

## **Supplemental Summary of Personal Income Tax Legislative Changes Enacted in 2008**

This memorandum contains brief summaries of personal income tax changes that were enacted into law in 2008 and were not addressed in TSB-M-08(3)I, *Summary of Budget Bill Personal Income Tax Changes Enacted in 2008*.

The following legislative changes are summarized in this memo:

- New York City resident tax rates
- Consumer Bill of Rights regarding tax preparers
- New York State College Choice Tuition Savings Program
- New York State withholding on unemployment benefits
- Brownfield redevelopment tax credit
- Investment tax credit for the financial services industry and empire zone investment tax credit for the financial services industry
- Subtraction modification for military pay

### **New York City resident tax rates**

Chapter 525 of the Laws of 2008 extends the New York City resident tax rates imposed under section 11-1701 of the Administrative Code of the City of New York (the Code) and the 2.85% minimum income tax imposed under section 11-1702 of the Code to tax years beginning before 2012. Also, the 14% additional tax imposed under section 11-1704.1 of the Code has been extended to tax years beginning before 2012.

(Tax Law sections 1301, 1301-A, 1304, 1304-B; Administrative Code of the City of New York sections 11-1701, 11-1702, 11-1704.1)

### **Consumer Bill of Rights regarding tax preparers**

Chapter 432 of the Laws of 2008 added Article 24-C, *Tax preparers*, to the General Business Law. Contained within Article 24-C is section 372, *Consumer bill of rights regarding tax preparers*. The law is intended to increase consumer protection in the paid income tax preparer industry, with special attention to refund anticipation loans.

For more information, see TSB-M-08(7)I, *Consumer Bill of Rights Regarding Tax Preparers*, and Publication 135, *Consumer Bill of Rights Regarding Tax Preparers*.

This provision took effect January 1, 2009.

(General Business Law Article 24-C)

### **New York State College Choice Tuition Savings Program**

Chapter 81 of the Laws of 2008 amended section 695-e(3) of the Education Law to permit any person to make contributions into an account established under the New York State College Choice Tuition Savings Program. Under previous law, only the account owner could make contributions to a college tuition savings account. Chapter 81 also amended section 612(c)(32) of the Tax Law (which allows for a subtraction modification, subject to certain limits, from federal adjusted gross income for contributions made to a college savings account) to clarify that only the account owner is allowed the subtraction for contributions to a college tuition savings account, and only for contributions actually made by the account owner.

This provision took effect May 21, 2008.

(Education Law section 695-e(3) and Tax Law section 612(c)(32))

### **New York State withholding on unemployment benefits**

Chapter 369 of the Laws of 2008 amended section 596.6 of the Labor Law to provide individuals with the option to have the New York State Department of Labor deduct and withhold New York State income tax from their payments of unemployment benefits.

Unemployment benefits are subject to federal, New York State, New York City, and Yonkers income taxes. Therefore, withholding New York State income tax from an individual's unemployment benefits will help a taxpayer meet his or her New York State income tax obligation. Prior to this legislation, individuals were only given the option of having federal income tax withheld from payments of unemployment benefits.

(Labor Law section 596.6)

### **Brownfield redevelopment tax credit**

Chapter 390 of the Laws of 2008 amended the brownfield redevelopment tax credit allowed under section 21 of the Tax Law and made other technical amendments to the Brownfield Cleanup and Remediation Program under the Environmental Conservation Law.

For more information on the amendments to the brownfield redevelopment tax credit, see TSB-M-08(13)C, (8)I, *Revisions to Brownfield Cleanup and Remediation Program*.

(Tax Law sections 21(a)(3), 21(a)(3-a), 171-r, and 171-s)

**Investment tax credit for the financial services industry and empire zone investment tax credit for the financial services industry**

Chapter 637 of the Laws of 2008 amended certain provisions regarding the investment tax credit for the financial services industry and the empire zone investment tax credit for the financial services industry (financial services investment tax credits) allowed under Article 9-A (franchise tax on business corporations), Article 22 (personal income tax), Article 32 (franchise tax on banking corporations), and Article 33 (franchise tax on insurance corporations) of the Tax Law.

For more information on the amendments to the financial services investment tax credits, see TSB-M-09(3)C, (1)I, *Amendments to the Investment Tax Credit for the Financial Services Industry and the Empire Zone Investment Tax Credit for the Financial Services Industry*.

These provisions apply to tax years ending on or after January 1, 2008.

(Tax Law sections 210.12(b)(i), 210.12(d), 210.12-B(b), 210.12-B(c), 606(a)(2)(A), 606(a)(4), 606(j)(2), 606(j)(3), 1456(i)(1), 1456(i)(2), 1456(i)(4), 1511(q)(1), 1511(q)(2), 1511(q)(3))

**Subtraction modification for military pay**

Chapter 603 of the Laws of 2008 added new subsection 612(c)(8-c) to the Tax Law. This subsection provides that compensation received for active service in the armed services of the United States in an area designated by the President of the United States as a *combat zone* is to be subtracted from federal adjusted gross income in computing the service member's New York adjusted gross income. The subtraction is limited to the amount of the compensation included in federal adjusted gross income.

The new law applies to commissioned officers (other than commissioned warrant officers) who must include in their federal adjusted gross income a portion of their military pay for active service in a combat zone. It does not apply to members of the armed services of the United States who are enlisted members, warrant officers, or commissioned warrant officers who can exclude from their federal adjusted gross income all of their military pay for active service in a combat zone. For more information, see Publication 361, *New York State Income Tax Information for Military Personnel and Veterans*.

This provision applies to tax years beginning on or after January 1, 2008.

(Tax Law section 612(c)(8-c))

NOTE: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.