Comparison of the Final 2014-2015 New York State Revenue Bill to the earlier Executive, Assembly and Senate Budget Proposals

March 31, 2014

This tax brief is the second update of the Fiscal Policy Institute's *New York State Economic and Fiscal Outlook 2014-2015* taking into account changes made to the Executive Budget's major tax proposals as set out in the final Revenue Bill as agreed on March 28,2014. This brief contains two parts. An analysis of the major tax provisions and a side-by-side description of the 2014-2015 Revenue bills as compared to Executive Budget's tax proposals and the one-house responses from the Assembly and the Senate.

The six major areas covered in more detail are:

- Part A: Corporate Tax Reform
- Parts K and L: Homeowner and Renter Circuit Breaker
- Part R: Property Tax Credit and Zero Income Tax Rate for Manufacturers Statewide
- Part X: Reform of the Estate Tax
- Part FF: Property Tax Freeze and Freeze Plus
- Parts GG and OO: NYC Business Tax Breaks and Proposed NYC Personal Income Tax Increase

The 2014-2015 Executive Budget tax cut proposals total $298 million in FY 2015 and a four-year cumulative total of $5.8 billion for 2015-2018. To accommodate the proposed tax cuts the executive's 2015-2018 financial plan proposes a total of $19 billion in spending cuts. **According to FPI estimates, the final revenue bill appears to significantly increase the net cost of tax cuts in 2014-2015, and to be about $1 billion less over the 2015-2018 period.**

Part A: <u>Corporate Tax Reform</u>

The Executive Budget proposed to merge the bank tax with the corporate franchise tax and lower the rate on all corporations from 7.1% to 6.5%.

- Banks will then be subject to a single sales tax factor for apportionment purposes, instead of the current three factor method. However, they will have the option of using an 8% "fixed percentage method" to apportion income from certain financial investments. Large New York-based financial institutions likely will receive a windfall benefit because of the much lower apportionment rate.
- As a partial offset to the tax loss from corporate reform, the Executive Budget (in Part R) proposed to reform the Investment Tax Credit (ITC) and to eliminate the Financial Services ITC. These two changes were expected to save $95 million a year.

- **Assembly:** Accepts the merger of the corporate and bank tax but keeps the corporate tax rate at 7.1%.
- **Senate:** The resolution modifies the proposal, calling for the bank proposal to be revenue neutral, but the Senate's bill language accepts the governor's proposal.
- **Final Revenue Bill: The governor's proposal is agreed to, with the exception of reforming the two investment tax credits. The bank tax is repealed effective January 2015, and merged with the corporate franchise tax, and the corporate franchise tax rate is reduced in 2016 to 6.5%. The Executive Budget estimates this will reduce revenues over four years by about $900 million.**

FPI Assessment: Given the decline in corporate tax payments and the proliferation of corporate tax credits, further reduction in corporate taxes is unnecessary. Corporate taxes as a percentage of total state tax revenue have dropped substantially from 16% in 1980 to 10% in 2013. With these cuts, corporate taxes will make up only 8% of total tax revenues. The drop in corporate taxes over the last 30 years has not had the intended effect of increasing the number of businesses coming to New York. In a report for the Solomon-McCall Commission, economists Don Boyd and Marilyn Rubin found that business tax credits jumped from $600 million in 2005 to $1.8 billion in 2013. At present, there are 38 separate business income tax credits, many of which are refundable.

Parts K & L: Homeowner and Renter Circuit Breaker

The design of the Executive Budget's homeowner proposal had "affordability thresholds" of 3%, 4%, and 5%, credit percentages of 20%, 15% and 10%, and a maximum credit of $500 in 2015, rising to $1,000 in year 3. The renter's credit would use federal adjusted gross income and the number of dependents to determine the size of the credit and does not depend on the amount of rent paid relative to income.

- The Executive Budget's proposal costs about $1 billion annually, but does not give meaningful relief to those in greatest need because of the low thresholds, credit percentages and low.
- The Executive Budget's renter's proposal would not take the amount of rent paid by the household into consideration in any way, let alone by a comparison to household income. The amount of a taxpayer's credit is based on his or her age and number of dependents for federal income tax purposes. Taxpayers younger than 65 are not eligible unless they have more than one dependent. It therefore cannot take into account the rent burden on a family.

- **Assembly:** The Assembly modifies the proposal to allow New York City and Yonkers to include local income taxes in the calculations for the credit and removes the requirement that localities must adhere to the property tax cap to receive the credit. The Assembly also modifies the renter's credit to provide more meaningful relief by increasing the threshold.
- **Senate:** The Senates denies both credits.
- **Final Revenue Bill: Credits are allowed only for NYC with a maximum credit of $150. These two credits were originally estimated to cost $2.75 billion over 2015-2018, this cost will be substantially lower. The maximum credit is reduced by 70% from $500 to $150, and a $200,000 income cap is set for eligibility.**

FPI Assessment: The final bill provides little meaningful relief to New York City residents, and by not providing a circuit breaker to upstate and suburban residents who spend a large portion of their income on property taxes will continue to put undue pressure on hard-pressed families.

Part R: Property Tax Credit and Zero Income Tax Rate for Manufacturers Statewide

Manufacturers statewide would receive a refundable 20% real property tax credit. The Executive Budget also proposed to drop the corporate income tax rate on upstate manufacturing to zero.

- **Assembly:** The Assembly rejects the 20% manufacturing property tax credit but accepts the elimination of the corporate income tax on upstate manufacturers. They add four additional counties to the upstate region: Dutchess, Ulster, Sullivan and Orange.
- **Senate:** The Senate amends the 20% property tax credit and expands the elimination of the manufacturing income tax from upstate only to include the entire state.
- **Final Revenue Bill: Accepts the manufacturing 20% real property tax credit and reduces the manufacturing corporate income tax rate to zero for the entire state, raising the revenue loss from $24 million to $193 million a year. This extends the corporate tax elimination to all manufacturers in the 12-county downstate region, also known as the "MTA region" that includes Dutchess, Orange, Rockland, Putnam, Westchester, Nassau, and Suffolk Counties and the five boroughs of NYC.**

FPI Assessment: Property taxes are a fixed cost for manufacturers and have risen in many areas as a result of inadequate state aid and generally an unbalanced state-local fiscal relationship that burdens certain localities, particularly those with relatively low property wealth and high low-income populations. Rather than costly across-the-board property tax credits, a more targeted approach would have made sense. Because there are several tax credits available to manufacturers, the effective business income tax rate paid by many New York manufacturers is already much lower than the current statutory rate. Additionally, since there is a surcharge in place on corporate taxes in the MTA region that goes to a dedicated Mass Transportation fund, eliminating corporate income taxes on manufacturers in the MTA region could deprive the MTA of much-needed tax revenues.

Part X: Reform of the Estate Tax

There are three main elements in the estate tax proposal:

1. Raising the exemption threshold in stages from $1 million to $5.25M, the current federal exemption level;
2. Reducing the top rate in stages from 16 to 10%; and
3. Requiring the value of gifts to be added back to the estate tax (New York eliminated its gift tax years ago).

- **Assembly:** Proposed an increase in the estate tax threshold to $3 million instead of the $5.25 million in the Executive Budget proposal, with no change in the top tax rate, keeping it at 16%.
- **Senate:** Accepted the Governor's proposal but eliminated the gift add-back provision.
- **Final Revenue Bill: Raises the exemption threshold in stages to $5.25 million but keeps the top rate at 16%; reinstates the gift add-back, but with enormous loopholes that limit its revenue impact.**

FPI Assessment: Because of increasing income concentration at the top, the estate tax would have been one of New York's fastest growing revenue sources in the absence of this reduction. The loopholes in the gift add-back will increase the revenue loss from this tax change. FPI estimates an estate tax net loss of $120 million in 2014-15, increasing to $600 million when the $5.25 million threshold takes effect in the fourth year.

Even without the top rate reduction, these "reforms" cause a substantial tax loss to the state, partly because of the new loopholes introduced with the gift add-back provision. The revenue loss to the state will grow steadily in subsequent years because of the rapid increase in the value of the wealthiest estates. FPI used estimates by the State Tax and Finance Department from the Solomon-McCall Tax Reform and Fairness Commission report in making the estimates cited here for the net impact of the final revenue legislation.

While the Executive Budget states that "the state's current estate tax policy encourages elderly New Yorkers to leave …," in a report prepared for the Solomon-McCall Commission, the state's own tax policy experts concluded: "Migration studies regarding the impact of taxes such as the estate tax have shown that taxes generally are not a major factor in the decision of where to live or retire. … These papers generally show that taxes have very little impact on cross-state migration and estate tax revenues."

Part FF: <u>Property Tax Freeze and Freeze Plus</u>

The Executive Budget proposed to give a personal income tax credit to individuals whose local districts stay within the 2% property tax cap in the first year, and stay within the cap while making meaningful consolidations in the second year. This credit would be available for those with incomes less than $500,000.

- o The original 2-year property tax "freeze" proposal cost $1.8 billion over the next three fiscal years. It adds a perverse incentive to the pressure already created by the statewide 2% property tax cap enacted 3 years ago. This pressure already has forced drastic cuts in schools and other important public services. Under the new proposal, a homeowner only gets an income tax credit in the first year for taxes levied by jurisdictions that stay within the 2 percent property tax cap. In the second year, local governments or school districts must continue to stay within the cap and must develop a plan for sharing or consolidating services to achieve savings.
- o Because the property tax cap is instituted as a percentage limit on the growth of a locality's tax levy, the property tax increases possible under the cap are greater for wealthy school districts than for needy school districts. Under the freeze proposal benefits likely will be concentrated in wealthier districts. Poor and rural governments will receive less because they have greater needs, smaller tax bases and fewer opportunities for consolidation.

- **Assembly:** The Assembly rejected the Executive Budget proposal.
- **Senate:** The Senate majority resolution created a freeze plus proposal which freezes property taxes for two years and gives relief to the local districts. Requires governments to stay within the cap and work towards consolidation.
- **Final Revenue Bill: Creates a property tax freeze program for those eligible for the STAR rebate (making this STAR plus). Localities and school districts must stay within the cap for homeowners to receive the credit. In the second year of the program, an efficiency plan must be filed. NYC is not part of the freeze proposal.**

FPI Assessment: This proposal will provide greater benefits to wealthy homeowners in suburban school districts, and is not targeted as a circuit breaker would be to provide property tax relief to those most burdened by high property taxes relative to their income. Fiscally-stressed local governments need greater State aid, not pressure to cut spending further. Many local governments are already sharing services.

Parts GG and OO: NYC Business Tax Breaks and Proposed NYC Personal Income Tax Increase

Part GG: In the 30-day amendments, the Governor proposed extending a number of NYC business tax credits and abatements, including the Industrial and Commercial Abatement Program, the Energy Cost Savings Program, and Lower Manhattan tax credits. Some of these expired in 2013, and some were not scheduled to expire until 2014. According to the City's Finance Department, the estimated cost of these tax credits and abatements is $170 million annually.

- **Assembly:** Concurred with the Executive's proposal.
- **Senate:** Largely concurred with the Executive's proposal.
- **Final Revenue Bill:** Extended the NYC business tax breaks as proposed in the 30-day amendments.

Part OO: Mayor Bill de Blasio proposed in his Preliminary FY 2015 Executive Budget an increase of 0.534 percent in the top NYC personal income tax rate to generate $530 million annually for a 5-year period with the revenue dedicated to funding Universal Pre-K (UPK) and expanded after-school programs in NYC. The **Assembly** included this proposal as Part OO in its budget bill. The **Senate** majority coalition did not support the Mayor's proposal but did seek to increase state funding for UPK by a greater amount than included in the Executive Budget.

- **Final Revenue Bill:** The proposed NYC personal income tax increase was not included, but the agreed budget did include $340 million in UPK funding, with $300 million targeted for NYC.

FPI Assessment: Regarding the extension of the NYC business tax breaks (**Part GG**)—Mayor deBlasio had indicated an interest in evaluating the business tax breaks for their effectiveness with an eye toward saving $50 million a year to be used for other economic development investments. Since it does not appear that the City supported extension at this time, it would have been better to allow the new administration the opportunity to evaluate these programs. Regarding the rejected UPK tax (**Part OO**)—considering that the State is already underfunding school aid, it would have been better to enact the Mayor's proposal for a modest tax increase and to have the budget put some of the additional state funds toward making up some of the shortfall in state school aid.

Total impact of the 2014-2015 Revenue Bill on the Executive Budget proposal.

- **FPI estimates the final 2014-2015 New York State Revenue Bill will reduce revenues over the Executive Budget's proposal by $400 million. The original Executive Proposal reduced revenues in 2014-2015 by $298 million; we estimate the Revenue Bill entails a reduction of $699 million.**
  - Much of this increase ($169 million) comes from making the upstate manufacturing zero income tax proposal statewide.
  - $95 million in revenue was lost when the two investment tax credits reforms were rejected.
  - While the resident trust loophole was closed, the final bill introduces sweeping exclusions that could mean much less tax revenue is generated than the $150 million annualized amount in the Governor's original proposal.
  - The rejection of the homeowner and renter's circuit breaker proposals for all those outside of NYC has no impact on this year's budget, but will have a positive impact on revenues of over $2 billion over the 2014-2018 financial plan years.
  - Even with no change in the estate tax rate structure, the re-instatement of the gift tax but with new and large loopholes means that the net revenue loss from estate tax changes will be much greater in 2014-14, and about $100 million greater ($1.3 billion instead of $1.2 billion) over the four-year 2014-18 period. FPI relied on estimates of the gift tax and the higher estate exclusions by the Tax and Finance Department from the November Solomon Commission report in making its estimates of the impact of the final revenue bill changes.
- **The changes made to the Executive Budget during negotiations of the revenue bill generally had the impact of reducing taxes on, or enhancing benefits for the wealthiest individuals and the largest businesses.**
  - The rejection of the circuit breaker proposals which were the major tax reduction proposals for the middle class outside of NYC makes the revenue bill much less progressive.
  - The tax freeze proposal which now includes an efficiency plan instead of a requirement to consolidate still only shifts tax dollars instead of setting up a program to properly fund services at the local level and does not directly address the needs of taxpayers who are truly burdened by high property taxes relative to their income.
  - As discussed in the FPI 2014-2015 briefing book, there is very little empirical evidence that tax cuts will bring new corporations to New York or that individuals make choices on where to live because of tax rates. Instead of investing in schools, social services and infrastructure this year's final package of multi-year tax cuts reduces badly needed revenue, which if used wisely, could have improved economic growth in New York.

Revenue estimates and comparison of the 2014-2015 Revenue Bill and the Executive Budget proposal.

	2014-2015		
	Executive	Revenue Bill	Difference
Personal Income Tax	**$ (325)**	**$ (375)**	**$ (50)**
Close the Resident Trust Loophole	75	25 *	(50)
Establish the Real Property Tax Freeze Personal Income Tax Credit	(400)	(400)	-
Establish the Residential Real Property Personal Income Tax Credit	-	-	-
Establish a Renter's Personal Income Tax Credit	-	-	-
Other	-	-	-
Business Taxes	**$ 67**	**$ (197)**	**$ (264)**
Streamline Corporate Audit Procedures (Administrative)*	-	-	-
Reform the Investment Tax Credit	65	-	(65)
Repeal the Financial Services Investment Tax Credit	30	-	(30)
Subtotal Total Business Tax Increases	95	-	(95)
Corporate Tax Reform	-	-	-
Establish a 20 Percent Real Property Tax Credit For Manufacturers	-	-	-
Eliminate the Net Income Tax On Upstate Manufacturers	(24)	(193) *	(169)
Subtotal Other Business Tax Decreases	(24)	(193)	(169)
Other Business Tax Cuts	(4)	(4)	-
Other Actions	**$ (40)**	**$ (127)**	**$ (87)**
Reform the Estate Tax	(33)	(120) *	(87)
Other	(7)	(7)	-
Total All Funds Legislation Change	**$ (298)**	**$ (699)**	**$ (401)**

* FPI estimate of effect on change

Source: 2014-15 Executive Briefing Book (p. 67) and FPI calculations.

Side by Side descriptions of the tax changes: Executive Budget, Legislative Proposals with 2014-2015 Revenue Bill.

Part	Governor's Revenue Proposal	Assembly	Senate	2014-2015 Final Revenue Bill
A	**Corporate Tax Reform.** New York's corporate franchise tax is outdated, and its archaic provisions result in unnecessarily lengthy and complex audit processes that take businesses years to resolve. The Executive Budget combines the corporate franchise and bank taxes to provide tax simplification and relief, and improve voluntary compliance. Further, the tax rate on net income is reduced from 7.1 percent to 6.5 percent, the lowest rate since 1968.	The Assembly accepts the Executive's proposal to merge the Corporate and Bank taxes and reform the underlying calculation of liability; however, the Assembly keeps the tax rate on entire net income at 7.1 percent, as opposed to the Executive's recommended 6.5 percent.	The Senate modifies the Executive proposal to merge the bank tax and the corporate franchise tax. In addition, the Senate takes the position that corporate tax reform for the financial industry should be revenue neutral to taxpayers and the State.	The Governor's proposal is largely enacted, repealing Article 32 (Bank Tax) and merging it with the corporate franchise tax. The corporate franchise tax rate is reduced to 6.5%, effective January 2016.
F	**Eliminate the Income Threshold Inflation Adjustment for Enhanced STAR Benefits.** In order to qualify for an enhanced benefit, homeowners must meet an age (65 and above) and income requirement. The income requirement has been annually increased since 2003-2004 by a cost-of-living-adjustment (COLA). This proposal will maintain the eligible income threshold at the 2014-2015 level of $81,900, but eliminate the COLA thereafter.	The Assembly rejects the Executive's proposal to eliminate the annual inflation adjustment made to the income standard for enhanced STAR eligibility beginning with the 2015-2016 school year.	The Senate denies the Executive proposal to eliminate the income threshold inflation adjustment for enhanced STAR benefits.	Intentionally Omitted. COLA will continue. Primarily Assembly/Senate proposal.
I	**Close the Resident Trust Loophole.** In general, a trust is a legal agreement that represents a place where assets from an estate are held. The trust provides certain tax and legal benefits not available if the assets are not placed in trust. Currently, New York conforms to Federal law, which results in New York personal income tax immunity for	The Assembly accepts the Executive's proposal to amend the Tax Law and tax certain income earned by non-resident, exempt resident and incomplete gift trusts.	The Senate modifies the Executive proposal to close the resident trust loophole.	As proposed by the Governor, this was a major revenue generator. While the final bill closes the resident trust loophole, it introduces sweeping exclusions that could mean much less tax revenue is generated than the

Part	Governor's Revenue Proposal	Assembly	Senate	2014-2015 Final Revenue Bill
	the trust grantor and the trust beneficiary. This proposal will decouple New York from Federal treatment of trusts and impose the personal income tax on the trust grantor.			$150 million annualized amount under the Governor's proposal.
K	**Establish the Residential Real Property Personal Income Tax Credit.** To further alleviate the impact of property taxes on low- and middle-income New Yorkers, the Executive Budget creates a refundable tax credit against the personal income tax to provide targeted real property tax relief based on an individual homeowner's ability to pay. This relief program is progressively structured to provide a greater proportion of benefits to those with the highest property tax burdens as a share of their income. The credit is available statewide, but in areas outside of New York City, only residents of jurisdictions that adhere to the property tax cap will qualify. When fully phased in, the program, valued at almost $1 billion, will benefit over 1.9 million homeowners yielding an average benefit of $500.	The Assembly modifies the Executive's proposal by allowing NYC and Yonkers taxpayers to include in the calculation of their credit local income taxes paid. The Assembly recognizes that such taxes are primarily dedicated to education and help alleviate the overall property and income tax burden and allows for more NYC residents to benefit from the Circuit Breaker credit. In addition, the Assembly removes the requirement that taxpayers would receive the credit subject to the local taxing jurisdiction's adherence to the property tax cap.	The Senate denies the Executive proposal to create an enhanced real property tax circuit breaker credit.	Creates a real property and renter's tax credit for **NYC residents only**. The max credit is $150 with the following thresholds: $0 - $100,000 4% $100- $150,000 5% $150 - $200,000 6% And a credit rate of: $0 - $100,000 4.5% $100- $150,000 3.0% $150 - $200,000 1.5% Not in any past proposal.
L	**Establish a Renter's Personal Income Tax Credit.** There are 3.3 million renter households in NYS. Over 829,000 low-income renter households spend more than 50 percent of their monthly cash income on housing costs and thousands of moderate-income renters face similar burdens. To help defray the impact of escalating rental housing costs, especially for families, the	The Assembly modifies and expands the Executive's proposal to provide a renter's credit by increasing the income threshold, changing the structure of the credit provided, as well as allowing local income taxes paid by residents of New York City	The Senate denies the Executive proposal to establish a renter's personal income tax credit.	Intentionally Omitted. It is included in Section K for NYC only, but provides a much smaller average benefit.

Part	Governor's Revenue Proposal	Assembly	Senate	2014-2015 Final Revenue Bill
	Executive Budget creates a refundable credit for renters. This tax relief is composed of a base credit that declines with qualifying incomes up to $100,000 for married taxpayers who are filing jointly and have related dependents, taxpayers filing as head of household, and married seniors filing jointly. Single seniors with incomes up to $50,000 would also qualify. The base credit will be supplemented with an additional credit per federal exemption, where the value of the supplement also declines with income. When fully phased in the program will save $400 million for approximately 1.3 million households. The average benefit for a family of four in New York City with income of less than $50,000 would be about $410.	and Yonkers to be included in the calculation of the credit. The credit is available statewide and is designed to provide meaningful relief to overburdened renters.		
R	**Establish a 20 Percent Real Property Tax Credit Statewide and Zero Income Tax Rate for Upstate Manufacturers.** The Executive Budget provides a statewide refundable credit equal to 20% of property taxes paid by manufacturers who own property. It also drops the corporate income tax rate on upstate manufacturers to zero. To partially offset the tax loss to corporate tax reform, the Executive Budget also proposes to reform the Investment Tax Credit and to eliminate the Financial Services Investment Tax Credit. These two changes save $95 million a year.	The Assembly accepts the elimination of the income tax on upstate manufacturers, but adds four counties in the definition of upstate: Ulster, Dutchess, Sullivan, and Orange. The Assembly rejects the 20% real property tax credit, the reform of the investment tax credit, and the repeal of the financial services investment tax credit.	The Senate modifies each major element of the Executive proposal in Part R. Denies the change in definition of manufacturer and retains the current definition.	Enacts the Governor's proposal for a 20% property tax credit for manufacturers for the entire state, but extends the proposal to reduce the corporate tax rate for manufacturers to zero to the entire state, including the MTA region. Not included in the final bill are the 2 reforms to the investment tax credit that would have saved the state $95 million a year.
X	**Reform the Estate Tax.** The Executive Budget increases the exclusion threshold of the estate tax from $1 million to eventual	The Assembly modifies the Executive's proposal by limiting the increase of the	The Senate modifies the Executive proposal to do comprehensive estate tax	The estate tax threshold increases to $5.25 million, the top rate continues at 16%.

Part	Governor's Revenue Proposal	Assembly	Senate	2014-2015 Final Revenue Bill
	conformity with the $5.25 million Federal exemption amount, and reduces the top rate from 16 to 10 percent over four years. These actions will be coupled with proposals that will require the value of gifts to be added back to the estate and will close loopholes that allow certain trusts to avoid paying State taxes.	exclusion threshold to $3.0 million in two years and keeping the top rate at 16 percent.	reform to eliminate the add- back of federally taxable gifts.	Compromise between Governor and Assembly proposals. While a gift add-back is established, it is done in big loopholes that will sharply limit added revenues.
CC	**Repeal Article 12 of the Tax Law.** Tax collections on stock sales transfers from financial service companies are currently not retained by the State, but instead are fully and immediately rebated. This tax has been maintained in statute as an alternative source to repay New York City Municipal Assistance Corporation Bonds, which were retired in 2008. This tax creates unnecessary administrative work for the financial services industry as well as for the Department of Taxation and Finance.	Intentionally omitted. The Assembly rejects the Executive's proposal to repeal the stock transfer tax provisions of law.	The Senate concurs with the Executive proposal to repeal the stock transfer tax.	Intentionally Omitted Law is not repealed. Primarily Assembly position.
S FF	**Establish the Real Property Tax Freeze as a Personal Income Tax Credit.** This initiative addresses two problems—New York's high property taxes and one of the primary drivers of those taxes—the inefficiency of overlapping local governments. The Executive Budget freezes property taxes for two years, subject to two conditions. In year one (2014-15), the State will provide tax rebates to homeowners with qualifying incomes of $500,000 or less who live in a jurisdiction that stays within the 2 percent property tax cap. In order for their homeowners to get the tax credit in the	Intentionally omitted. The Assembly rejects the Executive's proposal.	The Senate modifies the Executive proposal to create a $1.4 billion Freeze Plus program that freezes property taxes for two years by making the property tax relief permanent. Schools will be eligible for this program in SFY 2014-15 while counties, cities, towns and villages will be eligible in SFY 2015-16. This makes all	Real Property Tax Freeze credit will be provided to taxpayers in those areas which stay within the cap in each of three years (2014-2016). To be eligible a taxpayer must be eligible for a star exemption. In 2015 and 2016 a community must have in place an efficiency plan that cuts 1% per year for three years from local budgets.

Part	Governor's Revenue Proposal	Assembly	Senate	2014-2015 Final Revenue Bill
	second year, school districts and local governments must continue to stay within the tax cap and must develop a plan for sharing or consolidating services and eliminating duplication and overlap. For local governments and dependent school districts, this plan will be coordinated by the county. For independent school districts, it will be coordinated by the school district with the largest enrollment in the BOCES district. Each plan must achieve savings, in the aggregate, in an amount of at least one percent of participating entities' levy in the year following the second year of the credit. This percentage increases to two percent and three percent in subsequent years. These savings must be applied to tax reduction. Failure to achieve planned savings could result in recapture of State aid to the local government or school district. When fully implemented, local governments and school districts could provide property tax relief of up to $1 billion. New York City is not subject to the cap.		municipalities and schools eligible in their next fiscal year. Schools will receive $400 million in the first year, growing to $800 million there-after. Municipalities will receive $200 million in their first year, and $400 million thereafter. In order for homeowners to receive the property tax relief in year two of the plan, school districts and local governments must continue to stay within the tax cap and must work towards continuing efficiencies previously adopted. Municipalities and school districts will develop and implement structural budgetary efficiency plans for sharing or consolidating services that, when implemented, will achieve real savings. Local Governments with 50 employees or less will be authorized to join municipal cooperative health benefit plans to achieve savings.	Provides greater benefits to wealthy homeowners. NYC is not included in the freeze credit. Governor's proposal with a modified efficiency program similar to the Senate's proposal.

Part	Governor's Revenue Proposal	Assembly	Senate	2014-2015 Final Revenue Bill
GG	Relating to the extension of various credits and tax abatement programs provided by the City of New York, is added to: • Extend the Sales and Use Tax Exemptions for qualifying leases in certain areas; Commercial Revitalization Program property tax abatement; Industrial and Commercial Abatement Program; Relocation and Employment Assistance Program; Energy Cost Savings Program; Commercial rent tax reduction; and the Commercial Expansion Program.	The Assembly accepts the Executive's proposal to extend certain tax credits and abatements for Lower Manhattan and New York City.	The Senate modifies the Executive proposal concerning the extension of various credits and tax abatement programs provided by the City of New York.	Extends certain NYC business tax credits and abatements. FPI estimates that the annual cost of these credits and abatements are about $170 million annually.
S HH	**Freedom Fund**		The Senate advances language to enact a two percent spending cap with the resulting surplus revenues deposited into a tax freedom fund to be used for tax reductions.	Omitted
A HH	**Film Credit**	The Assembly proposes to expand eligibility for the 10 percent upstate film credit bump to include the counties located within the Capital Mid-Hudson regions: Albany, Columbia, Dutchess, Greene, Orange, Putnam, Rensselaer, Rockland, Saratoga, Schenectady, Sullivan, Ulster, Warren, and Washington counties.		Accepts the film credit for years 2015-2019. Assembly proposal.
A JJ	**Minimum Wage**	The Assembly proposes the repeal of the minimum wage credit enacted with the 2013-		Omitted

Part	Governor's Revenue Proposal	Assembly	Senate	2014-2015 Final Revenue Bill
		14 Budget.		
S JJ	**Standard Deduction Indexing**		The Senate advances language to permanently index the income brackets and standard deductions to inflation.	Omitted
A OO	**Universal pre-K income tax surcharge in New York City.**	The Assembly proposes an income tax surcharge for New York City residents of 0.534 percent on incomes over $500,000 for the funding of pre-K and after school programs in NYC.		NYC income tax surcharge omitted. Additional funding provided to NYC to cover Universal pre-K, but not for after-school programs.
MM /TT	**Broadway Tax Credit**	The Assembly proposes a tax credit for pre- and post-Broadway theatrical and musical productions outside of New York City.	The Senate advances language to create a Musical & Theatrical Production Tax Credit.	Omitted.
S XX	**Private Aircraft Tax Credit**		The Senate advances language to exempt the sale of private aircraft from sales tax. In addition, the Senate supports advancement of a proposal to maintain the vitality of New York's recreational boating industry by adjusting the sales taxes imposed on an individual or company looking to purchase and register a vessel in New York.	Omitted.

Summary of 2014-2015 Executive Budget's tax proposals and cumulative totals

(in millions)

	2014-15	2015-16	2016-17	2017-18	Cumulative
Personal Income Tax	**$ (325)**	**$ (735)**	**$ (1,248)**	**$ (1,658)**	**$ (3,966)**
Close the Resident Trust Loophole	75	225	150	150	600
Establish the Real Property Tax Freeze Personal Income Tax Credit	(400)	(976)	(475)	-	(1,851)
Establish the Residential Real Property Personal Income Tax Credit	-	(200)	(525)	(1,000)	(1,725)
Establish a Renter's Personal Income Tax Credit	-	(200)	(400)	(400)	(1,000)
Other	-	416	2	(408)	10
Business Taxes	**$ 67**	**$ (118)**	**$ (271)**	**$ (267)**	**$ (589)**
Streamline Corporate Audit Procedures (Administrative)*	-	172	172	172	516
Reform the Investment Tax Credit	65	65	65	65	260
Repeal the Financial Services Investment Tax Credit	30	30	30	30	120
Subtotal Total Business Tax Increases	95	267	267	267	896
Corporate Tax Reform	-	(205)	(346)	(346)	(897)
Establish a 20 Percent Real Property Tax Credit For Manufacturers	-	(136)	(136)	(136)	(408)
Eliminate the Net Income Tax On Upstate Manufacturers	(24)	(24)	(25)	(25)	(98)
Subtotal Other Business Tax Decreases	(24)	(365)	(507)	(507)	(1,403)
Other Business Tax Cuts	(4)	(20)	(31)	(27)	(82)
Other Actions	**$ (40)**	**$ (183)**	**$ (375)**	**$ (612)**	**$ (1,210)**
Reform the Estate Tax**	(33)	(175)	(371)	(612)	(1,191)
Other	(7)	(8)	(4)	-	(19)
Total All Funds Legislation Change	**$ (298)**	**$ (1,036)**	**$ (1,894)**	**$ (2,537)**	**$ (5,765)**

* After 2018, the streamline audit saving will sunset and not reoccur.

** Estate Taxes continue to rise in the outyears, in 2019 these cuts will be 757 million

Source: 2014-15 Executive Briefing Book (p. 67) and FPI calculations.

Comparison on the 2014-2015 Executive Budget and Revenue Bill tax proposals

	2014-2015			
	Executive	Revenue Bill		Difference
Personal Income Tax	**$ (325)**	**$ (375)**		**$ (50)**
Close the Resident Trust Loophole	75	25	*	(50)
Establish the Real Property Tax Freeze Personal Income Tax Credit	(400)	(400)		-
Establish the Residential Real Property Personal Income Tax Credit	-	-		-
Establish a Renter's Personal Income Tax Credit	-	-		-
Other	-	-		-
Business Taxes	**$ 67**	**$ (197)**		**$ (264)**
Streamline Corporate Audit Procedures (Administrative)*	-	-		-
Reform the Investment Tax Credit	65	-		(65)
Repeal the Financial Services Investment Tax Credit	30	-		(30)
Subtotal Total Business Tax Increases	95	-		(95)
Corporate Tax Reform	-	-		-
Establish a 20 Percent Real Property Tax Credit For Manufacturers	-	-		-
Eliminate the Net Income Tax On Upstate Manufacturers	(24)	(193)	*	(169)
Subtotal Other Business Tax Decreases	(24)	(193)		(169)
Other Business Tax Cuts	(4)	(4)		-
Other Actions	**$ (40)**	**$ (127)**		**$ (87)**
Reform the Estate Tax	(33)	(120)	*	(87)
Other	(7)	(7)		-
Total All Funds Legislation Change	**$ (298)**	**$ (699)**		**$ (401)**
* FPI estimate of effect on change				
Source: 2014-15 Executive Briefing Book (p. 67) and FPI calculations.				

Comparison on the 2015-2016 Executive Budget and Revenue Bill tax proposals

	2015-2016		
	Executive	Revenue Bill	Difference
Personal Income Tax	**$ (735)**	**$ (515)**	**$ 220**
Close the Resident Trust Loophole	225	75 *	(150)
Establish the Real Property Tax Freeze Personal Income Tax Credit	(976)	(976)	-
Establish the Residential Real Property Personal Income Tax Credit	(200)	(10)	190
Establish a Renter's Personal Income Tax Credit	(200)	(20)	180
Other	416	416	-
Business Taxes	**$ (118)**	**$ (382)**	**$ (264)**
Streamline Corporate Audit Procedures (Administrative)*	172	172	-
Reform the Investment Tax Credit	65	-	(65)
Repeal the Financial Services Investment Tax Credit	30	-	(30)
Subtotal Total Business Tax Increases	267	172	(95)
Corporate Tax Reform	(205)	(205)	-
Establish a 20 Percent Real Property Tax Credit For Manufacturers	(136)	(136)	-
Eliminate the Net Income Tax On Upstate Manufacturers	(24)	(193) *	(169)
Subtotal Other Business Tax Decreases	(365)	(534)	(169)
Other Business Tax Cuts	(20)	(20)	-
Other Actions	**$ (183)**	**$ (257)**	**$ (74)**
Reform the Estate Tax	(175)	(250) *	(75)
Other	(8)	(7)	1
Total All Funds Legislation Change	**$ (1,036)**	**$ (1,154)**	**$ (118)**
* FPI estimate of effect on change			
Source: 2014-15 Executive Briefing Book (p. 67) and FPI calculations.			

Comparison on the 2014-2018 cumulative impacts of Executive Budget and Revenue Bill tax proposals

	2014-2018			
	Executive	Revenue Bill		Difference
Personal Income Tax	**$ (3,966)**	**$ (1,641)**		**$ 2,325**
Close the Resident Trust Loophole	600	200	*	(400)
Establish the Real Property Tax Freeze Personal Income Tax Credit	(1,851)	(1,851)		-
Establish the Residential Real Property Personal Income Tax Credit	(1,725)	-		1,725
Establish a Renter's Personal Income Tax Credit	(1,000)	-		1,000
Other	10	10		-
Business Taxes	**$ (589)**	**$ (1,659)**		**$ (1,070)**
Streamline Corporate Audit Procedures (Administrative)*	516	516		-
Reform the Investment Tax Credit	260	-		(260)
Repeal the Financial Services Investment Tax Credit	120	-		(120)
Subtotal Total Business Tax Increases	896	516		(380)
Corporate Tax Reform	(897)	(897)		-
Establish a 20 Percent Real Property Tax Credit For Manufacturers	(408)	(408)		-
Eliminate the Net Income Tax On Upstate Manufacturers	(98)	(788)	*	(690)
Subtotal Other Business Tax Decreases	(1,403)	(2,093)		(690)
Other Business Tax Cuts	(82)	(82)		-
Other Actions	**$ (1,210)**	**$ (1,307)**		**$ (97)**
Reform the Estate Tax	(1,191)	(1,300)	*	(109)
Other	(19)	(7)		12
Total All Funds Legislation Change	**$ (5,765)**	**$ (4,607)**		**$ 1,158**
* FPI estimate of effect on change				
Source: 2014-15 Executive Briefing Book (p. 67) and FPI calculations.				