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## Expiring Tax Rates to Drive Down Expected Fiscal Year 2028 Revenue

*Approximately \$2.4 Billion of FY28 Budget Gap Due to Personal Income Tax and Corporate Franchise Tax Surcharge Expirations*

In the fiscal year 2022 budget, New York enacted temporary increases to the personal income tax (PIT) and corporate franchise tax (CFT) rates. PIT rates were raised for tax filers with more than \$1 million in annual income, and new brackets were created for filers with incomes over \$5 million and \$25 million. The CFT rate for businesses with over \$5 million in annual profits was raised from 6.5 percent to 7.25 percent.

**Table 1. Fiscal year 2022 enacted changes to PIT brackets and rates**

Filing status	Income	Rate before FY22	Rate after FY22
Single	\$1,077,550	8.82%	9.65%
Joint	\$2,155,350	8.82%	9.65%
All filers	\$5,000,000	8.82%	10.3%
	\$25,000,000	8.82%	10.9%

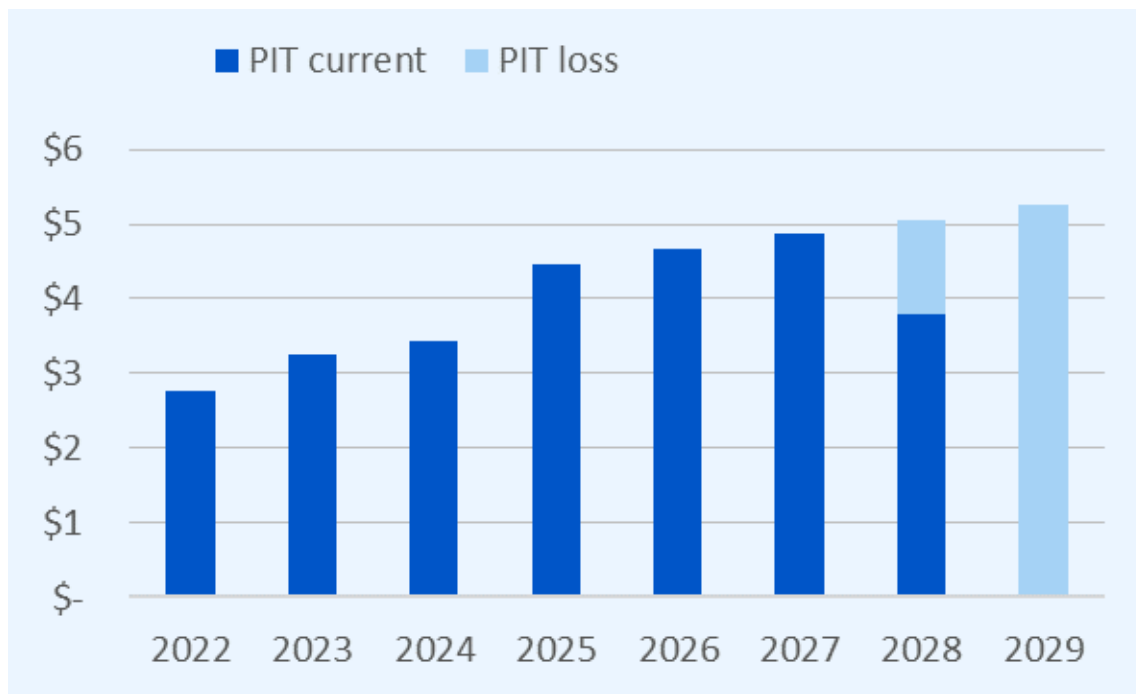
The higher PIT and CFT rates are temporary, with the higher CFT rate imposed through tax year 2026, and PIT rates imposed through tax year 2027. As such, the expiration of higher CFT rates affects the final quarter of fiscal year 2027 and takes full effect for fiscal year 2028. The expiring PIT rates will affect revenue starting in fiscal year 2028 and take full effect the following year.

The State would lose substantial revenue should temporary PIT and CFT rate increases expire:

**Personal Income Tax Expiration**

FPI estimates that by fiscal year 2028, the top PIT rates would raise about \$5.1 billion. Because the rates expire at the end of tax year 2027, expiration would affect the final quarter of fiscal year 2028, losing the State \$1.3 billion. The following year, fiscal year 2029 — the first full fiscal year in which the lower, pre-2022 PIT rates would be in effect — the State stands to lose about \$5.3 billion in revenue.

**Fig 1. PIT revenue raised by surcharge and potential losses from expiration**  
(\$ in billions)



**Table 2. PIT revenue and potential losses from expiration**  
(\$ in billions)

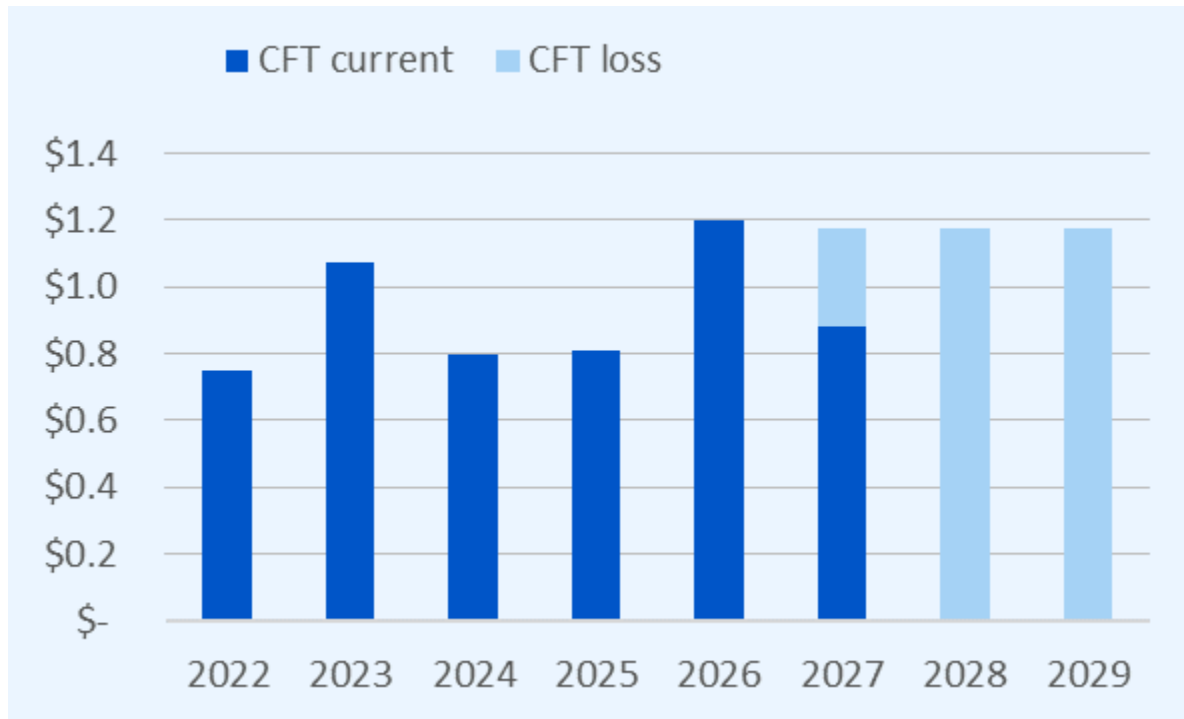
	2022	2023	2024	2025	2026	2027	2028	2029
<b>PIT Revenue</b>	\$70.7	\$58.8	\$51.3	\$55.5	\$59.9	\$70.9	*	*
<b>PIT Surcharge Revenue</b>	\$2.8	\$3.3	\$3.4	\$4.5	\$4.7	\$4.9	\$3.8	—
<b>Loss from Expiration</b>							-\$1.3	-\$5.3

*\*PIT 2028 and 2029 revenue projections will be reflected in future financial plans*

### Corporate Franchise Tax Expiration

The elevated CFT rate raises about \$1.2 billion in annual revenue, according to FPI analysis. This level appears relatively consistent across years. As the expiration of higher CFT rates affects the final quarter of fiscal year 2027 and takes full effect for fiscal year 2028, the State would lose about \$0.3 billion in fiscal year 2027, and \$1.2 billion in annual revenue beginning in fiscal year 2028.

**Fig 2. CFT revenue raised by surcharge and potential losses from expiration**  
(\$ in billions)



**Table 3. CFT revenue and potential losses from expiration**  
(\$ in billions)

	2022	2023	2024	2025	2026	2027	2028	2029
<b>CFT Revenue</b>	\$7.2	\$9.0	\$8.8	\$8.7	\$8.7	\$8.8	*	*
<b>CFT surcharge</b>	\$0.8	\$1.1	\$0.8	\$0.8	\$1.2	\$0.9	—	—
<b>Loss from Expiration</b>						-\$0.3	-\$1.2	-\$1.2

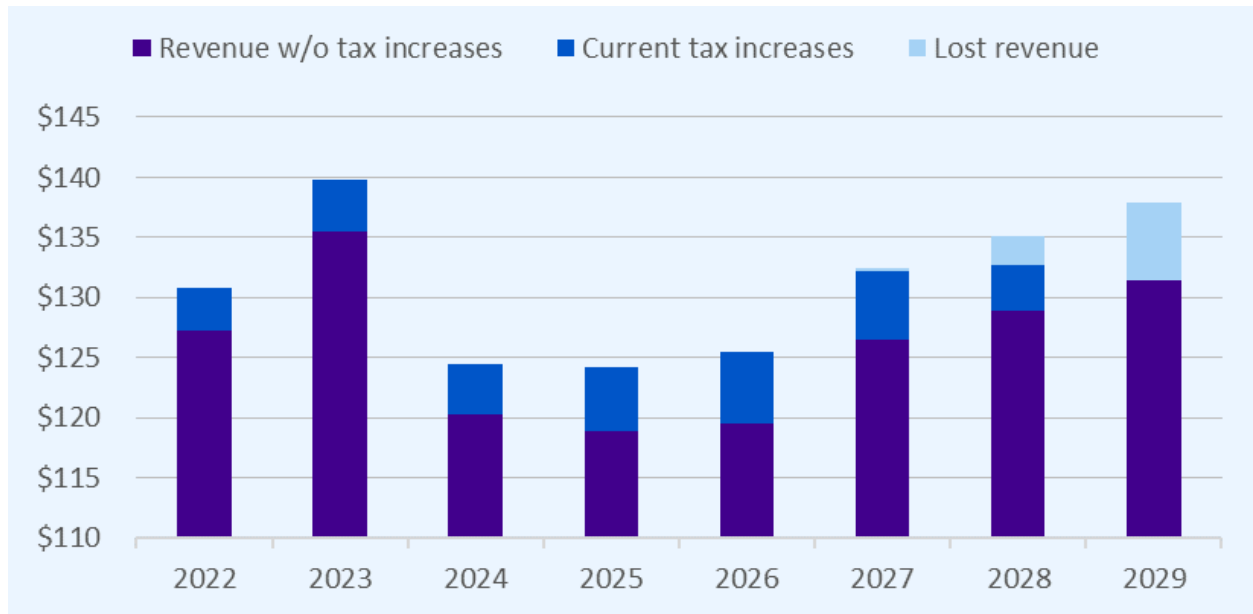
\*CFT 2028 and 2029 revenue projections will be reflected in future financial plans

**Personal Income Tax & Corporate Franchise Tax Combined**

Should both the fiscal year 2022 PIT and CFT rates expire, New York State would lose about \$2.4 billion in fiscal year 2028, which is partially affected by expiring PIT rates and about \$6.4 billion in annual revenue in fiscal year 2029 and thereafter — about 5 percent of state funds revenue.

**Figure 3. Total (PIT+CFT) surcharge revenue and potential losses as part of state operating funds revenue**

(\$ in billions)



**Table 4. Total (PIT+CFT) potential losses as part of state operating funds revenue**

(\$ in billions)

	2027	2028	2029
<b>Loss from PIT Expiration</b>		-\$1.3	-\$5.3
<b>Loss from CFT Expiration</b>	-\$0.3	-\$1.2	-\$1.2
<b>Total Loss</b>	-\$0.3	-\$2.4	-\$6.4