amounts, carryforward provisions, and recapture rules are generally the same as for the regular investment credit.

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.

In addition, qualified property includes property principally used in the ordinary course of the taxpayer's business 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, or national securities exchange or board of trade, or property leased by a taxpayer to an affiliated regulated broker, dealer, 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.

The credit is not allowed unless all or substantially all of the taxpayer's or affiliate's employees performing the administrative and support functions resulting from or relating to the qualifying uses of the property are located in New York State.

Estimates: 1997: Not Applicable - 2000: $0.2 million

Data Source: Industry data

Reliability: Level 4

23. Child and Dependent Care Credit

Citation: Section 606(c)

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. A husband and wife 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.

Prior to the 1996 tax year, the credit equaled 20 percent of the federal child and dependent care credit and was not refundable. Beginning in 1996, taxpayers with NYAGI of $10,000 or less could claim a credit, equal to 30 percent of the federal child and dependent care credit. The 30 percent rate increased to 60 percent for the 1997 tax year. The credit rate phased down to 20 percent of the federal credit at NYAGI of $14,000. Since 1996, the credit is fully refundable to residents, nonrefundable to nonresidents, and partly refundable to part-year residents. Beginning in 1998 the credit equaled 100 percent of the federal credit for taxpayers with NYAGI of $17,000 or less, and phased down to 20 percent at NYAGI of $30,000 and above. For 1999 and thereafter, the phase-out range is $35,000 to $50,000.

	Tax Year				
	Before 1996	1996	1997	1998	After 1998
Maximum Percentage	20%	30%	60%	100%	100%
NYAGI Range of Phase-Down to 20%	NA	10,000 - 14,000	10,000 - 14,000	17,000 - 30,000	35,000 - 50,000
Refundability	No	Yes	Yes	Yes	Yes

Estimates: 1997: $40.1 million - 2000: $123.0 million
Data Source: PIT Simulation Model
Reliability: Level 1

24. Accumulation Distribution Credit
Citation: Sections 621 and 635
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: 1997: $1.2 million - 2000: $2.8 million
Data Source: PIT Simulation Model estimate of total credits allocated by historical second pass data
Reliability: Level 2

25. Economic Development Zone and Zone Equivalent Areas Tax Credits
Citation: Section 606(j), (j-1), (k), (l)
Effective Date: Effective for tax years beginning on or after January 1, 1986. However, the methods for computing the wage tax credit and the capital corporation credit were amended for tax years beginning on or after January 1, 1994. Amendments providing that taxpayers located in Zone Equivalent Areas (ZEAs) can take a modified EDZ wage tax credit were effective January 1, 1994
Description: Taxpayers may qualify for credit for investments in zone capital corporations, 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 $300,000 and cannot exceed one half of the taxpayer's pre-credit tax.

In addition, effective for property placed in service on or after January 1, 1997, an employment incentive credit applies. This credit applies in addition to the regular EDZ-

ITC, for taxpayers that increase their average number of employees by at least one percentage point over the preceding base year. This credit is 50 percent refundable to new businesses.

A taxpayer may also claim a wage tax credit for doing business and creating jobs in economic development zones. The credit has two components. This credit equals the product of the average number of newly hired targeted EDZ employees receiving EDZ wages times $1,500. The corresponding credit amount for other employees equals the product of the average number of newly hired nontargeted EDZ employees receiving EDZ wages times $750.

Taxpayers employing individuals in areas eligible to become EDZs but not so designated (Zone Equivalent Areas or ZEAs) may take a two year credit for EDZ wages paid for full-time employment in jobs created in the ZEA. Taxpayers must take the credit during the five year period following designation as a ZEA. The two year credit equals $1,000 times the average number of targeted employees and $500 times the average number of nontargeted employees hired during the first year. In the second year, the credit decreases to $500 times the average number of targeted employees and $250 times the average number of nontargeted employees. The total wage tax credit cannot exceed 50 percent of tax due before credits.

Taxpayers may also qualify for an investment tax credit of 8 percent of the cost or other federal basis of tangible personal property, including buildings and structural components of buildings located within a designated economic development zone.

Qualifying new businesses may request a refund of 50 percent of the unused wage (both EDZ and ZEA) and investment credits in lieu of carrying those credits over to future tax years. Unused capital credits may be carried over to future tax years.

Estimates: 1997: $3.3 million - 2000: $4.5 million

Data Source: PIT Simulation Model estimate of total credits allocated by historical second pass data

Reliability: Level 2

26. Special Additional Mortgage Recording Tax Credit Carryforward

Citation: Section 606(i)

Effective Date: The credit is effective for taxable years beginning after December 31, 1978. Carryforward applies for tax years beginning after December 31, 1993

Description: Prior to tax year 1994, S corporation shareholders may claim a credit equal to their prorata share of the special additional mortgage recording tax paid by the corporation pursuant to Section 253(1-a) of Article 11 of the New York Tax Law. The amount of any credit which exceeded tax liability could be carried forward and used in subsequent years. Beginning after 1993, the credit is available only to the S corporation, not at the shareholder level. However, shareholders may claim credits earned, but not used, before tax year 1994.

Estimates: 1997: $2.7 million - 2000: $3.3 million

Data Source: PIT Simulation Model estimate of total credits allocated by historical second pass data
Reliability: Level 2

27. Solar Electric Generating Equipment Credit
Citation: Section 606(g-1)
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 electric generating equipment expenditures, which are expenditures for the purchase of equipment used at a principal residence in New York, and meeting requirements set forth in Section 66-j of the Public Service Law. Qualified expenditures are capped at the product of 1) $6.00 and 2) the number of watts in the rated capacity of the solar electric generating equipment, up to 10,000 watts. However, the maximum credit is $3,750. If the credit exceeds tax liability, taxpayers may carry over the credit for five years.

Taxpayers sharing a principal residence may prorate the credit between them. In addition, interest and other finance charges, and government grants, are not included in qualified expenditures.
Estimates: 1997: Not Applicable - 2000: $1.0 million
Data Source: New York State Energy Research and Development Authority, Natural Resources Defense Council
Reliability: Level 4

28. Employment of Persons with Disabilities Credit
Citation: Section 606(o)
Effective Date: Effective for taxable 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 wages paid to workers with disabilities, as certified by the State Department of Education or other designated State agency. The credit applies for the second year of employment if a federal work opportunity tax credit applies for the first year. Alternatively, taxpayers may claim the credit based on the first year of employment if no work opportunity tax credit applies. Taxpayers may carry over unused credit amounts to subsequent tax years.
Estimates: 1997: Not Applicable - 2000: Minimal
Data Source: Federal credit data
Reliability: Level 4

29. Alternative Fuels Vehicle Credit
Citation: Sections 606(i), 606(p)
Effective Date: Effective for property placed in service in taxable years beginning on or after January 1, 1998. The tax credit provisions do not apply to property placed in service in taxable years beginning after December 31, 2002.
Description: The new law allows credits for electric vehicles; clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property.

The tax credits equal: 50 percent of the incremental cost of new electric vehicles registered in New York (capped at $5,000 per vehicle); 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at $5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and $10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business.

Estimates: 1997: Not Applicable - 2000: $0.6 million

Data Source: New York State Department of Environmental Conservation, Industry Representatives

Reliability: Level 4

30. Emerging Technology Companies Credits

Citation: Section 606(q)(r)

Effective Date: Effective for tax years beginning on or after January 1, 2000

Description: The New York State Emerging Industry Jobs Act provides tax credits for qualified emerging technology companies that create new jobs, or for certain corporate taxpayers that invest in emerging technology companies located in New York State. The credits include an employment tax credit of $1,000 for each individual employed over a base year level and a capital tax credit that varies in amount depending on how long the investment is held.

Estimates: 1997: Not Applicable - 2000: $8.0 million

Data Source: New York State Department of Labor, Industry Data

Reliability: Level 4

CORPORATION FRANCHISE TAX

This section of the report provides tax expenditure estimates for 21 separate provisions of the corporation franchise tax on general business corporations. It contains estimates of the tax expenditures for tax years 1992 through 1996 (the latest year for which Article 9-A tax return data are available). The estimates are also extrapolated to the 2000 tax year. The tax year refers to both the 2000 calendar year and fiscal years ending in 2001. Table 2 summarizes the tax expenditure estimates. It also includes total Article 9-A corporate franchise tax liability for the 1996 tax year.

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; allocated business and investment capital; allocated minimum taxable income; and a fixed dollar minimum. Corporations pay the highest tax computed on these bases less applicable credits, but not less than the higher of the minimum tax or fixed dollar amount. The Tax Law imposes an additional tax on allocated subsidiary capital. Because of the similarities between the entire net income and alternative minimum taxable income computations, the tax expenditure provisions and estimates discussed in this section pertain only to the allocated entire net income and allocated business and investment capital bases.

The computation of corporation franchise tax on the allocated entire net income and allocated minimum taxable income bases generally starts with federal taxable income. Taxpayers then make several state-specific modifications to arrive at New York entire net income and alternative minimum taxable income. Both income bases consist of both 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. A tax rate of 8.5 percent (between 8.5 and 7.5 percent for small businesses) applies to taxable net income. A tax rate of 3.0 percent applies to alternative minimum taxable income.

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 allocated subsidiary capital.) A 0.178 percent tax rate applies to allocated capital.

Data Sources

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

- 1996 Article 9-A Corporation Franchise Tax Study File - This file, compiled by the Department of Taxation and Finance, includes all corporations filing under Article 9-A except the fixed minimum tax filers and S corporations. It includes selected data items from the tax returns for each corporation. Simulations of the file generate the base case tax expenditures.

- 1996 Audit Selection File - This unverified file of all corporation tax returns includes about 110 data items from the CT-3 corporation tax return. This file is combined with the study file to estimate expenditure items that are not included in the latter file.

- Congressional Joint Committee on Taxation (JCT) Estimates of Federal Tax Expenditures - Because no data for federal exclusion items which are listed in the Appendix exist at the State level, the estimates of the federal tax expenditure items come from prorations of JCT estimates to New York.

Methodology

The projections of the tax expenditures from 1996 to 2000 use a variety of economic forecast variables. Projections of items under federal exclusions from income in the Appendix were taken from the JCT estimates of federal tax expenditures and prorated to New York. Several of the items were projected using relevant economic data from Data Resources Incorporated (DRI). The remaining items were computed using historical trends.

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

Table 2
2000 New York State Article 9-A Tax Expenditure Estimates
(1996 Total Corporate Franchise Tax Liability = $1,462.7 Million)
(Millions of Dollars)

	Tax Law	History					Forecast	Reliability
		1992	1993	1994	1995	1996	2000	Level
New York Modifications to Federal Taxable Income								
1.	Exclusion of Interest, Dividends and Capital Gains from Subsidiary Capital	241.1	373.7	340.3	609.0	573.2	639.0	1
2.	Deduction of 50 Percent of Dividends from Non-Subsidiary Corporations	18.2	50.9	23.2	16.7	24.8	27.9	1
3.	New Small Business Exemption (Capital Base only)	N/A	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	N/A	5
5.	Exclusion of Income for Foreign Airlines	--	--	*	*	*	*	1
Allocation Percentages								
6.	Optional Treatment of Cash	1.0	1.0	2.2	3.5	0.0	2.0	2
7.	Exclusion of Wages of Executive Officers in Allocation Percent	N/A	N/A	N/A	N/A	N/A	N/A	5
Credits								
8.	Investment and Retail Enterprise Tax Credit, Employment Incentive Credit and Rehabilitation Credit for Historic Barns	72.7	74.6	95.4	109.2	136.7	150.0	1
9.	Investment Tax Credit for Financial Services Industry	--	--	--	--	--	75.0	4
10.	Eligible Business Facilities Credit	0.9	0.0	0.1	0.1	0.1	0.0	1
11.	Special Additional Mortgage Recording Tax Credit	0.5	0.8	1.1	0.2	3.0	4.0	1
12.	Economic Development Zone and Zone Equivalent Areas Tax Credits	0.2	0.5	0.7	4.6	6.2	9.0	1
13.	Credit for Servicing SONYMA Mortgages	--	--	--	0.0	0.0	0.1	2
14.	Agricultural Property Tax Credit	--	--	--	--	--	*	4
15.	Credit for Employing Individuals with Disabilities	--	--	--	--	--	4.0	4
16.	Alternative Fuels Vehicle Credit	--	--	--	--	--	9.5	4
17.	Emerging Technology Companies Credits	--	--	--	--	--	2.0	4

Corporate Exemptions

18.	Exempt Companies	N/A	N/A	N/A	N/A	N/A	N/A	5
19.	Companies Whose Income "Passes Through" to Shareholders							
	a. Real Estate Investment Trusts (REITs)	N/A	N/A	N/A	N/A	N/A	N/A	5
	b. Regulated Investment Companies (RICs)	N/A	N/A	N/A	N/A	N/A	N/A	5
20.	Businesses Using Fulfillment Services	--	--	--	--	--	1.0	4
21.	Corporate Parent With Bank and Insurance Subsidiaries 1/	--	--	--	--	--	0.5	4
22.	Corporate Parent With Gas and Electric Subsidiaries 1/	--	--	--	--	--	4.0	4

Preferential Tax Rates

23.	Qualifying Small Business Corporations 1/	7.6	7.8	11.7	12.4	12.5	10.0	1

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.
* 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, Article 9-A of the New York Tax Law allows 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: Taxpayers may subtract dividends, interest and gains derived from subsidiary corporations from federal taxable income in the computation of New York entire net income.
Estimates: 1996: $573.2 million - 2000: $639.0 million
Data Source: Audit Selection 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 from federal taxable income 50 percent of dividend income received from non-subsidiary corporations (other than DISCs). For tax years beginning on or after January 1, 1989, New York conforms with IRC Sec. 246(c); stock must be held for 45 days or more to qualify for the deduction.
Estimates: 1996: $24.8 million - 2000: $27.9 million
Data Source: Audit Selection 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 alternative tax based on allocated business and investment capital. This exemption applies to the first two years of operation of a business which:

- 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
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: Foreign airlines may exclude from entire net income 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. Certain foreign airlines may exclude from the capital based tax business and investment assets connected with such exempt income. These tax benefits apply provided the "home country" provides similar treatment to United States airlines.

Estimates: 1996: Minimal - 2000: Minimal

Data Source: Audit Selection File

Reliability: Level 1

Allocation Percentages

The law subjects business corporations 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 that 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 as described in New York Tax Law, 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 entirely investment or business capital. Taxpayers reporting cash as investment capital allocate using the generally lower investment allocation percentage.

Estimates: 1996: $0.0 million - 2000: $2.0 million

Data Source: Audit Selection File

Reliability: Level 2

7. Exclusion of Wages of Executive Officers in Allocation Percentage
Citation: Section 210(3)(a)(3)
Effective Date: Effective for tax years beginning on or after January 1, 1944
Description: The payroll factor portion of a corporation's business allocation percentage does not include wages, salaries and other personal service compensation paid to general executive officers. As a consequence of this exclusion, a taxpayer's proportion of total income or capital allocated to New York for State tax purposes could be reduced or increased, depending on the particular corporate circumstances.
Estimate: No data available
Reliability: Level 5

Credits

Credits include amounts, stipulated by Article 9-A, Section 210 of the New York State Tax Law, which the taxpayer may subtract in calculating New York tax liability.

Description of Credits

The following table presents data for the Investment Tax Credit (ITC) and Employment Incentive Credit combined; the Mortgage Recording Tax Credit; the Job Incentive Credit; the EDZ Wage Credit, the EDZ Capital Corporation Credit and the EDZ Investment Tax Credit combined; and the Alternative Minimum Tax Credit.

Where applicable, the summary table presents total credit amounts by the following components of each credit:

Credit Earned -	The amount of credit generated in the current tax year.
Credit Claimed -	The amount of credit which the taxpayer could use, including carryforwards from prior years.
Credit Used -	The amount of credit the taxpayer actually used to reduce tax liability.
Credit Carried Forward -	Any unused amount of credit allowed to offset tax liability in future years.

The credit used is the tax expenditure for the year. For additional detail on credits, see the Office of Tax Policy Analysis' publication "Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1996."

Article 9-A Tax Credits
in 1996
($ millions)

Component	Investment Credit	Mortgage Recording Credit	Job Incentive Credit	EDZ/ZEA Credits	Alternative Minimum Tax Credit	Mortgage Servicing Credit	Total
Total Credit Earned	258.9	1.3	--	36.6	13.5	--	310.2
Unused Credit from Earlier Year	1,270.9	5.5	--	23.0	51.4	--	1,350.8
Total Credit Available	1,529.8	6.7	--	59.6	51.4	--	1,647.5
Recaptured Credit	35.8	--	--	0.0	0.0	--	35.8
Credit Claimed	1,494.0	6.7	--	59.6	51.4	--	1,611.7
Credit Used	133.1	2.9	--	6.0	8.4	0.0	150.5
Refundable Credit	15.6	0.6	0.1	13.5	0.0	--	29.7
Credit Carried Forward	1,345.3	3.9	--	40.1	43.1	--	1,432.2

8. Investment Tax Credit, Retail Enterprise Tax Credit, Additional Investment Tax Credit, Employment Incentive Credit, and Rehabilitation Credit for Historic Barns

a. Investment Tax Credit (ITC)

Citation: Section 210(12)

Effective Date: 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, for depreciable tangible personal property 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 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.

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 by the corporation as part of its regular business activities and certified by the State Commissioner of Environmental Conservation or a representative.

The law allows a credit with respect to tangible property, including buildings and structural components of buildings, which: has been constructed, reconstructed, acquired or erected after June 30, 1982; is depreciable under federal tax law; has a useful life of four years or more; is located within New York State; and used for the purpose of research and development in the laboratory or experimental sense. This credit is not allowed with respect to property which has been leased to another individual or corporation, or which has been the basis of a claim for an elective expense deduction, a credit for eligible business facilities or a regular investment tax credit. For credits generated on or after 1987, the allowable carryforward of the investment tax credit is 15 years. The cut-off of pre-1987 investment tax credit carryforwards is 2002. The taxpayer may take ITC credit on R&D property at an optional rate of 9 percent of the cost or other basis for federal tax purposes of qualified property.

For taxable years beginning after 1990, the rate equals 5 percent of the first $350 million of the investment credit base. A 4 percent rate applies to amounts above $350 million. Taxpayers earned $162.6 million of ITC in 1996.

NOTE: ITC recapture refers to the difference between credit taken and credit allowed for actual use when qualified ITC property is disposed of or ceases to be in qualified use prior to the end of its useful life. Any ITC recapture may be added to the tax otherwise due in the year of disposition or disqualification.

An ITC refund is available to new businesses which are eligible to claim the ITC. They may elect to receive a refund of their unused ITC instead of carrying the credit forward.

b. Retail Enterprise Tax Credit

Citation: Section 210(12)(k)

Effective Date: Effective for investments made on or after June 1, 1981

Description: A retail enterprise, not eligible for the investment tax credit, may receive a credit based on expenditures incurred or paid, with respect to a qualified rehabilitated building used in the corporation's retail sales activities. The amount of the credit is the applicable investment tax credit percentages for the amount of qualified rehabilitation expenditures. The qualified rehabilitated building must be located in New York State.

c. Additional Investment Tax Credit

Citation: Section 210(12-A)

Effective Date: Effective for tax years beginning on or after January 1, 1976 and prior to January 1, 1987

Description: A corporation, which has been allowed an investment tax credit with respect to property, the acquisition, construction, reconstruction or erection of which commenced after January 1, 1976 and before January 1, 1987, may receive an additional 50 percent of the investment tax credit for each of the three years following the year in which the original credit was allowed provided:

- The taxpayer's average number of employees in New York (except general executive officers) in the subsequent year equals at least 101 percent of the average number of employees in New York (except general executive officers) during the year immediately preceding the year in which the original credit was allowed.

- For tax years 1982 and after, if a taxpayer is not subject to tax and does not have a tax year immediately preceding the tax year in which the investment tax credit is allowed, the additional investment tax credit may be claimed so long as the average number of employees is at least 101 percent of the average number during the tax year immediately preceding the year in which the original credit was allowed.

The additional investment tax credit may not reduce the tax liability to an amount less than the greater of the minimum taxable base or the fixed dollar minimum.

The amount of the credit not deducted may be carried over to the following year or years and may be deducted from the taxpayer's tax. The additional investment tax credit may be carried forward to tax years beginning before January 1, 2002.

d. Employment Incentive Credit (EIC)

Citation: Section 210(12-D)

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

Description: Taxpayers who increase their number of employees may be eligible for the employment incentive tax credit with respect to property acquired or constructed on or after January 1, 1987. This credit applies to property that is eligible for the investment tax credit.

The taxpayer is allowed a credit for each of the two years next succeeding the taxable year for which the investment tax credit is allowed. The credit may be carried forward 15 years. Where an investment tax credit was allowed for a taxable year beginning after 1990, the amount of the credit is as follows:

1.5 percent of the investment tax credit base if employment is at least 101 percent but less than 102 percent of the employment base year,

or

2.0 percent of the investment tax credit base if employment is at least 102 percent but less than 103 percent of the employment base year,

or

2.5 percent of the investment tax credit base if employment is at least 103 percent of the employment base year.

Taxpayers earned $44.6 million in EIC in 1996.

e. **Rehabilitation Credit for Historic Barns**
Citation: Section 210(12)(1)
Effective Date: Effective for taxable years beginning on or after January 1, 1997
Description: Taxpayers may claim a corporate franchise tax for the rehabilitation of historic barns in New York State. The credit equals 25 percent of qualified rehabilitation expenditures. The definition of a qualified rehabilitated barn has the same meaning as a "qualified rehabilitated building" for purposes of the federal rehabilitation credit under Section 47 of the Internal Revenue Code. In accordance with federal law for rehabilitation of historic buildings, the barn must be first placed in service before 1936 and would only qualify for the credit based on substantial rehabilitation. Generally, a building will have been considered substantially rehabilitated only if the expenditures exceed the greater of the adjusted basis of the barn or $5,000. A taxpayer may not claim both the regular investment tax credit on manufacturing property and the investment tax credit for rehabilitation of historic barns on the same property.
Estimates: 1996: Not Applicable - 2000: Minimal
Methodology: Research File
Reliability: Level 2

Estimates: 1996: $136.7 million - 2000: $150.0 million; Information on the ITC and EIC credits used in any year is not separately available
Data Source: Research File
Reliability: Level 1

9. **Investment Tax Credit for Financial Services Industry**
Citation: Section 210(12)
Effective Date: Effective for property placed in service on or after October 1, 1998 and before October 1, 2003
Description: An investment credit is allowed for qualified property used in the financial services industry. The rate of credit, maximum amounts, carryforward provisions, and recapture rules are generally the same as for the regular investment credit.

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.

In addition, qualified property includes property principally used in the ordinary course of the taxpayer's business 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, or national securities exchange or board of trade, or property leased by a taxpayer to an affiliated regulated broker, dealer, 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.

The credit is not allowed unless all or substantially all of the taxpayer's or affiliate's employees performing the administrative and support functions resulting from or relating to the qualifying uses of the property are located in New York State.

Estimates: 1996: Not Applicable - 2000: $75.0 million

Data Source: Industry Data

Reliability: Level 4

10. Eligible Business Facilities Credit (Job Incentive Credit)

Citation: Section 210(11), Regulation 5.1-1

Effective Date: Effective for tax years beginning on or after January 1, 1968

Description: Owners or operators of a business establishment certified for eligibility by the New York State Job Incentive Board (prior to April 1, 1983) or the State Tax Commission (subsequent to April 1, 1983) may claim a credit. An eligible business facility has been defined as one which is located in an eligible low-income area and creates or retains at least five jobs. The certificate of eligibility may be renewed by a business for up to 10 years. After March 31, 1983, no new projects were approved for certification. The Commissioner of Taxation and Finance is empowered to issue certificates of eligibility for tax credits or renewal or extension thereof on or after April 1, 1983.

Termination Date: Credit expires for tax years beginning after January 1, 2000

Estimates: 1996: $0.1 million - 2000: $0.0 million

Data Source: Research File

Reliability: Level 1

11. Special Additional Mortgage Recording Tax Credit

Citation: Section 210(17), (21)

Effective Date: Effective for tax years beginning after December 31, 1978

Description: A corporation may claim a credit equal in amount to the special additional recording tax paid on mortgages recorded on or after January 1, 1979, on property located within New York. A taxpayer may carry forward any unused mortgage recording tax credit for use in subsequent years.

Effective for special additional mortgage recording tax paid in tax years beginning after January 1, 1994, the S corporation, not the shareholder, may elect to treat the unused portion of the credit as either a refund or carryforward. S corporations may 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.

Certain mortgages on property in the metropolitan commuter transportation district, recorded on or after May 1, 1987, are ineligible for the credit. The same restriction applies to mortgages on real property in Erie County.

Estimates: 1996: $3.0 million - 2000: $4.0 million
Data Source: Research File
Reliability: Level 1

12. Economic Development Zone and Zone Equivalent Areas Tax Credits
Citation: Section 210(12-B), (19), (20)
Effective Date: Effective for tax years beginning on or after January 1, 1986. (However, the methods for computing the wage tax credit and the capital corporation credit were amended effective for tax years beginning on or after January 1, 1994.) Amendments providing that taxpayers located in Zone Equivalent Areas (ZEAs) can take a modified EDZ wage tax credit were effective January 1, 1994
Description: Taxpayers may qualify for a credit for investments in zone capital corporations, direct equity investments in certified zone businesses and contributions to community development projects (capital corporation credit). The credit equals 25 percent of the sum of each type of investment. The maximum credit per taxpayer equals $300,000 and cannot exceed one half of the taxpayer's pre-credit tax.

A taxpayer may also claim a credit for doing business and creating jobs in economic development zones (wage tax credit). The wage tax credit has two components. This credit equals the product of the average number of newly hired targeted EDZ employees receiving EDZ wages multiplied by $1,500. The corresponding credit amount for other employees equals the product of the average number of newly hired nontargeted EDZ employees receiving EDZ wages multiplied by $750.

Taxpayers employing individuals in areas that met EDZs eligibility criteria but were not so designated (Zone Equivalent Areas or ZEAs) may take a two year credit for EDZ wages paid for full-time employment in jobs created in the ZEA. Taxpayers must take the credit during the five year period following designation as a ZEA. The two year credit equals $1,000 multiplied by the average number of targeted employees and $500 multiplied by the average number of nontargeted employees hired during the first year. In the second year, the credit decreases to $500 multiplied by the average number of targeted employees and $250 multiplied by the average number of nontargeted employees. The total wage tax credit in any tax year cannot exceed 50 percent of tax due (before credits).

Taxpayers may carry unused credits forward indefinitely. "New business" taxpayers may elect to have 50 percent of their unused ZEA or EDZ wage tax credit for the tax year refunded, in lieu of carryover. Taxpayers may also qualify for a credit of 8 percent of the cost or other federal basis of tangible personal property, including buildings and structural components of buildings located within a designated economic development zone (investment tax credit). The same carryover and refundability provisions noted above also apply to this credit.
Estimates: 1996: $6.2 million - 2000: $9.0 million
Data Source: Research File
Reliability: Level 1

13. Credit for Servicing SONYMA Mortgages

Citation: Section 210(21-a)

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

Description: Mortgage bankers, registered under Article 12-D of the Banking Law and that meet certain regulatory requirements established by the State of New York Mortgage Agency (SONYMA), may claim a credit against their franchise tax. The credit equals 2.93 percent of the total principal and interest collected by the bank for each SONYMA mortgage secured by a one-to-four family residence. In addition, mortgage bankers may receive an amount equal to the interest collected during their 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 be applied against the mortgage banker's liability to reduce their liability to zero. There is no carryforward of any excess credit.

Estimates: 1996: $0.0 million - 2000: $0.1 million

Data Source: Research File

Reliability: Level 2

14. Agricultural Property Tax Credit

Citation: Section 210(22)

Effective Date: Effective for taxable years beginning on or after January 1, 1997

Description: Eligible farmers may claim a real property tax credit against the corporate franchise tax. The credit is available to an eligible farmer defined as a taxpayer whose gross income from farming is at least 2/3 of total gross income. Eligible farmers also include those who paid school district property taxes on qualified agricultural property pursuant to a land contract. The credit equals the total school property taxes paid on qualified agricultural property in the State up to the acreage limitation, and 50 percent of the school taxes paid on acres in excess of the limitation. The acreage limitation equals 100 acres in 1997 and 250 acres in 1998. The credit is phased out for taxpayers with New York adjusted gross income (entire net income) in excess of $100,000. Recapture provisions provide for an add back of the credit if the taxpayer converts the property to a nonqualified use in the 2 years subsequent to the first year of the credit.

Estimates: 1996: Not Applicable - 2000: Minimal

Data Source: Federal tax return data

Reliability: Level 2

15. Credit for Employing Individuals with Disabilities

Citation: Section 210(23)

Effective Date: Effective for tax years beginning on or after January 1, 1998, with respect to employees who begin work on or after January 1, 1997

Description: Employers who employ individuals with disabilities may claim a credit for a portion of wages paid to such individuals. The credit equals 35 percent of the first $6,000 of first year wages paid to the disabled employee (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. Unused credits are not refundable but they may be carried forward indefinitely.

To become 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 as disabled by the State Education Department. Visually handicapped individuals may receive certification from the appropriate agency responsible for vocational rehabilitation of the blind and visually impaired.

Estimates: 1996: Not Applicable - 2000: $4.0 million
Data Source: Federal credit data
Reliability: Level 4

16. Alternative Fuels Vehicle Credit

Citation: Section 210(24)
Effective Date: Effective for property placed in service in taxable years beginning on or after January 1, 1998. The tax credit provisions do not apply to property placed in service in taxable years beginning after December 31, 2002. Provisions relating to expanding the availability of existing alternative fuels tax credits for electric vehicles and clean fuel vehicle property apply to taxable years beginning on or after January 1, 2000. These provisions sunset on December 31, 2001.
Description: The new law allows credits for electric vehicles; clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property. For corporate franchise taxpayers, the credits may be transferred to affiliates. The tax credits equal: 50 percent of the incremental cost of new electric vehicles registered in New York (capped at $5,000 per vehicle); 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at $5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and $10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business. For tax years beginning on or after January 1, 2000, the credits apply to electric vehicles and clean fuel vehicle property sold or leased to governmental agencies. The vehicles must be manufactured in New York State. In addition, the manufacturing and processing activities relating to the vehicles must create at least 25 full time jobs in New York.
Estimates: 1996: Not Applicable - 2000: $9.5 million
Data Source: New York State Department of Environmental Conservation, Industry Representatives
Reliability: Level 4

17. Emerging Technology Companies Credits

Citation: Section 210(E)(F)
Effective Date: Effective for tax years beginning on or after January 1, 1999
Description: The New York State Emerging Industry Jobs Act provides corporate franchise tax credits for qualified emerging technology companies that create new jobs, or for certain corporate taxpayers that invest in emerging technology companies located in New York State. The credits include an employment tax credit of $1,000 for each

individual employed over a base year level and a capital tax credit that varies in amount depending on how long the investment is held.
Estimates: 1996: Not Applicable - 2000: $2.0 million
Data Source: New York State Department of Labor, Industry Data
Reliability: Level 4

Corporate Exemptions

Certain entities are exempt from the Article 9-A corporate franchise tax.

18. 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 are noted in parenthesis 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)
- Beginning January 1, 1995, 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.

Estimate: No data available
Reliability: Level 5

19. Companies Whose Income "Passes Through" to Shareholders
Citation: Sections 209(5),(7),(8); Section 210(1)
Effective Date: Effective for tax years beginning after December 31, 1972 (Sec. 209(5)); after December 31, 1980 (Sec. 209(7)); after December 31, 1982 (Sec. 209(8)); after December 31, 1989 (Sec. 210(1))

Article 9-A provides special treatment for the following companies:

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.
Estimate: No data available
Data Source: 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.
Estimate: No data available
Data Source: No data available
Reliability: Level 5

20. 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 this state for the 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 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.
Estimates: 1996: Not Applicable - 2000: $1.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4

21. Corporate Parent With Bank and Insurance Subsidiaries
Citation: Section 210(2)
Effective Date: Effective for tax years beginning after December 31, 1999
Description: Allows the corporate parent to exclude from its subsidiary capital tax base, capital attributable to subsidiaries taxable under Article 32 (bank) or 33 (insurance) taxes.
Estimate: 1996: Not Applicable - 2000: $0.5 million
Data Source: Industry representatives
Reliability: Level 4

22. Corporate Parent With Gas and Electric Subsidiaries
Citation: Section 210(2)
Effective Date: 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: Allows the corporate parent to exclude from its subsidiary capital tax base, capital attributable to gas and electric subsidiaries taxable under Section 186 of the Tax Law. The provision is phased in by allowing a 30 percent exclusion of this subsidiary capital for tax years beginning on or after January 1, 2000 and a 100 percent exclusion for tax years beginning on or after January 1, 2001.
Estimate: 1996: Not Applicable - 2000: $4.0 million
Data Source: Public Service Commission Financial Statistics of Major Investor-Owned Utilities Report Data
Reliability: Level 2

Preferential Tax Rates

23. Qualifying Small Business Corporations
Citation: Section 210(1)(a)
Effective Date: Effective for taxable years beginning after December 31, 1986
Description: Special tax rates apply to corporations which qualify as small business taxpayers. The law defines a small business taxpayer as a taxpayer which meets the federal definition of small business (IRC Section 1244(c)(3) and which has worldwide entire net income (ENI) of not more than $290,000 for the taxable year. For tax years beginning before July 1, 1999, small business taxpayers with ENI of less than $200,000 use a tax rate of 8 percent rather than the 9 percent generally imposed under Article 9-A. The 8 percent rate is recaptured on ENI between $200,000 and $290,000. For tax years beginning on or after July 1, 1999, small business taxpayers with ENI of less than

$200,000 pay a 7.5 percent rate. The 7.5 percent rate is recaptured between $200,000 and $290,000.
Estimates: 1996: $12.5 million - 2000: $10.0 million
Data Source: Research File
Reliability: Level 1

SALES AND USE TAX

This section of the report provides tax expenditure estimates for 116 provisions of the sales and use tax law. The list of expenditures is based on the Tax Law in effect as of January 1, 2000. 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 1993 through 1997. Table 3 lists the tax expenditures and provides historical year and projected 2000 estimates of their "cost." It also lists, in the shaded area, the years for which data are available. For recently added tax expenditures, the report displays historical estimates only for years in which 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 (TPP) 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, intrastate telephone calls and commercial energy use. Certain admissions, hotel rooms and restaurant meals are also taxed. Generally the base includes TPP unless the law provides a specific exclusion or exemption and does not include services unless the law specifically enumerates the service as taxable.

In addition to a resale exemption, the Tax Law provides manufacturers' 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 and by 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 excluded services (e.g., legal, medical, etc.) as tax expenditures.

Also, a sales tax transaction can be exempt from tax either because the good or service is exempt or because its use, purchaser or seller is exempt. In valuing the exemptions for goods or services, 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 purchaser or use. Hence, the value of the sale of a particular good or service may be included in two or more tax expenditure estimates. Also, because of this overlapping, the revenue value of eliminating the exemption would not coincide with the estimated value herein.

The New York State 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 two percent to 4.25 percent. Communities within the Metropolitan Commuter Transportation District are subject to an additional 1/4 of 1 percent tax rate. In State fiscal year 1998-1999, the Department collected about $7.6 billion for the State and approximately $7.8 billion for local governments from sales and use taxes.

Data Sources

Most tax expenditure estimates for the sales tax utilize aggregate, non-tax data sources because no tax return data exists for the many exclusions and exemptions from the tax. Sales and use tax returns report only the seller's taxable receipt on which the tax is based. Thus, the estimates are only suggestive of the revenue loss associated with each of the provisions and 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 Census of Manufacturing and the Statistical Abstract of the United States;
- data compiled by individual New York State agencies such as information from the New York State Education Department and the Office of the State Comptroller; and
- industry publications and surveys such as the Supermarket Business Magazine.

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 1995 represents the latest year for which relevant data are available, the 1995 data are used to derive a 1997 estimate. 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 2000 levels. Historical estimates are projected to 2000 levels using the New York State Division of the Budget's December 1999 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. For certain expenditures, the Division of the Budget's forecast was supplemented with industry specific projections.

Table 3
2000 New York State Sales and Use Tax Expenditure Estimates
(1998-99 Total NY Sales and Use Tax Liability = $7,600 Million)
(Millions of Dollars)

	Tax Item	Data Source Year(s)	History 1993	1994	1995	1996	1997	Forecast 2000	Reliability Level
Services									
1.	Certain Information Services		N/A	N/A	N/A	N/A	N/A	N/A	5
2.	Services Performed on a Non-Trade Basis		N/A	N/A	N/A	N/A	N/A	N/A	5
3.	Laundering, Tailoring, Shoe Repair and Similar Services	1992	50.0	52.0	54.0	56.0	58.0	65.0	4B
4.	Capital Improvement Installation Services	All Years	245.0	260.0	255.0	264.0	275.0	327.0	4C
5.	Services Related to Railroad Rolling Stock	All Years	3.0	3.0	3.0	3.0	3.0	4.0	4B
6.	Services to Property Delivered Outside New York		N/A	N/A	N/A	N/A	N/A	N/A	5
7.	Municipal Parking Services	1997	--	--	--	--	3.0	3.0	4A
8.	Certain Parking and Garaging Services	1992	*	*	*	*	*	*	4A
9.	Certain Protective and Detective Services	1995 and 1996	*	*	*	*	*	*	4A
10.	Medical Emergency Alarm Call Services	1997	--	*	*	*	*	1.0	4C
11.	Certain Information Services Provided Over the Telephone		N/A	N/A	N/A	N/A	N/A	N/A	5
12.	Cable Television Service	1993 and 1994	70.0	72.0	74.0	77.0	79.0	88.0	4A
13.	Coin-Operated Car Wash Services	1995	--	--	--	--	*	2.0	4C
14.	Internet Access Services	1996	--	--	--	--	--	41.0	4C
Food									
15.	Certain Food Products	All Years	911.0	935.0	964.0	1,005.0	1,023.0	1,026.0	4B
16.	Food Sold to Airlines	1990 and 1991	9.0	9.0	9.0	9.0	9.0	10.0	4B
17.	Food Sold at School Cafeterias	1989, 1995 and 1999	41.0	43.0	45.0	46.0	48.0	54.0	4A
18.	Food Purchased with Food Stamps	All Years	15.0	16.0	17.0	17.0	14.0	15.0	4A
19.	Water Delivered Through Mains or Pipes	1996 and 1997	76.0	77.0	79.0	85.0	87.0	87.0	4B
20.	Mandatory Gratuity Charges	1993 through 1995	13.0	14.0	15.0	15.0	16.0	16.0	4A
21.	Wine Used for Wine Tastings	1994 and 1995	--	--	--	--	*	*	4A
22.	Vending Machine Sales of Hot Drinks and Certain Foods	1992	--	--	--	--	*	5.0	4C

Medical									
23.	Drugs, Medicine and Medical Supplies	1993 through 1997	224.0	236.0	244.0	264.0	284.0	305.0	4C
24.	Eyeglasses, Hearing Aids and Prosthesis	All Years	43.0	47.0	48.0	53.0	57.0	61.0	4C
25.	Veterinarian Services	1993, 1995, 1997	16.0	16.0	17.0	19.0	21.0	28.0	4B
26.	Guide Dogs	1994	--	--	--	*	*	*	4B
Energy									
27.	Sales of Energy Sources for Residential Purposes	1994 through 1997	424.0	435.0	406.0	454.0	504.0	493.0	4A
28.	Use Tax on Gas, Electricity, Refrigeration and Steam	1992 through 1995	38.0	35.0	47.0	44.0	45.0	48.0	4C
29.	Sales of Fuel, Gas, Electricity, Refrigeration and Steam for Particular Uses	1992 through 1994	159.0	153.0	155.0	163.0	167.0	179.0	4B
Transportation									
30.	Commercial Vessels	All Years	1.0	1.0	1.0	1.0	2.0	2.0	4C
31.	Barge Repairs	1992	--	*	*	*	*	*	4C
32.	Commercial Aircraft	All Years	15.0	10.0	12.0	17.0	19.0	20.0	4C
33.	Aviation Fuel Sold to Airlines 1/	All Years	37.0	35.0	36.0	43.0	41.0	44.0	4A
34.	Parts for Foreign Aircraft		N/A	N/A	N/A	N/A	N/A	N/A	5
35.	Intra-family Sales of Motor Vehicles		N/A	N/A	N/A	N/A	N/A	N/A	5
36.	Motor Vehicles Sold to Nonresidents		N/A	N/A	N/A	N/A	N/A	N/A	5
37.	Alternative Fuel Vehicles	All Years	*	*	*	*	*	*	4B
38.	Alternative Fuel Vehicle Refueling Equipment	1997	--	--	--	--	--	*	4C
39.	Rental of Trucks in Certain Cases		N/A	N/A	N/A	N/A	N/A	N/A	5
40.	Tractor-Trailer Combinations	1992 and 1996	9.0	9.0	10.0	10.0	10.0	10.0	4A
41.	Sales of Property by Railroads in Reorganization	All Years	*	*	*	*	*	*	4A
42.	Commercial Buses	1994 through 1996	--	--	--	--	*	1.0	4A
Communication									
43.	Interstate or International Telephone & Telegraph Service	1995 through 1997	175.0	192.0	206.0	171.0	173.0	181.0	4A
44.	Newspapers and Periodicals	1992 through 1995	58.0	58.0	62.0	65.0	66.0	68.0	4B
45.	Shopping Papers	1992 through 1995	2.0	2.0	2.0	2.0	2.0	2.0	4C
46.	Telephone Services Used by the Media	1993 and 1995	*	*	*	*	*	*	4C

47.	Certain Coin-Operated Telephone Charges 1/	1996	*	*	*	*	*	7.0	4B
Industry									
48.	Tools and Supplies Used in Production		N/A	N/A	N/A	N/A	N/A	N/A	5
49.	Farm Production	All Years	49.0	51.0	54.0	55.0	57.0	63.0	4B
50.	Research and Development Property	1991	64.0	65.0	66.0	68.0	71.0	89.0	4B
51.	Machinery and Equipment Used in Production	1992 and 1994	215.0	226.0	260.0	284.0	297.0	340.0	4B
52.	Services to Machinery and Equipment Used in Production	1993 through 1995	12.0	12.0	12.0	14.0	14.0	15.0	3
53.	Wrapping and Packaging Materials		N/A	N/A	N/A	N/A	N/A	N/A	5
54.	Commercial Fishing Vessels	All Years	*	*	*	*	*	*	4B
55.	Certain Services Used in Gas/Oil Production 1/	1996	--	--	--	--	--	*	4B
Miscellaneous									
56.	Certain Property Sold Through Vending Machines	1992	*	*	*	*	*	*	4A
57.	Trade-in Allowances	1993 through 1996	110.0	133.0	143.0	161.0	175.0	218.0	4B
58.	Certain Hotel Room Rents	1993 through 1996	*	*	*	*	*	*	4C
59.	Dues for Fraternal Societies	All Years	7.0	8.0	8.0	8.0	9.0	10.0	4C
60.	Dues for Homeowners Associations		--	--	--	--	N/A	N/A	5
61.	Homeowner Association Parking Services	1996	--	--	--	--	*	5.0	4B
62.	Store Coupons	All Years	2.0	2.0	2.0	3.0	3.0	3.0	4C
63.	Excise Taxes Imposed on the Consumer	All Years	30.0	30.0	31.0	31.0	32.0	34.0	4A
64.	Property Sold by Morticians	1993	9.0	9.0	9.0	9.0	9.0	9.0	4B
65.	Flags		N/A	N/A	N/A	N/A	N/A	N/A	4C
66.	Garage Sales		N/A	N/A	N/A	N/A	N/A	N/A	5
67.	New Mobile Homes	All Years	2.0	2.0	2.0	3.0	2.0	2.0	4A
68.	Used Mobile Homes		N/A	N/A	N/A	N/A	N/A	N/A	5
69.	Registered Race Horses		--	--	N/A	N/A	N/A	N/A	5
70.	Race Horses Purchased Through Claiming Races		N/A	N/A	N/A	N/A	N/A	N/A	5
71.	Race Horses Purchased Out of State		N/A	N/A	N/A	N/A	N/A	N/A	5
72.	Training and Maintaining Race Horses	1994	2.0	2.0	2.0	2.0	2.0	2.0	4C
73.	Property Sold to Contractors for Capital Improvements or Repairs for Exempt Organizations	1992 through 1995	32.0	32.0	33.0	34.0	35.0	39.0	4C

74.	Property Donated by a Manufacturer to a Tax-Exempt Organization		N/A	N/A	N/A	N/A	N/A	N/A	5
75.	Sales and Use Tax Paid to Other States		N/A	N/A	N/A	N/A	N/A	N/A	5
76.	Precious Metal Bullion and Coins	1997	77.0	84.0	85.0	86.0	88.0	94.0	4C
77.	Computer Software Transferred to Affiliated Corporations		N/A	N/A	N/A	N/A	N/A	N/A	5
78.	Services to Computer Software		N/A	N/A	N/A	N/A	N/A	N/A	5
79.	Self-use of Prewritten Software by its Author		N/A	N/A	N/A	N/A	N/A	N/A	5
80.	Computer System Hardware	1992	--	--	--	--	--	8.0	4C
81.	Promotional Materials Mailed Out of State	1992	19.0	19.0	21.0	22.0	22.0	24.0	4C
82.	Printed Promotional Materials	1995	--	--	--	--	17.0	24.0	4B
83.	U.S. Postage Used in the Distribution of Promotional Materials		N/A	N/A	N/A	N/A	N/A	N/A	5
84.	Clothing and Footwear 2/		--	--	--	--	--	504.0	4B
85.	Temporary Clothing Exemption		--	--	--	--	--	25.0	4B
86.	Coin Operated Photocopying Machines	1996	--	--	--	--	*	*	4C
87.	Luggage Carts	1997	--	--	--	--	*	*	4C
88.	Emissions Testing Equipment	1997	--	--	--	--	--	*	4A
89.	College Textbooks	1997	--	--	--	--	--	24.0	4B
Exempt Organizations									
90.	New York State Agencies and Political Subdivisions	1992 through 1994	616.0	639.0	617.0	623.0	631.0	664.0	4A
91.	Industrial Development Agencies	1994 through 1997	50.0	52.0	56.0	50.0	52.0	60.0	4A
92.	Federal Agencies	All Years	179.0	147.0	146.0	148.0	147.0	154.0	4B
93.	United Nations		N/A	N/A	N/A	N/A	N/A	N/A	5
94.	Diplomats and Foreign Missions		N/A	N/A	N/A	N/A	N/A	N/A	5
95.	Charitable Organizations	All Years	189.0	199.0	207.0	218.0	227.0	247.0	4C
96.	Veterans' Posts or Organizations	1994	*	*	*	*	*	*	4C
97.	Indian Nations and Members of Such Indian Nations	1996	1.0	1.0	1.0	1.0	1.0	1.0	4C
98.	U.S. Military Base Post Exchanges	1992 through 1995	9.0	8.0	6.0	6.0	6.0	6.0	4A
99.	Non-Profit Health Maintenance Organizations	1997	2.0	3.0	3.0	3.0	3.0	3.0	4A
100.	Non-Profit Medical Expense Indemnity or Hospital Service Corporations	1993 through 1996	8.0	8.0	8.0	9.0	9.0	9.0	4A
101.	Rural Electric Cooperatives	1995 and 1996	*	*	*	*	*	*	4A
102.	Municipal Trash Removal Services	1993 and 1995	32.0	32.0	31.0	31.0	30.0	29.0	4A

Exempt Admission Charges								
103. Certain Admission Charges	1992	136.0	140.0	145.0	150.0	154.0	166.0	4B
104. Admissions to Events Given by Charitable Organizations, Veterans' Posts, Indian Nations, etc.		N/A	N/A	N/A	N/A	N/A	N/A	5
105. Admissions to Events Given by Certain Orchestras and Opera Companies		N/A	N/A	N/A	N/A	N/A	N/A	5
106. National Guard Organization Events		N/A	N/A	N/A	N/A	N/A	N/A	5
107. Municipal Police and Fire Department Events		N/A	N/A	N/A	N/A	N/A	N/A	5
108. Admissions to Certain Athletic Games		N/A	N/A	N/A	N/A	N/A	N/A	5
109. Admissions to Carnivals, Rodeos and Circuses for Certain Charitable Organizations	1992	*	*	*	*	*	*	4B
110. Admissions to Agricultural Fairs	All Years	*	*	*	*	*	*	4A
111. Admissions to Historical Homes, Gardens, Sites and Museums		N/A	N/A	N/A	N/A	N/A	N/A	5
Credits								
112. Sales Tax Vendor Credit	1994 through 1997	--	4.0	18.0	27.0	23.0	46.0	3
113. Credit for Tangible Property Sold by Contractors in Certain Situations		N/A	N/A	N/A	N/A	N/A	N/A	5
114. Credit for Veterinary Drugs		N/A	N/A	N/A	N/A	N/A	N/A	5
115. Credit for Construction Materials Used in Economic Development Zones	All Years	*	*	*	*	*	*	4A
116. Credit for Bus Companies Providing Local Transit Service	1995 through 1997	N/A	N/A	*	*	*	*	4A

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/ Exemption is effective March 1, 2000. Number shown is a partial calendar year estimate. Amount for full State Fiscal Year 2000-01 is $597 million.

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

* Less than $1 million.

N/A No data available

Services

1. **Certain Information Services**
Citation: Section 1105(c)(1)
Effective Date: Effective August 1, 1965; meteorological services effective September 1, 1995
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, radio broadcasters and television broadcasters in the collection and dissemination of news and meteorological services.
Estimate: No data available

2. **Services Performed on a Non-Trade Basis**
Citation: Section 1105(c)(3)(i)
Effective Date: Effective 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

3. **Laundering, Tailoring, Shoe Repair and Similar Services**
Citation: Section 1105(c)(3)(ii)
Effective Date: Effective August 1, 1965
Description: Any receipts from laundering, dry cleaning, tailoring, weaving, pressing, shoe repairing and shoe shining are excluded from tax.
Estimates: 1997: $58.0 million - 2000: $65.0 million
Data Source: U.S. Department of Commerce, Census of Service Industries
Reliability: Level 4B

4. **Capital Improvement Installation Services**
Citation: Section 1105(c)(3)(iii)
Effective Date: Effective 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: 1997: $275.0 million - 2000: $327.0 million
Data Source: U.S. Department of Commerce, Statistical Abstract of the United States
Reliability: Level 4C

5. **Services Related to Railroad Rolling Stock**
Citation: Section 1105(c)(3)(viii)
Effective Date: Effective 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: 1997: $3.0 million - 2000: $4.0 million
Data Source: New York State Department of Transportation
Reliability: Level 4B

6. **Services to Property Delivered Outside New York**
Citation: Section 1115(d)
Effective Date: Effective August 1, 1965
Description: Services to tangible personal property which are otherwise taxable are tax exempt when the property is delivered outside New York State for use outside the State.
Estimate: No data available

7. **Municipal Parking Services**
Citation: Section 1105(c)(6)
Effective Date: December 1, 1996
Description: Charges for parking, garaging or storing motor vehicles at facilities owned and operated by local governments and local public parking authorities.
Estimates: 1997: $3.0 million - 2000: $3.0 million
Data Source: New York State Office of the Comptroller; City of New York Department of Transportation
Reliability: Level 4A

8. **Certain Parking and Garaging Services**
Citation: Section 1105(c)(6)
Effective Date: Effective June 1, 1990
Description: Charges for parking, garaging or storing vehicles at a garage which constitutes part of the premises occupied solely as a private one- or two-family dwelling are exempt from tax.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4A

9. **Certain Protective and Detective Services**
Citation: Section 1105(c)(8)
Effective Date: Effective June 1, 1990
Description: Protective and detective services provided by a portwatchman licensed by the Waterfront Commission of New York Harbor are exempt from tax.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York Shipping Association, Inc.
Reliability: Level 4A

10. Medical Emergency Alarm Call Services
Citation: Section 1115(r)
Effective Date: Effective September 1, 1994
Description: Exempt from tax are medical emergency alarm services that would otherwise be taxable as protective services under Section 1105(c)(8).
Estimates: 1997: Minimal - 2000: $1.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4C

11. Certain Information Services Provided Over the Telephone
Citation: Section 1105(c)(9)
Effective Date: Effective 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 #1 above.
Estimate: No data available

12. Cable Television Service
Citation: Section 1105(c)(9)
Effective Date: Effective September 1, 1990
Description: The provision of cable television services is exempt from tax.
Estimates: 1997: $79.0 million - 2000: $88.0 million
Data Source: New York State Department of Public Service
Reliability: Level 4A

13. Coin-Operated Car Wash Services
Citation: Section 1115(t)
Effective Date: December 1, 1997
Description: The sales tax exempts the service of washing, waxing or vacuuming a motor vehicle, or other property, by means of self-service coin-operated equipment.
Estimates: 1997: Minimal - 2000: $2.0 million
Data Source: New York State Car Wash Association
Reliability: Level 4C

14. Internet Access Services
Citation: Section 1115(v)
Effective Date: February 1, 1997
Description: The sales tax exempts Internet access services. Incidental services such as Internet communications or navigation software, an E-mail address, news headlines, space for a website and certain other website services, when offered in conjunction with Internet access and merely incidental to the access services, are considered part of the exempt service and are also exempt.

Estimates: 1997: Not Applicable - 2000: $41.0 million
Data Source: U.S. Department of Commerce, Industrial and Trade Outlook
Reliability: Level 4C

Food

15. Certain Food Products
Citation: Section 1115(a)(1), 1105(d)(i)(3)
Effective Date: Effective 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: 1997: $1,023.0 million - 2000: $1,026.0 million
Data Sources: Sales and Marketing Management, 1997 Survey of Buying Power; Supermarket Business, 49th Annual Consumer Expenditure Study
Reliability: Level 4B

16. Food Sold to Airlines
Citation: Section 1105(d)(ii)(A)
Effective Date: Effective August 1, 1965
Description: The sales tax does not apply to food or drink which is sold to an airline for consumption by passengers while in flight.
Estimates: 1997: $9.0 million - 2000: $10.0 million
Data Source: Air Transport Association
Reliability: Level 4B

17. Food Sold at School Cafeterias
Citation: Section 1105(d)(ii)(B)
Effective Date: Effective September 1, 1968
Description: Food or drink sold to a student of a nursery school, kindergarten, elementary or secondary school at a restaurant or cafeteria located on the premises 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. To be exempt, these items must be sold to enrolled students who purchase such food and drink under a contractual arrangement whereby the students do not pay cash at the time they are served.
Estimates: 1997: $48.0 million - 2000: $54.0 million
Data Source: New York State Department of Education
Reliability: Level 4A

18. Food Purchased with Food Stamps
Citation: Section 1115(k)
Effective Date: Effective October 1, 1987
Description: Receipts from the sale of food eligible to be purchased with Food Stamps are exempt from tax when such food is purchased with Food Stamps.
Estimates: 1997: $14.0 million - 2000: $15.0 million
Data Source: New York State Office of Temporary and Disability Assistance
Reliability: Level 4A

19. Water Delivered Through Mains or Pipes
Citation: Section 1115(a)(2)
Effective Date: Effective August 1, 1965
Description: Water delivered to consumers through mains or pipes is exempt.
Estimates: 1997: $87.0 million - 2000: $87.0 million
Data Source: New York State Department of Public Service; Office of the State Comptroller; New York City Department of Finance
Reliability: Level 4B

20. Mandatory Gratuity Charges
Citation: Section 1105(d) and Regulation Section 527.8(l)
Effective Date: Effective 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: 1997: $16.0 million - 2000: $16.0 million
Data Source: Cornell University School of Hotel and Food Service Management; New York State Department of Taxation and Finance
Reliability: Level 4A

21. Wine Used for Wine Tastings
Citation: Section 1115(a)(33)
Effective Date: December 1, 1997
Description: Exempt from tax is the wine that a winery, wine wholesaler or wine importer furnishes to customer or prospective customers at a wine tasting.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4A

22. 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 which accept credit cards or debit cards. In addition, vending machines 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: 1997: Minimal - 2000: $5.0 million
Data Sources: U.S. Department of Commerce, Census of Retail Trade; Vending Times
Reliability: Level 4C

Medical

23. Drugs, Medicine and Medical Supplies
Citation: Section 1115(a)(3)
Effective Date: Effective 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 required for such use or to correct or alleviate physical incapacity, services to medical equipment, and products consumed by humans for the preservation of health. This exemption does not include cosmetics or toilet articles and does not include purchases of medical equipment and supplies by a person who provides medical or dental services for compensation.
Estimates: 1997: $284.0 million - 2000: $305.0 million
Data Source: U.S. Department of Commerce, Survey of Current Business
Reliability: Level 4C

24. Eyeglasses, Hearing Aids and Prosthesis
Citation: Sections 1115(a)(4), 1115(g)
Effective Date: Effective 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: 1997: $57.0 million - 2000: $61.0 million
Data Source: U.S. Department of Commerce, Survey of Current Business
Reliability: Level 4C

25. Veterinarian Services
Citation: Section 1115(f)
Effective Date: Effective June 1, 1967
Description: Services rendered by a licensed veterinarian in the practice of veterinary medicine, including hospitalization when no separate boarding charge is made, are exempt from tax. The exemption does not apply to other services provided by a veterinarian such as boarding, grooming and clipping. Tangible personal property designed for use by domestic animals or poultry is also exempt when sold by a veterinarian. However, the veterinarian is liable for the sales tax on the purchase of such property. Thus, only the markup on these items is tax exempt.

Estimates: 1997: $21.0 million - 2000: $28.0 million
Data Source: American Veterinary Medical Association; The Nelson A. Rockefeller Institute of Government, New York State Statistical Yearbook
Reliability: Level 4B

26. Guide Dogs
Citation: Section 1105(s)
Effective Date: Effective September 24, 1995
Description: This provision exempts the sales 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.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Agriculture and Markets; Guide Dog Foundation; Guiding Eyes for the Blind
Reliability: Level 4B

Energy

27. Sales of Energy Sources for Residential Purposes
Citation: Section 1105-A, 1115(a)(25)
Effective Date: Effective 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: 1997: $504.0 million - 2000: $493.0 million
Data Source: New York State Department of Taxation and Finance; New York State Energy Research and Development Authority
Reliability: Level 4A

28. Use Tax on Gas, Electricity, Refrigeration and Steam
Citation: Section 1101(6)
Effective Date: August 1, 1965
Description: The definition of tangible personal property includes gas, electricity, refrigeration and steam for the purposes of the sales tax (Section 1105(b)). However, the definition of tangible personal property specifically excludes gas, electricity, refrigeration and steam for other purposes. Therefore, gas, electricity, refrigeration and steam are exempt from the use tax.
Estimates: 1997: $45.0 million - 2000: $48.0 million

Data Source: New York State Department of Taxation and Finance; U.S. Department of Energy, Energy Information Administration
Reliability: Level 4C

29. Sales of Fuel, Gas, Electricity, Refrigeration and Steam for Particular Uses
Citation: Sections 1115(b)(ii), 1115(c)
Effective Date: Effective August 1, 1965
Description: Gas, electricity, refrigeration and steam, and gas, electric, refrigeration and steam service used or consumed directly and exclusively in research and development in the experimental or laboratory sense, or used or consumed directly and exclusively in the production of tangible personal property, gas, electricity, refrigeration or steam, for sale by manufacturing, processing, assembling, generating, refining, mining, extracting, farming, agriculture, horticulture or floriculture are exempt from the sales tax.
Estimates: 1997: $167.0 million - 2000: $179.0 million
Data Source: New York State Energy Office, Annual Energy Review; U.S. Department of Energy, Energy Information Administration
Reliability: Level 4B

Transportation

30. Commercial Vessels
Citation: Sections 1101(b)(16), 1105(c)(3)(iv), 1115(a)(8)
Effective Date: Effective 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 as well as services rendered with respect to commercial vessels. A commercial vessel is a vessel used primarily to transport persons or property for hire or by its purchaser to transport property used in the purchaser’s business, or for both such purposes.
Estimates: 1997: $2.0 million - 2000: $2.0 million
Data Source: U.S. Department of Energy, Energy Information Administration; New York State Department of Taxation and Finance, PBT Master File
Reliability: Level 4C

31. 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: 1997: Minimal - 2000: Minimal

Data Source: U.S. Department of Commerce, Bureau of the Census
Reliability: Level 4C

32. Commercial Aircraft
Citation: Sections 1101(b)(17), 1105(c)(3)(v), 1115(a)(21)
Effective Date: Effective 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 and property used by or purchased for the use of such aircraft for maintenance and repairs and flight simulators purchased by commercial airlines. A commercial aircraft is an aircraft used primarily to transport persons or property for hire or by its purchaser to transport property used in the purchaser's business, or for both such purposes.
Estimates: 1997: $19.0 million - 2000: $20.0 million
Data Source: U.S. Department of Commerce, Annual Capital Expenditures Report
Reliability: Level 4C

33. Aviation Fuel Sold to Airlines
Citation: Section 1115(a)(9)
Effective Date: Effective August 1, 1965
Description: Fuel sold to an airline for use in its airplanes is exempt from tax.
Estimates: 1997: $41.0 million - 2000: $44.0 million
Data Source: New York State Energy Research and Development Authority; U.S. Department of Energy, Energy Information Administration
Reliability: Level 4A

34. Parts for Foreign Aircraft
Citation: Section 1118(8)
Effective Date: Effective 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

35. Intra-family Sales of Motor Vehicles
Citation: Section 1115(a)(14)
Effective Date: Effective September 1, 1969 for transactions between spouses; September 1, 1972 for transactions between parents and children
Description: Motor vehicles sold between husband and wife, or by a parent to a child or child to parent are exempt from tax.
Estimate: No data available

36. Motor Vehicles Sold to Nonresidents
Citation: Section 1117(a)
Effective Date: Effective August 1, 1965
Description: Sales of motor vehicles in New York to nonresidents are exempt from the sales tax provided the nonresident purchaser is not registering the newly purchased vehicle for use in New York.
Estimate: No data available

37. Alternative Fuel Vehicles
Citation: Section 1115(p)(1), (2), (4)
Effective Date: Effective September 1, 1992
Description: The additional cost of new alternative fuel vehicles (attributable to the alternative fuel equipment) above the sale price of comparable gasoline or diesel powered vehicles is exempt from tax. Also exempt are the parts and labor charges related to converting a gasoline or diesel powered vehicle into an alternative fuel vehicle. Alternative fuel vehicles include vehicles fueled by alcohol, natural gas, propane or hydrogen, or electric powered vehicles as well as "dual fuel vehicles." The exemption does not apply to electric vehicles used by regulated gas or electric companies.
Termination Date: Expires February 28, 2003
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Motor Vehicles; New York State Department of Taxation and Finance
Reliability: Level 4B

38. Alternative Fuel Vehicle Refueling Equipment
Citation: Section 1115(p)(3)
Effective Date: March 1, 1998
Description: Receipts from the sale of commercial alternative fuel vehicle refueling property, including electric vehicle recharging equipment, and from the service of installing such property are exempt from tax.
Termination Date: Expires February 28, 2003
Estimates: 1997: Not Applicable - 2000: Minimal
Data Source: U.S. Department of Energy, Energy Information Administration; New York State Energy Research Development Authority
Reliability: Level 4C

39. Rental of Trucks in Certain Cases
Citation: Section 1115(a)(22)
Effective Date: Effective 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

40. Tractor-Trailer Combinations
Citation: Sections 1115(a)(26), 1115(g)
Effective Date: Effective 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: 1997: $10.0 million - 2000: $10.0 million
Data Source: New York State Department of Motor Vehicles; Federal Highway Administration; U.S. Department of Commerce
Reliability: Level 4A

41. Sales of Property by Railroads in Reorganization
Citation: Section 1115(h)
Effective Date: Effective 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 plan of reorganization and restructuring.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Transportation
Reliability: Level 4A

42. Commercial Buses
Citation: Sections 1115(a)(32), 1115(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 forty feet and is used to transport persons for hire. Related services performed on these vehicles are also exempt.
Estimates: 1997: Minimal - 2000: $1.0 million
Data Source: The Bus Association of New York State
Reliability: Level 4A

Communication

43. Interstate or International Telephone and Telegraph Service
Citation: Section 1105(b)
Effective Date: Effective August 1, 1965
Description: Interstate and international telephone and telegraph services are tax-exempt.
Estimates: 1997: $173.0 million - 2000: $181.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4A

44. Newspapers and Periodicals
Citation: Section 1101(b)(6), 1115(a)(5), Regulation Section 528.6, Section 1118(5)
Effective Date: Effective 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 through telecommunication, are exempt from tax. In addition, paper and ink used in the publication of newspapers and periodicals is tax-exempt.
Estimates: 1997: $66.0 million - 2000: $68.0 million
Data Source: U.S. Department of Commerce, Survey of Current Business and U.S. Industrial Outlook
Reliability: Level 4B

45. Shopping Papers
Citation: Sections 1115(a)(20), 1115(i)
Effective Date: Effective September 1, 1977
Description: Receipts from the retail sale of a shopping paper to the publisher is tax-exempt as well as the receipts from the sale of printing services performed in publishing such paper. In addition, the paper, ink and any other tangible personal property purchased for use in the publication of a shopping paper is exempt.
Estimates: 1997: $2.0 million - 2000: $2.0 million
Data Source: U.S. Department of Commerce, U.S. Industrial Outlook
Reliability: Level 4C

46. Telephone Services Used by the Media
Citation: Section 1115(b)(i)
Effective Date: Effective August 1, 1965
Description: Telephone and telegraph services used by newspapers, radio broadcasters, and television broadcasters in the collection or dissemination of news are exempt if the charges for these services are toll charges or charges for mileage services.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4C

47. Certain Coin-Operated Telephone Charges
Citation: Section 1115(e)
Effective Date: Effective June 1, 1966 for 10 cent exemption; September 1, 1998 for 25 cent exemption.
Description: Coin-operated telephone charges of 25 cents or less are tax-exempt.
Estimates: 1997: Minimal - 2000: $7.0 million
Data Source: New York State Department of Public Service; New York State Telephone Association
Reliability: Level 4B

Industry

48. Tools and Supplies Used in Production
Citation: Section 1105-B(a), Section 1115(a)(36)
Effective Date: Effective March 1, 1981, December 1, 1998
Description: Receipts from the retail sales 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 State sales tax. Parts, tools and supplies used in or on exempt telephone and telegraph equipment are also exempt.
Estimate: No data available

49. Farm Production
Citation: Section 1115(a)(6), 1105(c)(3)(vi)
Effective Date: Effective August 1, 1965 (Sec. 1115(a)(6)); September 1, 1982 (Sec. 1105(c)(3)(vi))
Description: Exempt from tax is tangible personal property for use or consumption directly and predominantly in the production, for sale, of tangible personal property by farming except property incorporated in a building or structure. In addition, tangible personal property used in silo construction is tax exempt. Farming includes raising stock, dairy, poultry, fur-bearing animals, fruit and truck farming, the operation of ranches, nurseries, greenhouses, vineyard trellises or other similar structures, and orchards. Also exempt are the services of installing, repairing, maintaining and servicing tangible personal property used directly and predominantly to produce a product for sale by farming.
Estimates: 1997: $57.0 million - 2000: $63.0 million
Data Source: U.S. Department of Agriculture, Agricultural Survey; New York State Department of Agriculture and Markets
Reliability: Level 4B

50. Research and Development Property
Citation: Section 1115(a)(10)
Effective Date: Effective 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: 1997: $71.0 million - 2000: $89.0 million
Data Source: National Science Foundation
Reliability: Level 4B

51. Machinery and Equipment Used in Production
Citation: Section 1115(a)(12)
Effective Date: Effective August 1, 1965
Description: Exempt from sales tax are machinery and equipment for use or consumption in the production of tangible personal property, gas, electricity, refrigeration or steam for sale by manufacturing, processing, generating, assembling, refining, mining or extracting. A similar exemption applies to certain telephone and telegraph equipment.
Estimates: 1997: $297.0 million - 2000: $340.0 million
Data Source: U.S. Department of Commerce, New York State Public Service Commission
Reliability: Level 4B

52. Services to Machinery and Equipment Used in Production
Citation: Section 1105-B(b)
Effective Date: Effective March 1, 1981
Description: Receipts from the services of installing, repairing, maintaining or servicing exempt production machinery and equipment or exempt parts, tools and supplies are exempt from State sales tax.
Estimates: 1997: $14.0 million - 2000: $15.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 3

53. Wrapping and Packaging Materials
Citation: Section 1115(a)(19)
Effective Date: Effective 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 by the vendor to the purchaser. This provision has the effect of exempting the shipping and packaging materials used during wholesale distribution.
Estimate: No data available

54. Commercial Fishing Vessels
Citation: Sections 1115(a)(24),1105(c)(3)(vii)
Effective Date: Effective 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: 1997: Minimal - 2000: Minimal
Data Source: National Marine Fisheries; Cornell Cooperative Extension of Suffolk County, Marine Program
Reliability: Level 4B

55. Certain Services Used in Gas/Oil Production
Citation: Section 1105(c)(3) and Section 1105(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 oil and gas for sale. Also exempt are maintenance and repair services rendered directly to real property or land used directly and predominately in producing gas or oil for sale.
Estimates: 1997: Not Applicable - 2000: Minimal
Data Source: New York State Department of Taxation and Finance; New York State Department of Environmental Conservation
Reliability: Level 4B

Miscellaneous

56. Certain Property Sold Through Vending Machines
Citation: Sections 1115(a)(13), (13-a)
Effective Date: Effective August 1, 1965 (Sec. 1115(a)(13)); 25-cent exemption effective September 1, 1983 (Sec. 1115(a)(13-a)); 50-cent exemption effective December 1, 1997 (Sec. 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. Prior to December 1, 1997 the exemption for coin-operated bulk vending machines was for sales at 25 cents or less.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: U.S. Department of Commerce, Census of Retail Trade; Vending Times
Reliability: Level 4A

57. Trade-in Allowances
Citation: Section 1101(b)(3)
Effective Date: Effective August 1, 1965
Description: Allowances for trade-ins on automobiles and any other items qualify as reductions of taxable receipts, provided the items traded in are intended for resale by the vendor.
Estimates: 1997: $175.0 million - 2000: $218.0 million

Data Source: National Automobile Dealers Association; Motor Vehicle Manufacturers Association, Facts and Figures
Reliability: Level 4B

58. Certain Hotel Room Rents
Citation: Section 1105(e)(1),(2)
Effective Date: Effective 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: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4C

59. Dues for Fraternal Societies
Citation: Section 1105(f)(2)(ii)(a), (b)
Effective Date: Effective 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: 1997: $9.0 million - 2000: $10.0 million
Data Source: U.S. Department of Commerce, Survey of Current Business
Reliability: Level 4C

60. Dues for Homeowners Associations
Citation: 1105(f)(ii)(c)
Effective Date: September 1, 1995
Description: The Tax Law exempts the dues paid to a homeowners association operating social or athletic facilities for its members.
Estimate: No data available

61. Homeowner Association Parking Services
Citation: Section 1105(c)(6)
Effective Date: December 1, 1997
Description: Charges by a homeowner's association to its members for parking, garaging or storing motor vehicles are exempt.
Estimates: 1997: Minimal - 2000: $5.0 million
Data Source: New York State Office of Real Property Services; New York State Division of Housing and Community Renewal; Federation of New York Housing Cooperatives; U.S. Department of Housing and Urban Development
Reliability: Level 4B

62. Store Coupons
Citation: Regulation Section 526.5(c)
Effective Date: Effective August 26, 1976
Description: Coupons issued by a retailer, for which there is no reimbursement by a manufacturer or distributor, are deducted from the price for sales tax purposes.
Estimates: 1997: $3.0 million - 2000: $3.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4C

63. Excise Taxes Imposed on the Consumer
Citation: Regulation Section 526.5(b)
Effective Date: Effective August 26, 1976
Description: Most consumer excise taxes are excluded from the receipt subject to sales tax. For example, the federal tax on telephone service and the State tax on motor fuels are both excluded from the sales tax base.
Estimates: 1997: $32.0 million - 2000: $34.0 million
Data Source: New York State Department of Taxation and Finance; U.S. Department of Commerce, Statistical Abstract of the United States
Reliability: Level 4A

64. Property Sold by Morticians
Citation: Section 1115(a)(7)
Effective Date: Effective 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. Thus, only the markup on those items is tax-exempt.
Estimates: 1997: $9.0 million - 2000: $9.0 million
Data Source: The Nelson A. Rockefeller Institute of Government, New York State Statistical Yearbook; National Funeral Directors Association
Reliability: Level 4B

65. Flags
Citation: Section 1115(a)(11)
Effective Date: Effective August 1, 1965
Description: Flags of the United States of America and the State of New York are tax-exempt.
Estimate: No data available

66. Garage Sales
Citation: Section 1115(a)(18)
Effective Date: Effective September 1, 1973

Description: Sales of products at private residences by garage sales, etc., 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, and if no member of the household conducts a trade or business selling similar products.
Estimate: No data available

67. New Mobile Homes
Citation: Section 1111(f)
Effective Date: Effective September 1, 1983
Description: Thirty percent of the receipts or consideration from sales of new mobile homes is exempt from tax.
Estimates: 1997: $2.0 million - 2000: $2.0 million
Data Source: Manufactured Housing Institute
Reliability: Level 4A

68. Used Mobile Homes
Citation: Section 1115(a)(23)
Effective Date: Effective January 1, 1982
Description: Sales of used mobile homes are fully tax exempt.
Estimate: No data available

69. 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 4 years of its life.
Estimate: No data available

70. Race Horses Purchased Through Claiming Races
Citation: Section 1111(g)
Effective Date: Effective July 1, 1985
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

71. Race Horses Purchased Out of State
Citation: Sections 1118(9), (10)
Effective Date: Effective July 28, 1981 (Sec. 1118(9)); July 1, 1985 (Sec. 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

72. Training and Maintaining Race Horses
Citation: Section 1115(m)
Effective Date: Effective 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: 1997: $2.0 million - 2000: $2.0 million
Data Source: American Horse Council
Reliability: Level 4C

73. Property Sold to Contractors for Capital Improvements or Repairs for Exempt Organizations
Citation: Section 1115(a)(15),(16)
Effective Date: Effective 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: 1997: $35.0 million - 2000: $39.0 million
Data Source: U.S. Department of Commerce, Statistical Abstract of the United States
Reliability: Level 4C

74. Property Donated by a Manufacturer to a Tax-Exempt Organization
Citation: Section 1115(l)
Effective Date: Effective September 1, 1986
Description: Tangible personal property manufactured and donated by the manufacturer to a tax 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

75. Sales and Use Tax Paid to Other States
Citation: Section 1118(7)
Effective Date: Effective 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

76. 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 from tax.
Estimates: 1997: $88.0 million - 2000: $94.0 million
Data Source: Commodities and Mercantile Exchange
Reliability: Level 4C

77. 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

78. Services to Computer Software
Citation: Section 1115(o)
Effective Date: September 1, 1991
Description: Certain services to prewritten computer software are exempt from tax when the charge for such services is reasonable and separately stated on an invoice or other statement of the price given to the purchaser. Exempt services include installing, maintaining, servicing or repairing prewritten software.
Estimate: No data available

79. Self-use of Prewritten Software by its Author
Citation: Section 1110(g)
Effective Date: September 1, 1991

Description: The use tax on any prewritten computer software used by its author or creator is calculated only on the basis of 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

80. Computer System Hardware
Citation: Section 1115(a)(35)
Effective Date: June 1, 1998
Description: Purchases, leases or rentals of computer system hardware used or consumed directly and predominantly in designing and developing computer software for sale are exempt.
Estimates: 1997: Not Applicable - 2000: $8.0 million
Data Source: U.S. Department of the Commerce, Bureau of the Census
Reliability: Level 4C

81. 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: 1997: $22.0 million - 2000: $24.0 million
Data Source: U.S. Department of Commerce, Census of Manufacturers and U.S. Industrial and Trade Outlook
Reliability: Level 4C

82. 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. When coupled with item 81 above, this has the effect of exempting printed promotional materials distributed to customers or prospective customers in New York State. 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: 1997: $17.0 million - 2000: $24.0 million
Data Source: Promo Magazine
Reliability: Level 4B

83. 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

84. Clothing and Footwear
Citation: Section 1115(a)(30)
Effective Date: March 1, 2000
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: 1997: Not Applicable - 2000: $504.0 million
Data Source: New York State Division of the Budget
Reliability: Level 4B

85. Temporary Clothing Exemption
Citation: Sections 1101(b)(15), 1115(a)(30)
Effective Date: For sales occurring during the period commencing January 15, 2000 and ending January 21, 2000
Description: During the seven-day period, clothing and footwear selling for less than $500 per article of clothing or pair of shoes are exempt from State sales tax.
Estimates: 1997: Not Applicable - 2000: $25.0 million
Data Source: New York State Division of the Budget
Reliability: Level 4B

86. 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: 1997: Minimal - 2000: Minimal
Data Source: Vending Times
Reliability: Level 4C

87. 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: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4C

88. 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: 1997: Not Applicable - 2000: Minimal
Data Source: New York State Department of Environmental Conservation
Reliability: Level 4A

89. 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: 1997: Not Applicable - 2000: $24.0 million
Data Source: New York State Department of Education
Reliability: Level 4B

Exempt Organizations

90. New York State Agencies and Political Subdivisions
Citation: Section 1116(a)(1)
Effective Date: Effective 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: 1997: $631.0 million - 2000: $664.0 million
Data Source: New York State Division of the Budget; U.S. Department of Commerce, Bureau of the Census
Reliability: Level 4A

91. Industrial Development Agencies
Citation: Section 1116(a)(1), and General Municipal Law Article 18-A
Effective Date: Effective 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: 1997: $52.0 million - 2000: $60.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4A

92. Federal Agencies
Citation: Section 1116(a)(2)
Effective Date: Effective 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: 1997: $147.0 million - 2000: $154.0 million
Data Source: U.S. Department of Commerce, Governments Division
Reliability: Level 4B

93. United Nations
Citation: Section 1116(a)(3)
Effective Date: Effective 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

94. 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

95. Charitable Organizations
Citation: Section 1116(a)(4)
Effective Date: Effective 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: 1997: $227.0 million - 2000: $247.0 million
Data Source: U.S. Department of Commerce, Survey of Current Business
Reliability: Level 4C

96. Veterans' Posts or Organizations
Citation: Section 1116(a)(5) and Section 1116(g)
Effective Date: Effective 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 substantially all other members are their spouses or cadets, 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.
Estimate: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Taxation and Finance; Food Institute, Food Industry Review
Reliability: Level 4C

97. Indian Nations and Members of Such Indian Nations
Citation: Section 1116(a)(6); Federal restrictions
Effective Date: Effective 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: 1997: $1.0 million - 2000: $1.0 million
Data Source: U.S. Department of Commerce, Bureau of the Census and Bureau of Labor Statistics
Reliability: Level 4C

98. U.S. Military Base Post Exchanges
Citation: 4 U.S. Code, Sections 104-110
Effective Date: Effective August 1, 1965
Description: Sales, except sales of motor fuels, made on a military base by a post exchange or commissary are exempt.
Estimates: 1997: $6.0 million - 2000: $6.0 million
Data Source: Regional sales offices of U.S. Armed Services
Reliability: Level 4A

99. Non-Profit Health Maintenance Organizations
Citation: Section 1116(a)(7)

Effective Date: Effective April 1, 1980
Description: Purchases by a not-for-profit corporation operating as a health maintenance organization subject to the provisions of Article 44 of the Public Health Law are tax exempt.
Estimates: 1997: $3.0 million - 2000: $3.0 million
Data Source: New York State Health Department
Reliability: Level 4A

100. Non-Profit Medical Expense Indemnity or Hospital Service Corporations
Citation: Insurance Law Article 43, Section 4310(j)
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 not-for-profit corporations organized for the purpose of family medical expense indemnity, dental expense indemnity, hospital services or health services.
Estimates: 1997: $9.0 million - 2000: $9.0 million
Data Source: New York State Insurance Department
Reliability: Level 4A

101. Rural Electric Cooperatives
Citation: Section 1116(a)(8)
Effective Date: Effective 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: 1997: Minimal - 2000: Minimal
Data Sources: Rural Electric Cooperatives Association; U.S. Department of Agriculture
Reliability: Level 4A

102. Municipal Trash Removal Services
Citation: Section 1116(e)
Effective Date: Effective 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: 1997: $30.0 million - 2000: $29.0 million
Data Source: Office of the State Comptroller
Reliability: Level 4A

Exempt Admission Charges

103. Certain Admission Charges
Citation: Section 1105(f)(1)
Effective Date: Effective 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: 1997: $154.0 million - 2000: $166.0 million
Data Source: U.S. Department of Commerce, Census of Service Industries
Reliability: Level 4B

104. Admissions to Events Given by Charitable Organizations, Veterans' Posts, Indian Nations, etc.
Citation: Section 1116(d)(1)(A)
Effective Date: Effective August 1, 1965
Description: 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

105. Admissions to Events Given by Certain Orchestras and Opera Companies
Citation: Section 1116(d)(1)(B)
Effective Date: Effective 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

106. National Guard Organization Events
Citation: Section 1116(d)(1)(C)
Effective Date: Effective 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

107. Municipal Police and Fire Department Events
Citation: Section 1116(d)(1)(D)
Effective Date: Effective 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

108. Admissions to Certain Athletic Games
Citation: Section 1116(d)(2)(A)
Effective Date: Effective 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

109. Admissions to Carnivals, Rodeos and Circuses for Certain Charitable Organizations
Citation: Section 1116(d)(2)(B)
Effective Date: Effective July 30, 1983
Description: Admissions to carnivals, rodeos or circuses 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: 1997: Minimal - 2000: Minimal
Data Source: U.S. Department of Commerce, Census of Service Industries
Reliability: Level 4B

110. Admissions to Agricultural Fairs
Citation: Section 1116(d)(3)(A)
Effective Date: Effective 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: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Agriculture
Reliability: Level 4A

111. Admissions to Historical Homes, Gardens, Sites and Museums
Citation: Sections 1116(d)(3)(B), (C)
Effective Date: Effective 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

Credits

112. Sales Tax Vendor Credit
Citation: Section 1137(f)
Effective Date: September 1, 1994, March 1, 1999 for increased rate
Description: A vendor allowance credit is provided to vendors who collect sales tax and remit the tax with their timely filed and fully paid quarterly or annual returns. The credit is equal to three and one-half percent of the State sales tax collected, up to a maximum

credit of $150 per return. Prior to March 1, 1999 the credit equaled one and one-half percent up to $100 per return.
Estimates: 1997: $23.0 million - 2000: $46.0 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 3

113. Credit for Tangible Property Sold by Contractors in Certain Situations
Citation: Section 1119(a)
Effective Date: Effective August 1, 1965
Description: A credit for taxes paid is allowed on the sale or use by a contractor or subcontractor of tangible personal property if that property is used by him solely in the performance of a preexisting lump sum or unit price construction contract. The credit amounts to the potential difference between a higher sales tax rate now and a lower rate when the contract was entered and would only be applicable following a sales and use tax rate change.
Estimate: No data available

114. Credit for Veterinary Drugs
Citation: Section 1119(a)
Effective Date: Effective 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

115. Credit for Construction Materials Used in Economic Development Zones
Citation: Section 1119(a)
Effective Date: Effective 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 Economic Development Zone, but only to the extent that such property becomes an integral component part of the real property.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 4A

116. Credit for Bus Companies Providing Local Transit Service
Citation: Section 1119(b)
Effective Date: Effective 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: 1997: Minimal - 2000: Minimal

Reliability: Level 4A

CORPORATION TAX

This section of the report provides descriptions of 35 separate tax expenditure provisions of the Article 9 tax. The list of tax expenditures is based on the Tax Law as of January 1, 2000. Total tax liability of Article 9 has been included to provide perspective.

Description of Tax

Article 9 of the Tax Law imposes initial taxes and annual fees on domestic and foreign corporations. It also imposes gross receipts-based taxes on a variety of specialized businesses. The temporary Metropolitan Transit Authority business surcharge applies, based on the taxpayer's business activities in the Metropolitan Commuter Transportation District (MCTD).

Section 180 imposes an organization tax, at a rate of 1/20 of 1 percent, on the total amount of the par value of stock authorized to be issued by domestic corporations. The tax rate on shares without par value is five cents per share. The tax also applies to any subsequent change in authorized stock or capital structure.

Section 181.1 imposes a license fee on foreign (out-of-state) corporations (but not insurance corporations or corporations taxed under separate Articles). The rate is the same as for the organization tax but only applies to registered out-of-state corporations exercising a franchise or carrying on business in New York State.

Section 181.2 of the Tax Law requires an additional annual maintenance fee of $300 from all foreign corporations, including S corporations (but not insurance corporations or certain banking corporations). Foreign corporations may credit the maintenance fee against any tax due under Articles 9 or 9-A and against taxes paid under other Articles.

Section 183 of the Tax Law imposes a franchise tax on transportation and transmission companies and associations (excluding aviation companies which are taxable under Article 9-A) at the highest of three alternatives. Businesses must pay 1.5 mills on each dollar of net value of their issued capital stock in New York State. However, if the dividends paid on their capital stock are 6 percent or more, the tax rate is 0.375 mills per dollar of par value for each 1 percent of dividends paid. The third alternative is a fixed minimum 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 under Article 9.

Section 184 imposes an additional franchise tax on transportation and transmission corporations and associations. The rate equals 0.75 percent on gross earnings from all sources within New York. The rate is 0.6 percent on gross earnings for trucking companies and railroads. The rate for all companies subject to Section 184 drops to 3/8 percent as of July 1, 2000.

For taxable years prior to 1995, telephone businesses were subject to tax on intrastate gross earnings. Beginning in 1995, Section 184 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 long distance carriers. Excluded from Section 184 are receipts from sales for ultimate consumption from interLATA, interstate, or international services (effective January 1, 1995), and 30 percent of intraLATA toll services, including interregion regional calling plan services (effective January 1, 1996). In January 1998, trucking and railroad companies formerly taxable under Section 184 became taxable under Article 9-A unless they elected to remain under Article 9.

The franchise tax on agricultural cooperatives imposed by Section 185 is the highest of three alternatives. The first is a tax at 1 mill per dollar on the value of issued capital stock allocated to New York. The second alternative is a tax at a rate based on dividends of 6 percent or more, paid on the value of issued capital stock allocated to New York. A $10 minimum tax is the other alternative.

Section 186 provides for a franchise tax on waterworks companies, gas companies, electric or steam heating, lighting and power companies. The tax is imposed at a rate of 3/4 of 1 percent on gross earnings and 4 1/2 percent on the amount of dividends paid which exceeds 4 percent of the amount of the taxpayer's paid-in capital employed in New York State. The minimum tax alternative of $125 applies, but only in case and to the extent that the tax computed under the primary method is less than $125.

Section 186-a provides for a gross receipts tax on the furnishing of utility services. The tax is imposed at the rate of 2.5 percent on the gross income or gross operating income of the utility. 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. Telecommunications service receipts are taxable under Section 186-e.

Section 186-e provides for an excise tax on telecommunications services at a rate of 2.5 percent on the gross receipts of all providers of 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.

Section 189 imposes a tax at the rate of 4.25 percent on the value of natural gas purchased out-of-state and imported into New York for consumption within the state.

Most of the revenue from the Article 9 tax results from the gross receipts-based taxes (Sections 184, 186, 186-a and 186-e). The tax expenditures are minor relative to the revenue base but include the allowance of credits against the tax. In addition, tax expenditures result from the exemption of some businesses from the gross receipts taxes.

Data Sources

The major source of data used to compute the tax expenditure estimates under Article 9 includes:

- 1997-1998 Business Tax Files - This is an unverified file of all taxpayers filing a return under Article 9.

Methodology

The projections of the tax expenditures from 1997 to 2000 use a variety of economic forecast variables. The expenditure estimates were computed using historical trends.

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

Table 4
2000 New York State Corporation and Utilities (Article 9) Tax Expenditure Estimates
(1997 Corporation and Utilities Tax Liability = $1,379 Million)
(Millions of Dollars)

		History					Forecast	Reliability
	Tax Item	1993	1994	1995	1996	1997	2000	Level
Section 181 - License and Maintenance Fees on Foreign Corporations								
Corporate Exemptions								
1.	Banking and Insurance Companies	N/A	N/A	N/A	N/A	N/A	N/A	5
Section 183 - Franchise Tax on Transportation and Transmission Corporations and Associations								
Credits								
2.	Special Additional Mortgage Recording Tax Credit	*	*	*	*	*	*	2
3.	Alternative Fuels Vehicle Credit	--	--	--	--	--	*	4
4.	Employment of Persons with Disabilities Credit	--	--	--	--	--	*	4
Corporate Exemptions								
5.	Ferry Companies	N/A	N/A	N/A	N/A	N/A	N/A	5
6.	Taxicabs and Omnibuses	*	*	*	*	*	*	3
7.	Railroads and Vessels Engaged in Interstate or Foreign Commerce	N/A	N/A	N/A	N/A	N/A	N/A	5
8.	Corporations Principally Engaged in Providing Telecommunications for Air Safety and Navigation Purposes	--	--	N/A	N/A	N/A	N/A	5
Section 184 - Additional Franchise Tax on Transportation and Transmission Corporations and Associations								
New York Modifications to Gross Income								
9.	Exclusion of Interstate and Foreign Income	N/A	N/A	N/A	N/A	N/A	N/A	5
10.	Exclusion of Receipts from Inter-LATA, Interstate, and International Telephone Services 1/	--	--	0.9	1.0	1.3	1.5	2
11.	Exclusion of Thirty Percent of Receipts from Intra-LATA Toll Telephone Services	--	--	--	2.2	2.2	2.4	2

Tax Item	History 1993	1994	1995	1996	1997	Forecast 2000	Reliability Level
Credits							
12. Special Additional Mortgage Recording Tax Credit	*	*	*	*	*	*	2
13. Alternative Fuels Vehicle Credit	--	--	--	--	--	*	4
14. Employment of Persons with Disabilities Credit	--	--	--	--	--	*	4
Corporate Exemptions							
15. Foreign Commerce	N/A	N/A	N/A	N/A	N/A	N/A	5
16. Ferry Companies	N/A	N/A	N/A	N/A	N/A	N/A	5
17. Railroad Leasing	N/A	N/A	N/A	N/A	N/A	N/A	5
18. Foreign Taxicabs and Omnibuses	*	*	*	*	*	*	3
19. Corporations Principally Engaged in Providing Telecommunications for Air Safety and Navigation Purposes	--	--	--	N/A	N/A	N/A	5
Section 185 - Franchise Tax on Farmers, Fruit Growers, and Other Like Agricultural Corporations Organized and Operated on a Cooperative Basis							
Credits							
20. Special Additional Mortgage Recording Tax Credit	*	*	*	*	*	*	2
21. Alternative Fuels Vehicle Credit	--	--	--	--	*	*	4
22. Employment of Persons with Disabilities Credit	--	--	--	--	*	*	4
Section 186 - Franchise Tax on Water-Works Companies, Gas Companies and Electric or Steam Heating, Lighting and Power Companies							
Credits							
23. Special Additional Mortgage Recording Tax Credit	2.9	1.8	0.7	2.1	1.6	2.0	2
24. Alternative Fuels Vehicle Credit	--	--	--	--	--	4.0	4
25. Employment of Persons with Disabilities Credit	--	--	--	--	--	*	4
Corporate Exemptions							
26. Water Pollution Facilities	N/A	N/A	N/A	N/A	N/A	N/A	5

Tax Item	History 1993	1994	1995	1996	1997	Forecast 2000	Reliability Level
Section 186-a - Tax on the Furnishing of Utility Services							
Credits							
27. Power for Jobs Tax Credit	--	--	--	--	4.2	100.0	4
Exemptions							
28. Exempt Companies	N/A	N/A	N/A	N/A	N/A	N/A	5
29. Exempt Organizations	N/A	N/A	N/A	N/A	N/A	N/A	5
30. Water Pollution Facilities	N/A	N/A	N/A	N/A	N/A	N/A	5
Section 186-e - Excise Tax on Telecommunications Services							
New York Modifications to Gross Income							
31. Exclusion of Cable Television Service	--	--	66.4	66.8	71.9	60.0	3
32. Exclusion of Receipts from Certain Telecommunications Services for Air Safety and Navigation Purposes	--	--	N/A	N/A	N/A	N/A	5
Credits							
33. Credit for Tax Paid in Another Jurisdiction	--	--	*	1.5	*	*	2
Exemptions							
34. Exempt Organizations	--	--	N/A	N/A	N/A	N/A	5
Section 189 - Franchise Tax on Businesses Importing Natural Gas into New York State							
Corporate Exemptions							
35. Co-Generation Facilities	1.9	2.5	4.3	4.2	4.3	4.5	2

* Less than $0.1 million.

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

N/A No data available

Article 9
Section 181
License and Maintenance Fees on Foreign Corporations

Corporate Exemptions

Certain entities are exempt from the license fee and banking and insurance annual maintenance fee.

1. Banking and Insurance Companies
Citation: Section 181.1 (license fee); 181.2 (annual maintenance fee)
Effective Date: April 4, 1895, September 1, 1976
Description: Certain banking corporations, fire, marine, casualty and life insurance companies, cooperative fraternal insurance companies, and building and loan associations are not subject to the license fee or the annual maintenance fee.
Estimate: No data available
Reliability: Level 5

Section 183
Franchise Tax on Transportation and Transmission Corporations and Associations

Section 183 taxes transportation and transmission corporations and associations 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 (exclusive of U.S. obligations and cash on hand and on deposit) employed in business in the State bear to gross assets (exclusive of U.S. obligations, cash on hand and on deposit) employed in business everywhere.

Credits

2. Special Additional Mortgage Recording Tax Credit
Citation: Section 187
Effective Date: December 8, 1978
Description: The credit is permitted against all taxes except Sections 180, 181, 186-a, 186-e and 189 taxes and fees. It is based on the amount of special additional mortgage recording taxes paid by the taxpayer, with certain restrictions. No credit is allowed for special additional mortgage recording taxes paid on certain mortgages recorded in the Metropolitan Community Transportation District or Erie County.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: Business Tax Files
Reliability: Level 2

3. Alternative Fuels Vehicle Credit

Citation: Section 187-b

Effective Date: Effective for property placed in service in taxable years beginning on or after January 1, 1998. The tax credit provisions do not apply to property placed in service in taxable years beginning after December 31, 2002.

Description: The new law allows corporation taxpayers, such as utilities, to claim credits for clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property. Gas and electric utility companies are excluded from claiming the electric vehicle tax credit allowable to other taxpayers and are also excluded from the sales tax exemption for the incremental cost of an electric vehicle. These companies may claim all other credits and sales/use tax exemptions allowed under the bill, including those for refueling facilities. For corporation taxpayers, the credit equals 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at $5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and $10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business.

Estimates: 1997: Not Applicable - 2000: Minimal

Data Source: New York State Department of Environmental Conservation, Industry Representatives

Reliability: Level 4

4. Employment of Persons with Disabilities Credit

Citation: Section 187-a

Effective Date: Effective for taxable 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 wages paid to workers with disabilities, as certified by the State Department of Education or other designated State agency. The credit applies for the second year of employment if a federal work opportunity tax credit applies for the first year. Alternatively, taxpayers may claim the credit based on the first year of employment if no work opportunity tax credit applies. Taxpayers may carry over unused credit amounts to subsequent tax years.

Estimates: 1997: Not Applicable - 2000: Minimal

Data Source: Federal credit data

Reliability: Level 4

Corporate Exemptions

Certain entities are exempt from the Section 183 franchise tax on capital stock.

5. Ferry Companies

Citation: Section 183.1(b)

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 this section.
Estimate: No data available
Reliability: Level 5

6. 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 exempt from the tax imposed by Section 183.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: Article 9-A Study File
Reliability: Level 3

7. 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 or a navigation, canal, ferry (except a ferry operating between any of the boroughs of New York under a lease granted by the City), steamboat or 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 they maintain an office or otherwise employ capital in New York.
Estimate: No data available
Reliability: Level 5

8. Corporations Principally Engaged in Providing Telecommunications for Air Safety and Navigation Purposes
Citation: Section 183.1(b)
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. Providers must be at least ninety 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).
Estimate: No data available
Reliability: Level 5

Section 184
Additional Franchise Tax on Transportation and Transmission Corporations and Associations

Section 184 imposes an additional franchise tax on transportation and transmission corporations and associations based on their gross earnings within the State. Beginning in 1995, Section 184 applies only to those telecommunications corporations or associations principally engaged in a local telephone business.

New York Modifications to Gross Income

9. 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 a railroad business, and 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.
Estimate: No data available
Reliability: Level 5

10. Exclusion of Receipts from Inter-LATA, Interstate, and International Telephone Services
Citation: Section 184.1
Effective Date: January 1, 1995
Description: Telephone companies subject to the tax may exclude receipts from sales for ultimate consumption of inter-LATA, interstate and international services.
Estimates: 1997: $1.3 million - 2000: $1.5 million
Data Source: Business Tax Files
Reliability: Level 2

11. Exclusion of Thirty Percent of Receipts from Intra-LATA Toll Telephone Services
Citation: Section 184.1
Effective Date: January 1, 1996
Description: Telephone companies subject to the tax may exclude thirty percent of receipts from sales for ultimate consumption of intra-LATA toll services, including interregion regional calling plan services, other than carrier access services.
Estimates: 1997: $2.2 million - 2000: $2.4 million
Data Source: Business Tax Files
Reliability: Level 2

Credits

12. Special Additional Mortgage Recording Tax Credit
Citation: Section 187
Effective Date: March 31, 1987
Description: The credit is permitted against all taxes except Sections 180, 181, 186-a, 186-e and 189 taxes and fees. It is based on the amount of special additional mortgage recording taxes paid by the taxpayer, with certain restrictions. No credit is allowed for special additional mortgage recording taxes paid on certain mortgages recorded in the Metropolitan Commuter Transportation District or Erie County.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: Business Tax Files
Reliability: Level 2

13. Alternative Fuels Vehicle Credit
Citation: Section 187-b
Effective Date: Effective for property placed in service in taxable years beginning on or after January 1, 1998. The tax credit provisions do not apply to property placed in service in taxable years beginning after December 31, 2002.
Description: The new law allows corporation taxpayers, such as utilities, to claim credits for clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property. Gas and electric utility companies are excluded from claiming the electric vehicle tax credit allowable to other taxpayers and are also excluded from the sales tax exemption for the incremental cost of an electric vehicle. These companies may claim all other credits and sales/use tax exemptions allowed under the bill, including those for refueling facilities. For corporation taxpayers, the credit equals 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at $5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and $10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business.
Estimates: 1997: Not Applicable - 2000: Minimal
Data Source: New York State Department of Environmental Conservation, Industry Representatives
Reliability: Level 4

14. Employment of Persons with Disabilities Credit
Citation: Section 187-a
Effective Date: Effective for taxable 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 wages paid to workers with disabilities, as certified by the State Department of Education or other designated State agency. The credit applies for the second year of employment if a federal work opportunity tax credit applies for the first year. Alternatively, taxpayers

may claim the credit based on the first year of employment if no work opportunity tax credit applies. Taxpayers may carry over unused credit amounts to subsequent tax years.
Estimates: 1997: Not Applicable - 2000: Minimal
Data Source: Federal credit data
Reliability: Level 4

Corporate Exemptions

Certain companies are exempt from the Section 184 tax.

15. Foreign Commerce
Citation: Tax Law 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.
Estimate: No data available
Reliability: Level 5

16. Ferry Companies
Citation: Section 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 Section 184 tax.
Estimate: No data available
Reliability: Level 5

17. Railroad Leasing
Citation: Section 184.3
Effective Date: June 1, 1917
Description: In lieu of the tax on gross earnings, a corporation involved in leasing railroad property to a railroad operating company is subject to an excess income tax measured at the rate of 4 1/2 percent on that portion of dividends paid in a calendar year in excess of 4 percent on the capital stock of the company.
Estimate: No data available
Reliability: Level 5

18. 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 that makes fewer than 12 trips into New York State on an annual basis, but not otherwise owning or leasing property in State or otherwise doing business so as to become subject to tax, pays a tax equal to $15 per trip.

Estimates: 1997: Minimal - 2000: Minimal
Data Source: Article 9-A Study File
Reliability: Level 3

19. Corporations Principally Engaged in Providing Telecommunications for Air Safety and Navigation Purposes
Citation: Section 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. Providers must be at least ninety 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).
Estimate: No data available
Reliability: Level 5

Section 185
Franchise Tax on Farmers, Fruit Growers, and Other Like Agricultural Corporations Organized and Operated on a Cooperative Basis

Section 185 imposes a tax on farmers, fruit growers and other like agricultural corporations organized and operated on a cooperative basis. The measure of tax is capital stock within the State during the preceding year allocated by the ratio that gross assets employed in business in New York bear to gross assets employed in business everywhere.

Credits

20. Special Additional Mortgage Recording Tax Credit
Citation: Section 187
Effective Date: March 31, 1987
Description: The credit is permitted against all taxes except Sections 180, 181, 186-a, 186-e and 189 taxes and fees. It is based on the amount of special additional mortgage recording taxes paid by the taxpayer, with certain restrictions. No credit is currently allowed for special additional mortgage recording taxes paid on certain mortgages recorded in the Metropolitan Commuter Transportation District or Erie County.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: Business Tax Files
Reliability: Level 2

21. Alternative Fuels Vehicle Credit

Citation: Section 187-b

Effective Date: Effective for property placed in service in taxable years beginning on or after January 1, 1998. The tax credit provisions do not apply to property placed in service in taxable years beginning after December 31, 2002.

Description: The new law allows corporation taxpayers, such as utilities, to claim credits for clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property. Gas and electric utility companies are excluded from claiming the electric vehicle tax credit allowable to other taxpayers and are also excluded from the sales tax exemption for the incremental cost of an electric vehicle. These companies may claim all other credits and sales/use tax exemptions allowed under the bill, including those for refueling facilities. For corporation taxpayers, the credit equals 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at $5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and $10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business.

Estimates: 1997: Minimal - 2000: Minimal

Data Source: New York State Department of Environmental Conservation, Industry Representatives

Reliability: Level 4

22. Employment of Persons with Disabilities Credit

Citation: Section 187-a

Effective Date: Effective for taxable 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 wages paid to workers with disabilities, as certified by the State Department of Education or other designated State agency. The credit applies for the second year of employment if a federal work opportunity tax credit applies for the first year. Alternatively, taxpayers may claim the credit based on the first year of employment if no work opportunity tax credit applies. Taxpayers may carry over unused credit amounts to subsequent tax years.

Estimates: 1997: Minimal - 2000: Minimal

Data Source: Federal credit data

Reliability: Level 4

Section 186
Franchise Tax on Water-Works Companies, Gas Companies and Electric or Steam Heating, Lighting and Power Companies

Section 186 imposes a franchise tax on water-works companies, gas companies and electric or steam heating, lighting and power companies. The tax is computed as a percentage of gross earnings (without any deduction) from New York sources. An additional excess dividends tax may also apply.

Credits

23. Special Additional Mortgage Recording Tax Credit
Citation: Article 9, Section 187
Effective Date: March 31, 1987
Description: The credit is permitted against all taxes except Sections 180, 181, 186-a and 189 taxes and fees. It is based on the amount of special additional mortgage recording taxes paid by the taxpayer, with certain restrictions. No credit is currently allowed for special additional mortgage recording taxes paid on certain mortgages recorded in the Metropolitan Commuter Transportation District or Erie County.
Estimates: 1997: $1.6 million - 2000: $2.0 million
Data Source: Business Tax Files
Reliability: Level 2

24. Alternative Fuels Vehicle Credit
Citation: Section 187-b
Effective Date: Effective for property placed in service in taxable years beginning on or after January 1, 1998. The tax credit provisions do not apply to property placed in service in taxable years beginning after December 31, 2002.
Description: The new law allows corporation taxpayers, such as utilities, to claim credits for clean fuel vehicles using natural gas, methanol and other alternative fuels; and clean fuel refueling facility property. Gas and electric utility companies are excluded from claiming the electric vehicle tax credit allowable to other taxpayers and are also excluded from the sales tax exemption for the incremental cost of an electric vehicle. These companies may claim all other credits and sales/use tax exemptions allowed under the bill, including those for refueling facilities. For corporation taxpayers, the credit equals 60 percent of the cost of new clean-fuel components for alternative fuel vehicles registered in New York (capped at $5,000 per vehicle with a gross vehicle weight rating of 14,000 pounds or less, and $10,000 for those over 14,000 pounds); and 50 percent of the cost of new clean-fuel refueling property used in a trade or business.
Estimates: 1997: Not Applicable - 2000: $4.0 million
Data Source: New York State Department of Environmental Conservation, Industry Representatives
Reliability: Level 4

25. Employment of Persons with Disabilities Credit
Citation: Section 187-a
Effective Date: Effective for taxable 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 wages paid to workers with disabilities, as certified by the State Department of Education or other designated State agency. The credit applies for the second year of employment if a federal work opportunity tax credit applies for the first year. Alternatively, taxpayers

may claim the credit based on the first year of employment if no work opportunity tax credit applies. Taxpayers may carry over unused credit amounts to subsequent tax years.
Estimates: 1997: Not Applicable - 2000: Minimal
Data Source: Federal credit data
Reliability: Level 4

Corporate Exemptions

26. Water Pollution Facilities
Citation: Section 186.3
Effective Date: January 1, 1919
Description: Section 186 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.
Estimate: No data available
Reliability: Level 5

Section 186-a
Tax on the Furnishing of Utility Services

Section 186-a imposes a tax on the gross income of businesses furnishing certain utility services, whether or not such businesses are subject to supervision by the Public Service Commission.

Credits

27. Power for Jobs Tax Credit
Citation: Article 9, Section 186-a subdivision 9
Effective Date: July 29, 1997
Description: The credit is associated with the Power for Jobs Program established to make low-cost power available to business, small businesses and not-for-profit corporations for job retention and creation. It is provided to utilities delivering power to retail customers participating in the program. The credit is based upon the net loss revenue of the utility associated with the sale of the low cost power. The credit is limited by the baseline energy use of all of the utility's customers participating in the program.
Termination Date: December 31, 2003
Estimates: 1997: $4.2 million - 2000: $100.0 million
Data Source: Public Service Commission staff
Reliability: Level 4

Exemptions

28. Exempt Companies
Citation: Section 186-a.2(a)(I)
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.
Estimate: No data available
Reliability: Level 5

29. Exempt Organizations
Citation: Section 186-a.2(b)
Effective Date: 1937
Description: 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-a tax.
Estimate: No data available
Reliability: Level 5

30. 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.
Estimate: No data available
Reliability: Level 5

Section 186-e
Excise Tax on Telecommunications Services

New York Modifications to Gross Income

31. 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.
Estimates: 1997: $71.9 million - 2000: $60.0 million
Data Source: Annual Reports to the New York State Public Service Commission
Reliability: Level 3

32. 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 ninety 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).
Estimate: No data available
Reliability: Level 5

Credits

33. Credit for Tax Paid in Another Jurisdiction
Citation: Section 186-e(4)(a)(2)
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.
Estimates: 1997: Minimal - 2000: Minimal
Data Source: Business Tax Files
Reliability: Level 2

Exemptions

34. Exempt Organizations
Citation: Section 186-e(1)(c)
Effective Date: January 1, 1995
Description: 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.
Estimate: No data available
Reliability: Level 5

Section 189
Franchise Tax on Businesses
Importing Natural Gas into New York State

Section 189 imposes a franchise tax effective August 1, 1991, on businesses purchasing natural gas outside New York and importing the gas into the State for their own consumption. The tax is imposed at the rate of 4.25 percent on the consideration given for natural gas imported into New York State.

Corporate Exemptions

Certain companies are exempt from the Section 189 tax.

35. Co-Generation Facilities
Citation: Section 189.6
Effective Date: August 1, 1991
Description: Gas services sold to a co-generation facility, as defined under subdivision two-a of section two of the public service law or section two hundred one of the Public Utility Regulatory Policies Act of 1978 (Public Law 95-617), that are used to generate electricity and/or steam that is supplied to (and used by) a thermal energy host located at or near the project site are exempt from the Section 189 tax.
Estimates: 1997: $4.3 million - 2000: $4.5 million
Data Source: Business Tax Files
Reliability: Level 2

BANK TAX

This section of the report provides tax expenditure estimates for 20 separate provisions of the franchise tax on banking corporations. The list of expenditures contained in Table 5 is based on the Tax Law as of January 1, 2000. The estimates are based on data from the 1996 tax year, the latest year for which Article 32 tax return data are available. They are also extrapolated to the 2000 tax year. Total bank tax liability has been included to provide a benchmark for the tax expenditure estimates. The tax years refer to both the 1996 and 2000 calendar tax years and fiscal tax years ending in 1997 and 2001.

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:

- 9 percent of allocated entire net income; or
- 0.1 mill on each dollar of allocated assets (reduced rates of 1/25 or 1/50 of a mill 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); or
- 3 percent of allocated alternative entire net income; or
- A 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., entire net income, alternative entire net income 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.

Calculation of the taxes on allocated entire net income or allocated alternative entire net income 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 entire net income, which is multiplied by the tax rate of 9 percent. Alternative entire net income is the same as entire net income, 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 3 percent tax rate applies to allocated alternative income.

The tax on allocated taxable assets starts with the taxpayer's total assets. Taxable assets equal total assets minus assets attributable to the FDIC and FSLIC. Taxpayers multiply the total by their allocation percentage. The normal tax rate imposed on this amount (one tenth, one twenty-fifth or one fiftieth of a mill), 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.

Many of the exclusions, deductions, modifications, allocation percentages and credits discussed above give rise to the tax expenditures listed and estimated in this section.

Data Sources

The major data sources used to compute the tax expenditure estimates for Article 32 Bank Tax include:

- 1996 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.

- Internal Revenue Service (IRC) U.S. Corporation Statistics of Income (SOI) Data File - A file consisting of a sample of federal corporate returns. The values are apportioned to estimate some federal exclusion items.

Methodology

The projections of the tax expenditure from 1997 to 2000 use a variety of forecast variables. Projections of items under Federal Exclusions from Income were taken from JCT estimates of federal tax expenditures and prorated to New York. Several of the items were projected using relevant economic data from Data Resources (DRI). The remaining items were computed using historical trends.

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

Table 5
2000 New York State Bank Tax Expenditure Estimates
(1996 Total Bank Tax Liability = $514.1 Million)
(Millions of Dollars)

	Tax Item	History 1992	1993	1994	1995	1996	Forecast 2000	Reliability Level
New York Modifications to Federal Taxable Income								
1.	Bad Debt Deduction for Commercial Banks 1/	5.0	8.3	20.6	19.0	46.9	19.2	1
2.	Bad Debt Deduction for Thrift Institutions	12.3	15.2	2.1	2.9	6.5	9.0	1
3.	Deduction of Money Received from the FDIC and FSLIC	84.1	13.5	20.1	5.2	3.2	4.0	2
4.	Deduction for Eligible Net Income of IBFs	1.3	7.9	14.3	22.8	21.5	25.0	1
5.	Deduction of 17 Percent of Interest Income from Subsidiary Capital	5.0	12.9	4.1	5.4	10.1	16.7	1
6.	Deduction of 60 Percent of Dividend Income and Excess Gains from Subsidiary Capital	25.9	36.9	71.7	64.2	63.8	120.0	1
7.	Deduction of 22.5 Percent of Interest Income from Government Obligations	28.0	32.0	34.5	29.0	32.7	47.6	1
Alternative Bases								
8.	Reduced Rate of Asset-Based Tax for Banks Meeting Net Worth and Mortgage Holdings Criteria	0.5	0.4	0.0	0.2	0.0	*	1
9.	Exclusion of Money Received from FDIC and FSLIC from Asset Based Tax	0.6	0.4	0.0	0.2	0.3	0.2	2
Allocation Percentages								
10.	Discounting of the Wage Factor in the Calculation of Entire Net Income and Taxable Assets Allocation Percentages	22.6	32.2	14.1	25.3	20.5	28.0	1
11.	Exclusion of Wages of Executive Officers in the Calculation of Entire Net Income, Alternative Entire Net Income and Taxable Assets Allocation Percentages	N/A	N/A	N/A	N/A	N/A	N/A	5
12.	IBF Formula Allocation Election	61.7	38.2	27.4	57.3	39.4	45.0	1

	Tax Item	History 1992	1993	1994	1995	1996	Forecast 2000	Reliability Level
Credits								
13.	Credit for Eligible Business Facilities	5.3	1.0	1.1	1.2	0.0	0.0	1
14.	Mortgage Servicing Tax Credit	5.6	5.5	9.2	9.2	8.8	10.0	1
15.	Special Additional Mortgage Recording Tax Credit	20.6	18.5	17.9	12.1	10.1	12.0	1
16.	Economic Development Zone and Zone Equivalent Areas Tax Credits	0.0	0.0	0.0	0.0	*	3.0	1
17.	Credit for Employing Individuals with Disabilities	--	--	--	--	--	*	4
18.	Investment Credit for Financial Services Industry	--	--	--	--	--	10.0	4
Corporate Exemptions								
19.	Exemption of Trust Companies Whose Capital Stock is Owned by Twenty or More New York Savings Banks	*	*	*	*	*	*	4
20.	Exemption of Federal and State Chartered Credit Unions 1/	26.0	26.0	26.0	15.1	18.5	16.1	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.

* 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, Article 32 permits modifications to federal taxable income.

1. **Bad Debt Deduction for Commercial Banks**
Citation: Section 1453(i)
Effective Date: Tax years beginning after December 31, 1986
Description: The Federal Tax Reform Act of 1987 required "large banks" (those with more than $500 million in assets) to use the specific charge off method in calculating the bad debt deduction. Commercial banks with less than $500 million in assets may use the reserve method in calculating the bad debt deduction. Effective for tax years beginning after December 31, 1986, New York State decoupled from the federal calculation of the bad debt deduction by continuing to allow large commercial banks to calculate the bad debt deduction based on the reserve method. For both large and small commercial banks the difference between the bad debt deduction under the reserve method and the direct write-off method is a tax expenditure item.
Termination Date: Expires for tax years beginning on or after January 1, 2001
Estimates: 1996: $46.9 million - 2000: $19.2 million
Data Source: Bank Tax Study File
Reliability: Level 1

2. **Bad Debt Deduction for Thrift Institutions**
Citation: Section 1453(h)
Effective Date: Tax years beginning after December 31, 1986
Description: Thrift institutions may use the reserve method in calculating their deduction for bad debts on certain qualifying property. The difference between the bad debt deduction under the reserve method and the actual amount of direct write-offs is a tax expenditure item.
Estimates: 1996: $6.5 million - 2000: $9.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

3. **Deduction of Money Received from the Federal Deposit Insurance Corporation (FDIC) and Federal Savings and Loan Insurance Corporation (FSLIC)**
Citation: Sections 1453(e)(9)-(10)
Effective Date: Effective for taxable 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.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: $3.2 million - 2000: $4.0 million
Data Source: Bank Tax Study File
Reliability: Level 2

4. Deduction for Eligible Net Income of International Banking Facilities (IBF)
Citation: Section 1453(f)
Effective Date: Effective for taxable 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 entire net income, the adjusted eligible net income of the IBF.
Estimates: 1996: \$21.5 million - 2000: \$25.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

5. Deduction of 17 Percent of Interest Income from Subsidiary Capital
Citation: Section 1453(e)(11)(i)
Effective Date: Effective for taxable years beginning on or after January 1, 1985
Description: In computing New York entire net income 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.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: \$10.1 million - 2000: \$16.7 million
Data Source: Bank Tax Study File
Reliability: Level 1

6. Deduction of 60 Percent of Dividend Income and Excess Gains from Subsidiary Capital
Citation: Section 1453(e)(11)(ii) and (iii)
Effective Date: Effective for taxable years beginning on or after January 1, 1985
Description: In computing New York entire net income, banks may deduct 60 percent of dividend income, gains and losses from subsidiary capital. For purposes of calculating the amount of the deduction, dividend income from subsidiary capital is not reduced by expenses directly or indirectly attributable to subsidiary capital. Effective for taxable years beginning after January 1, 1994, taxpayers may deduct 60 percent of the excess of gains over losses from subsidiary capital. If losses exceed gains, taxpayers are not required to add back to entire net income 60 percent of net losses.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: \$63.8 million - 2000: \$120.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

7. Deduction of 22.5 Percent of Interest Income from Government Obligations
Citation: Section 1453(e)(12)
Effective Date: Effective for taxable 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.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: $32.7 million - 2000: $47.6 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 are provided for under the asset-based tax.

8. Reduced Rate of Asset-Based Tax for Banks Meeting Net Worth and Mortgage Holdings Criteria
Citation: Sections 1455(b)(1)(i)-(iv)
Effective Date: Effective for taxable 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.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: $0.0 million - 2000: Minimal
Data Source: Bank Tax Study File
Reliability: Level 1

9. Exclusion of Money Received from Federal Deposit Insurance Corporation (FDIC) and Federal Savings and Loan Insurance Corporation (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.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: $0.3 million - 2000: $0.2 million
Data Source: Bank Tax Study File
Reliability: Level 2

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 that portion of a banking corporation's income and assets which are taxable in New York. The tax expenditures listed result from preferences given through the calculation of the allocation percentages.

10. Discounting of the Wage Factor in the Calculation of Entire Net Income and Taxable Assets Allocation Percentages

Citation: Section 1454(a), (b) and (d)
Effective Date: Effective for taxable years beginning on or after January 1, 1985
Description: In computing both the entire net income 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. As a consequence of the discounting of the wage factor, it is possible that the proportion of entire net income or taxable assets which is allocated to New York State for tax purposes could be reduced, depending on the particular corporation's circumstances.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: $20.5 million - 2000: $28.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

11. Exclusion of Wages of Executive Officers in the Calculation of Entire Net Income, Alternative Entire Net Income and Taxable Assets Allocation Percentages

Citation: Section 1454(a), (b), (c) and (d)
Effective Date: Effective for taxable 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 entire net income, alternative entire net income and taxable asset allocation percentages. As a consequence of this exclusion, it is possible that the proportion of such income or assets which is allocated to New York State for tax purposes could be reduced, depending on the particular corporation's circumstances.
Termination Date: Expires for commercial banks on January 1, 2001
Estimate: No data available
Reliability: Level 5

12. International Banking Facility (IBF) Formula Allocation Election

Citation: Section 1454(b)(2)(A)
Effective Date: Effective for taxable years beginning on or after January 1, 1985
Description: A banking corporation which establishes an IBF within New York may deduct, in computing its entire net income, the adjusted eligible net income of the IBF. In lieu of this deduction such banking corporation may elect to modify its entire net income and alternative entire net income allocation percentages by reducing payroll, receipts and

deposits (from foreign persons) which are attributable to the gross income of an IBF. This change in allocation reduces the proportion of entire net income or total alternative income allocated to New York for State tax purposes.
Termination Date: Expires for commercial banks on January 1, 2001
Estimates: 1996: $39.4 million - 2000: $45.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

Credits

Credits are amounts, stipulated by Article 32, which banking corporations may subtract from their calculated New York tax liability.

13. Credit for Eligible Business Facilities
Citation: Section 1456(b)
Effective Date: Effective for taxable years beginning on or after January 1, 1968
Description: Owners or operators of a business establishment which has been certified for eligibility by the New York State Job Incentive Board (prior to April 1, 1983) or the State Tax Commission (subsequent to April 1, 1983) may claim a credit. An eligible business facility is a facility which is located in an eligible area and creates or retains at least five jobs. Corporations may not carry forward this credit to future taxable years, although the certificate of eligibility may be renewed by a business for up to 10 years. After March 31, 1983, no new projects may be approved for certification. The Commissioner of Taxation and Finance is empowered to issue certificates of eligibility for tax credits or a renewal or extension thereof on or after April 1, 1983.
Termination Date: Credit expires for tax years beginning on or after January 1, 2000
Estimates: 1996: $0.0 million - 2000: $0.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

14. Mortgage Servicing Tax Credit
Citation: Section 1456(a)
Effective Date: Effective for taxable years beginning on or after April 25, 1972
Description: A corporation may claim a credit for servicing mortgages acquired by the New York State Mortgage Agency. The credit varies according to both dwelling size and size of the mortgage.
Estimates: 1996: $8.8 million - 2000: $10.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

15. Special Additional Mortgage Recording Tax Credit
Citation: Section 1456(c)
Effective Date: Effective for taxable years beginning after December 31, 1978

Description: A corporation may claim a credit which is equal in amount to the special additional recording tax paid on mortgages which have been recorded on or after January 1, 1979, on property which is located within New York. The amount of any unused mortgage recording tax credit may be carried forward and used in subsequent years. Certain mortgages on property in the Metropolitan Commuter Transportation District recorded on or after May 1, 1987, are ineligible for the credit. The same restriction applies to mortgages on real property in Erie County.
Estimates: 1996: $10.1 million - 2000: $12.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

16. Economic Development Zone and Zone Equivalent Areas Tax Credits
Citation: Section 1456(d)-(e)
Effective Date: Effective for tax years beginning on or after January 1, 1986. However, the methods for computing the wage tax credit and the capital corporation credit were amended effective for tax years beginning on or after January 1, 1994. Amendments providing that taxpayers located in Zone Equivalent Areas (ZEAs) can take a modified EDZ wage tax credit were effective January 1, 1994
Description: Taxpayers may qualify for a credit for investments in zone capital corporations, 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 $300,000 and cannot exceed one half of the taxpayer's pre-credit tax.

A taxpayer may also claim a credit for doing business and creating jobs in economic development zones (wage tax credit). The wage tax credit has two components. This credit equals the product of the average number of newly hired targeted EDZ employees receiving EDZ wages multiplied by $1,500. The corresponding credit amount for other employees equals the product of the average number of newly hired nontargeted EDZ employees receiving EDZ wages multiplied by $750.

Taxpayers employing individuals in areas that met EDZ eligibility criteria, but were not so designated (Zone Equivalent Areas or ZEAs), may take a two year credit for EDZ wages paid for full-time employment in jobs created in the ZEA. Taxpayers must take the credit during the five year period following designation as a ZEA. The two year credit equals $1,000 times the average number of targeted employees and $500 times the average number of nontargeted employees hired during the first year. In the second year, the credit decreases to $500 times the average number of targeted employees and $250 times the average number of nontargeted employees. The total wage tax credit in any tax year cannot exceed 50 percent of tax due (before credits). Taxpayers may carry unused credits forward indefinitely.
Estimates: 1996: Minimal - 2000: $3.0 million
Data Source: Bank Tax Study File
Reliability: Level 1

17. Credit for Employing Individuals with Disabilities

Citation: Section 1456(f)

Effective Date: Effective for tax years beginning on or after January 1, 1998, with respect to employees who begin work on or after January 1, 1997

Description: Employers who employ individuals with disabilities may claim a credit for a portion of wages paid to such individuals. The credit equals 35 percent of the first $6,000 of first year wages paid to the disabled employee (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 become 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 as disabled by the State Education Department. Visually handicapped individuals may receive certification from the appropriate agency responsible for vocational rehabilitation of the blind and visually impaired.

Estimates: 1996: Not Applicable - 2000: Minimal

Data Source: Federal credit data

Reliability: Level 4

18. Investment Credit for Financial Services Industry

Citation: Section 1456(i)

Effective Date: Effective for property placed in service on or after October 1, 1998 and before October 1, 2003

Description: An investment credit is allowed for qualified property used in the financial services industry. The rate of credit, maximum amounts, carryforward provisions, and recapture rules are generally the same as for the regular investment credit allowed under the corporate franchise tax (Article 9-A).

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.

In addition, qualified property includes property principally used in the ordinary course of the taxpayer's business 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, or national securities exchange or board of trade, or property leased by a taxpayer to an affiliated regulated broker, dealer, 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.

The credit is not allowed unless all or substantially all of the taxpayer's or affiliate's employees performing the administrative and support functions resulting from or relating to the qualifying uses of the property are located in New York State.

Estimates: 1996: Not Applicable - 2000: $10.0 million
Data Source: Industry Data
Reliability: Level 4

Corporate Exemptions

Certain banks are exempt from taxation under Article 32 of the Tax Law.

19. 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 taxable years beginning on or after January 1, 1973
Description: Trust companies, all of whose capital stock is owned by twenty or more savings banks organized under New York law, are exempt from the corporation franchise tax on banking corporations.
Estimates: 1996: Minimal - 2000: Minimal
Data Source: Industry Data
Reliability: Level 4

20. Exemption of Federal and State Chartered Credit Unions
Citation: State Banking Law, Article 11 Section 474; 12 U.S. Code Section 474
Effective Date: Effective March 13, 1945
Description: Pursuant to federal law and the State Banking Law, federal and State chartered credit unions cannot be subject to tax under Article 32.
Estimates: 1996: $18.5 million - 2000: $16.1 million
Data Source: JCT estimates prorated to New York
Reliability: Level 4

INSURANCE TAX

This section of the report provides tax expenditure estimates for 20 separate provisions of the corporation franchise tax on insurance companies. The list of tax expenditures contained in Table 6 is based on the Tax Law as of January 1, 1999. The estimates are based on data from the 1996 tax year, the latest year for which Article 33 tax return data is available. They are also extrapolated to the 2000 tax year. The tax years refer to both the 1996 and 2000 calendar years and fiscal tax year ending in 1997 and 2001. Total insurance tax liability for the 1996 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) a 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.

The first component of the tax is based on one of four alternative bases. An 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:

- 9 percent of allocated entire net income;
- 1.6 mill on allocated business and investment capital;
- 9 percent of entire net income plus officers' salaries less specified deductions; or
- A 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. However, accident and health premiums are taxed at different rates dependent 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 1.3 percent tax rate applies to premiums written by corporations licensed as property and casualty insurers. However, a 1.0 percent tax rate applies to premiums on accident and health contracts written by property and casualty insurers.

Corporations doing business within and without the State allocate entire net income, business and investment capital and entire net income plus officer's 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, 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 economic development zone (EDZ) credits cannot exceed 2.6 percent of taxable premiums. The limitation equals 2.0 percent for life insurers. Taxpayers may then claim credits other than EDZ credits against the total tax liability.

Many of the exclusions, deductions, modifications, allocation percentages and credits discussed above give rise to the tax expenditures listed and estimated in this section.

Data Sources

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

- 1996 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. The file is used to simulate all tax expenditures with the exception of federal exclusion items.

- Congressional Joint Committee on Taxation Estimates of Federal Tax Expenditures - No data is available for federal items at the State level. Federal tax expenditure items estimated by the JCT are prorated to New York.

- Internal Revenue Service U.S. Corporation Statistics of Income (SOI) Data File - A file consisting of a sample of federal corporate returns. The values are apportioned to estimate some federal exclusion items.

- Annual Statistical Tables, New York State Insurance Department.

Methodology

The projections of the tax expenditures from 1996 to 2000 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. Several of the expenditure estimates were based on forecasts of relevant economic data from Data Resources Incorporated (DRI).

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

Table 6
2000 New York State Insurance Tax Expenditure Estimates
(1996 Total Insurance Tax Liability = $586.9 Million)
(Millions of Dollars)

	Tax Item	History 1992	1993	1994	1995	1996	Forecast 2000	Reliability Level
New York Modifications to Federal Taxable Income								
1.	Exclusion of Interest, Dividends and Capital Gains from Subsidiary Capital	11.0	14.2	12.4	36.7	11.5	13.4	1
2.	Deduction of 50 Percent of Dividends from Non-Subsidiary Corpor	3.5	7.3	5.1	5.5	7.0	7.9	1
3.	Deduction of Additions to Unearned Premium Reserves	1.0	6.3	9.1	11.2	2.4	2.5	1
4.	Deduction for Losses Incurred	4.1	7.0	4.5	8.7	4.6	4.8	1
Alternative Bases								
5.	Exclusion of Assets Held as Reserves Under NYS Insurance Law Sections 1303, 1304, and 1305	*	*	*	*	*		1
Exclusions from Premiums Based Tax								
6.	Exclusion of Annuities from Tax on Premiums	23.6	21.3	21.1	22.2	22.4	36.4	2
7.	Exclusion from the Premiums Tax of Premiums Written on Certain Joint Underwriting Policies	7.0	6.8	7.1	6.7	6.3	6.1	2
8.	Exclusion from the Premiums Tax of Premiums Written on Marine Vessels	0.4	1.5	1.2	2.2	3.5	2.9	1
9.	Exclusion from the Premiums Tax for Certain Non-New York Property or Individuals	N/A	N/A	N/A	N/A	N/A	N/A	5
Limitation on Tax								
10.	Limitation on Tax Liability	162.7	166.5	135.1	216.5	207.6	270.0	1
Credits								
11.	Fire Insurance Tax Credits - Credit for Taxes on Certain Fire Insurance Premiums	29.9	29.7	32.0	32.3	30.5	22.2	1

	Tax Item	1992	1993	1994	1995	1996	Forecast 2000	Reliability Level
		History						
12.	Retaliatory Tax Credit	41.7	80.0	72.6	39.0	38.6	39.0	1
13.	Special Additional Mortgage Recording Tax Credit	0.9	*	*	*	*	*	1
14.	Credit for Assessments Paid to the Life Insurance Guaranty Corporation	0.0	0.0	0.0	0.0	0.0	0.0	4
15.	Credit for Eligible Business Facilities	1.2	0.0	0.0	0.0	0.0	0.0	1
16.	Economic Development Zone Tax Credits	*	0.0	0.0	0.0	0.0	0.0	1
17.	Credit for Employing Individuals with Disabilities	--	--	--	--	--	*	2
18.	Credit for Investment in Certified Capital Companies	--	--	--	--	--	10.0	--
Corporate Exemptions								
19.	Exemption from Article 33 for Specific Types of Entities Engaged in an Insurance Business	118.9	109.4	105.2	87.7	74.4	64.6	4
Preferential Tax Rates								
20.	Preferential Tax Treatment for Captive Insurance Companies	--	--	--	--	--	N/A	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.

* 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.

1. Exclusion of Interest, Dividends and Capital Gains from Subsidiary Capital
Citation: Section 1503(b)(1)(A)
Effective Date: Effective for taxable 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: 1996: $11.5 million - 2000: $13.4 million
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 taxable years beginning on or after January 1, 1974
Description: Insurance corporations may deduct from federal taxable income, before federal exclusion, 50 percent of dividend income received from non-subsidiary corporations. (Note: Life insurance companies are only allowed 50 percent of the company's share of such dividends.)
Estimates: 1996: $7.0 million - 2000: $7.9 million
Data Source: Insurance Tax Study File
Reliability: Level 1

3. Deduction of Additions to Unearned Premium Reserves
Citation: Sections 1503(b)(1)(J)-(L), 1503(b)(2)(O)-(Q)
Effective Date: Effective for taxable years beginning after December 31, 1986
Description: Property and casualty insurance corporations may deduct, in calculating entire net income, 100 percent of the annual net increase in unearned premium reserves. The Internal Revenue Code only allows the deduction of 80 percent of the increase. The additional amount of the deduction allowed under New York law is a tax expenditure item.
Estimates: 1996: $2.4 million - 2000: $2.5 million
Data Source: Insurance Tax Study File
Reliability: Level 1

4. Deduction for Losses Incurred
Citation: Section 1503(b)(1)(O)
Effective Date: Effective for taxable years beginning after December 31, 1986
Description: Property and casualty insurance corporations may deduct from federal taxable income, in calculating entire net income, the full amount of losses incurred. The Internal Revenue Code provides that property and casualty insurers must reduce their deduction for losses incurred by 15 percent of the sum of 1) tax-exempt interest received

or accrued plus 2) the dividends attributable to stock or obligations acquired after August 7, 1986. The additional amount allowed under New York law is a tax expenditure item.
Estimates: 1996: $4.6 million - 2000: $4.8 million
Data Source: Insurance Tax Study File
Reliability: Level 1

Alternative Bases

Under Section 1502 of Article 33 of the Tax Law insurance corporations must calculate the following alternative franchise taxes and the greatest one must be paid:

1) 9 percent of allocated entire net income;

2) 0.0016 of allocated business and investment capital;

3) 9 percent on 30 percent of allocated entire net income plus salaries of certain officers and shareholders; and

4) fixed minimum tax of $250.

One tax expenditure item is provided for under the alternative tax on business and investment capital.

5. 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(I)(j)
Effective Date: Effective for taxable years beginning on or after January 1, 1974
Description: Insurance corporations may deduct loss or claim 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 based tax.
Estimates: 1996: Minimal - 2000: Minimal
Data Source: Insurance Tax Study File
Reliability: Level 1

Exclusions from Premiums Based Tax

The tax on insurance corporations is composed of a tax on the higher of three alternative bases or a minimum tax plus a tax on subsidiary capital and a tax on allocated premiums. The premiums based tax excludes premiums from several types of insurance.

6. Exclusion of Annuities from the Tax on Premiums
Citation: Section 1510(c)(1)
Effective Date: Effective for taxable years beginning on or after January 1, 1974
Description: The premiums tax base excludes annuities.
Estimates: 1996: $22.4 million - 2000: $36.4 million
Data Source: Insurance Study File, New York State Insurance Department Aggregate Data
Reliability: Level 2

7. Exclusion from the Premiums Tax of Premiums Written on Certain Joint Underwriting Policies
Citation: Section 1510(c)(2)
Effective Date: Effective for taxable years beginning on or after January 1, 1974
Description: The premiums-based tax does not include premiums on joint underwriting of group health insurance for persons aged sixty-five and over.
Estimates: 1996: $6.3 million - 2000: $6.1 million
Data Source: Insurance Study File and New York State Insurance Department Aggregate Data
Reliability: Level 2

8. Exclusion from the Premiums Tax of Premiums Written on Marine Vessels
Citation: Section 1510(c)(2)
Effective Date: Effective for taxable years beginning on or after January 1, 1974
Description: The base of the premiums-based tax does not include premiums for insurance upon marine vessels, freights or disbursements or upon personal property therein.
Estimates: 1996: $3.5 million - 2000: $2.9 million
Data Source: Insurance Study File
Reliability: Level 1

9. Exclusion from the Premiums Tax for Certain Non-New York Property or Individuals
Citation: Section 1512(b)(1)-(3)
Effective Date: Effective for taxable years beginning on or after January 1, 1974 (Section 1512(b)(3) effective for taxable years beginning on or after January 1, 1978)
Description: The tax imposed on premiums does not apply to 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 or "cap" for insurance corporations. The cap equals 2.4 percent of gross premiums. The total tax before credits may not exceed this amount. Taxpayers may apply all insurance corporation tax credits, except the economic development zone wage tax credit and the economic development zone capital corporation credit, to reduce the tax as determined by the "cap."

10. Limitation on Tax Liability

Citation: Section 1505
Effective Date: Effective for taxable years beginning on or after January 1, 1977
Description: Article 33 limits the total tax liability of an 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. For all other insurers the limitation will remain 2.6 percent of gross premiums. 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 subsidiary capital and premiums bases. Special rules apply to taxpayers claiming Economic Development Zone (EDZ) or Zone Equivalent Area (ZEA) credits.
Estimates: 1996: $207.6 million - 2000: $270.0 million
Data Source: Insurance Tax Study File
Reliability: Level 1

Credits

Credits are amounts, enumerated by Article 33 of the New York State Tax Law, which insurance corporations may subtract from their calculated New York tax liability. (The Economic Development Zone Wage Tax Credit and the Economic Development Zone Capital Corporation Credit may not be utilized to reduce the tax in instances where the tax is based on the limitation (or cap)).

11. Fire Insurance Tax Credits - Credit for Taxes on Certain Fire Insurance Premiums

Citation: Section 1511(a)
Effective Date: Effective for taxable 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. Insurance corporations may not carry forward unused credits to any other year.
Estimates: 1996: $30.5 million - 2000: $22.2 million
Data Source: Insurance Tax Study File
Reliability: Level 1

12. Retaliatory Tax Credit
Citation: Section 1511(c)
Effective Date: Effective for taxable 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: 1996: $38.6 million - 2000: $39.0 million
Data Source: Insurance Tax Study File
Reliability: Level 1

13. Special Additional Mortgage Recording Tax Credit
Citation: Section 1511(e)
Effective Date: Effective for taxable years beginning after December 31, 1978
Description: An insurance corporation may claim a credit which is equal in amount to the special additional mortgage recording tax paid on mortgages recorded on or after January 1, 1979, on property which is located within New York. Taxpayers may carry forward the amount of any unused mortgage recording tax credit. Certain mortgages on property in a Metropolitan Commuter Transportation District or Erie County are ineligible for the credit.
Estimates: 1996: Minimal - 2000: Minimal
Data Source: Insurance Tax Study File
Reliability: Level 1

14. Credit for Assessments Paid to the Life Insurance Company Guaranty Corporation
Citation: Insurance Law Section 7712(a)(b); Tax Law Section 1511(f)
Effective Date: Effective for taxable 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 $40 million or 40 percent of the total tax liability of all such companies. Taxpayers may carry forward the amount of unused credits.
Estimates: 1996: $0.0 million - 2000: $0.0 million
Data Source: State Insurance Department
Reliability: Level 4

15. Credit for Eligible Business Facilities
Citation: Section 1511(d)
Effective Date: Effective for taxable years beginning on or after January 1, 1978
Description: Owners or operators of a business establishment which has been certified for eligibility by the New York State Job Incentive Board (prior to April 1, 1983) or the State Tax Commission (subsequent to April 1, 1983) may claim a credit. An eligible business facility has been defined as one which is located in an eligible low-income area and creates or retains at least five jobs. Taxpayers may not carry forward the credit to future taxable years, although the certificate of eligibility may be renewed by a business for up to 10

years. After March 31, 1983, no new projects were approved for certification. The Commissioner of Taxation and Finance is empowered to issue certificates of eligibility for tax credits or a renewal or extension thereof on or after April 1, 1983.
Estimates: 1996: $0.0 million - 2000: $0.0 million
Data Source: Insurance Tax Study File
Reliability: Level 1

16. Economic Development Zone Tax Credits
Citation: Section 1511(g)(h)
Effective Date: Effective for tax years beginning on or after January 1, 1986. However, the methods for computing the wage tax credit and the capital corporation credit were amended effective for tax years beginning on or after January 1, 1994. Amendments providing that taxpayers located in Zone Equivalent Areas (ZEAs) can take a modified EDZ wage tax credit were effective January 1, 1994
Description: Taxpayers may qualify for a credit for investments in zone capital corporations, 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 $300,000 and cannot exceed one half of the taxpayer's pre-credit tax.

A taxpayer may also claim a credit for doing business and creating jobs in economic development zones (wage tax credit). The wage tax credit has two components. This credit equals the product of the average number of newly hired targeted EDZ employees receiving EDZ wages times $1,500. The corresponding credit amount for other employees equals the product of the average number of newly hired nontargeted EDZ employees receiving EDZ wages times $750.

Taxpayers employing individuals in areas that met EDZ eligibility criteria but were not so designated (Zone Equivalent Areas or ZEAs) may take a two year credit for EDZ wages paid for full-time employment in jobs created in the ZEA. Taxpayers must take the credit during the five year period following designation as a ZEA. The two year credit equals $1,000 times the average number of nontargeted employees hired during the first year. In the second year, the credit decreases to $500 times the average number of targeted employees and $250 times the average number of nontargeted employees. The total wage tax credit in any tax year cannot exceed 50 percent of tax due (before credits). Taxpayers may carry unused credits forward indefinitely.
Estimates: 1996: $0.0 million - 2000: $0.0 million
Data Source: Insurance Tax Study File
Reliability: Level 1

17. Credit for Employing Individuals with Disabilities
Citation: Section 1511(j)
Effective Date: Effective for tax years beginning on or after January 1, 1998, with respect to employees who begin work on or after January 1, 1997
Description: Employers who employ individuals with disabilities may claim a credit for a portion of wages paid to such individuals. The credit equals 35 percent of the first

$6,000 of first year wages paid to the disabled employee (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 become 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 as disabled by the State Education Department. Visually handicapped individuals may receive certification from the appropriate agency responsible for vocational rehabilitation of the blind and visually impaired.

Estimates: 1996: Not Applicable - 2000: Minimal
Data Source: Federal credit data
Reliability: Level 2

18. Credit for Investment in Certified Capital Companies

Citation: Section 1511(k)
Effective Date: Effective for tax years beginning after 1998, although the credit may be earned before 1999
Description: 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. There is a statewide cap of $100 million on the total amount of investments for which credits may be claimed (no more than $50 million for 1999). In total, insurance companies may not claim credits of more than $10 million in any taxable year.
Estimates: 1996: Not Applicable - 2000: $10.0 million
Data Source: Insurance Tax Study File

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

Corporate Exemptions

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

Citation: Sections 1512(a)(1)-(8), 1512(c)
Effective Date: Effective for taxable 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: The corporation franchise tax on insurance does not apply to several types of entities which may be engaged in an insurance business. Among the exempt entities are:

- 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. (This exemption applies to health service corporations such as Blue Cross and Blue Shield.) (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))
- 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))
- Entities conducting insurance business as a member of the New York Insurance Exchange. (1512(c))

Estimates: 1996: $74.4 million - 2000: $64.6 million
Data Source: The estimate is based on partial data on retirement/pension funds, fraternal benefit societies, and non-profit medical expense and service corporations. These three items account for most of the tax expenditure.
Reliability: Level 4

Preferential Tax Rates

20. 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 in lieu of the premiums and "income-based" tax 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 will decrease as the amount of premiums subject to tax increases, with the highest rate equaling 0.4 percent.
Estimates: 1996: Not Applicable - 2000: No data available
Data Source: Experience of other states
Reliability: Level 4

PETROLEUM BUSINESS TAX

This section provides tax expenditure estimates for 23 provisions of the Petroleum Business Tax. Table 7 provides a list of expenditures based on the Tax Law as of January 1, 2000. The estimates are based on data for the 1998 calendar year (the latest complete year for which tax return data is available) and then extrapolated to the 2000 calendar year. Total Petroleum Business Tax liability for calendar 1998 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. Automotive diesel motor fuel is taxable upon the first non-exempt sale or use of the product in New York. Non-automotive diesel 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 on page 127 displays the petroleum business tax rates effective January 1, 2000. 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 13.4 cents per gallon consists of a 8 cents per gallon basic tax and a 5.4 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 (PBT) Master File for 1994-1998. 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, crude oil 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-automotive diesel fuel rate; bunker fuel and crude oil the residual petroleum products rate; and for liquid petroleum gas the motor fuel rate and non-automotive diesel rates.

- Refund data from the Department'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 1998 to 2000 are based, where possible, on forecasted consumption of various petroleum products. These forecasts were produced by the U.S. Department of Energy. 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 Rates as of January 1, 2000
(Cents-Per-Gallon)

Product	Base Tax	Supplemental Tax	Total Tax
Taxes:			
Motor Fuel and Aviation Gasoline	8.0	5.4	13.4
Automotive Diesel Fuel	8.0	3.65	11.65
Railroad Diesel	6.7	--	6.7
Kero-jet Fuel	5.4	--	5.4
Nonautomotive Type Diesel Fuel	7.3	5.4	12.7
Residual Petroleum Product	5.7	5.4	11.1
Credits/Reimbursements:	Base Credit	Supplemental Credit	Total Credit
Electric Utility Credit/Reimbursement			
Unenhanced Diesel Fuel (Primarily No. 2 Fuel Oil)	4.87	--	4.87
Residual Fuel	4.83	--	4.83
Manufacturing Reimbursement 1/			
Unenhanced Diesel Motor Fuel (Primarily No. 2 Fuel Oil)	7.3	5.4	12.7
Residual Petroleum Product	5.7	5.4	11.1
Commercial Gallonage			
Unenhanced Nonautomotive Type Diesel Fuel (Primarily No. 2 Fuel Oil)	--	5.4	5.4
Residual Petroleum Product	--	5.4	5.4
Railroad Gallonage	1.3	3.65	4.95
Farm Use Reimbursement /2			
Motor Fuel	8.0	5.4	13.4
Commercial Fisherman Reimbursement			
Motor Fuel	8.0	5.4	13.4
Diesel Motor Fuel	8.0	3.65	11.65
Distributor of Aviation Gasoline Reimbursement	2.6	5.4	8.0
Not-for-Profit and Veterans' Group Credit/ Reimbursement /3			
Unenhanced Diesel Motor Fuel	7.3	5.4	12.7
Residual Petroleum Product	5.7	5.4	11.1

1/ Unenhanced 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/ Unenhanced 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.

Table 7
2000 New York State Petroleum Business Tax Expenditure Estimates
(1998 Calendar Year Total Petroleum Business Tax Liability = $943 Million)
(Millions of Dollars)

		History					Forecast	Reliability
	Tax Law	1994	1995	1996	1997	1998	2000	Level
Exemptions								
Products								
1.	Kerosene	11.6	10.6	13.1	13.0	10.4	9.6	2
2.	Bunker Fuel	1.7	1.0	11.8	8.9	9.1	8.3	2
3.	Crude Oil and Liquid Petroleum Gases	32.5	32.2	38.5	37.6	35.2	32.6	4
Sales								
4.	Governments	74.7	60.5	76.0	65.5	61.3	53.7	2
5.	Residential Heating	312.2	294.9	307.7	286.4	231.4	214.0	2
6.	Fuel Used for Manufacturing Purposes 1/	2.4	6.1	7.3	5.9	14.4	13.9	2
7.	Fuel Used for Farm Production 2/	3.4	5.3	5.5	5.9	5.8	5.4	2
8.	Not-for-Profit Organizations and Veterans Groups	--	1.2	10.9	10.0	10.5	9.2	2
9.	Fuel Used for Railroad Purposes	--	--	--	3.9	3.6	2.8	2
10.	Certain Commercial Gallonage	--	--	--	17.1	21.6	24.9	2
Credit, Refund or Reimbursement								
11.	Residential Heating Fuel	*	*	0.1	0.1	*	*	2
12.	Governments	1.3	1.3	2.6	3.7	2.5	2.2	2
13.	Omnibus Carriers	3.4	2.8	3.3	3.0	2.5	2.1	2
14.	Non-Public School Operators	0.0	1.2	1.4	1.6	2.4	2.0	2
15.	Regulated Electric Utilities	43.2	27.1	30.1	22.8	40.7	21.2	2
16.	Fuel Used for Manufacturing Purposes 3/	5.5	3.0	0.3	*	*	*	2
17.	Certain Commercial Gallonage	2.8	8.1	7.3	*	0.1	*	2
18.	Fuel Used by Commercial Fishers	*	0.3	0.4	0.3	0.3	0.3	2

19.	Fuel Used for Farm Production 4/	0.0	*	0.4	0.4	0.5	0.5	2
20.	Fuel Used for Railroad Purposes	--	--	--	*	*	*	2
21.	Bad Debts	0.0	0.0	*	*	*	*	2
22.	Not-for-Profit Organizations and Veterans Groups	--	--	*	*	*	*	2
Exempt Entities								
23.	Governments, the United Nations and Certain Not-for-Profit Organizations	*	*	*	*	*	*	4

* Less than $0.1 million.

N/A No data available

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

1/ Non-automotive diesel fuel and residual petroleum product used and consumed directly and exclusively in the production of TPP for sale as part of a manufacturing process are fully exempt from the PBT, effective January 1, 1998.

2/ Non-automotive diesel fuel used for farming was exempt from the supplemental portion of tax beginning July 1991. Non-automotive diesel fuel and residual fuel use for farming is exempt from entire tax beginning September 1, 1994.

3/ Credit or refunds were available for the supplemental portion of non-automotive diesel or residual product purchased tax paid and subsequently used to produce TPl for manufacturing. Effective January 1, 1998, these products are now fully exempt from the petroleum business tax.

4/ Refunds were available for the supplemental portion of non-automotive diesel product purchased tax paid and subsequently used for farming purposes. Full refunds are now available only for motor fuel used for farming purposes effective September 1, 1994.

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: 1998: $10.4 million - 2000: $9.6 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: 1998: $9.1 million - 2000: $8.3 million
Data Source: PBT Master File
Reliability: Level 2

3. **Crude Oil and Liquid Petroleum Gases**
Citation: Section 301-b(a)(5)
Effective Date: September 1, 1990
Description: An exemption from tax is allowed for crude oil and liquid petroleum gases such as butane, ethane, or propane.
Estimates: 1998: $35.2 million - 2000: $32.6 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

Sales

4. 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, enhanced diesel 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: 1998: $61.3 million - 2000: $53.7 million
Data Source: PBT Master File and U.S. Department of Defense
Reliability: Level 2

5. Residential Heating
Citation: Section 301-b(d)
Effective Date: September 1, 1990
Description: An exemption from tax applies to unenhanced diesel motor fuel, enhanced diesel motor fuel and residual petroleum product sold by a registered distributer of the product, to a consumer, exclusively for residential heating purposes.
Estimates: 1998: $231.4 million - 2000: $214.0 million
Data Source: PBT Master File
Reliability: Level 2

6. Fuel Used for Manufacturing Purposes
Citation: Section 301-a(f)(4), 301-a(g)(4); 301-j(b)(1)
Effective Date: January 1, 1998
Description: The sale or use of residual fuel or non-automotive 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 16. Fuel Used for Manufacturing Purposes for reimbursement if the tax was paid on subsequent sales.)
Estimates: 1998: $14.4 million - 2000: $13.9 million
Data Source: PBT Master File
Reliability: Level 2

7. Fuel Used for Farm Production
Citation: Section 301-b(g)
Effective Date: September 1, 1994
Description: The sale or use of 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 and no more than 4,500 gallons of diesel motor fuel in a 30 day period may be exempted without prior clearance given by the Commissioner of Taxation and Finance. (See 19. Fuel Used for Farm Production.) Prior to September 1, 1994 (effective in July 1991), the sale of diesel motor fuel for off-highway farm production of goods for sale was exempt from the supplemental portion of the tax. No exemption was available for residual fuel prior to September 1, 1994.
Estimates: 1998: $5.8 million - 2000: $5.4 million
Data Source: PBT Master File
Reliability: Level 2

8. 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 or non-automotive diesel 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 22. Not-for-Profit Organizations and Veterans Groups for a full credit/reimbursement of the tax.) Before January 1, 1996 (effective September 1, 1995), sales of unenhanced diesel motor fuel and residual petroleum product to not-for-profit organizations were exempt only from the supplemental tax.
Estimates: 1998: $10.5 million - 2000: $9.2 million
Data Source: PBT Master File
Reliability: Level 2

9. Fuel Used for Railroad Purposes
Citation: Section 301-a(e)(4); 301-j(a)(3)
Effective Date: January 1, 1997
Description: The sale of 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 20. Fuel Used for Railroad Purposes for refund/reimbursement of tax.)
Estimates: 1998: $3.6 million - 2000: $2.8 million
Data Source: PBT Master File and refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

10. Certain Commercial Gallonage
Citation: Section 301-j(a)(2)
Effective Date: March 1, 1997

Description: Commercial gallonage defined as non-automotive type diesel fuel and residual fuel that does not qualify for the utility credit/reimbursement or the manufacturing exemption or the not-for-profit exemption is exempt from the supplemental portion of the tax. This fuel is primarily used for space heating. (See 17. Certain Commercial Gallonage for refund/reimbursement of tax.)
Estimates: 1998: $21.6 million - 2000: $24.9 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.

11. Residential Heating Fuel
Citation: Section 301-c(a)
Effective Date: September 1, 1990
Description: A reimbursement is allowed for taxes paid by subsequent purchasers of diesel motor fuel purchased in the State and sold to a consumer for use exclusively for residential heating purposes.
Estimates: 1998: Minimal - 2000: Minimal
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

12. 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: 1998: $2.5 million - 2000: $2.2 million
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

13. 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: 1998: $2.5 million - 2000: $2.1 million
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

14. 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: 1998: $2.4 million - 2000: $2.0 million
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

15. Regulated Electric Utilities
Citation: Section 301-d; 301-g(b)(1)
Effective Date: September 1, 1990
Description: These sections extend 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: 1998: $40.7 million - 2000: $21.2 million
Data Source: PBT Master File
Reliability: Level 2

16. Fuel Used for Manufacturing Purposes
Citation: Section 301-c(j)
Effective Date: January 1, 1998
Description: Purchasers who subsequently sell residual fuel or non-automotive diesel fuel used and consumed for manufacturing purposes may be reimbursed for the full petroleum business tax. (See 6. 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: 1998: Minimal - 2000: Minimal
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

17. 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-automotive 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 10. Certain Commercial Gallonage for refund/reimbursement of tax.) Prior to March 1997 (and 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: 1998: $.1 million - 2000: Minimal
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

18. Fuel Used by Commercial Fishers
Citation: Section 301-c(e)
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: 1998: $.3 million - 2000: $.3 million
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

19. Fuel Used for Farm Production
Citation: Section 301-c(e), (f)
Effective Date: September 1, 1994
Description: Reimbursements are allowed for 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 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 purchased in a 30 day period, or for greater amounts with prior clearance by the Commissioner of Taxation and Finance. The motor fuel must be delivered on the farm site and consumed off-highway in the production of goods for sale. (See 7. Fuel Used for Farm Production for the Up-front Exemption.) Prior to September 1, 1994 (effective in July 1991), the sale of diesel motor fuel for off-highway farm production of goods for sale was exempt from the supplemental portion of the tax. No exemption was available for residual or motor fuel prior to September 1, 1994.
Estimates: 1998: $.5 million - 2000: $.5 million
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

20. 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 automotive diesel rate and then sell such fuel as "railroad diesel." The amount of the reimbursement is equal to the difference between the full automotive diesel rate and the railroad diesel rate. (See 9. Fuel Used for Railroad Purposes for exemption from tax.)
Estimates: 1998: Minimal - 2000: Minimal
Data Source: Department of Taxation and Finance Audit Division
Reliability: Level 2

21. 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 gallonage sold in-bulk by the business for the purchaser's own consumption. The same must then give rise to a debt that becomes worthless for federal income tax purposes. In addition, a sale of motor fuel and enhanced 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: 1998: Minimal - 2000: Minimal
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

22. 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-automotive diesel 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 8. Not-for-Profit Organizations and Veterans Groups for the full up-front exemption.)
Estimates: 1998: Minimal - 2000: Minimal
Data Source: Refund data from the Department of Taxation and Finance's Audit Division
Reliability: Level 2

Exempt Entities

23. 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 (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 their agencies, instrumentalities, or political subdivisions, the United Nations, or any international

organization of which the United States is a member of, 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, veteran's groups, certain Indian nations or tribes and certain not-for-profit health maintenance organizations.
Estimates: 1998: Minimal - 2000: Minimal
Data Source: PBT Master File
Reliability: Level 4

REAL ESTATE TRANSFER TAX

This section of the report provides tax expenditure estimates for 17 separate provisions of the real estate transfer tax. Table 8 provides a list of expenditures based on the Tax Law as of January 1, 2000. The estimates are based on liability data from the 1998-99 fiscal year. Base year 1997-98 liability is also extrapolated to the 2000-01 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 1998-99 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 effecting 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 all transfers of real property. It includes data items from the TP-584 tax return filed with each transfer and is an unverified data file.

Methodology

Historical estimates are projected to Fiscal Year 2000-01 levels using various economic forecast variables. Several items were projected using economic data from Data Resources Incorporated (DRI). Others were projected with the use of the New York State Division of the Budget’s forecast of the U.S. and New York economies.

Table 8
2000 New York State Real Estate Transfer Tax Expenditure Estimates
(Fiscal Year 1999 Total Real Estate Transfer Tax Liability = $312.4 Million)
(Millions of Dollars)

	Tax Law	History					Forecast	Reliability
		1994-95	1995-96	1996-97	1997-98	1998-99	2000-01	Level
Exclusions								
1.	Continuing Lien Deduction	2.8	3.6	3.1	3.5	3.5	3.5	2
Exemptions								
2.	State of New York	N/A	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	N/A	5
4.	Conveyances to the United Nations, United States of America, or State of New York	4.6	3.0	4.2	3.5	3.7	3.7	2
5.	Conveyances Which Secure a Debt or Other Obligation	0.3	0.2	0.3	0.4	0.3	0.3	2
6.	Conveyances that Confirm, Correct, Modify or Supplement a Prior Conveyance	0.1	0.2	0.2	1.2	*	0.3	2
7.	Bona Fide Gifts and Conveyance Without Consideration	0.4	0.3	0.4	0.3	0.4	0.3	2
8.	Tax Sale	0.1	0.1	0.1	0.1	0.2	0.1	2
9.	Mere Changes of Identity	2.5	9.5	7.0	13.3	2.9	9.0	2
10.	Deeds of Partition	*	*	*	*	*	*	2
11.	Federal Bankruptcy Act	3.1	2.6	5.7	1.4	2.5	3.0	2
12.	Contract to Sell or Option to Purchase Without Use	0.1	0.1	0.1	0.2	0.1	0.1	2
13.	Option or Contract to Purchase With Right to Occupy	0.4	0.3	0.3	0.3	0.3	0.3	2
Credit								
14.	Credit for Prior Transfer Tax Paid	0.1	*	0.6	0.6	*	0.5	2
15.	Cooperative Housing Corporation Transfer Credit	0.7	0.3	0.7	0.7	0.8	0.8	2
Preferential Tax Rates								
16.	Real Estate Investment Trust Transfers (Initial Formation)	*	*	*	*	*	*	2
17.	Real Estate Investment Trust Transfers (Existing REITs)	--	--	0.4	0.7	1.5	1.7	2

* Minimal
-- The tax expenditure was not applicable for these years.
N/A No data available

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: FY1999: $3.5 million - FY2001: $3.5 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 effecting 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

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: FY1999: $3.7 million - FY2001: $3.7 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: FY1999: $0.3 million - FY2001: $0.3 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: FY1999: Minimal - FY2001: $0.3 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: FY1999: $0.4 million - FY2001: $0.3 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: FY1999: $0.2 million - FY2001: $0.1 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: FY1999: $2.9 million - FY2001: $9.0 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: FY1999: Minimal - FY2001: 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: FY1999: $2.5 million - FY2001: $3.0 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: FY1999: $0.1 million - FY2001: $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
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:
(i) the consideration is less than $200,000;
(ii) such property or at least one unit of a two- or three-family house was used solely as the grantor's personal residence; and
(iii) 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: FY1999: $0.3 million - FY2001: $0.3 million
Data Source: RETT Database
Reliability: Level 2

Credit

The real estate transfer tax allows credits for taxes paid in certain transactions.

14. 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: FY1999: Minimal - FY2001: $0.5 million
Data Source: RETT Database
Reliability: Level 2

15. 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: FY1999: $0.8 million - FY2001: $0.8 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.

16. 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: FY1999: Minimal - FY2001: Minimal
Data Source: New York State Department of Taxation and Finance
Reliability: Level 2

17. 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, 2002.
Estimates: FY1999: $1.5 million - FY2001: $1.7 million
Data Source: New York State Department of Taxation and Finance
Reliability: Level 2

CROSS-ARTICLE TAX EXPENDITURES

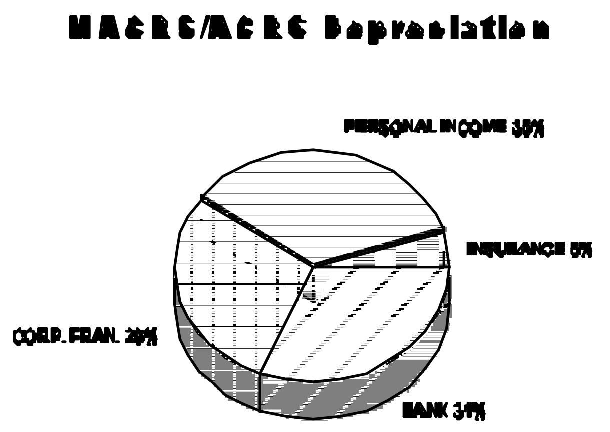
Certain tax expenditures appear in more than one Article of the Tax Law. For example, taxpayers can claim the investment tax credit against the personal income tax and the corporation franchise tax. Table 9 lists tax expenditure provisions common to the personal income, corporation franchise, bank, and insurance taxes for the 2000 tax year. The charts which follow present tax expenditure information for selected expenditures common to more than one tax. They show the share of the tax expenditure from each tax article forecasted for 2000.

Table 9
2000 Tax Year
Selected Cross-Article Tax Expenditure Estimates
(Millions of Dollars)

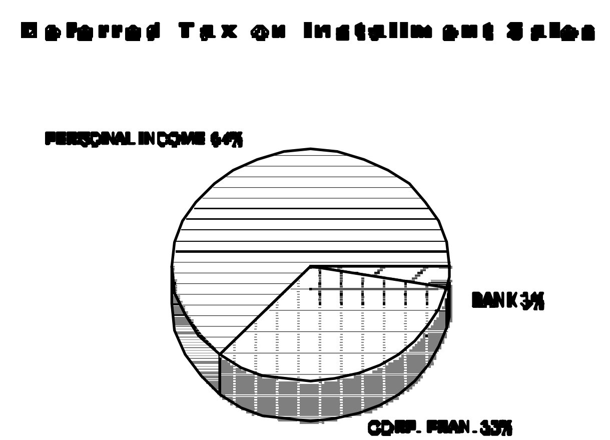
	Personal Income Tax	Corporation Franchise Tax	Bank Tax	Insurance Tax
MACRS/ACRS Depreciation	142.7	116.0	123.7	19.5
Additional Holocaust Tax Exemption 1/	*	*	--	--
Deferred Tax on Installment Sales	3.9	2.0	0.2	*
Investment Tax Credit	36.0	150.0	--	--
Investment Credit for Financial Services Industry	0.2	75.0	10.0	--
Special Additional Mortgage Recording Tax Credit 2/	3.3	4.0	12.0	*
Economic Development Zone and Zone Equivalent Areas Tax Credits	4.5	9.0	3.0	0.0
Expensing on Certain Depreciable Business Property	5.7	0.1	0.1	*
Expensing of Research and Development Costs	0.2	35.2	--	--
Amortization of Business Start-Up Costs	1.9	0.2	N/A	N/A
Deductibility of Charitable Contributions	385.0	20.3	18.7	*
Eligible Business Facilities Credit	--	0.0	0.0	0.0
Alternative Fuels Vehicle Credit 2/	0.6	9.5	--	--
Credit for Employing Individuals with Disabilities 2/	*	4.0	*	*
Emerging Technology Companies Credit	8.0	2.0	--	--

1/ The Additional Holocaust Tax Exemption appears in section 13 of the Tax Law. The exemption is different from the Exclusion of Payments to Victims of Nazi Persecution found in the Personal Income Tax section of the report. The provision exempts qualified settlement funds or grantor trusts established for the benefit of victims or targets of Nazi persecution by or in the Swiss Confederation from all state taxes imposed on or measured by income, as well as sales and use tax (not shown here). Amounts received by such victims or targets of Nazi persecution, including accumulated interest, are also exempt from state taxes imposed on or measured by income.
2/ These expenditures are also permitted under certain sections of the Corporation Tax (Article 9). See the Corporation Tax section of the report for more details.
* Less than $0.1 million
N/A No data available
-- Not applicable

SHARE OF SELECTED FEDERALLY BASED TAX EXPENDITURES
BY TAX ARTICLE
FOR 2000-01 PROJECTIONS

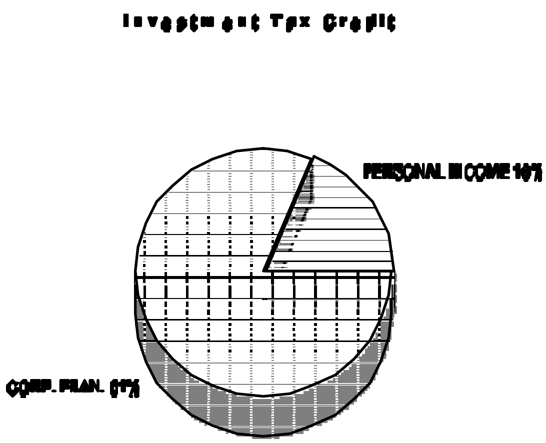


The total value of the tax expenditure is $401.9 million.

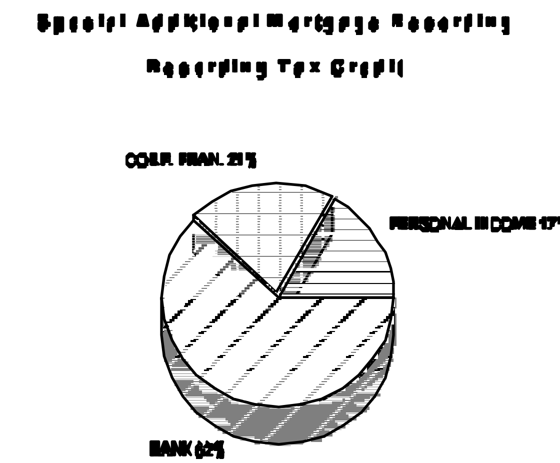


The total value of the tax expenditure is $6.1 million.

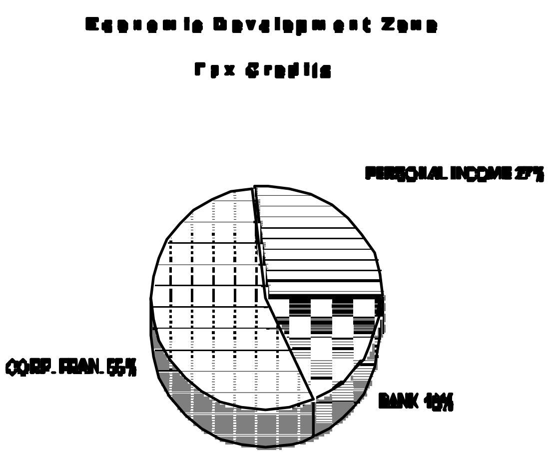
SHARE OF SELECTED STATE SPECIFIC TAX EXPENDITURES
BY TAX ARTICLE
FOR 2000-01 PROJECTIONS



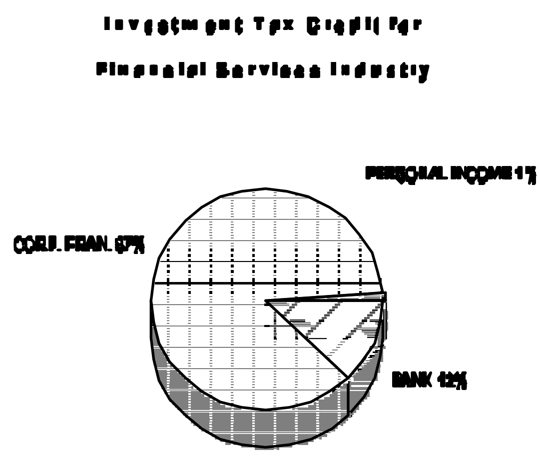
The total value of the tax expenditure is $186.0 million.



The total value of the tax expenditure is $19.3 million.



The total value of the tax expenditure is $16.5 million.



The total value of the tax expenditure is $85.2 million.

2000-2001 EXECUTIVE BUDGET TAX EXPENDITURE PROPOSALS

This section describes the proposals contained in the 2000-2001 Executive Budget that modify, add or repeal specific tax expenditures. Each description begins with background information on the tax expenditure proposal, a summary of the proposal, reasons for recommending the change, and a discussion of revenue implications. Table 10 provides a listing of these provisions.

Table 10
2000-2001 Executive Budget Proposals Affecting Tax Expenditures

Tax Item	2000-2001 Fiscal Year Estimate ($ millions)
Corporation Tax	
Elimination of Gross Receipts Taxes on Energy*	(33.0)
Power for Upstate Jobs Expansion	0
Corporate Franchise Tax	
Upstate High Technology Zones**	0
Upstate Urban Job Creation Tax Credit**	0
New York State Low-Income Housing Tax Credit***	(2.0)
Green Buildings Tax Credit****	0
Biotechnology Tax Credit	0
Sales & Use Tax	
Farm Production Exemption	0
Web Hosting Facilities Exemption	0

* Repeal of these sections of Tax Law would eliminate various associated tax expenditures.
** Applies also to the personal income tax.
*** Applies also to the personal income, bank and insurance taxes.
**** Applies also to the personal income, corporation, bank and insurance taxes.

1. Proposal to Eliminate Gross Receipts Taxes on Energy

Background: The Governor's plan builds upon his ongoing efforts to reduce energy costs. The plan is an expansion of the Governor's widely-praised energy tax reduction package proposed in the 1999-2000 Executive budget which was overwhelmingly passed by the Senate, and endorsed by business groups across the State.

Proposal: The gross receipts taxes on energy would be eliminated by 2005. Industrial customers would receive immediate relief from any gross receipts taxes they pay or have passed through to them. In addition, all energy companies would immediately be treated like all other competitive companies in that the proposal would eliminate the gross receipts franchise tax, eliminate the excess dividends tax, and tax these companies on a net income basis. The remaining gross receipts taxes on energy would be phased down and eliminated. The proposal would level the playing field for in-state providers of energy.

Discussion: The gas and electric industry has been deregulated, and in all aspects of the business other than the transmission, distribution, and transportation of the energy across wires and through pipes. The existing taxing scheme, devised in the 1800's, may have been appropriate for vertically integrated monopolies. This scheme is bad policy, administratively unworkable, and competitively harmful for New York businesses in the 21st century.
Estimate: The proposal would result in a decrease in corporation tax of $33.0 million in SFY 2000-01.

2. **Proposal for Upstate Power for Jobs Expansion**
Background: The Upstate Economic Revitalization Power Program is an integral part of the Governor's Upstate Economic Revitalization Package, lowering the cost of doing business in the region and encouraging job growth. This proposal adds to the existing successful state-wide program which was enacted in 1997 and provides 450 megawatts of power to businesses and not-for-profits creating or retaining jobs.
Proposal: The proposal will provide an additional 200 megawatts of lower cost electricity for upstate employers creating additional jobs. The lower cost is subsidized by a tax credit reimbursing the delivering utility for the difference between its market price for delivered electricity and Power for Jobs participants contracted delivered prices. The proposal is effective upon enactment; all allocations of power would be completed in 2000; low cost energy contracts would be in effect for 2001 and 2002; tax credits to delivering utility companies would be in effect from 2001 to 2004; and the program would sunset January 1, 2005.
Discussion: The Power for Jobs program provides a mechanism for delivering less expensive electricity to employers throughout New York during the transition to a competitive electric market.
Estimate: The proposal would have no revenue impact in SFY 2000-01.

3. **Proposal to Create Upstate High Technology Enterprise Zones**
Background: Qualifying Emerging Technology Company (QETC) credits for business investment were enacted into law two years ago. Last year, the QETC credit was expanded to the PIT to provide incentives for "angel" investors.
Proposal: The initiative consists of four new credits available to qualified companies in upstate New York (upstate consists of all counties above the MCTD). The proposal is effective for tax years beginning on or after January 1, 2002 and is scheduled to sunset on January 1, 2012.

- Qualified companies would receive a tax credit to eliminate energy gross receipts taxes paid by these companies. (This would provide relief until the gross receipts tax is repealed statewide).
- Wage credits for high tech companies that increase employment in the upstate zone. Large companies that increased employment by 10 percent above their current statewide employment would receive a new credit of $2,000 per new employee. Smaller companies that qualify, would see a doubling of the existing Qualified Emerging Technology Company (QETC) credit to $2,000 per new employee.

- Qualified companies would receive a new Research and Development (R&D) credit modeled on the current Federal credit for R&D.
- Qualified companies would receive a credit for all interest paid on business investment loans for projects in the zone. This would make the cost of capital in the zone for these firms essentially free for the duration of the program.

Discussion: This new initiative would promote high technology economic development in upstate areas.

Estimate: The proposal would have no revenue impact in SFY 2000-01.

4. Proposal to Create an Upstate Urban Job Creation Tax Credit

Background: This proposal is part of the Governor's Upstate Economic Revitalization Package. A similar credit was proposed last year.

Proposal: The proposal allows a credit for new jobs, in excess of 25, for upstate businesses. The credit is comprised of a 'job growth' component and a 'job maintenance' component. The job growth component is earned in the first year when employment increases by more than 25 and is $500 per new employee (in excess of 25), if employees wages are $8 per hour or more, and $250 per new employee (in excess of 25), if employees wages are less than $8 per hour. The job maintenance component is earned in the second year following the employment increase, if employment level of the first year is maintained and is $500 per new employee (in excess of 25), if employees wages are $8 per hour or more and is equal to previous years job growth component if employment is maintained. The credit is available only to taxpayers in cities outside of the Metropolitan Commuter Transportation District (MCTD). The proposal is effective for taxable years beginning on or after January 1, 2002.

Discussion: This innovative tax credit is designed to spur job creation across the cities of upstate New York.

Estimate: The proposal would have no revenue impact in SFY 2000-01.

5. Proposal to Create a New York State Low-Income Housing Tax Credit

Background: This proposal was part of the Governor's Executive Budget last year. There is no existing credit for low-income housing in New York State. The State Division of Housing and Community Renewal (DHCR) administers the federal low-income housing credit.

Proposal: The proposal creates a tax credit for the purchase of low income housing based on existing Federal provisions for the Federal low income housing credit. The Commissioner of the State Division of Housing and Community Renewal (DHCR) would administer the credit and have discretionary authority over the amount of the credit awarded. The annual amount of aggregate credit available would be capped at $2 million. The credit is determined by applicable percentages based on prevailing interest rates and project construction cost. It is designed to yield a credit amount over 10 years which approximates 70 percent of the present value of the cost of the low-income units. The credit amount allocated to a project by the Commissioner is allowed each year for 10 years, but the project must continue to qualify as low-income housing for a 15-year compliance period to avoid recapture of the credit. The proposal would be effective for tax years beginning on or after January 1, 2000.

Discussion: The New York State Low Income Housing Tax Credit Program will be administered in tandem with the Federal low-income housing credit. The demand for credit by New York projects exceeds the existing Federal cap, meaning that more low-income housing can be produced in New York. The State Program will encourage this production by allowing the Federal credit allocation to be spread to more projects, with State money filling the gaps. In addition, the State credit will allow for construction of moderate income housing not covered by the Federal credit.

Estimate: The proposal would result in a decrease in corporate franchise, personal income, bank, and insurance taxes of $2.0 million in SFY 2000-01.

6. Proposal to Create a Green Buildings Tax Credit

Background: The proposal is designed to encourage the construction and rehabilitation of environmentally sensitive buildings. The construction of green buildings can help reduce energy consumption, encourage the use of recyclable materials and provide quality of life improvements for employees by enhancing indoor air quality.

Proposal: The proposal creates new tax credits designed to encourage the construction and rehabilitation of environmentally sensitive "green buildings." Green buildings are those that adhere to strict environmental standards, including energy efficiency, water conservation, and indoor air quality. The proposal consists of six credit components. These include a green whole-building credit component; green base building credit component; green tenant space component; fuel cell credit component; photovoltaic module credit component; and non-ozone depleting refrigerant component. The amounts of the credits vary depending on the component. The proposal would be effective for tax years beginning on or after January 1, 2001.

Discussion: This proposal would enhance the environment by providing incentives to invest in clean and efficient technologies and products.

Estimate: The proposal would have no revenue impact in SFY 2000-01.

7. Proposal for a Biotechnology Refundable Credit

Background: This is a new proposal to assist biotechnology firms with securing funding for their research.

Proposal: Biotechnology firms that do not qualify as 'new businesses' can claim a refund of their investment tax credits. Over 50 percent of the voting stock of the biotechnology company cannot be owned by another entity. Companies must have 100 employees or fewer to qualify. To be eligible for the credit, a company must be primarily engaged in applying technologies, such as recombinant DNA techniques, biochemistry, molecular and cellular biology, genetics and genetic engineering, biological cell fusion techniques, and new bioprocesses, using living organisms, or parts of organisms, to produce or modify products, to improve plants or animals, to develop microorganisms for specific uses, to identify targets for pharmaceutical development, or to transform biological systems into useful processes and products or to develop microorganisms for specific uses. The proposal applies to taxable years beginning on or after January 1, 2001.

Discussion: The credit will provide biotechnology firms with a source of funding.
Estimate: The proposal would have no revenue impact in SFY 2000-01.

8. **Proposal for a Sales Tax on Farm Production**

Background: The proposal expands on SFY 1999-2000 budget legislation and increases the tax relief New York State is providing for this industry, making New York's farmers better able to compete in a highly competitive marketplace.

Proposal: Effective March 1, 2001, the proposal would exempt all of the tangible property and all of the building materials used by a farmer in farm production as well as all utility services used in farm production. Services provided to farm real property are also exempt and the proposal gives commercial horse boarding operations all of the benefits provided to farms.

Discussion: The proposal provides significant simplification in the application of the sales tax law for tradesmen and vendors of building materials, farm machinery and equipment that deal with New York's farmers. For example, under current law a bolt used to fix a plow is exempt, however, the exact same bolt, if used to install or repair a barn door, would be taxed. The distinction between farm machinery affixed to real property and free standing farm machinery used in production is also eliminated. Currently a piece of farm machinery which is bolted to the floor of a barn is taxable while the same piece of equipment is exempt if it is portable. The need for farmers to contend with the paper work necessary to discern what portion of their farm's utility services bill is attributable to the energy used in qualifying farm production and file for a sales tax refund is also eliminated.

Estimate: The proposal would have no revenue impact in SFY 2000-01.

9. **Proposal for a Web Hosting Facilities (Internet Data Center) Sales Tax Exemption**

Background: This proposal builds on SFY 1999-2000 budget legislation which provided a sales tax exemption for machinery and equipment used by telecommunications companies to manage Internet traffic. The prior legislation also provided a sales tax exemption for the computer system hardware used by website designers and developers.

Proposal: The proposal provides sales tax exemptions to companies developing and operating Internet data centers (also referred to as 'web hosting facilities' and 'server farms') in New York. It would exempt the computer hardware and software purchased by these companies and other necessary equipment such as the air conditioning systems, power systems, raised flooring and cabling and exempts services to the exempted property and facility security services. The proposal is effective March 1, 2001.

Discussion: Internet data centers represent a significant aspect of the Internet infrastructure by providing reliable, state-of-the-art, and secure facilities for on-line businesses to stay on-line 24 hours a day, seven days a week, and 365 days a year. The proposal encourages the construction of these facilities thereby attracting high-tech jobs to New York. The incentives also help create the necessary infrastructure for Internet start-up companies wanting to locate in New York near one of these centers.

Estimate: The proposal would have no revenue impact in SFY 2000-01.

APPENDIX

Federal Exclusions from Income

This Appendix summarizes federal "flow through" tax expenditure provisions which impact the New York State Personal Income, Corporation Franchise, Bank, and Insurance Taxes. 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, 2000. Therefore, estimates for the 1993-1997 tax years (1992-1996 for Corporation 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. Exclusions generally do 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.

New York State Tax Expenditure Estimates of
Federal Exclusions from and Adjustments to Income

Personal Income Tax

Provision	1993	1994	1995	1996	1997	2000
	Millions of Dollars					
1. *Deduction for IRA and Keogh Contributions* Taxpayers may deduct up to $2,000 of contributions to qualified IRA plans. For married couples, each spouse may deduct $2,000. 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.	96.9	99.1	94.7	80.9	79.3	87.2
2. *Exclusion of Income Earned Abroad by U.S. Citizens* 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	48.6	41.6	36.6	38.9	39.0	56.3
3. *Limited Exception to Passive Loss Rules on Rental Real Estate* Taxpayers may deduct up to $25,000 of passive losses attributable to rental real estate against active income	121.8	112.4	95.1	90.8	92.8	80.4
4. *Exclusion of Capital Gains on Home Sales* Taxpayers may exclude up to $250,000 (single) and $500,000 (married joint) of gain from the sale of exchange of a principal residence. This exclusion applies for each sale or exchange	--	--	--	--	342.5	384.0
5. *Exclusion of Capital Gains from Small Business Stock* Investors may exclude, subject to certain dollar limitations, one half of capital gains from investment in the stock of a qualified small business when held at least five years. In addition, gain may be deferred if reinvested in other qualified small business stock within 60 days	*	*	*	0.8	0.0	0.1

Personal Income Tax

Provision	Millions of Dollars 1993	1994	1995	1996	1997	2000
6. *Exclusion of Scholarship and Fellowship Income* Scholarship and fellowship income may be excluded from a student's federal gross income	20.3	20.5	20.1	19.0	17.8	20.9
7. *Exclusion of Employee Meals and Lodging* 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.	13.2	13.6	13.7	12.9	12.2	14.3
8. *Exclusion of Public Assistance Benefits* Public assistance benefits are excluded from federal gross income	13.6	14.2	12.0	11.9	8.6	7.5
9. *Exclusion of Veterans' Benefits* Various benefits received by veterans or their beneficiaries are tax-exempt	53.7	70.7	66.4	63.9	58.4	68.5
10. *Exclusion of Employer Contributions for Medical Insurance and Care and Long Term Care Insurance* 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	1,432.0	1,479.8	1,550.9	1,458.9	1,331.0	1,671.1
11. *Exclusion of Employer Contributions for Employee Pensions* 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	1,246.6	1,296.3	1,333.4	1,548.0	1,611.2	1,743.0
12. *Exclusion of Workers' Compensation Benefits* Amounts received under workers' compensation acts, accident and health insurance, and similar plans are excluded from gross income	108.4	111.4	113.0	96.0	100.7	119.5

Personal Income Tax

Provision	Millions of Dollars 1993	1994	1995	1996	1997	2000
13. *Exclusion of Employer-Provided Tuition Assistance* Employers may exclude up to $5,250 of employer-paid tuition for undergraduate college education. This exclusion expires for courses taken and tuition paid after May 31, 2000.	5.0	5.0	5.0	5.0	4.2	4.2
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).	17.3	18.0	18.6	18.7	26.0	30.4
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.	48.0	31.1	31.3	29.2	31.9	36.1
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.	51.1	49.8	49.6	45.3	41.1	43.4
17. *Exclusion of Accelerated Death Benefits* Taxpayers may exclude accelerated death benefits paid under life insurance contracts.	--	--	--	--	4.0	4.0
18. *Deduction for Contributions to Medical Savings Accounts* Self-employed taxpayers and taxpayers employed in small businesses may deduct up to 65 percent (single) and 75 percent (family) of contributions to medical savings accounts. The maximum deductible amounts to which the 65/75 percentages apply are $2,350 for individual coverage and $4,650 for family coverage.	--	--	--	--	0.3	0.5

Personal Income Tax

Provision	Millions of Dollars 1993	1994	1995	1996	1997	2000
19. *Deduction for Self-Employed Persons' Health and Long Term Care Insurance* Self-employed taxpayers may deduct 60 percent of the 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................................	N/A	N/A	12.0	15.3	15.7	26.1
20. *Exclusion of Employer-Provided Adoption Assistance* Taxpayers may exclude up to $5,000 ($6,000 for special needs adoptees) qualified adoption expenses provided by their employers..	--	--	--	0.2	2.4	7.8
21. *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.......	74.8	75.9	64.2	48.6	43.3	47.9
22. *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......................................	233.9	239.7	245.4	273.6	260.0	313.2
23. *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......	226.1	232.4	270.7	217.2	314.2	332.2
24. *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	*	*	*	*	*	*

Personal Income Tax

Provision	Millions of Dollars 1993	1994	1995	1996	1997	2000
25. *MACRS/ACRS Depreciation* Depreciable property used in the ordinary course of trade or business, and which has been placed in service after 1980, may be depreciated at an accelerated rate over a prescribed period. The taxpayer may either claim the depreciation deduction using the ACRS method of depreciation, or elect to deduct all or a part of the cost of the property from federal gross income as an expense deduction. Modified ACRS applies to New York property placed in service after December 31, 1986....................................	82.2	117.4	120.4	105.1	117.8	142.7
26. *Amortization of Business Start-Up Costs* A taxpayer may elect to amortize, over a period of at least 60 months, the investigatory and start-up expenses of a business in which the taxpayer actively participates................................	2.6	2.5	2.5	2.3	1.7	1.9
27. *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..	686.6	704.7	710.6	668.3	481.5	567.9
28. *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..	6.8	7.2	7.2	13.9	14.5	16.9
29. *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..	*	*	*	*	*	*

Personal Income Tax

Provision	1993	1994	1995	1996	1997	2000
	Millions of Dollars					
30. *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…………………………………	1.0	0.7	--	0.1	0.1	0.2
31. *Expensing up to $20,000 on Certain Depreciable Business Property* Businesses investing less than $220,000 in depreciable property during the taxable year may deduct as an expense, in lieu of depreciation, up to $20,000 of the cost of new equipment put in service during the tax year………………………………………	13.3	13.8	10.9	6.8	6.0	5.7
32. *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………….	337.2	290.8	249.3	261.9	274.8	312.9
33. *Deferred Tax on Installment Sales* Non-dealer taxpayers may report certain sales using the installment method of accounting as provided by IRC Section 453…………	3.3	5.0	4.7	4.3	5.1	3.9
34. *Deduction for Student Loan Interest* Taxpayers may deduct up to $2,000 of interest paid on qualified education loans. The deduction phases out when modified AGI exceeds $55,000 (single) and $75,000 (married joint)………….	--	--	--	--	1.4	6.3

Personal Income Tax

Provision	1993	1994	1995	1996	1997	2000
	Millions of Dollars					
35. Exclusion for Education IRAs Taxpayers may exclude distributions (including earnings) from education IRAs if used for qualified higher education. The exclusion phases out when modified AGI exceeds $110,000 (single) and $160,000 (married joint)	--	--	--	--	0.4	7.6

Corporation Franchise Tax

Provision	1992	1993	1994	1995	1996	2000
	Millions of Dollars					
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	0.5	0.5	0.5	0.5	0.4
2. *Expensing of Certain Depreciable Business Property* Taxpayers have an option to immediately expense the first $20,000 of the cost of eligible business property (Section 179 property) which is not chargeable to a capital account..........................	*	*	*	*	0.0	0.1
3. *MACRS/ACRS Depreciation* Depreciable property used by the taxpayer in the ordinary course of trade or business, and which has been placed in service after 1980, may be depreciated at an accelerated rate over a prescribed period. The taxpayer may either claim the depreciation deduction using the ACRS method of depreciation, or elect to deduct all or a part of the cost of the property from federal gross income as an expense deduction. Modified ACRS (MACRS) applies to property placed in service after December 31, 1986............................	101.8	83.0	91.9	121.2	131.2	116.0
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...	22.1	24.9	27.7	13.8	34.6	35.2
5. *Amortization of Business Start-Up Costs* A corporation may amortize, over a period of at least 60 months, certain investigatory and business start-up expenses................	0.2	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.	1.2	1.2	1.2	4.6	4.6	2.0

Corporation Franchise Tax

Provision	1992	1993	1994	1995	1996	2000
	Millions of Dollars					
7. *Deductibility of Charitable Contributions* Taxpayers may deduct charitable contributions, not exceeding 10 percent of taxable income computed as specified, from gross income	10.1	10.1	10.8	8.7	10.1	20.3
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	*	*	*	*	*	0.1
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	N/A	N/A	N/A	N/A	N/A	N/A
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	N/A

Bank Tax

Provision	Millions of Dollars 1992	1993	1994	1995	1996	2000
1. *MACRS/ACRS Depreciation* Depreciable property used in the ordinary course of trade or business, and which has been placed in service after 1980, may be depreciated at an accelerated rate over a prescribed period. The taxpayer may either claim the depreciation deduction using the ACRS method of depreciation, or elect to deduct all or a part of the cost of the property from federal gross income as an expense deduction. Modified ACRS applies to New York property placed in service after December 31, 1986..................................	68.3	77.1	85.4	112.6	121.8	123.7
2. *Expensing up to $19,000 on Certain Depreciable Business Property* Taxpayers have an option to immediately expense up to $19,000 of the cost of eligible business property ("Section 179 property") which is not chargeable to a capital account.........................	*	*	*	*	*	0.1
3. *Deductibility of Charitable Contributions* A corporation may deduct charitable contributions, not exceeding 10 percent of taxable income computed as specified, from gross income	13.4	13.4	14.4	11.5	13.4	18.7
4. *Amortization of Business Start-Up Costs* A corporation may elect to amortize, over a period of 60 months or more, the investigatory and start-up expenses of a business....	N/A	N/A	N/A	N/A	N/A	N/A
5. *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.......................................	0.1	0.1	0.1	0.4	0.4	0.2

Insurance Tax

Provision	1992	1993	1994	1995	1996	2000
	Millions of Dollars					
1. *MACRS/ACRS Depreciation* Depreciable property used in the ordinary course of trade or business, and which has been placed in service after 1980, may be depreciated at an accelerated rate over a prescribed period. The taxpayer may either claim the depreciation deduction using the ACRS method of depreciation, or elect to deduct all or part of the cost of the property from federal gross income as an expense deduction. Modified ACRS applies to New York property placed in service after December 31, 1986....................................	12.2	13.8	17.1	18.7	20.0	19.5
2. *Expensing up to $20,000 on Certain Depreciable Business Property* Taxpayers have an option to immediately expense up to $20,000 the cost of eligible business property ("Section 179 property") which is not chargeable to a capital account....................................	*	*	*	*	*	*
3. *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...	*	*	*	*	*	*
4. *Amortization of Business Start-Up Costs* A corporation may elect to amortize, over a period of no less than 60 months, the investigatory and start-up expenses of a business. .	N/A	N/A	N/A	N/A	N/A	N/A
5. *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.......................................	*	*	*	*	*	*

Insurance Tax

Provision	1992	1993	1994	1995	1996	2000
	Millions of Dollars					
6. *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	0.9	0.9	0.9	0.9	0.9	0.9
7. *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	5.5	5.5	6.1	6.4	6.1	2.8
8. *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	0.7	0.7	0.8	0.9	0.9	23.3
9. *Deduction of Unpaid Property Loss Reserves for Property and Casualty Insurance Companies* Taxpayers may deduct the discounted value of the increase in their year end reserve balance. Effective for tax years beginning on or after December 31, 1986, Article 33 taxpayers may also deduct the discounted amount of the increase	56.3	60.1	62.6	59.4	47.9	102.0

* Less than $0.1 million.
N/A No data available
-- The tax expenditure was not applicable for these years.