



Division of
the Budget

REVENUE ACTIONS

Every New Yorker pays a **lower tax rate today** than before Governor Andrew Cuomo took office.



New York State now has the **lowest corporate tax rate** since 1968, the **lowest middle class tax rate** since 1947, the **lowest manufacturers' tax rate** since 1917, and the **most private sector jobs** in history.

In Governor Cuomo's
first two terms,
there has been

\$26.3B

in personal
income tax cuts



\$7.6B

in business
tax cuts

Controlling Property Tax Growth

The Property Tax Cap **saved taxpayers more than \$3,200** in the first six years.

This year, the Property Tax Credit program **reduces local property taxes by \$380**, on average, for **2.6 million homeowners**.

The Budget supports the phase-in of middle class tax cuts, with **average savings in tax year 2018 of \$250**. When fully effective, **six million New Yorkers will save \$700 annually**.



Tax Bracket Breakdown

\$40K to \$150K bracket: taxes drop from **6.45% to 5.5%**

\$150K to \$300K bracket: taxes drop from **6.65% to 6.0%**

Budget Highlights

Protecting New Yorkers from Federal Tax Reform.

The Budget continues the process of State tax reform in response to the Federal legislation.

Support Phase-In of Lowest Middle Class Tax Rates in more than 70 Years.

The Budget supports the ongoing phase-in of middle class tax cuts, with average savings in tax year 2019 of \$320. When fully effective, six million New Yorkers will save \$700 annually.

Enact the Cannabis Regulation and Taxation Act.

The Budget proposes establishes a regulatory structure for the adult-use of marijuana and imposes three taxes.

Close the Carried Interest Loophole.

If regional agreement is achieved, the Budget treats carried interest as ordinary income for New York State tax purposes and imposes upon it a fairness fee to eliminate the benefit from Federal preferential tax rates.

Enact Comprehensive Tobacco Control Policy.

The Budget raises the minimum age to purchase cigarettes from 18 to 21, prohibits the sale of tobacco products in pharmacies, and imposes a 20 percent tax on the retail sale of vapor products, among other provisions.

The FY 2020 Executive Budget takes the next step in protecting taxpayers from the devastating impacts of Federal tax reform, continues the phase-in of the middle class tax cuts, and advances efforts to improve New York's business climate, simplify the tax code, and improve the fairness of the tax system.

Overview

The fiscal discipline of the past eight years positioned the State to deliver tax cuts for both individuals and businesses. Enacted personal income tax cuts are saving taxpayers \$26.3 billion through FY 2020 and every New Yorker now pays a lower tax rate than they did before the Governor took office. Enacted business tax cuts are saving businesses \$7.6 billion through FY 2020.

Tax relief accomplishments include: enactment of a property tax cap; the property tax freeze credit; the lowest middle class income tax rate in 70 years; elimination of the MTA payroll tax for more than 700,000 small businesses and the self-employed; creation of a newly enhanced family tax relief credit; tax cuts for small businesses and manufacturers; reforms to unemployment insurance and workers compensation insurance; tax free zones; and the most important overhaul of corporate taxes in seven decades including a reduction in tax rates. In addition, a series of actions taken in the FY 2019 Budget helped protect New Yorkers from tax increases caused by the Federal tax law changes.

While the State has been lowering taxes and local governments have been finding new ways to work together and share services, changes to the Federal tax code have created new challenges for New York taxpayers. Most notably, Federal deductions of state and local taxes are now capped at \$10,000.

Responding to Federal Tax Reform

On December 22, 2017, President Trump signed into law sweeping changes to the Federal tax system. The new Federal law has a disproportionate and negative impact on the State of New York. Absent changes to the State's tax code, the law's limitations on the deductibility of state and local taxes – known as SALT – will cost New York's taxpayers upwards of \$14.3 billion per year and risk undermining the progressivity of the State's tax system, the investments and services that the State provides for its residents, and the competitiveness of New York's economy over the long-term.

The elimination of full SALT deductibility rolls back a basic tenet of Federal tax law that has been part of the modern Federal income tax since it was created in 1913, more than a century ago. States like New York have designed their tax systems according to this principle, which takes state taxes into account before Federal taxes.

While the Governor leads the fight in concert with New York's congressional delegation to repeal the cap on SALT deductions, the State took action in the FY 2019 Budget to adjust its tax structure, including:

- **Expanding Charitable Contributions to Benefit New Yorkers.** The FY 2019 Budget created two new state-operated Charitable Contribution Funds to accept donations for the purposes of improving health care and education in New York. Since then, those funds have collected nearly \$100 million from taxpayers seeking refuge from the effective Federal tax increase. In addition, the legislation authorized school districts and other local governments to create charitable funds. Donations to these funds would provide a reduction in local property taxes (via a local credit) equal to a percentage of the donation.

On August 23, 2018 the Internal Revenue Service and the U.S. Treasury Department released guidance designed to limit New York's and other states' legislation that would have provided relief around the SALT limitations imposed by the Federal tax reform. In summary, the proposed regulations would require taxpayers to subtract from their charitable contribution deduction the amount of any state or local credit the taxpayer receives or expects to receive.

- **Creating an Alternative Employer Compensation Expense Program.** While Federal tax reform eliminated full State and local tax deductibility for individuals, businesses were spared from these limitations. Under the FY 2019 Budget, employers were able to opt-in to a new ECEP structure. Employers that opt-in are subject to a five percent tax on all annual payroll expenses in excess of \$40,000 per employee, phased in over three years beginning on January 1, 2019. The progressive personal income tax system would remain in place, and a new tax credit corresponding in value to the ECEP would cut the personal income tax on wages and ensure that State filers subject to the ECEP would not experience a decline in take-home pay.
- **Decoupling from the Federal Tax Code.** The FY 2019 Budget decoupled the state tax code from the Federal tax code, where necessary, to avoid more than \$1.5 billion in State tax increases brought solely by increases in Federal taxes.

The FY 2020 Executive Budget advances additional reforms to help protect taxpayers from Federal tax law changes, including by:

- **Decoupling from the Taxability of State Incentives.** Decouple from recent Federal inclusion of certain state tax and grant economic development incentives in taxable income. This initiative ensures that the State does not tax its own economic development grants.

- **Decoupling from IRC Federal Basis for New York State Manufacturing Test.** Decouple from recent Federal provisions that hinder the ability of manufacturers to qualify for certain State tax benefits, therefore, maintaining the economic competitiveness of qualified manufacturers.

Tax Cuts and Credits

- **Make the Property Tax Cap Permanent.** The 2 percent property tax cap enacted in 2011 has kept levies in check, saving the typical taxpayer more than \$3,200 in just the first six years. Combined with the Property Tax Freeze, local taxpayers have saved more than \$25 billion. But under existing law, it must be extended every four years to remain in effect. The Executive Budget makes the property tax cap permanent.
- **Continue the Phase-In of the Middle Class Tax Cut.** The Budget continues to support the phase-in of the middle class tax cuts. In Tax Year 2019, taxpayers will save nearly \$1.5 billion. When fully effective, six million New Yorkers will save \$700 annually and middle class tax rates will be the lowest in more than 70 years. These actions build on the middle class tax cuts of 2012, which lowered rates from 6.85 percent to 6.45 percent for taxpayers in the \$40,000-\$150,000 income bracket, and to 6.65 percent in the \$150,000-\$300,000 income bracket.

Under the new rates for tax year 2019, tax rates will drop to 6.21 percent in the \$43,000-\$161,550 income bracket, and 6.49 percent in the \$161,550-\$323,200 income bracket.

The rate will drop even further and will continue to drop all the way to 5.5 percent and 6.0 percent, respectively, when the cuts are fully effective. The new lower tax rates will save middle class New Yorkers \$4.2 billion, annually, by 2025. The reforms to the tax code made New York State significantly more progressive, whether compared to the structure in 2011, or the statutory default structure of 2008. Millionaires' share of the total tax burden increased by 21 percent between 2008 and 2015. The share of the overall tax burden by filers earning \$50,000 or less dropped by 41 percent. The share of the overall tax burden by filers earning \$100,000 or less dropped by 27 percent.

- **Expand the Employee Training Incentive Program (ETIP) Credit.** Expand the credit to include employers' in-house training as well as to include software development and clean energy internships. The expansion of the credit will strengthen the current program and provide more opportunities for training. This credit is currently estimated to save New York businesses \$5 million annually.
- **Make Technical Changes to the Farm Workforce Retention Credit.** Expand the credit to include more types of farming that qualify for the farmer school tax credit, such as cider production and Christmas tree farming. In tax year 2019, employers will receive a credit of \$500 per eligible farm employee.

- **Create the New York State Employer-Provided Child Care Credit.** Create a new credit equal to 100 percent of the Federal credit for employers who provide child and dependent care facilities to their employees. The credit will enhance the opportunity for employers to provide quality child care services to their employees and is expected to save New York businesses \$1 million annually.
- **Create the Employer Recovery Hiring Tax Credit.** Create a new credit for employers of up to \$2,000 for each person in drug abuse recovery that they employ. The employer's recovery tax credit will incentivize the hiring of individuals who have successfully completed substance abuse disorder treatment, affording new job opportunities to a vulnerable population while saving New York businesses \$2 million annually.
- **Expand the Current Historic Rehabilitation Credit.** Allow the credit for activities in more areas such as State parks, ensuring that historic buildings in State parks do not fall into disrepair. By extending the program to unused or underutilized historic properties the State will be providing further incentives for private investment in historic resources in the State park system that all New Yorkers will be able to enjoy.

Reform and Simplification Actions

- **Close the Carried Interest Loophole.** The Budget treats carried interest as ordinary income for New York State tax purposes and imposes upon it a fairness fee to eliminate the benefit from preferential tax rates that exist at the Federal level. In order to prevent New York from being placed at a competitive disadvantage, this will take effect only when functionally identical legislation is enacted in Connecticut, Massachusetts, Pennsylvania, and New Jersey.
- **Eliminate Internet Tax Advantage.** New York's brick and mortar retailers are currently at a disadvantage because many on-line retail competitors are not collecting sales tax. This unequal treatment is unfair to the retailers who do collect sales tax, the customers who pay sales tax, the public at large who is forsaking State and local revenues, and the people who depend on the public services supported by those revenues.

As more retail sales migrate to online platforms, the importance of ensuring equal tax compliance has grown. Online providers such as Amazon, eBay, and many others supply a marketplace for third-party retailers to sell their products to consumers. The Executive Budget will provide a consistent framework for collection of required sales taxes by marketplace providers, which will simplify sales tax enforcement and ease collection burdens for the retailers who sell through these platforms.

In addition to the marketplace providers proposal, and consistent with the United States Supreme Court ruling in *South Dakota v. Wayfair, Inc.*, out-of-state retailers whose sales in New York exceeds \$300,000 or 100 transactions will be reminded via notice by the Tax Department that they are required under the New York Tax Law to collect and remit sales tax.

Beyond the benefits to New York's business community, consistent collection of sales tax supports local governments. For more than half of the counties in New York, sales tax is the number one source of revenue. Currently, \$280 million in local sales taxes owed under state law for internet-marketplace purchases are not collected. The *Wayfair* decision, when combined with the shifting of tax collection responsibilities to the marketplaces that facilitate online sales, is expected to generate an additional \$110 million in sales tax revenue for local governments – an amount much larger than the property tax levy growth under the state property tax cap for 2018. In addition, counties pass through 25 percent of sales tax revenues to other local governments to help them reduce property taxes and pay for local services.

It is counterproductive to principles of fairness, harmful to local economies, bad for retail jobs, and damaging to state and local revenues to allow online retailers to evade their responsibility to collect taxes on the sales they make into New York. This proposal ensures that out-of-state merchants do not have a price advantage over our State's retail community.

- **Discontinue the Energy Services Sales Tax Exemption.** The Executive Budget eliminates the sales tax exemption on the non-residential transmission and distribution of gas or electricity when purchased from an Energy Service Company (ESCO). Enacted in the early 2000s to incentivize consumer choice, this exemption is no longer necessary now that ESCOs are established entities (New York City eliminated this tax exemption in 2009). Local governments outside of New York City would receive \$48 million as fairness is established.
- **Allow an Exemption from Real Property Taxation for Qualified Energy Systems.** To promote the State's green energy initiatives, the Budget provides private developers an exemption on real property taxes for new projects when both the property is controlled by the State, and the State has an agreement to buy the power generated.
- **Improve Equalization Rate Apportionment.** School districts often include the whole or parts of multiple towns and villages, each with their own assessor and equalization rates. The Executive Budget gives school districts the option to apportion large tax increases due to this segmentation across three or five years, allows the Department of Taxation and Finance (DTF) to certify assessor equalization rates as final, and clarifies that an assessor must notify officials when the tentative equalization rate differs from the Level of Assessment by 5 percent or more. As a whole, these actions smooth out the cost of the tax increase across multiple tax years regardless of the municipality in which school taxpayers live.
- **Improve Real Property Tax Administration.** The Executive Budget would allow local governments to provide real property assessment relief as soon as a disaster emergency is declared, rather than waiting for special legislation so impacted property owners could obtain relief sooner. This legislation is especially important if a disaster occurs after the end of a legislative session. The Budget makes disaster emergency relief permanently available; authorizes a county-level Board of Assessment Review; allows an assessor

training credit without providing reimbursement, if the assessor chooses; allows for electronic notifications of special franchise, telecom ceilings, and equalization rates; changes the special franchise taxable status date from July 1 to January 1; and establishes a reporting requirement for power plants.

- **Eliminate Property Tax Freeze Program Language.** Eliminate the remaining Tax Freeze Program language from the General Municipal Law and Education Law to reflect that this program has concluded.

Enforcement Initiatives

- **Include Certain New York State Gambling Winnings in Nonresident New York State Income.** Impose personal income tax on nonresidents' gambling winnings from New York casinos and racetracks in excess of \$5,000 and require withholding on such winnings when subject to Federal tax withholding.
- **Increase Tax Return Audits.** The Budget increases DTF's audit and enforcement team resources, reducing or denying more fraudulent refunds before they are issued, and analyzing more returns for fraud after they have been filed and processed. All New Yorkers benefit when tax fraud is identified, ensuring that the tax base is protected.
- **Make e-File Mandate Permanent.** Currently set to expire after tax year 2019, the Executive Budget makes the e-filing mandate permanent.

Tax Law Extenders

- **Extend Higher Personal Income Tax Rates for Five Years.** The 8.82 percent income tax rate for high-income taxpayers, originally enacted in 2011, is extended for five years through 2024. Tax rates would be held at existing levels for married filing jointly taxpayers with annual adjusted gross incomes above \$2,155,350, taxpayers filing as head of household with annual adjusted gross incomes above \$1,616,450, and single taxpayers with annual adjusted gross income above \$1,077,550.
- **Extend Personal Income Tax Limitation on Charitable Contributions for Five Years.** The limitation on itemized deductions to 25 percent of contributions, applicable to taxpayers with incomes above \$10 million and originally enacted in 2010 is extended through 2024.
- **Extend Clean Heating Fuel Credit for Three Years.** Designed to encourage homeowners and businesses to use cleaner heating fuels, the credit is extended through 2022.
- **Permanently Extend Tax Shelter Reporting and Update Tax Preparer Penalties.** Provisions originally enacted in 2005 and designed to improve compliance for certain hard-to-identify tax avoidance transactions are extended and made permanent.

- **Extend Certain Sales Tax Exemption Related to the Dodd-Frank Protection Act.** The Executive Budget extends the sales tax exemption provided to financial institutions that are required under the Dodd-Frank Wall Street Reform and Consumer Protection Act to create subsidiaries and then transfer the property or services to those subsidiaries without the transfer being considered a taxable sale. The date is extended by which transfers must be made or a binding contract entered into from June 30, 2019 to June 30, 2021.
- **Permanently Extend DTF Authorizations to Manage Delinquent Sales Tax Vendors.** The Executive Budget makes permanent certain provisions concerning the segregated sales tax account program. These provisions have improved vendor compliance and reduced the need to pursue costly collection actions when sales tax collected by vendors is not remitted timely to the Department.
- **Extend Workers with Disability Credit for Three Years.** The Executive Budget extends for three years the credits for qualified employers that employ individuals with developmental disabilities.
- **Extend Three-Year Gift Addback Rule & Require Binding New York State QTIP Election.** The Federal 2017 Tax Cut and Jobs Act doubled the Federal estate tax exemption threshold until January 1, 2026, creating a significant gap between the State and Federal thresholds. The intent of the gift add-back rule was to prevent the granting of gifts to take advantage of the difference between the Federal and State exemption threshold levels. The Executive Budget extends the three-year gift add-back rule until January 1, 2026 when the higher Federal estate tax threshold level expires and reverts to being equivalent to the State threshold level. The Executive Budget also requires a binding New York State QTIP election be made on State estate tax returns. This eliminates the current practice of relying on the filed Federal estate tax return or pro forma Federal return to determine an estate's QTIP election status.

School Tax Relief (STAR) Program Actions

- **Cap Annual Growth in STAR Exemption Benefits at Zero Percent and Increase STAR Credit Benefits by Two Percent.** The Executive Budget maintains FY 2020 STAR exemption benefits at no more than their FY 2019 levels, for the Exemption Program only, rather than allowing them to grow by up to two percent (the STAR Credit would not be subject to this cap). Taxpayers currently receiving the STAR exemption would be authorized to voluntarily switch to the credit program to preserve the added benefit. Consistent with prior year actions, administering the STAR program as a tax credit aligns it with other tax relief programs.
- **Lower Basic STAR Exemption Income Eligibility Requirement.** Limit the Basic STAR benefit for homeowners in the Exemption program to an income threshold of \$250,000, rather than \$500,000. The threshold for the STAR Credit would be unchanged at \$500,000 and taxpayers currently receiving STAR would be authorized to voluntarily

switch to the credit program to preserve their tax advantage. Administering the STAR program as a tax credit aligns it with other tax relief programs.

- **Align New York City Enhanced Circuit Breaker Expiration Dates.** The Budget modifies the formula expiration date with the credit's expiration date, so both provisions agree.
- **Allow Residency Verification for Enhanced Beneficiaries.** The Executive Budget allows DTF to verify Enhanced exemption recipient's residency and income. Additionally, the loophole that may allow an expelled STAR exemption recipient into the Credit Program is closed by clarifying that the six-year ban for material misstatements applies to both exemptions and credits.
- **Improve Assessor Communications.** The Executive Budget allows DTF to share STAR information with local assessors. This information will aid in the administration of other local exemptions, for example, the Senior (Aged) Exemption. Additionally, this protects the confidentiality of beneficiary information.
- **Improve STAR Credit Notifications.** The Executive Budget reduces confusion by amending the STAR check notification on school tax bills to clarify that a STAR check has been or will be sent.
- **Extend Good Cause Provisions to First Time Enhanced Applicants.** The Executive Budget extends the "good cause" provisions for late applications to first time Enhanced recipients and supports taxpayers wishing to renounce their STAR exemption by waiving the fee if renunciation occurs before the tax levy is issued.
- **Require Mobile Home Park Reporting to DTF.** DTF receives information on manufactured homes only when sales occur, but not when there are any other status changes. The Executive Budget requires park owners to report any status changes to DTF on a quarterly basis. DTF relays such information to the Division of Housing and Community Renewal (DHCR) within 30 days of receipt to ensure data is collected consistently across all types of homes. This change will help ensure that STAR credit checks for mobile homes are delivered to taxpayers in a timely fashion.
- **Allow Disclosure of Certain Information on Cooperative Housing Corporation Information Returns.** The Budget allows DTF to share certain information reported by cooperative housing corporations with local assessor for real property tax administration purposes. This information will aid DTF with issuing STAR checks for co-ops in a timely manner.

Other Revenue Actions

- **Enact the Cannabis Regulation and Taxation Act.** The Executive Budget proposes to regulate and control the manufacture, wholesale, and retail production, distribution, transportation, and sale of cannabis, cannabis related products, medical cannabis, and hemp cannabis within the State of New York, for the purposes of fostering and promoting temperance in their consumption, to properly protect the public health, safety, and welfare, and to promote social equality.

This bill would impose three taxes on the adult-use of marijuana. The first tax is imposed on the cultivation of cannabis at the rate of \$1 per dry weight gram of cannabis flower and \$0.25 per dry weight gram of cannabis trim. The second tax is imposed on the sale by a wholesaler to a retail dispensary at the rate of 20 percent of the invoice price. The third tax is imposed on the same sale by a wholesaler to a retail dispensary at the rate of 2 percent of the invoice price, but collected in trust for and on account of the county in which the retail dispensary is located.

Revenues from the State cannabis taxes will be expended for the following purposes: administration of the regulated cannabis program, data gathering, monitoring and reporting, the governor's traffic safety committee, small business development and loans, substance abuse, harm reduction and mental health treatment and prevention, public health education and intervention, research on cannabis uses and applications, program evaluation and improvements, and any other identified purpose recommended by the director of the Office of Cannabis Management and approved by the Director of the Budget.

- **Enact a Comprehensive Tobacco Control Policy.** The Executive Budget raises the minimum age to purchase cigarettes from 18 to 21; prohibits the sale of tobacco products in all pharmacies; prohibits the acceptance of price reduction instruments for both tobacco products and e-cigarettes; prohibits the display of tobacco products or e-cigarettes in stores; clarifies that the Department of Health has the authority to promulgate regulations that prohibit or restrict the sale or distribution of e-cigarettes or vapor products that have a characterizing flavor, or the use of names for characterizing flavors intended to appeal to minors; prohibits smoking inside and on the grounds of all hospitals licensed or operated by the Office of Mental Health; and requires that e-cigarettes be sold only through licensed dealers. The policy also imposes a 20 percent tax on the retail sale of vapor products.

This comprehensive tobacco control policy will prevent death and disease associated with tobacco use, as well as save the State money due to the high cost of health care expenses for tobacco-related illnesses, estimated at \$10.4 billion annually, including \$3.3 billion in Medicaid costs.

Smoking prematurely kills over 28,000 New Yorkers each year – more people than alcohol, AIDS, car crashes, illegal drugs, murders, and suicides combined. In a 2012 report on youth tobacco use, the U.S. Surgeon General characterized tobacco use as a pediatric epidemic.

The tobacco industry continues to invest over \$9 billion annually marketing cigarettes and scientific evidence establishes that tobacco industry marketing causes youth tobacco use. The industry devotes countless resources to keep existing customers and recruit new customers, most of whom are youth, while undermining the proven effective public health measures already put in place.

In addition to combustible tobacco products, e-cigarettes, vapor products, and similar devices are emerging as the latest public health threat to youth and young adults. Uptake of vapor products by youth is dramatically increasing and more high school age youth are now using vapor products than smoking combustible cigarettes. Dual use by youth and adults is common, showing that they are not substituting vapor products for cigarettes, but using both to maintain and strengthen addiction. New York has the opportunity to save lives, save money, and become the first state in the nation to create a tobacco-free generation.

- **Impose a Supplemental Auto Rental Surcharge.** The FY 2020 Budget raises new revenues for Upstate transit systems by expanding an auto rental surcharge from the Metropolitan Commuter Transportation District (MCTD) to the entire state. This regional expansion raises revenues of \$11 million, which will be used to provide added support for Upstate systems that serve many of the most economically disadvantaged, disabled, and elderly riders throughout the State.

Gaming Initiatives

- **Allow Off-Track Betting (OTB) Reforms.** The Executive Budget includes four OTB reforms. 1) Allows OTBs to remove racing operations from their business or merge with another OTB; 2) Requires OTBs to maintain financial records; 3) Allows an OTB internal auditor to review expenses and report to the OTB Board; and 4) Allows Capital OTB to show televised races at Rivers Casino.
- **Extend Certain Tax Rates and Certain Simulcasting Provisions for Five Years.** The current pari-mutuel tax rate structure and other racing-related provisions are extended for five years.
- **Simplify Video Lottery Gaming (VLG) Rate and Additional Commission Provisions.** The Executive Budget reforms and simplifies the VLG rate structure, including the distribution of capital awards and marketing allowance, as well as eliminates the current additional commission provisions and provides an additional commission rate. The number of differing VLG commission rates are reduced from no less than 27 to just seven. Capital awards and marketing allowance are now included in the facility commission, allowing the facility to determine how much it spends on marketing and eliminating the

current reimbursement process used for capital awards. The additional commission provided to VLG facilities impacted by nearby competing casinos is now offered via an additional commission rate as a percentage of their net machine income. This reduces the facilities' current windfalls, while still providing an incentive for them to improve their revenue performance.

- **Impose a Statutory Cap on Casino Free Play.** The Gaming Commission and the four upstate casinos have reached agreements that limit casino free play allowance to 19 percent per year. The Executive Budget codifies this existing practice into law through FY 2023. Beginning FY 2024, the casino free play cap is reduced to 15 percent to align with the free play cap imposed on VLG facilities.
- **Allow Breeding Funds to be Used for Equine Aftercare.** The Budget amends Racing Law to allow the breeding funds to allocate funds to support and promote the ongoing aftercare of retired racehorses.
- **Authorize Entry into the Mid-Atlantic Drug Compact.** The Gaming Commission is authorized to enter into the Mid-Atlantic Drug Compact, to enhance equine drug testing, and standardize the ability to maintain the integrity of the racing industry.
- **Extend Equine Drug Testing Advisory Committee and Remove Morrisville Restriction.** The advisory committee established with the FY 2019 Enacted Budget to review the current state of equine drug testing in New York State, and make recommendations going forward, is extended for an additional year. Section 902 of the Racing Law dictates that drug testing for race horses shall be conducted by a "state college within this state with an approved equine science program." As Morrisville State College is the only college that fulfills this requirement, this restriction is eliminated to allow the Gaming Commission to entertain bids from other facilities.
- **Make Technical Changes to Gaming Provisions.** The Executive Budget moves the statute establishing the Gaming Inspector General from Article 13 of the Racing Law to Article 1; restructures the Governor's appointees to the Thoroughbred Breeding Fund by making qualified non-Gaming Commission employees eligible; clarifies that Cornell's Zweig Fund can accept gifts from donors, and ensures the fund's board is covered from indemnification by Public Officers Law; and expands the allowable use of the lapsed prized fund to allow supplemental prizes on more games, allows continuing promotional campaigns, and aligns the prize payment amounts and revenue distributions for all lottery games.
- **Reduce Gaming Commission Employment Restrictions.** Currently, significant limitations are placed on Gaming Commission hiring. If a prospective hire has held an occupational license from the Commission in the three years prior to appointment, they are disqualified from employment. The Budget amends Section 107 of the Racing Law to allow a waiver from the hiring restriction.

- **Streamline Occupational Licensing for Casino Employees.** The Executive Budget reduces the scope of occupational license background investigations for non-key casino employees and vendors, unless a more in-depth investigation is warranted. The automatic bar on felony convictions is also removed, thus allowing for greater discretion for occupational license approval.

Fee Actions

- **Expand the New York State Bottle Bill Program to Include Additional Beverage Containers.** The Executive Budget expands the current Bottle Bill Program to include bottles from: sports drinks; energy drinks; fruit and vegetable beverages; ready-to-drink tea and coffee; and wellness beverages. Receipts will support the Environmental Protection Fund.
- **Make the Waste Tire Fee Permanent.** In order to avoid cuts to essential programs, the Budget permanently extends the Waste Tire Fee, which is scheduled to expire December 31, 2019. This \$2.50 fee, which has been in place since 2003, funds the abatement of waste tire sites and supports approximately 140 Department of Environmental Conservation employees involved in mission critical solid and hazardous waste cleanup activities.
- **Recognize Value of State Assets.** To help the State realize the full value of its assets, the Budget authorizes DOT to enter into agreements with fiber-optic utility companies to occupy State rights of way. Such agreements are projected to provide potential revenue to the State of \$15 million in FY 2020, \$30 million in FY 2021, and \$50 million annually thereafter.
- **Impose Bus Inspection Fee.** In the interest of public safety for bus passengers and other drivers and passengers that share the road, the Executive Budget imposes a new \$120 inspection fee on for-profit vehicles included in the Bus Inspection Program. These vehicles are currently being inspected semi-annually by, and at the expense of, the Department of Transportation. Bus owners, with the responsibility for the inspection fee and the re-inspection fee should they fail inspection, would be more likely to properly maintain their vehicle.
- **Increase Notice of Violation Fine.** The Executive Budget increases the maximum Notice of Violation fine from \$5,000 to \$25,000 per occurrence for vehicles regulated under Section 140 of State Transportation Law, such as limousines, issued as the result of one or more Out-of-Service violations. This increase will provide significant disincentive to transportation companies to operate unsafe vehicles.
- **Increase Indigent Legal Services Fund Support.** In an effort to support the expansion of the *Hurrell-Harring Settlement* reforms to all of the State's counties and the City of New York, the Executive Budget increases two fees that support the Indigent Legal Services Fund. The Attorney Registration Fee is increased by \$50, to \$425 every two years and the Criminal History Search Fee is increased by \$25, to \$90 per search. These *Hurrell-*

Haring Settlement reforms, supported by these fee increases, will help to improve the quality of indigent defense services, ensure counsel at arraignment for indigent defendants, and provide caseload relief for indigent defense providers.

- **Impose Penalty on the Use of Lead Paint.** The Executive Budget supports new regulations that provide necessary authority to State and municipal housing maintenance code enforcement agencies to include lead paint hazard control in existing enforcement activities and levy applicable fines.
- **Repeal License Fees on Certain Cooperatives.** The Budget amends the cooperative corporations law and the rural electric cooperative law to eliminate a ten-dollar annual fee paid by cooperative corporations and rural electric cooperatives, reducing the administrative burden on DTF, who incurs the costs to perpetuate and process these filings, but has only collected \$250 from these licenses over the past two years.

Table 4: Revenue Actions and STAR (Millions of Dollars)

BRIEFING BOOK REVENUE ACTIONS (millions of dollars)				
	General Fund		All Funds	
	FY 2020	FY 2021	FY 2020	FY 2021
Responding to Federal Tax Reform	-	-	-	-
Decouple the Taxability of State Incentives	-	-	-	-
Decouple from IRC Federal Basis for New York State Manufacturing Test	-	-	-	-
Tax Cuts and Credits	-	-	-	-
Make the Property Tax Cap Permanent	-	-	-	-
Expand the Employee Training Incentive Program (ETIP) Credit	-	-	-	-
Make Technical Changes to the Farm Workforce Retention Credit	-	-	-	-
Create the New York State Employer-Provided Child Care Credit	-	-	-	-
Create the Employer Recovery Hiring Tax Credit	-	-	-	-
Expand the Current Historic Rehabilitation Credit	-	-	-	-
Reform and Simplification Actions	209	359	221	378
Close the Carried Interest Loophole	-	-	-	-
Eliminate Internet Tax Advantage	119	239	125	250
Discontinue the Energy Services Sales Tax Exemption	90	120	96	128
Allow an Exemption From Real Property Taxation For Qualified Energy Systems	-	-	-	-
Improve Equalization Rates	-	-	-	-
Improve Real Property Tax Administration	-	-	-	-
Eliminate Property Tax Freeze Program Language	-	-	-	-
Enforcement Initiatives	12	121	12	121
Include Certain New York State Gambling Winnings in Nonresident New York State Income	-	1	-	1
Increase Tax Return Audits	12	120	12	120
Make e-File Mandate Permanent	-	-	-	-
Tax Law Extenders	785	3,660	785	3,660
Extend Higher Personal Income Tax Rates for Five Years	771	3,560	771	3,560
Extend Personal Income Tax Limitation on Charitable Contributions for Five Years	-	86	-	86
Extend Clean Heating Fuel Credit for Three Years	-	-	-	-
Permanently Extend Tax Shelter Reporting; Extend Preparer Penalties for 5 years; Impose Additional Preparer Penalty	14	18	14	18
Extend Certain Sales Tax Exemption Related to the Dodd-Frank Protection Act	-	-	-	-
Permanently Extend DTF Authorizations to Manage Delinquent Sales Tax Vendors	-	-	-	-
Extend Workers with Disability Credit for Three Years	-	(4)	-	(4)
Extend Three-Year Gift Addback Rule & Require Binding New York State QTIP Election	-	-	-	-

Revenue Actions



	General Fund		All Funds	
	FY 2020	FY 2021	FY 2020	FY 2021
School Tax Relief (STAR) Program Actions	46	88	(185)	(241)
Cap Annual Growth in STAR Exemption Benefits at Zero Percent - Credit Portion	(60)	(119)	(60)	(119)
Cap Annual Growth in STAR Exemption Benefits at Zero Percent - STAR Savings	106	207	-	-
Lower Basic STAR Exemption Income Eligibility Requirement - Credit Portion	(125)	(122)	(125)	(122)
Lower Basic STAR Exemption Income Eligibility Requirement - STAR Savings	125	122	-	-
Align New York City Enhanced Circuit Breaker Expiration Dates	-	-	-	-
Allow Residency Verification for Enhanced Beneficiaries	-	-	-	-
Improve Assessor Communications	-	-	-	-
Improve STAR Credit Notifications	-	-	-	-
Extend Good Cause Provisions to First Time Enhanced Applicants	-	-	-	-
Require Mobile Home Park Reporting to DTF	-	-	-	-
Allow Disclosure of Certain Information on Cooperative Housing Corporation Information Returns	-	-	-	-
Other Revenue Actions	(2)	78	13	124
Enact the Cannabis Regulation and Taxation Act	-	83	-	83
Enact a Comprehensive Tobacco Control Policy	(2)	(5)	2	19
Impose a Supplemental Auto Rental Tax Surcharge	-	-	11	22
Gaming Initiatives	-	-	5	11
Allow Off Track Betting (OTB) Reforms	-	-	-	-
Extend Certain Tax Rates and Certain Simulcast Provisions for Five Years	-	-	-	-
Simplify Video Lottery Gaming (VLG) Rate and Additional Commission Provisions	-	-	5	5
Impose a Statutory Cap on Casino Free Play	-	-	-	6
Allow Breeding Funds to be Used for Equine Aftercare	-	-	-	-
Authorize Entry into the Mid-Atlantic Drug Compact	-	-	-	-
Extend Equine Drug Testing Advisory Committee and Remove Morrisville Restriction	-	-	-	-
Make Technical Changes to Gaming Provisions	-	-	-	-
Reduce Gaming Commission Employment Restrictions	-	-	-	-
Streamline Occupational Licensing for Casino Employees	-	-	-	-
Fee Actions	5	12	94	126
Expand the New York State Bottle Bill Program	-	4	-	18
Make the Waste Tire Fee Permanent	-	-	18	24
Recognize Value of State Assets	-	-	5	10
Impose Bus Inspection Fee	1	2	1	2
Increase Notice of Violation Fine	3	5	3	5
Increase Indigent Legal Services Fund Support	-	-	66	66
Impose Penalty on the Use of Lead Paint	1	1	1	1
Repeal License Fees on Certain Co-Ops	-	-	-	-
TOTAL REVENUE ACTIONS	1,055	4,318	945	4,178