

State TAX & ACCOUNTING

New York

Coalition of New York Groups Calls For Higher Income Tax on Millionaires

ALBANY, N.Y.—A coalition of labor unions, consumer groups, and others urged state lawmakers March 26 to enact “a millionaire’s tax” to help close the state’s projected budget deficit for the 2008-09 fiscal year.

The coalition, which is called the Better Choice Budget Campaign, is supporting a temporary increase in the state personal income tax for individuals earning more than \$1 million per year.

The coalition said the increased revenue from the tax increase could be used for health, education, and infrastructure needs. It also could be used to help lower property taxes.

The tax increase is included in the state budget approved by the Democratic-controlled state Assembly (A. 9810), but is opposed by Republicans who control the state Senate. Leaders from the two houses are currently meeting in joint conference committees to iron out differences in the two houses’ budget plans before the April 1 start of the fiscal year.

The Better Choice Budget Campaign supports the Assembly plan, but would support other similar measures, according to Jo Brill, a spokeswoman for the Fiscal Policy Institute, which is a member of the coalition.

New York is facing an estimated budget gap of \$4.6 billion in FY 2008-09. The state budget is about \$124 billion.

Under the state Assembly plan, the top personal income tax rate would be raised by about 1 percent for taxpayers with incomes of \$1 million or higher. The tax increase would raise an estimated \$1.5 billion.

Among the groups in the Better Choice Budget Campaign are New Yorkers for Fiscal Fairness, the Fiscal Policy Institute, the Public Employees Federation, and the New York Public Interest Research Group.

BY GERALD B. SILVERMAN

Further information on the coalition’s tax proposal is available at <http://www.fiscalpolicy.org/>

California

California Senate OKs Excluding Forgiven Mortgage Debt From Taxable Income

SACRAMENTO, Calif.—The California Senate March 24 passed a bill that would conform to federal law by allowing taxpayers to exclude forgiven mortgage debt from taxable income.

S.B. 1055 by Sen. Mike Machado (D) passed 34-0, and will now move to the Assembly for consideration.

The bill would apply to borrowers whose lenders agree to a short sale, a short payoff, a loan modification, or a loan refinance in which some or all of the borrower’s original debt obligation is forgiven. Under current state law, such forgiven debt is taxable to the borrower at the ordinary income rate for California.

The bill would conform California law to the federal Mortgage Forgiveness Debt Relief Act (Pub. L. No. 110-142), signed by President Bush Dec. 20, 2007 (245 DTR G-2, 12/21/07), with one difference. The federal law applies to debts that are forgiven between Jan. 1, 2007, and Jan. 1, 2010. To reduce the revenue loss for California, the state measure would apply only through Jan. 1, 2009.

According to the Franchise Tax Board, the bill would result in revenue losses of \$5 million in fiscal year 2007-08, \$7 million in 2008-09, and \$1 million in 2009-10. About 8,300 taxpayers would benefit from the measure. It would apply only to debt from owner-occupied homes.

The bill is supported by the California Bankers Association, California Chamber of Commerce, California Credit Union League, California Mortgage Bankers Association, and the Greenlining Institute.

BY LAURA MAHONEY

For more information on the bill see <http://www.leginfo.ca.gov>. Click on the Bill Information button and enter the bill number in the search box.

Colorado

Colorado Clarifies Temporary Employees Qualify Under New Employees Tax Credits

Colorado enacted legislation (H.B. 1034) clarifying that new employees under the new business facility employees tax credit and the aircraft manufacturer new employees tax credit includes leased or temporary workers.

The measure, signed into law March 6, amended the new business facility employees credit to provide that a taxpayer could only claim a credit for employees for whom:

- the taxpayer withholds Social Security, Medicare, and income taxes under the taxpayer’s own federal and state taxpayer identification numbers; or
- the taxpayer is the work-site employer, and an employee leasing company, as the employing unit for, or co-employer with, the taxpayer, withholds Social Security, Medicare, and income taxes under the employee leasing company’s own federal and state taxpayer identification numbers.

The legislation also amended the aircraft manufacturer new employees credit to provide that the aircraft manufacturer is the work-site employer, and an employee leasing company, as the employing unit for, or