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The Legislature Proposes Ambitious, Progressive New Revenue

Recommendations

- The Senate proposes a suite of progressive State revenue measures that would raise $5.6 billion per year (not including a set of New York City specific proposals). These measures should be enacted to fund New York's critical social needs and an ambitious affordability agenda.

- The Assembly proposes a narrow set of State revenue measures (not including a set of New York City specific proposals). New revenue would be completely offset by proposed tax cuts and rebates that do not represent a well-targeted affordability agenda.

Introduction

New York State has pressing social needs: half a million New Yorkers will lose healthcare this July, universal childcare requires $6 billion in additional funding, and New York City is facing a fiscal imbalance that threatens its ability to sustain core public services. Yet the executive budget takes little action to raise the revenue necessary to meet these needs. Instead, it proposes two actions—deferring a planned corporate tax cut and decoupling from last year's federal tax cut—that will bring in just $1.4 billion in fiscal year 2027 and an average of $1.6 billion in the outyears.

The legislative one-house budget proposals go further, putting forward a set of progressive revenue measures—most notably raising top income tax and corporate tax rates—that will raise billions of dollars in new revenue each year. The Senate proposes a broad suite of new measures that would bring in about $5.6 billion annually. The Assembly plan, however, is narrower than the Senate plan and the revenue it raises is wholly offset by tax cuts and rebates that undermine the ability to achieve a well-targeted affordability agenda. As such, the Senate plan is New York's best opportunity to address pressing budgetary issues and support an affordability agenda with new, progressive revenue.

Table 1. Summary of major state tax proposals in the executive and legislative budgets

Revenue Source	Executive	Senate	Assembly	FPI Recommendation
Corporate tax	Extend current rates for 3 years: $1.3B	Raise to 9% for corporations with income above $5M: $2B	Raise to 9.25% for corporations with income above $10M: $1.9B	**Enact Senate proposal**
Personal income tax	No proposal	Increase rate by 0.5 percentage points for income above $5M: $1.1B	Lower rates for households below $323K; new $10M and $100M brackets with progressively high rates: revenue neutral	
PTET credit	No proposal	Reduce credit to 90%: $1.8B	No proposal	
Gold sales	No proposal	Apply sales tax to gold bullion: $500M	No proposal	
Fossil fuel sales	No proposal	Repeal exemptions for industrial uses: $100M	No proposal	
Small business stock gains	No proposal	Decouple from federal tax break: $100M	No proposal	
Total new revenue		**$5.6B**	**$1.9B**	

Legislative Tax Plans

Corporate tax

Without legislative action, the state's tax for corporations with more than $5 million in annual income is scheduled to be cut from a current rate of 7.25 percent to 6.5 percent beginning January 1, 2027. The executive budget proposes extending the current rate for three additional years, through 2029, lifting outyear revenue by an average $1.3 billion per year.[1]

The Senate proposes raising the rate on corporations with annual income above $5 million to 9 percent. As in the executive proposal, this rate would only remain in place through 2029.[2] The Fiscal Policy

[1] New York State Executive Budget, "Revenue Article VII Legislation," FY 2027 Executive Budget, Part E, accessed March 16, 2026, https://www.budget.ny.gov/pubs/archive/fy27/ex/artvii/revenue-bill.pdf.
[2] New York State Senate, S9009B, 2025–2026 Legislative Session, "An Act to Implement the State Fiscal Plan for the 2026–2027 State Fiscal Year," Part E, introduced in Senate, January 21, 2026, https://legislation.nysenate.gov/pdf/bills/2025/S9009B.

Institute (FPI) estimates this rate would raise about $2.1 billion per year beyond the revenue raised under the executive proposal.

The Assembly proposes raising the corporate income tax rate to 9.25 percent only for corporations with yearly income in excess of $10 million. This accepts the executive's proposed extension of a 7.25 percent rate for corporations with income between $5 and $10 million and leave the rate unchanged (at 6.5 percent) for those with less than $5 million in yearly income. These rates would remain in place through 2029.[3] The Assembly estimates this would raise revenue by $1.9 billion in FY 2027.[4]

Personal income tax

The executive budget does not propose any changes to the state's personal income tax (PIT). The Senate and Assembly each make different proposals to raise top PIT rates. The Senate proposes raising the two highest tax brackets—$5 million to $25 million and all amounts more than $25 million—by 0.5 percentage points, to 10.8 percent and 11.4 percent respectively.[5] The Senate estimates this will raise $1.1 billion per year.

By contrast, the Assembly proposes creating two new tax brackets, starting at $10 million and $100 million, with progressively higher rates for each bracket beginning with $5 million.[6] (FPI has argued for applying the top rate to all millionaire earners, creating a broader base for progressive taxation, rather than further fragmenting the top rates). However, the Assembly also proposes lowering the PIT rate for all tax brackets up to $323,000 (for joint filers). These rate reductions would completely offset the revenue raised by progressive top rates, resulting in a negligible net change to PIT revenue.

Table 2. Summary of PIT proposals in the executive and legislative budgets

Bracket	Current	Senate	Assembly
$1,077,551 (single); $2,155,351 (joint)	9.65%	9.65%	9.65%
$5,000,000 (single and joint)	10.3%	10.8%	$5M–$10M: 10.5%
			$10M–$25M: 10.75%
$25,000,000 (single and joint)	10.9%	11.4%	$25M–$100M: 11.75%
			$100M and up: 12%
New revenue	**$—**	**$1.1 billion**	**$— (offset by tax cuts in lower brackets)**

[3] New York State Assembly, A10009B, 2025–2026 Legislative Session, "An Act to Implement the State Fiscal Plan for the 2026-2027 State Fiscal Year," Part E, introduced in Assembly, January 21, 2026, https://nyassembly.gov/2026budget/2026_bills/assembly/A10009b.pdf.
[4] New York State Assembly, "Summary of the Assembly Recommended Changes to the Executive Budget," March 2026, https://nyassembly.gov/Reports/WAM/AssemblyBudgetProposal/2026/.
[5] New York State Senate, S9009B, Part FF.
[6] New York State Assembly A10009B, Part AA.

Pass-through entity tax

New York State's pass-through entity tax (PTET) provides a *federal tax* benefit to taxpayers with pass-through income (business income claimed by sole proprietors and partners in LLCs and partnerships). After the 2017 Tax Cut and Jobs Act sharply limited high earners' ability to deduct state and local taxes from their federal tax liability, many states, including New York, enacted PTETs to provide a workaround, allowing pass-through income earners the ability to elect to meet their state and local tax obligations by paying a business tax, which remains federally deductible. To do this, filers agree to meet their state tax liability by paying a business tax and receive a credit of the same amount on their State personal income tax. They can then deduct the value of their business taxes paid from their federal income tax liability, providing a federal tax benefit that is revenue neutral for the state.

FPI has advocated for reducing the PTET credit received by taxpayers who elect to participate in the program to an amount smaller than 100 percent (meaning that they would receive a credit on their state PIT liability *less* than the amount of PTET they opt to pay). Several states, including Connecticut and Massachusetts, have already lowered their PTET credits to below 100 percent. A rebate at the right level preserves a federal tax benefit for those electing to use PTET while allowing the state to recoup a fraction of the benefit.

Reducing the PTET credit is extremely progressive: FPI estimates that 90 percent of the value of PTET credit earned in the state accrues to taxpayers with more than $1 million in annual earned income—which means that a the PTET credit reduction is essentially a tax on millionaire earners with substantial business income.

The Senate proposes reducing the PTET credit to 90 percent. FPI estimates this will raise annual revenue by $1.8 billion. The executive and Assembly budgets do not propose changes to the state PTET (although the Assembly proposes changes to New York City's PTET, which will be discussed in a separate brief).

Sales of gold bullion

New York State's sales tax currently does not apply to sales of precious metals (e.g., gold) sold for investment purposes. The Senate proposes eliminating the exemption for sales of precious metals exceeding $1,000, thereby raising the tax on these sales to the state sales tax rate of 4.0% (local sales taxes of 4.0 to 4.5 percent would also apply).[7] The Senate estimates that eliminating this exemption will raise $500 million in annual revenue.[8]

The Senate may be overestimating revenue, as their analysis does not anticipate behavioral changes resulting from the tax. Applying sales tax to investment products is likely to reduce investors' demand for gold. Because sales tax is not applied to other types of investments in New York—and not applied to gold in other jurisdictions—an 8 percent tax on the purchase of gold as an investment would function as a significant disincentive. Nevertheless, taxing gold transactions makes sense given that investment

[7] Senate S9009B, Part OO.
[8] New York State Senate, S7875, 2025–2026 Legislative Session, "An act to amend the tax law, in relation to the sales and use tax exemption for certain transactions in precious metal bullion held for investment purposes," introduced in Senate, May 13, 2025, accessed March 16, 2026, https://www.nysenate.gov/legislation/bills/2025/S7875.

in gold is not economically productive (gold acts as a savings vehicle). Redirecting personal savings to more productive investments may create economic benefits.

The executive and Assembly budgets make no proposals on precious metal sales.

Sales of fossil fuels

New York's taxes on fossil fuel sales are currently rife with exemptions. The Senate proposes narrowing these exemptions, applying taxes to fossil fuel sales for a wide range of industrial uses.[9] Exemptions on fossil fuel sales for home heating would be retained. The Senate estimates repealing these exemptions would raise annual revenue by $100 million.[10]

Decouple from federal tax break for small business stock

The federal government currently provides a tax break for capital gains on stock purchased from small corporations. New York State's PIT conforms to this tax break. A Senate proposal would decouple state law from this provision, raising revenue by about $100 million.[11]

The Assembly Tax Cut Agenda

The Assembly disburses the revenue it proposes raising entirely through tax cuts and rebates. As noted above, the Assembly's proposed changes to the PIT are essentially revenue neutral, with higher income from top tax rates offset by lower rates for incomes below $323,000. The Assembly's only other revenue proposal, a higher corporate tax rate for corporations with more than $10 million in taxable income, would bring in $1.9 billion in FY 2027.

At the same time, the Assembly proposes a one-time utility rate rebate in FY 2027. The proposal's structure would closely mirror last year's inflation rebates, which FPI criticized as costly and poorly targeted.[12] Here, the State would send checks of $300–$500 to rate payers earning less than $300,000.

[9] Senate S9009B, Part BB
[10] New York State Senate, S3606A, 2025–2026 Legislative Session, "An act to amend the tax law, in relation to tax on sales of motor fuel and petroleum products and to make conforming changes; to amend the tax law, in relation to taxes not authorized and the disposition of revenue; to repeal paragraph 3 of subdivision (f) and paragraph 4 of subdivision (g) of section 301-a of the tax law relating to manufacturing gallonage for purposes of the imposition of certain taxes; to repeal subdivisions (i), (j), and (l) of section 301-c of the tax law relating to reimbursement; to repeal section 301-d of the tax law relating to a utility credit or reimbursement; to repeal subdivision (f) of section 301-e of the tax law relating to an aviation fuel business which services four or more cities; to repeal subparagraph (xi) of paragraph 3 of subdivision (c) of section 1105 of the tax law relating to services rendered with respect to certain property; and to repeal paragraph 9 of subdivision (a) of section 1115 of the tax law relating to fuel sold to an airline for use in its airplanes" introduced in Senate, January 28, 2025, accessed March 16, 2026, https://www.nysenate.gov/legislation/bills/2025/S3606/amendment/A.
[11] New York State Senate, S8921A, 2025–2026 Legislative Session, "An Act to amend the tax law, in relation to modifications increasing federal adjusted gross income," introduced in Senate, January 15, 2026, accessed March 16, 2026, https://www.nysenate.gov/legislation/bills/2025/S8921/amendment/A.
[12] Emily Eisner, "How Does the Inflation Rebate Stack Up?" Fiscal Policy Institute, January 29, 2025, https://fiscalpolicy.org/how-does-the-inflation-rebate-stack-up.

Better affordability policy would leverage state resources to ease cost burdens at cost-of-living pain points: housing, childcare, and healthcare.

The Assembly estimates the utility rebates will cost $2.6 billion in FY 2027. Taken together with the Assembly's other tax proposals, the chamber's plans would ultimately lower state tax revenue by $700 million in FY 2027.

Conclusion

New York State needs new revenue to fund an ambitious affordability agenda and meet social needs arising from sharp federal healthcare cuts. In response to an executive budget that does not propose new revenue, both legislative one-house budgets endorsed progressive revenue measures. Because the Senate's proposal would raise about $5.6 billion in a stable manner it represents the strongest of the two plans.