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

AN ACT to amend the tax law, in relation to federal gross income and federal deductions allowed pursuant to the internal revenue code (Part __);

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

PART __

Section 1. Paragraph (b) of subdivision 6-a of section 208 of the tax law, as amended by section 5-a of part T of chapter 59 of the laws of 2015, is amended to read as follows:

(b) "Exempt CFC income" means (i) the income required to be included in the taxpayer's federal gross income pursuant to subsection (a) of section 951 of the internal revenue code, received from a corporation that is conducting a unitary business with the taxpayer but is not included in a combined report with the taxpayer, and (ii) to the extent not included in subparagraph (i) of this paragraph, such income required to be included in the taxpayer's federal gross income pursuant to subsection (a) of such section 951 of the internal revenue code by reason of subsection (a) of section 965 of the internal revenue code, as adjusted by subsection (b) of section 965 of the internal revenue code, and without regard to subsection (c) of such section, received from a corporation that is not included in a combined report with the taxpayer, less, (iii) in the discretion of the commissioner, any interest deductions directly or indirectly attributable to that income. In lieu
of subtracting from its exempt CFC income the amount of those interest
deductions, the taxpayer may make a revocable election to reduce its
total exempt CFC income by forty percent. If the taxpayer makes this
election, the taxpayer must also make the elections provided for in
paragraph (b) of subdivision six of this section and paragraph (c) of
this subdivision. If the taxpayer subsequently revokes this election,
the taxpayer must revoke the elections provided for in paragraph (b) of
subdivision six of this section and paragraph (c) of this subdivision. A
taxpayer which does not make this election because it has no exempt CFC
income will not be precluded from making those other elections.

§ 2. Subparagraph 6 of paragraph (a) of subdivision 9 of section 208
of the tax law, as amended by section 4 of part A of chapter 59 of the
laws of 2014, is amended to read as follows:
(6) any amount treated as dividends pursuant to section seventy-eight
of the internal revenue code to the extent that such dividends are not
included in the computation of the deduction allowed under section two
hundred fifty of such code;

§ 3. Paragraph (b) of subdivision 9 of section 208 of the tax law is
amended by adding a new subparagraph 23 to read as follow:
(23) The amount of any federal deduction allowed pursuant to
subsection (c) of section 965 of the internal revenue code.

§ 4. Paragraph 1 of subsection (c) of section 1085 of the tax law, as
amended by section 13-a of part Q of chapter 60 of the laws of 2016, is
amended to read as follows:
(1) If any taxpayer fails to file a declaration of estimated tax under
article nine-A of this chapter, or fails to pay all or any part of an
amount which is applied as an installment against such estimated tax, it
shall be deemed to have made an underpayment of estimated tax. There
shall be added to the tax for the taxable year an amount at the underpayment rate set by the commissioner pursuant to section one thousand ninety-six of this article, or if no rate is set, at the rate of seven and one-half percent per annum upon the amount of the underpayment for the period of the underpayment but not beyond the fifteenth day of the [third] fourth month following the close of the taxable year. Provided, however, that, for taxable years beginning on or after January first, two thousand seventeen and before January first, two thousand eighteen, no amount shall be added to the tax with respect to the portion of such tax related to the amount of any interest deductions directly or indirectly attributable to the amount included in exempt CFC income pursuant to subparagraph (ii) of paragraph (b) of subdivision six-a of section two hundred eight of this chapter or the forty percent reduction of such exempt CFC income in lieu of interest attribution if the election described in paragraph (b) of subdivision six-a of such section is made.

The amount of the underpayment shall be, with respect to any installment of estimated tax computed on the basis of either the preceding year's tax or the second preceding year's tax, the excess of the amount required to be paid over the amount, if any, paid on or before the last day prescribed for such payment or, with respect to any other installment of estimated tax, the excess of the amount of the installment which would be required to be paid if the estimated tax were equal to ninety-one percent of the tax shown on the return for the taxable year (or if no return was filed, ninety-one percent of the tax for such year) over the amount, if any, of the installment paid on or before the last day prescribed for such payment. In any case in which there would be no underpayment if "eighty percent" were substituted for "ninety-one percent" each place it appears in this subsection, the addition to the
tax shall be equal to seventy-five percent of the amount otherwise determined. No underpayment shall be deemed to exist with respect to a declaration or installment otherwise due on or after the termination of existence of the taxpayer.

§ 5. This act shall take effect immediately and shall apply to taxable years beginning on or after January 1, 2017.