

Checkpoint Contents

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New York Governor Cuomo Proposes \$2 Billion in Tax Relief (01/13/2014)

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New York Governor Cuomo Proposes \$2 Billion in Tax Relief

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On January 6, 2014, Governor Andrew M. Cuomo announced details of his proposed tax plan, which includes \$2 billion in tax relief intended to “increase economic opportunity and attract and grow businesses across the State.” The proposed tax relief is based on a projected \$2 billion surplus by fiscal year 2016-2017, which assumes that spending growth is held to 2%, and includes a variety of provisions that are discussed below. (New York Governor's Press Office, Release, 01/06/2014.)

Franchise tax. Under the governor's plan, the tax structure of the corporate franchise tax would be streamlined by merging the bank tax into the corporate franchise tax and lowering the rate to 6.5%. The plan also recommends the elimination of the corporate income tax rate for upstate manufacturers, and proposes that the state create a refundable credit against corporate and personal income taxes for manufacturing firms that is equal to 20% of a firm's annual real property taxes.

Property tax. The governor's plan calls for a 2-year freeze on property taxes, subject to two conditions: (1) in year one the state will only provide tax rebates to homeowners who live in a jurisdiction that stays within the 2% property tax cap; (2) in year two, the state will only provide tax rebates to homeowners who live in a locality that stays within the cap and also agrees to implement a shared services or administration consolidation plan. The freeze will not apply to New York City, as it does not have a property tax cap.

In addition, the plan recommends a “property tax circuit breaker” proposal that will provide relief to the 1.9 million low- and middle-income taxpayers who pay an effective real property tax rate that exceeds their income tax rate. The proposal would provide tax relief based on a taxpayer's ability to pay, and households earning up to \$200,000 would be eligible. As proposed, the benefit would be in the form of a refundable tax credit against personal income tax, with an average benefit of approximately \$500.

Personal income tax. The governor's plan includes a proposed renters' tax credit that would provide tax relief for renters with incomes below \$100,000 by offering a refundable personal income tax credit that increases with family size.

Estate tax. Governor Cuomo proposes increasing the New York estate tax threshold from \$1 million to \$5.25 million, which is the amount that is essentially exempt from the federal estate tax. In addition, the plan proposes lowering the top estate tax rate to 10% over four years. The proposal would have the state estate tax exemption equal the federal exemption, which is indexed to inflation, beginning in 2019.

Utility tax. The plan recommends that the state immediately eliminate the 2% temporary utility assessment (18-A surcharge) levied on commercial electric, gas, water, and steam utility bills for industrial customers and accelerate the phase-out for remaining customers.

Miscellaneous proposals. The plan proposes a number of actions to simplify the tax code by eliminating “nuisance provisions,” including the repeal of the personal income tax minimum tax add-on, the boxing and exhibition tax, the tax on agricultural cooperatives, and the stock transfer tax (which collects no revenue). The proposed plan would also increase the income threshold for filing a personal income tax return from \$4,000 to the same level as the taxpayer's standard deduction, modify signature requirements of e-filed returns prepared by tax professionals, and align mobility and personal income tax filings for the self-employed.

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