

2014-15 NEW YORK STATE EXECUTIVE BUDGET

REVENUE ARTICLE VII LEGISLATION

MEMORANDUM IN SUPPORT

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CONTENTS

PART	DESCRIPTION	STARTING PAGE NUMBER
A	Corporate tax reform	5
B	Allow direct payment of STAR tax savings in certain cases	6
C	Extend fees for the establishment of oil and gas unit of production values	7
D	Increase racing regulatory fee from 0.5 percent to 0.6 percent	8
E	Modify signature requirements on e-filed returns prepared by tax professionals	8
F	Eliminate the income threshold inflation adjustment for enhanced STAR benefits	9
G	Extend the noncustodial parent earned income tax credit for two years	10
H	Mandate for professional and business licenses electronic tax clearance upon application or renewal	11
I	Close the resident trust loophole	12
J	Repeal the additional minimum personal income tax	13
K	Establish the residential real property personal income tax credit	14
L	Establish a renter's personal income tax credit	15
M	Modify delivery of the family tax relief credit after Tax Year 2014	15
N	Increase the personal income tax filing threshold to reduce the number of taxpayers who need to file personal income tax returns	16
O	Extend the Empire State Commercial Production tax credit for two years	17

PART	DESCRIPTION	STARTING PAGE NUMBER
P	Authorize additional credits of \$8 million for the low-income housing credit for each of the next two fiscal years	18
Q	Extend and Reform the Brownfield Cleanup Program	18
R	Establish a 20 percent real property tax credit for manufacturers; eliminate the net income tax on upstate manufacturers; reform the investment tax credit; and repeal the financial services investment tax credit	20
S	Repeal the franchise tax on agriculture cooperatives	23
T	Provide a refundable credit for the excise tax on telecommunication services paid by START-UP NY companies	23
U	Enhance the Youth Works tax credit	24
V	Extend the alternative fuels tax exemptions for two years	25
W	Simplify the distribution of motor vehicle fee receipts	25
X	Comprehensive estate tax reform	26
Y	Repeal the Boxing and Wrestling Exhibitions Tax	28
Z	Extend Monticello Raceway Video Lottery Terminal rates for one year	29
AA	Extend certain tax rates and certain simulcasting provisions for one year	30
BB	Extend the Video Lottery Gaming (VLG) vendor's capital awards program for one year	31
CC	Repeal Article 12 of the Tax Law	32
DD	Align mobility and personal income tax filings for the self-employed	33
EE	Make technical amendments to the commercial gaming law	34
FF	Provide a two-year property tax freeze through a refundable personal income tax credit	35

MEMORANDUM IN SUPPORT

A BUDGET BILL submitted by the Governor in
Accordance with Article VII of the Constitution

AN ACT to amend the tax law, the general municipal law, the urban development corporation act, the business corporation law, the general associations law, and the administrative code of the city of New York, in relation to reforming taxation of business corporations; and to repeal various provisions of the tax law relating thereto (Part A); to amend the real property tax law, in relation to the STAR registration program (Part B); to amend chapter 540 of the laws of 1992, amending the real property tax law relating to oil and gas charges, in relation to the effective date of such chapter (Part C); to amend the racing, pari-mutuel wagering and breeding law, in relation to increasing racing regulatory fees (Part D); to amend the tax law, in relation to modifying the signature requirement on e-filed returns prepared by tax professionals (Part E); to amend the real property tax law, in relation to cost of living adjustments for Enhanced STAR (Part F); to amend part I of chapter 58 of the laws of 2006, relating to providing an enhanced earned income tax credit, in relation to the effectiveness thereof (Part G); to amend the general obligations law and the tax law, in relation to authorizing electronic tax clearances for professional and business licenses (Part H); to amend the tax law and the administrative code of the city of New York, in relation to taxing residents who are grantors of exempt resident trusts that qualify as non-grantor incomplete gift trusts on the income from such trusts and taxing residents who are beneficiaries of all other exempt resident trusts or nonresident trusts on the distributions of accumulated income that they receive from such trusts (Part I); to amend the tax law and the administrative code of the city of New York, in relation to eliminating the personal income tax add-on minimum tax; and to repeal certain provisions of such laws relating thereto (Part J); to amend the tax law, in relation to adding an enhanced real property tax circuit breaker; and to repeal paragraph 14 of subsection (e) of section 606 of the tax law, relating to

certain reports (Part K); to amend the tax law, in relation to providing a credit for renters against the personal income tax (Part L); to amend the tax law, in relation to the prepayment element of the family tax relief credit (Part M); to amend the tax law, in relation to eliminating the personal income tax filing requirement for residents having no liability because income does not exceed the New York standard deduction if they do not file a federal income tax return (Part N); to amend the tax law, in relation to extending the empire state commercial production tax credit (Part O); to amend the public housing law, in relation to extending the credit against income tax for persons or entities investing in low-income housing (Part P); to amend the environmental conservation law, the tax law and the general municipal law, in relation to eligibility for participation in the brownfield cleanup program, and assignment of the brownfield redevelopment tax credits; to amend part H of chapter 1 of the laws of 2003, amending the tax law relating to brownfield redevelopment tax credits, remediated brownfield credit for real property taxes for qualified sites and environmental remediation insurance credits, in relation to tax credits for certain sites; to amend the environmental conservation law, in relation to hazardous waste generator fees and taxes; to amend the environmental conservation law, the public authorities law and the state finance law, in relation to the environmental restoration program; and to repeal certain provisions of the environmental conservation law and the tax law relating thereto (Part Q); to amend the tax law, in relation to reforming the investment tax credit, reducing the tax rate for upstate manufacturers and providing a tax credit for real property taxes to New York manufacturers; to amend the economic development law, in relation to the excelsior investment tax credit; and to repeal certain provisions of the tax law relating to the financial services investment tax credit (Part R); to amend the economic development law, the tax law, the transportation law, the administrative code of the city of New York and the New York state urban development corporation act, in relation to repealing the franchise tax on farmers', fruit growers', and other like agricultural corporations organized and operated

on a co-operative basis; and to repeal section 185 of the tax law relating to franchise tax on farmers', fruit growers', and other like agricultural corporations organized and operated on a co-operative basis; to repeal sections 187-j, 187-k, 187-l, 187-m, 187-q, 187-r and 187-s of the tax law relating to certain tax credits; to repeal paragraph 1 of subdivision (h) of section 15, paragraph 1 of subdivision (g) of section 31, and certain other provisions of the tax law, in relation to making conforming changes (Part S); to amend the tax law, in relation to providing a credit for excise tax on telecommunication services for businesses located in tax-free NY areas (Part T); to amend the tax law, in relation to reducing the number of hours of part-time work needed by employees for employer qualification for the New York youth works tax credit; and to amend the labor law, in relation to the New York youth works tax credit (Part U); to amend chapter 109 of the laws of 2006 amending the tax law and other laws relating to providing exemptions, reimbursements and credits from various taxes for certain alternative fuels, in relation to extending the alternative fuels tax exemptions for two years (Part V); to amend chapter 63 of the laws of 2000, amending the tax law and other laws relating to modifying the distribution of funds from the motor vehicle fuel excise tax and the vehicle and traffic law, in relation to simplifying the methodology for distribution of motor vehicle receipts (Part W); to amend the tax law, in relation to the estate tax; to repeal section 2 of chapter 1013 of the laws of 1962, amending the tax law relating to imposing a tax on the transfer of estates of decedents dying on or after April first, nineteen hundred sixty-three, relating to an appendix of applicable internal revenue code provisions, and to repeal article 26-B of the tax law, relating to the generation skipping transfer tax (Part X); to amend the tax law and chapter 912 of the laws of 1920 relating to the regulation of boxing, sparring and wrestling matches, in relation to making technical corrections thereto; to repeal article 19 of the tax law relating to boxing and wrestling exhibitions tax; and to repeal section 1820 of the tax law relating to establishing misdemeanors for certain violations of article 19 of such law (Part Y); to amend the tax law,

in relation to vendor fees paid to vendor tracks (Part Z); to amend the racing, pari-mutuel wagering and breeding law, in relation to licenses for simulcast facilities, sums relating to track simulcast, simulcast of out-of-state thoroughbred races, simulcasting of races run by out-of-state harness tracks and distributions of wagers; to amend chapter 281 of the laws of 1994 amending the racing, pari-mutuel wagering and breeding law and other laws relating to simulcasting and chapter 346 of the laws of 1990 amending the racing, pari-mutuel wagering and breeding law and other laws relating to simulcasting and the imposition of certain taxes, in relation to extending certain provisions thereof; and to amend the racing, pari-mutuel wagering and breeding law, in relation to extending certain provisions thereof (Part AA); to amend the tax law, in relation to capital awards to vendor tracks (Part BB); to amend the tax law, the banking law, the public authorities law, and the administrative code of the city of New York, in relation to the stock transfer tax, and to repeal certain provisions of the tax law, the state finance law and the administrative code of the city of New York relating thereto (Part CC); to amend the tax law, in relation to conforming the due dates for the metropolitan commuter transportation mobility tax for taxpayers with income from self-employment with the due dates for the personal income tax (Part DD); to amend the state finance law, the upstate New York gaming economic development act of 2013 and the tax law, in relation to moneys appropriated or transferred from the commercial gaming revenue fund (Part EE); and to amend the tax law, the education law, the general municipal law, and the real property tax law, in relation to a real property tax freeze (Part FF)

PURPOSE:

This bill contains provisions needed to implement the Revenue portion of the 2014-15 Executive Budget.

This memorandum describes Parts A through FF of the 2014-15 Article VII Revenue bill which are described wholly within the parts listed below.

Part A – Corporate tax reform

Purpose:

This bill would establish a single modern system of taxation for general business corporations and banking corporations by repealing the separate provisions of the Tax Law for banking corporations (Tax Law Article 32) and amending the business corporation tax under Article 9-A to accommodate changes in the financial services industry and make other modernization changes.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The State's current corporate franchise tax structure, which dates back to the 1940's, is outdated, unduly complex and vulnerable to aggressive tax avoidance techniques. It violates basic tax policy principles by taxing similarly-situated taxpayers differently, and in some instances it creates disincentives to increasing a corporation's activities in New York. One significant example of the shortcoming of the current tax structure is that it has not been revised to account for dramatic changes in the financial services sector. New York continues to tax banks and other financial corporations under different articles of the Tax Law. Thus, a bank and a non-bank financial institution would be taxed differently, even though they are conducting the same activities. Further, many large financial services firms provide bank and non-bank financial services within the same company. This can result in confusion and complexity due to different rules of taxation under Article 9-A and Article 32. Approximately 25 percent of the combined Article 9-A and Article 32 revenue is collected on audit.

New York's current sourcing rules fail to acknowledge the shift to a service-based economy. Companies that generate significant receipts from services can incur greater tax liability if they increase their activity in New York. This reform proposal would source a business's receipts to the location of its customers. This assigns income to various states based on where the customers are located and eliminates factors that would increase tax if a company increased its activity in New York. This removes a previous disincentive to locating in New York.

Complexities within the tax system also complicate tax compliance. This creates disruptions and uncertainty for businesses while increasing administration costs for New York State and results in extremely volatile tax collections that are difficult to forecast and can have dramatic effects on the State's financial plan.

This reform proposal addresses the above issues by modernizing the tax code to make it more reflective of the current business environment, and creates clarity and certainty for the most commonly disputed areas. This certainty, combined with the elimination of impediments to businesses wishing to expand their New York activity, will make New York's corporate tax system more competitive with other states.

Highlights of the reforms and structural changes made by the bill include (1) the repeal of both Article 32 and the organization and license taxes and maintenance fees in Tax Law sections 180 and 181 and (2) the replacement of the entire net income base with a similar business income base subject to a fully effective tax rate of 6.5 percent (effective January 1, 2016) as compared to the existing 7.1 percent rate.

Both the New York State Tax Relief Commission and the New York State Tax Reform and Fairness Commission highlighted the need for New York corporate tax reform and specifically identified the different rules under which banks and other corporations are taxed.

This is a new bill.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would reduce revenues by \$205 million in SFY 2015-16 and \$346 million annually thereafter.

Effective Date:

This bill takes effect January 1, 2015 and applies to taxable years beginning on or after January 1, 2015.

Part B – Allow direct payment of STAR tax savings in certain cases

Purpose:

This bill would allow the Department of Taxation and Finance to pay the STAR tax savings directly to eligible property owners who register for STAR after receiving their 2014-15 school tax bills.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The STAR Registration Program was enacted as part of the 2013-14 State Budget to eliminate inappropriate “Basic STAR” exemptions while enabling qualified owners to receive their rightful tax relief. The law permits late registrations under certain conditions, so it is possible that a limited number of property owners may seek to register after receiving their 2014-15 school tax bills. While there is a mechanism in current law to restore a STAR exemption after a school tax bill has been issued, it is a process that forces the property owner to wait for a refund while local government and school district personnel process the necessary paperwork. This proposal would allow the Tax Department to directly reimburse these property owners without delay, while

sparing local officials the need to bear administrative burdens in support of this State program.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-15 Executive Budget and to allow late registrants to be reimbursed promptly for the value of their lost STAR exemptions.

Effective Date:

This bill takes effect immediately.

Part C – Extend fees for the establishment of oil and gas unit of production values

Purpose:

This bill would extend fees for the establishment of oil and gas unit of production values by the Department of Taxation and Finance (the Department).

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The Department establishes "unit of production values" which local assessors must use when assessing oil and gas wells and related facilities, pursuant to Article 5, Title 5 of the Real Property Tax Law. This program, which has been in place since 1981, relieves local assessors of the burden of attaining the necessary expertise to value these properties, while assuring producers that their assessments will be determined on a uniform, rational basis throughout the State.

In recognition of the benefit this program provides for the industry, producers have been obliged since 1992 to pay fees to the State to offset the administrative costs involved in developing these values. The statute imposing those fees – §593 of Real Property Tax Law – has always been subject to a sunset clause, and has been repeatedly renewed since enactment. This bill would extend the program until 2018.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-15 Executive Budget and allow the Department to offset related costs.

Effective Date:

This bill takes effect immediately.

Part D – Increase racing regulatory fee from 0.5 percent to 0.6 percent

Purpose:

This bill would increase the racing regulatory fee on thoroughbred, harness, off-track pari-mutuel betting and simulcast racing from 0.5 percent to 0.6 percent.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Regulation of the horse racing industry is intended to be self-financing—paid for entirely by the industry. However, the cost of regulating the industry has consistently exceeded the revenues collected by the industry. This bill ensures that assessments on the industry are sufficient to meet the cost of regulation.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-15 Executive Budget and will generate an additional \$1.6 million annually.

Effective Date:

This bill takes effect immediately.

Part E – Modify signature requirements on e-filed returns prepared by tax professionals

Purpose:

This bill would modify the signature requirements on e-filed returns prepared by tax professionals.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill reflects the recommendation of the New York State Tax Reform and Fairness Commission that the signature requirement for e-filed returns be modified. It would allow taxpayers to use electronic signatures when authorizing their tax preparers to e-file their tax returns and related documents. This would make the process less burdensome for tax professionals and serve to further reduce barriers to electronic filing.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget. It would implement a tax simplification recommendation of the Tax Reform and Fairness Commission and has no impact on the State's Financial Plan.

Effective Date:

This bill takes effect immediately.

Part F – Eliminate the Income Threshold Inflation Adjustment For Enhanced STAR Benefits

Purpose:

This bill eliminates the annual cost of living adjustment for the income standard applicable to the Enhanced STAR exemption under the STAR program.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill amends RPTL §425(4) by eliminating the annual cost of living adjustment made to the income standard for Enhanced STAR eligibility beginning with the 2015-16 school year, effectively freezing the income threshold at \$81,900. Existing law requires that the income threshold applicable for Enhanced STAR eligibility be adjusted annually to account for a cost-of-living adjustment percentage.

STAR was enacted in 1997 to offset rising property taxes for homeowners and to provide additional targeted property tax relief to senior citizens. Since that time, a number of program enhancements have been made that contributed to increases in the current and projected cost of the STAR program. The costs of the STAR program increased approximately 32% between 2001-02 and 2012-13. The direct costs of the STAR program, including reimbursements made under RPTL § 1306-a and State Finance Law § 54-f, in 2012-13 were over \$3.3 billion. Capping the growth of the direct costs to the State of the program at current levels will limit spending at the State level and is critical for a balanced State budget.

Budget Implications:

Eliminating the annual cost of living adjustment will reduce General Fund spending by \$3.1 million in SFY 2015-16.

Effective Date:

This bill takes effect immediately and applies to assessment rolls completed in 2015 and thereafter.

Part G – Extend the Noncustodial Parent Earned Income Tax Credit for Two Years

Purpose:

This bill would extend the noncustodial parent earned income tax credit for two years, through tax year 2016.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The credit is available to noncustodial parents who pay child support for a qualifying child with whom they do not reside. This credit rewards noncustodial parents who are working, and it provides a substantial work incentive for those not working or working intermittently. The credit is intended to encourage low-income noncustodial parents to comply with child support orders. It is also intended to encourage low-income noncustodial parents to become more involved in the economic and social well-being of their children.

The credit currently applies to taxable years beginning before January 1, 2015. This bill would extend the credit for two years through tax year 2016.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would decrease All Funds tax receipts by \$4 million in each of SFYs 2016-17 and 2017-18.

Effective Date:

This bill takes effect immediately.

Part H – Mandate for professional and business licenses electronic tax clearance upon application or renewal

Purpose:

This bill would create a new program to aid in enforcing and collecting past-due tax liabilities by preventing applicants from receiving or renewing professional or business licenses if they owe certain past-due tax liabilities.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Under the Governor's direction, the State has initiated one of the most comprehensive one-stop electronic licensing initiatives in the country. This bill would further the Governor's initiative by requiring an electronic tax clearance when a professional or business license is sought or renewed. In return for the privilege of receiving such license, an applicant with fixed and final tax liabilities would be required either to pay the past-due tax liabilities or to enter into a payment agreement with the Department of Taxation and Finance. The bill would also permit electronic sales tax registration clearances for licenses related to business activities that require such registrations.

The bill would build on the successful driver's license tax clearance program enacted as part of the 2013-14 Budget and on the General Obligations Law § 3-503 license clearance requirements related to delinquent child support obligations. By using modern electronic processing systems, there would be no inconvenience to applicants without tax liabilities, because these liability checks would run seamlessly in the background as the license application is processed. If the applicant's tax clearance is refused, the government agency processing the application would provide notice to the applicant to contact the Tax Department.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget, because it would increase All Funds receipts by \$3 million in SFY 2015-16 and annually thereafter.

Effective Date:

The bill would take effect on June 1, 2014, provided, however, that the Department of Taxation and Finance and any government entity electing to receive an electronic tax clearance from the Department of Taxation and Finance may work to execute the necessary procedures and technical changes to support the electronic tax clearance process as described in sections one and two of this act before that date; provided, further, that this effective date would not impact the administration of any electronic tax clearance program authorized by any other provision of law.

Part I – Close the resident trust loophole

Purpose:

This bill would amend the Tax Law to ensure that certain income earned by trusts is properly subject to New York income tax.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would amend the Tax Law to make two improvements to the taxation of trusts. First, the bill would tax distributions of accumulated trust income to New York beneficiaries of non-resident trusts and exempt resident trusts. Second, the bill would eliminate a loophole that allows incomplete gift, non-grantor trusts set up by New York residents to completely avoid New York income tax. These two amendments reflect the proposals included in the November 18, 2013 report made by the Trusts and Estates section of the New York State Bar Association to the Tax Reform and Fairness Commission.

In general, from an income tax perspective, income that is earned by a trust may be included in the income of the grantor, the trust, or the beneficiaries of the trust. Under the Tax Law, however, the accumulated income (i.e. the income of a trust that is not distributed to a beneficiary) of several types of trusts is not subject to any New York tax at the grantor level, the trust level, or the beneficiary level. The categories of trusts for which all or a portion of their accumulated income is not currently subject to New York income tax include:

- (1) non-resident trusts (i.e. a trust whose grantor is not domiciled in New York at the time the trust became irrevocable);
- (2) exempt resident trusts (i.e. trusts that are exempt from New York income taxation because three conditions in Tax Law § 605(b)(3) are satisfied); and
- (3) incomplete gift, non-grantor or “ING” trusts (i.e. certain trusts that are specifically structured (i) so that the settlor’s transfer of property to the trust is an incomplete gift and (ii) to avoid grantor trust status under Sections 671 through 678 of the Internal Revenue Code, Title 26, United States Code.

This bill would remedy this problem by (1) taxing New York beneficiaries of non-resident trusts and exempt resident trusts on the accumulated income of the trusts when the income is distributed to the beneficiary and (2) including the income of an ING trust established by a New York resident in the current income of its grantor. The bill would also provide a credit for non-resident trust and exempt resident trust beneficiaries for taxes paid to other jurisdictions, require non-resident trusts and exempt resident trusts to file information returns, and make conforming changes to the New York City Administrative Code.

This bill would be effective immediately and be applicable to tax years beginning on or after January 1, 2014. To mitigate transition issues, however, the section excludes from tax: (1) distributions of accumulated income by exempt resident trusts (except ING trusts) made before June 1, 2014; and (2) income earned by ING trusts that are liquidated on or before June 1, 2014.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-15 Executive Budget because it would increase tax revenues by \$75 million in SFY 2014-15, \$225 million in SFY 2015-16, and \$150 million annually thereafter.

Effective Date:

This bill takes effect immediately and applies to taxable years beginning on or after January 1, 2014, provided that sections 1 and 6 do not apply to distributions occurring before June 1, 2014, while sections 2 and 7 do not apply to income earned by trusts covered by those section that are liquidated prior to June 1, 2014.

Part J – Repeal the additional minimum personal income tax

Purpose:

This bill would repeal the personal income tax “add-on” minimum tax.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would implement the recommendation of the New York State Tax Reform and Fairness Commission that the additional minimum personal income tax be repealed. The Commission found that this tax pre-dates the 1986 tax reforms and pertains to only 200 taxpayers with minimal revenue generated.

New York has been penalized in tax rankings because, among other things, provisions like the add-on minimum tax make the State’s tax code unnecessarily complex and burdensome. This bill would repeal the additional tax, thereby helping to streamline the tax code to further the Commission’s goal of making it less complex and burdensome

This bill would also make conforming changes to New York City’s add-on minimum tax.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget. It would implement a tax simplification recommendation of the Tax Reform and Fairness Commission and has minimal impact on the State’s Financial Plan.

Effective Date:

This bill takes effect immediately and applies to taxable years beginning on or after January 1, 2014.

Part K – Establish the Residential Real Property Personal Income Tax Credit

Purpose:

This bill would create a new enhanced property tax circuit break credit for low- and middle-income homeowners.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

New York homeowners pay some of the highest property tax bills in the nation, whether measured in absolute terms or as a percentage of income or home value. Property taxes have seriously burdened New York's working families and senior citizens. While progress has been made and should continue under the existing property tax cap, there is also a need to help New York's overburdened homeowners based on ability to pay.

This bill, a recommendation of the Tax Reduction Commission, would create a new real property tax circuit breaker that offers larger credit amounts for all taxing jurisdictions that stay within the property tax cap. The credit is targeted to help low-income and middle class New York homeowners with qualifying incomes up to \$200,000. The credit value rises with the size of the homeowner's property tax burden. The bill would also keep the existing circuit breaker in place so that New York homeowners currently benefiting from the circuit breaker are not denied a benefit if their taxing jurisdictions do not comply with the property tax cap.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget. It would implement a reform recommendation of the Tax Reduction Commission and reduce All Funds receipts by a total of \$200 million in SFY 2015-16, by \$525 million in SFY 2016-17, and by \$1 billion annually thereafter.

Effective Date:

This bill takes effect immediately and applies to taxable years beginning on or after January 1, 2014.

Part L – Establish a renter’s personal income tax credit

Purpose:

This bill would provide a credit against the personal income tax for eligible renters.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would provide a personal income tax credit for eligible low and middle income taxpayers who rent their primary residences. This credit may be taken in lieu of the current real property tax circuit breaker credit for renters if the amount of this credit is higher and the taxpayer qualifies for both credits.

The amount of credit would be based on the taxpayer’s income level and filing status. A qualified taxpayer who is 65 years or older and has a “single” filing status would be eligible for a base credit, and a qualified taxpayer who files a joint return with a spouse who is sixty-five years of age or older, or files as a head of household, married individual filing a separate return or surviving spouse and has at least one dependent, would be eligible for a base credit and an additional amount based on the number of federal exemptions claimed by such taxpayer. The credit will be phased in for taxable years beginning in 2014, with the initial credit set at one-half of the credit that would be applicable for taxable years beginning in or after 2015.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget and financial plan. It would reduce All Funds receipts by a total of \$200 million in State Fiscal Year 2015-16 and \$400 million annually thereafter.

Effective Date:

This bill takes effect immediately.

Part M – Modify delivery of the family tax relief credit after Tax Year 2014

Purpose:

This bill would eliminate the prepayment element of the family tax relief credit in section 606 (vv) of the tax law for taxable years beginning on or after January 1, 2015.

Summary of Provisions, Existing Law, Prior Legislative History, and Statement in Support:

This bill would amend § 606(vv) of the Tax Law to eliminate the prepayment of the family tax relief credit in taxable years beginning on or after January 1, 2015 and provide that eligibility for the credit will be based on the taxpayer's tax return for the current year. Existing law provides that the prepayment would be available in each year that the credit is allowed (i.e., tax years 2014, 2015 and 2016). Because of the prepayment, it was necessary to determine eligibility from a taxpayer's return filed two years prior.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would increase All Funds tax receipts by \$410 million in SFY 2015-16 and reduce All Funds tax receipts by \$410 million in SFY 2017-18.

Effective Date:

This bill would take effect immediately and apply to taxable years beginning on or after January 1, 2015.

Part N – Increase the personal income tax filing threshold to reduce the number of taxpayers who need to file personal income tax returns

Purpose:

This bill would raise the threshold for filers by eliminating the personal income tax filing requirement for residents having no tax liability because the resident's income does not exceed the New York standard deduction.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would eliminate the requirement that a resident who has a modified federal adjusted gross income in excess of \$4,000 but less than the New York standard deduction (\$15,650 for married couples) file a personal income tax return if he or she does not file a federal personal income tax return. This bill would require only residents who have modified federal adjusted gross income in excess of the New York standard deduction to file a personal income tax return.

Raising the filing threshold to the current standard deduction levels would eliminate filing for approximately 270,000 taxpayers who owe no New York personal income tax and are not eligible for any refunds (one-half of whom are senior citizens). The Internal Revenue Service uses a similar standard.

Budget Implications:

Enactment of this bill would implement a tax simplification recommendation of the Tax Reform and Fairness Commission and have no impact on the State's Financial Plan.

Effective Date:

This bill takes effect immediately.

Part O – Extend the Empire State Commercial Production Tax Credit for Two Years

Purpose:

This bill would extend the Empire State Commercial Production Tax Credit for two years, until December 31, 2016.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The Empire State Commercial Production tax credit is available for taxable years beginning on or after January 1, 2007 and expires on December 31, 2014. In general, the credit is available to qualifying taxpayers under Articles 9-A and 22 in an amount equal to 20 percent of the qualifying production costs incurred in the actual filming or recording of a qualified commercial in New York that exceed the average of the previous years' costs for which the credit was applied, plus 5 percent of costs if costs exceed \$500,000 in the calendar year in the Metropolitan Commuter Transportation District (MCTD) and above \$200,000 in the calendar year outside the MCTD. This bill would extend the expiration of the tax credit by two years, until December 31, 2016.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget. It would decrease All Funds tax receipts by \$7 million in each of SFYs 2016-17 and 2017-18.

Effective Date:

This bill takes effect immediately.

Part P – Authorize additional credits of \$8 million for the low-income housing credit for each of the next two fiscal years

Purpose:

This bill would increase the aggregate amount of low income housing tax credit the Commissioner of Housing and Community Renewal may allocate from \$48 million to \$56 million for state fiscal year (SFY) 2014-15 and from \$56 million to \$64 million for SFY 2015-16.

Summary of Provisions, Existing Law, Prior Legislative History, and Statement in Support:

Section one of the bill would amend § 22 of the Public Housing Law to increase the aggregate amount of low income housing tax credit the Commissioner may allocate from \$48 million to \$56 million in SFY 2014-15.

Section two of the bill would amend §22 of the Public Housing Law to increase the aggregate amount of low income housing tax credit the Commissioner may allocate from \$56 million to \$64 million in SFY 2015-16.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would decrease All Funds tax receipts by \$8 million in SFY 2015-16, \$16 million annually through SFY 2024-25 and \$8 million in SFY 2025-26.

Effective Date:

This bill takes effect immediately; however, section two would take effect on April 1, 2015

Part Q – Extend and Reform the Brownfield Cleanup Program

Purpose:

This bill would extend the brownfield cleanup program and tax credits for 10 years and further reform the program.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The bill would:

- Continue the brownfield cleanup program (BCP) and tax credits for 10 years (through December 31, 2025) with needed reforms;
- Separate BCP eligibility from tangible property credit eligibility, limiting eligibility for tangible property credits to:
 - a. properties vacant for at least 15 years or vacant and tax delinquent for 10 years or more;
 - b. “upside down” properties (where the property value is less than cleanup costs); and
 - c. priority economic development projects;
- Provide “bonus” credits for affordable housing, location in an Environmental Zone, and conforming with a Brownfield Opportunity Area (BOA) plan;
- Limit eligible site preparation costs to only those needed for effective cleanup;
- Establish BCP EZ, a fast-track voluntary cleanup option that provides liability relief without tax credits;
- Terminate sites that have been in the program since before June 2008 that do not complete cleanup by December 31, 2015, and sites in the program from June 2008 through July 1, 2014 that do not complete cleanup by December 31, 2017;
- Limit the tangible property tax credit to five consecutive tax years either after the date of the issuance of the certificate of completion or the start of the redevelopment of the site; and
- Repeal the insurance remediation tax credit and the real property tax credit for new sites accepted into the program after July 1, 2014.

The bill would also exempt hazardous waste generated at certain sites from fees and special assessments, and would authorize DEC to undertake environmental restoration projects on behalf of a municipality upon its request.

The BCP tax credits are scheduled to sunset on December 31, 2015. In the ten years since it was established, the BCP has catalyzed the cleanup of over 150 contaminated sites statewide, incentivizing redevelopment. However, it has also resulted in the awarding of over \$800 million in tax credits without regard to the need for financial assistance. Amendments to the BCP program made in 2008 established a cap on tangible (redevelopment) property tax credits; this bill would eliminate the tangible tax credits for sites that do not need them to encourage redevelopment.

The NYS Tax Reform and Fairness Commission recommended that the BCP be amended to prevent developments that would have gone forward without tax credits from taking advantage of the program. This bill would implement the Commission’s recommendation. The bill would focus tax credits on sites and areas of the State, especially upstate, that need them the most to foster redevelopment. It would also establish a fast-track option without tax credits that would provide streamlined state

oversight of site cleanup. BCP-EZ, in addition to providing developers with a fast-track-option, would reduce State spending, while allowing developers to obtain the post-clean-up liability releases necessary to obtain financing for future site redevelopment.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would maintain program continuity and provide certainty to program participants. Enactment of this bill would have no impact on tax receipts during the Financial Plan period, but would provide long term savings.

Effective Date:

This bill takes effect July 1, 2014.

Part R – Establish a 20 percent real property tax credit for manufacturers; eliminate the net income tax on upstate manufacturers; reform the investment tax credit; and repeal the financial services investment tax credit

Purpose:

This bill would create a new real property tax credit for “qualified New York manufacturers”, reduce the entire net income tax rate for qualified upstate New York manufacturers, reform the investment tax credit (ITC) and repeal the financial services ITC.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Providing tax relief to manufacturers in this State is necessary to help existing New York manufacturers survive and attract new manufacturers to the State. This bill incorporates the recommendations of the New York State Tax Relief Commission by providing a real property tax credit to qualified New York manufacturers and reducing the entire net income tax rate for qualified upstate manufacturers.

The New York State Tax Reform and Fairness Commission recommended ITC reform in order to more effectively target the State’s investment. The ITC would no longer be available for property used by companies that do not qualify as manufacturers. In addition, the New York State Tax Reform and Fairness Commission recommended that the financial services ITC authorized under Articles 9-A, 22, 32 and 33 of the Tax Law be eliminated because the credit is complex, frequently subject to complicated recapture provisions, and provides benefits to an extremely limited segment of the financial services industry.

Section 1 would add the definition of a “qualified New York manufacturer” to the Tax Law. It is derived from the definition currently in place for the reduced Article 9-A tax rates for manufacturers, which defines a “qualified New York manufacturer” as a taxpayer that is principally engaged in manufacturing (i.e., more than 50% of its gross receipts derived from the sale of manufactured goods) and has a minimum amount of property used for manufacturing within the state or employees engaged in manufacturing within the state.

Section 2 would create a new refundable real property tax credit for qualified New York manufacturers under Article 9-A (corporate franchise tax) equal to 20 percent of the real property tax qualified New York manufacturers paid on property used for manufacturing during the taxable year.

Sections 3 and 4 would make conforming changes to Article 22 (personal income tax) for the new refundable real property tax credit for qualified manufacturers.

Section 5 would reform the ITC under Article 9-A by restricting the credit to qualified New York manufacturers and qualified New York agricultural and mining businesses for property used to produce goods for sale or research and development property. This section also repeals the financial services ITC.

Section 6 would amend the ITC for taxpayers that lease tangible personal property to reflect the repeal of the financial services ITC and the disallowance of the ITC for a qualified film production facility.

Sections 7 and 8 would exclude air pollution control facilities and air or water pollution control facilities from receiving the ITC and would repeal the rehabilitation for historic barns and retail enterprise credits that are part of the investment tax credit.

Sections 9 through 13 would make conforming changes to Article 22 (personal income tax) for the reform of the ITC and repeal of the financial services ITC.

Section 14 would repeal the ITC for Article 32 (bank tax) taxpayers.

Section 15 would repeal the ITC for Article 33 (insurance tax) taxpayers.

Section 16 would reduce the entire net income tax rate from 5.9 percent to zero percent for qualified upstate New York manufacturers defined as taxpayers that have a zero allocation percentage in the Metropolitan Commuter Transportation District for purposes of the MTA business tax surcharge.

Section 17 would amend the capital base definition under Article 9-A to include the definition of a qualified New York manufacturer as defined in Section 1 of the bill.

Section 18 would amend the alternative minimum tax definition under Article 9-A to include the definition of a qualified New York manufacturer as defined in Section 1 of the bill.

Section 19 would amend the fixed dollar minimum tax definition under Article 9-A to include the definition of a qualified New York manufacturer as defined in Section 1 of the bill.

Section 20 states that for the purposes of determining whether a taxpayer is an eligible qualified New York manufacturer and able to receive the associated tax benefits available for tax years 2012 through 2014, the taxpayer shall use the guidelines and criteria that were in effect for December 31, 2013.

Section 21 would remove the Excelsior ITC component for taxpayers who file under Article 32 or Article 33.

Section 22 contains a severability clause.

Section 23 provides for an effective date of January 1, 2014.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget. In particular:

- The real property tax credit for manufacturers would decrease All Funds tax receipts by \$136 million in each of SFYs 2015-16 through 2018-19.
- The reform of the ITC would increase All Funds tax receipts by \$65 million in each of SFYs 2014-15 through 2018-19
- The repeal of the financial services ITC would increase All Funds tax receipts by \$30 million in each of SFYs 2014-15 through 2018-19
- The reduction of the entire net income rate for qualified upstate New York manufacturers would decrease All Funds tax receipts by \$24 million in SFYs 2014-15 through 2015-16 and \$25 million in SFYs 2016-17 through 2018-19.

Effective Date:

This bill takes effect immediately and would apply to taxable years beginning on or after January 1, 2014.

Part S – Repeal the franchise tax on agriculture cooperatives

Purpose:

This bill would repeal the State's Tax Law § 185 franchise tax on farmers', fruit growers', and other like agricultural corporations organized and operated on a co-operative basis.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

The bill would repeal the franchise tax on agriculture cooperatives and exempt those corporations from tax. The bill would also make conforming changes to the Tax Law and various other laws. Only 45 taxpayers pay this tax, and the median tax is \$160 with one-third of taxpayers only paying \$10. Since SFY 2006-07, in only one year (SFY 2011-12) were receipts greater than the amount of refunds paid out.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget, because it would implement a tax simplification recommendation of the Tax Reform and Fairness Commission and has no impact on the State's Financial Plan.

Effective Date:

The bill would take effect immediately and apply to taxable years beginning on or after January 1, 2015.

Part T – Provide a refundable credit for the excise tax on telecommunication services paid by START-UP NY companies

Purpose:

This bill would provide a refundable credit for the excise tax on telecommunication services paid by START-UP NY companies.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Section 186-e of the Tax Law imposes an excise tax on telecommunication services that is customarily passed through by the telecommunications provider to its customers. The bill would provide that START-UP NY companies would be allowed a refundable credit equal to the section 186-e tax that is passed through to such businesses.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget, because it would eliminate an inconsistency in the current START-UP NY statute. The cost of this bill is included in the Financial Plan as part of the cost of the START-UP NY program.

Effective Date:

This bill takes effect immediately and applies to taxable years beginning on or after January 1, 2014.

Part U – Enhance the Youth Works Tax Credit

Purpose:

This bill would amend the Tax Law to allow employers to claim the New York State Youth Works credit for certain employees who work ten hours per week if the employees are enrolled in high school full time, and to provide an additional tax credit to employers that employ such youth for one additional year.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Currently, employers can claim the New York State Youth Works credit only for employees employed either full time or part-time (who worked at least twenty hours per week). This bill amends the Tax Law to conform to amendments to the Labor Law that were added by Chapter 536 of the Laws of 2013 which expanded coverage of the credit to include employees who work at least ten hours per week while enrolled full time in high school, for purposes of calculating the credit.

Additionally this bill would provide an additional \$1,000 tax credit for employers that retain youth in full-time status for one additional year and an additional \$500 for employers that retain youth in a part-time status for one additional year.

Finally, this bill increases the allocation amounts under programs two through five from \$6 million to \$10 million.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-14 Executive Budget because it would decrease All Funds tax receipts by \$4 million in each of SFYs 2015-16 through 2018-19.

Effective Date:

This bill takes effect immediately and applies to taxable years beginning on or after January 1, 2014.

Part V – Extend the alternative fuels tax exemptions for two years

Purpose:

This bill would extend the sunset from September 1, 2014 to September 1, 2016 for the tax exemptions for alternative fuels, including E85, CNG, hydrogen, and B20.

Statement in Support , Summary of Provisions, Existing Law and Prior Legislative History:

Extending the exemptions for alternative fuels would continue to provide an incentive for the use of renewable fuels and is part of a comprehensive strategy to reduce dependence on foreign oil and to increase the use of clean energy fuels.

This bill would extend the sunset for the exemptions in the Tax Law for alternative fuels from September 1, 2014 to September 1, 2016. Unless this sunset is extended, the Tax Law will no longer allow full exemptions for E85, CNG, and hydrogen, and partial exemption for B20 from the motor fuel taxes (Article 12-A), the petroleum business taxes (Article 13-A), fuel use taxes (Article 21-A) and State and local sales and compensating use taxes (Articles 28 and 29).

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would reduce All Funds sales and use, petroleum business, and motor fuel taxes by a total of \$8 million in SFY 2014-15, \$16 million in SFY 2015-16 and \$8 million in SFY 2016-17.

Effective Date:

This bill takes effect immediately.

Part W – Simplify the distribution of motor vehicle fee receipts

Purpose:

This bill would replace all current Department of Motor Vehicles General Fund (MVGF) transfers with a simplified structure.

Summary of Provisions, Existing Law, Prior Legislative History, and Statement in Support:

Section one of the bill would amend §15 of Part V of chapter 61 of the laws of 2005 by ending the current MVGF structure. A GF transfer is also created that in each quarter accomplishes the following:

- The Dedicated Highway Bridge Trust Fund (DHBTF) will receive \$16,498,255 (annual amount is \$65,993,020);
- The Mass Transportation Trust Fund (MTTF) will receive \$15,665,245 (annual amount is \$62,660,980).

Section two of the bill would amend §503 of the Vehicle and Traffic Law to end the current transfer of the first \$40.7 million of the Driver Responsibility Act (DRA) receipts to the General Fund. Instead, all revenues from the DRA will be directed to the DHBTF. The DHBTF transfer in section one was reduced to reflect this additional amount.

Current law requires an annual transfer of \$169,354,000 from the MVGF to the Dedicated Funds (\$106,693,020 to the DHBTF and \$62,660,980 to the MTTF). This transfer occurs on a monthly basis from non-dedicated motor vehicle receipts until the transfer amount has been met.

Current law also requires that the first \$40.7 million of the Driver Responsibility Act receipts collected each year be directed to the MVGF.

This bill would replace the identification of specific motor vehicle fee revenue streams as they flow into the GF with DRA revenue going directly onto a dedicated fund and a simple GF transfer to the correct dedicated funds.

Budget Implications:

This bill is revenue neutral and there is no impact on overall revenue for the DHBTF, MTTF or General Fund.

Effective Date:

This bill takes effect immediately.

Part X – Comprehensive estate tax reform

Purpose:

This bill would amend the estate tax to: (1) increase the exclusion threshold to the amount of the current federal unified credit over 5 years; (2) decrease the top estate tax

rate; and (3) require the add-back of certain gifts and incorporate applicable Internal Revenue Code (IRC) provisions. The bill would also repeal the generation skipping transfer (GST) tax in Tax Law Article 26-B.

Statement in Support, Summary of Provisions, Existing Law and Prior Legislative History:

New York's estate tax currently conforms to the IRC with all amendments through July 1, 1998, except that the exclusion amount is fixed at \$1 million. The estate tax is commonly known as a "pick-up" tax, because the tax is equal to the federal credit for state estate taxes, as it existed on July 22, 1998.

This tax is woefully out of date. It is tied to a federal law that no longer exists in practical effect, because the IRC has undergone significant amendments over the last 15 years that have not been adopted by New York. For example, the credit for state estate taxes – the base of New York's estate tax – no longer exists in federal law. Moreover, when the current State exclusion amount of \$1 million was set, it was not indexed to inflation or tied to the periodic increases in the federal estate tax exclusion amount. The federal estate tax exclusion amount has been raised to \$5.25 million and indexed to inflation, leaving New York significantly out of sync. New York is one of only 15 states with an estate tax and only two states currently have a lower exemption.

Consistent with Governor Cuomo's Tax Relief Commission Report, this bill would increase the New York exclusion amount to the federal amount of \$5.25 million over four years, with the exclusion indexed to inflation thereafter. Many estates of middle class individuals (including small business owners and family farmers) will no longer be subject to the tax as a result of increasing the exclusion amount. The bill would also phase down the top tax rate from 16 percent to 10 percent by State Fiscal Year 2017-18. This will address an incentive for wealthy New Yorkers to leave the State. It would also require certain gifts made after April 1, 2014 to be included in a decedent's New York gross estate, closing a loophole by preventing deathbed gifts from escaping the estate tax.

The bill would also repeal the GST tax in Article 26-B of the Tax Law, as recommended by Governor Cuomo's Tax Reform and Fairness Commission. Currently, federal law imposes estate, gift and GST taxes as part of a comprehensive scheme for the taxation of wealth transfers. Federal law also provides for a unified credit that is applied to each of these taxes so that all such wealth transfers receive equivalent tax treatment. New York's gift tax was repealed, effective January 1, 2000. The current GST is based on a federal credit for state GST taxes that expired in 2004. Moreover, that federal credit, and therefore, New York's GST tax, applied only to certain specific types of generation-skipping transfers (i.e., distributions and terminations of trusts that occurred at the same time and as the result of the death of an individual). Because the federal GST tax already provides an effective disincentive to wealth transfers to grandchildren and later generations, New York's tax is largely unnecessary to prevent estate tax avoidance.

The current GST tax affects a few dozen taxpayers each year, yields minimal annual revenue, and frequently causes taxpayer confusion. Repealing this tax would result in minimal revenue loss and provide taxpayer relief.

A significant portion of the bill creates an appendix to the Tax Law of all of the IRC provisions, as amended through January 1, 2014, which are relevant to the estate tax. The current appendix, which was enacted by § 2 of Chapter 1013 of the laws of 1962, and periodically amended, is based on the 1998 version of the IRC. This bill would repeal the outdated appendix in Chapter 1013, and replace it with a new appendix of current IRC provisions located in the consolidated law.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget. It would reduce revenues by \$33 million in SFY 2014-15, \$175 million in SFY 2015-16, \$371 million in SFY 2016-17, \$612 million in SFY 2017-18 and \$757 million in SFY 2018-19.

Effective Date:

This bill would take effect on April 1, 2014 and would apply to estates of decedents dying on or after that date.

Part Y – Repeal the Boxing and Wrestling Exhibitions Tax

Purpose:

This bill would repeal Article 19 of the Tax Law, which imposes the State's Boxing and Wrestling Exhibitions Tax

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would repeal Article 19 of the Tax Law, which imposes the State's Boxing and Wrestling Exhibitions Tax on a promoter's gross receipts from ticket sales to attend the event and on the promoter's sale of broadcast rights to the event, at the rate of three percent. The bill would also repeal section 1820 of the Tax Law, which imposes misdemeanor penalties for willful failure to comply with provisions of Article 19.

The effect of repealing the Article 19 tax is that State and local sales taxes on admission charges would arise on the charge for tickets sold to boxing and wrestling events held in this State, regardless of where the ticket is sold. Tax Law § 1105(f)(1) imposes sales tax on admission charges including admissions to sporting events, but excludes from sales tax admission charges to boxing, sparring, or wrestling matches or exhibitions which are taxed by another law of the State. By repealing the Article 19 tax, the State

and local sales tax on admission charges to such events will automatically apply, because the exclusion condition is no longer met.

The replacement of the boxing and wrestling tax with the sales tax on admissions to boxing and wrestling bouts was recommended by the New York State Tax Reform and Fairness Commission to create more consistent tax treatment between boxing and wrestling events and other sporting events.

The bill would also make conforming amendments to Chapter 912 of the Laws of 1920, which authorized the State Athletic Commission to administer boxing and wrestling events.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would implement a tax simplification recommendation of the Tax Reform and Fairness Commission and has no impact on the State's Financial Plan.

Effective Date:

The bill would take effect September 1, 2014. The bill would apply to sales of tickets to events occurring on or after the effective date, whether or not the admission was paid prior to that date, unless the tickets were actually sold and delivered to the purchaser prior to that date.

Part Z – Extend Monticello Raceway Video Lottery Terminal rates for one year

Purpose:

This bill would extend for one year the current distribution of video lottery gaming revenue at Monticello Raceway (Monticello).

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would extend for one year the current commission rate paid to Monticello as a video lottery agent. In 2008, Monticello was given a higher commission rate for a five-year period in exchange for opting out of participation in a capital award program. Thus, the five-year rate sunset was applied to coincide with the five-year period other facilities were provided for approval of capital expenditures eligible for reimbursement through the program. The capital award program was extended for a sixth year (to 2014) by chapter 454 of the Laws of 2012 and is proposed to be extended to 2015 by the 2014-2015 Executive Budget. Since the expiration of Monticello's rate would result in loss of the enhanced commission, but would not provide for participation in the capital award program, this bill would extend Monticello's rate for an additional year to maintain the

original framework of Monticello's rate structure and keep its duration consistent with the capital award program.

Section 1 of the bill amends Section 1612(b)(1)(ii)(F) of the Tax Law to extend from six to seven years the forty-one percent vendor fee paid to a vendor track located in Sullivan County and within sixty miles from any gaming facility in a contiguous state.

Section 2 of the bill provides for an immediate effective date that shall be deemed in effect on and after April 1, 2014.

Budget Implications:

Enactment of this bill is necessary to implement the 2013-14 Executive Budget. It would decrease All Funds revenue by \$3 million in SFY 2014-15.

Effective Date:

This bill takes effect after April 1, 2014.

Part AA – Extend certain tax rates and certain simulcasting provisions for one year

Purpose:

This bill would extend for one additional year various provisions of the Racing, Pari-Mutuel Wagering and Breeding (Racing) Law which expire during the 2014-15 fiscal year.

Summary of Provisions, Existing Law, Prior Legislative History, and Statement in Support:

Section 1 would amend Racing Law § 1003(a) to extend the June 30, 2014 expiration date for in-home simulcasting.

Section 2 would amend Racing Law §1007(3)(d) to extend the current percentage of total pools allocated to purses that a track located in Westchester County receives from a franchised corporation, which currently are scheduled to expire on June 30, 2014.

Section 3 would amend the opening paragraph of Racing Law § 1014, to continue the provisions allowing simulcasting of out-of-state thoroughbred races on any day the Saratoga thoroughbred track is operating, which currently are scheduled to expire on June 30, 2014.

Section 4 would amend Racing Law § 1015(1) to extend the provisions governing the simulcasting of races conducted at out-of-state harness tracks, which currently are scheduled to expire on June 30, 2014.

Section 5 would amend the opening paragraph of Racing Law §1016(1) to continue the provisions governing the simulcasting of out-of-state thoroughbred races on any day the Saratoga thoroughbred track is closed, which currently are scheduled to expire on June 30, 2014.

Section 6 would amend the opening paragraph of section 1018 of the racing, pari-mutuel wagering and breeding law to extend the current distribution of revenue from out-of-state simulcasting during the Saratoga meet, which expired on September 8, 2013.

Section 7 would amend § 32 of chapter 281 of the Laws of 1994 to extend the current amount of off-track betting wagers on New York Racing Association, Inc. (NYRA) pools dedicated to purse enhancement, which currently expire on June 30, 2014.

Section 8 would amend § 54 of chapter 346 of the Laws of 1990 to continue binding arbitration for disagreements. These provisions currently expire on July 1, 2014.

Section 9 would amend Racing Law § 238(1)(a) to continue the current distribution of revenue from on-track wagering on NYRA races, which currently is scheduled to expire on December 31, 2014.

Extending these provisions would maintain the pari-mutuel betting and simulcasting structure that is currently in place in New York State. The provisions extended by sections one through six of this bill were first enacted in 1994 and section seven was enacted in 1990. These provisions were extended numerous times since their original enactment, and most recently in 2013.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it maintains the current pari-mutuel betting structure in New York State.

Effective Date:

This bill takes effect immediately.

Part BB – Extend the Video Lottery Gaming (VLG) vendor's capital awards program for one year

Purpose:

This bill would extend for one year the deadline to receive approval and to complete capital projects that are reimbursed through the Video Lottery Gaming (VLG) vendor's capital award program.

Summary of Provisions, Existing Law, Prior Legislative History, and Statement in Support:

This bill would extend by one year, until April 1, 2015, the deadline to receive approval for capital projects to be reimbursed through the VLG vendor's capital award program. The bill also extends by one year, until April 1, 2017, the deadline to complete these projects. For certain vendor tracks located west of State Route 14, these deadlines are extended to April 1, 2019 for approvals and to April 1, 2021 for completion.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it maintains the current VLG revenue stream.

Effective Date:

This bill takes effect immediately.

Part CC – Repeal Article 12 of the Tax Law

Purpose:

This bill would repeal Article 12 of the Tax Law and make conforming changes to other provisions of law that reference it.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

Article 12 of the Tax Law imposes a tax on all sales and deliveries or transfers of shares or certificates of stock. With the creation of the Municipal Assistance Corporation (MAC) to provide financial assistance to New York City, these revenues were used as additional security for MAC bonds. In 1981, a 100% rebate of the tax was instituted, but the tax itself was kept in place to continue backing the MAC bonds. The MAC bonds were retired in 2008, which means the backing of these revenues is no longer needed for this purpose.

This bill would repeal Article 12 and also would repeal related funds (State Finance Law sections 92-B and 92-I, which is the Incentive Fund). The remaining sections of the bill make conforming changes to the Tax Law, Banking Law, Public Authorities Law, State Finance Law, and the Administrative Code of the City of New York.

This act would take effect June 1, 2014; however, the repeal of Incentive Fund would not take effect until two years after the effective date of this act, and a taxpayer's right to

claim a rebate would be preserved for those two years. This would allow taxpayers, who may have paid the tax before its repeal, the full statutory two years currently allowed to file for a rebate of the tax paid.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would implement a tax simplification recommendation of the Tax Reform and Fairness Commission and has no impact on the State's Financial Plan.

Effective Date:

The bill would take effect on June 1, 2014. However, the repeal of the Incentive Fund in section 10 of the bill would not take effect until two years from the date this act takes effect.

Part DD – Align mobility and personal income tax filings for the self-employed

Purpose:

This bill would allow self-employed individuals who are subject to the Metropolitan Commuter Transportation Mobility Tax ("MCTMT") to file their MCTMT returns at the same time as their personal income tax returns.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This is a new bill recommended by the New York State Tax Reform and Fairness Commission. It would change the due dates for filing returns and making estimated tax payments for self-employed individuals subject to the MCTMT. The bill would uncouple the due date for estimated MCTMT payments for self-employed individuals from the date for estimated MCTMT payments for employers (i.e., April 30, July 31, October 31, January 31). Instead, such payments would be due on the same date as quarterly estimated personal income tax payments (i.e., April 15, June 15, September 15, January 15). Taxpayers would be allowed to file combined returns for their personal income tax and MCTMT, and the Tax Department would be authorized to pursue joint assessments and actions for the two taxes. The bill also would change the MCTMT return due date from April 30 to April 15, to conform to the personal income tax due date.

Allowing self-employed individuals to file their MCTMT returns in conjunction with their personal income tax returns, and to make their quarterly estimated MCTMT payments with their quarterly estimated personal income tax payments, would simplify tax compliance for these taxpayers.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget. It would implement a tax simplification recommendation of the Tax Reform and Fairness Commission and has no impact on the State's Financial Plan.

Effective Date:

This bill takes effect immediately and applies to taxable years beginning January 1, 2015.

Part EE – Make technical amendments to the commercial gaming law

Purpose:

This bill would allow for the distribution of moneys in the Commercial Gaming Revenue Fund for support of education to be made in the year received. It also makes technical changes to the Upstate New York Gaming and Economic Development Act of 2013.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

This bill would allow revenue from commercial gaming dedicated to support education to be distributed following monthly transfers to cover a shortfall, if any, in the Video Lottery Education Fund. Under current law, commercial gaming revenue dedicated to support education may not be distributed until the fiscal year following receipt of the revenue.

Section one of the bill would amend State Finance Law § 97-nnnn(4) to require transfers to the Video Lottery Education Fund to be made on a monthly basis, and allows revenue to be distributed to support education in the year revenue is received.

Section two of the bill would amend State Finance Law § 97-nnnn(5) to make technical corrections to law references.

Section three of the bill would amend section 52 of Chapter 174 of the Laws of 2013 to make technical corrections to clarify the effective dates of certain provisions of Upstate New York Gaming and Economic Development Act of 2013.

Section four of the bill would amend State Finance Law §99-h(3-a) to clarify that payments of regional county aid equal 10 percent of exclusivity payments received by the State.

Section five of the bill would amend Tax Law §1617-a(g) to extend the term of video lottery gaming licenses issued before July 30, 2013 until the applicant's next birthday following June 30, 2014.

Section six of the bill provides the effective dates.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget, because it would allow revenue from commercial gaming dedicated to support education to be used in the year received.

Effective Date:

This bill would take effect immediately; provided, however, that section one would take effect on April 1, 2015 and section three would be deemed to have taken effect on the same date as Chapter 174 of the Laws of 2014.

Part FF - Provide a two-year property tax freeze through a refundable personal income tax credit

Purpose:

This bill would create a refundable personal income tax credit for homeowners which would effectively hold property taxes on their primary residences constant for two years.

Statement in Support, Summary of Provisions, Existing Law, and Prior Legislative History:

New York homeowners are subject to some of the highest property tax bills in the nation, whether measured in absolute terms or as a percentage of income or home value. Property taxes have seriously burdened New York's working families and senior citizens and hindered job growth. While progress has been made and should continue under the property tax cap legislation, there is a need to further reduce the property tax burden.

This bill effectively freezes property taxes on the primary residences of homeowners with annual incomes at or less than \$500,000 in local governments and school districts that stay within the cap for the next two years. This will be effective for school districts starting with the 2014-15 school year and for local governments in fiscal years beginning in 2015.

In order for homeowners in their jurisdiction to receive the tax credit in the second year, school districts and local governments must continue to stay within the tax cap and

must work together to develop and implement plans for sharing or consolidating services that, when implemented, will achieve real savings for taxpayers.

Budget Implications:

Enactment of this bill is necessary to implement the 2014-2015 Executive Budget because it would reduce All Funds receipts by a total of \$400 million in SFY 2014-15, \$976 million in SFY 2015-16, and \$475 million in SFY 2016-17.

Effective Date:

This bill takes effect immediately and applies to taxable years beginning on or after January 1, 2014.