



Summary of Budget Bill

Personal Income Tax Changes Enacted in 2013 - Effective for Tax Years Beginning After 2013

This memorandum contains a summary of personal income tax changes that were enacted as part of the 2013-2014 New York State budget (Chapter 59 of the Laws of 2013). These changes take effect in tax years after 2013. For a summary of budget bill personal income tax changes that take effect in tax year 2013, see [TSB-M-13\(4\)I](#), *Summary of Budget Bill Personal Income Tax Changes Enacted in 2013 - Effective for Tax Years 2013 and After*.

The following legislative changes are summarized in this memo:

- [Family tax relief credit](#)
- [Hire a veteran credit](#)
- [Historic homeownership rehabilitation credit](#)
- [Minimum wage reimbursement credit](#)
- [New York Youth Works Tax Credit Program](#)
- [Small business subtraction modification](#)
- [Three-year personal income tax extender](#)

Family tax relief credit

Chapter 59 of the Laws of 2013 (Part CC) added new section 606(vv) to the Tax Law to establish the family tax relief credit. The credit is equal to \$350 per personal income tax return filed for tax years 2014, 2015, and 2016. If the amount of credit allowed exceeds the taxpayer's tax due for the year, the excess credit will be refunded without interest.

To be eligible for the credit, a taxpayer must have filed a New York State personal income tax return for the tax year two years prior to the tax year the credit is allowed (for example, to be eligible for the credit for tax year 2014, a taxpayer must have filed a 2012 return). The return filed for the tax year two years prior to the tax year the credit is allowed must show that the taxpayer (or taxpayers if a joint return was filed):

- was a resident of New York State;
- claimed one or more dependent children who were under the age of 17 on the last day of the tax year;
- had New York adjusted gross income (NYAGI) of at least \$40,000, but not greater than \$300,000; **and**
- had a *tax liability* that was greater than or equal to zero.

For purposes of this credit, *tax liability* is determined by applying the tax rate calculations in sections 601 and 601-a of the Tax Law to the taxpayer's taxable income, and then subtracting any other tax credits allowed under sections 606 and 620 of the Tax Law.

Advanced family tax relief credit payment. On or before October 15 of each year the credit is allowed (2014, 2015, and 2016), the commissioner will identify taxpayers who meet the eligibility requirements for the family tax relief credit using the information from tax returns on file for the tax year two years prior (2012, 2013, and 2014, respectively). An eligible taxpayer (or taxpayers, if a joint return was filed) will receive an advance credit payment of \$350.

(Tax Law section 606(vv))

Hire a veteran credit

Chapter 59 of the Laws of 2013 (Part AA) establishes a nonrefundable credit for the hiring and employing of qualified veterans. To qualify for the credit, a taxpayer must:

- hire a qualified veteran who begins his or her employment on or after January 1, 2014, but before January 1, 2016; and
- employ the qualified veteran in New York State for one year or more for at least 35 hours each week.

The taxpayer must claim the credit for the tax year in which a qualified veteran completes one year of employment with the taxpayer. The credit may be claimed for tax years beginning on or after January 1, 2015, but before January 1, 2017.

A taxpayer who uses the hiring of a qualified veteran as the basis for this credit may not use this same hiring as the basis for any other credit allowed under the Tax Law. Also, a taxpayer who discharges an employee and hires a qualified veteran solely for the purpose of qualifying for this credit is not eligible to claim the credit for any qualified veteran.

For more information, see [TSB-M-13\(9\)C, \(8\)I](#), *Hire a Veteran Credit*.

(Tax Law sections 606(a-2) and 606(i)(1)(B)(xxxv))

Historic homeownership rehabilitation credit

Chapter 59 of the Laws of 2013 (Part V) made the following amendments to the Tax Law with regard to the historic homeownership rehabilitation credit:

- The enhanced credit limit of \$50,000 per tax year (\$100,000 for taxpayers filing a joint return) has been extended to tax years beginning before January 1, 2020. Prior to the amendment, the enhanced credit limit was due to expire for tax years beginning on or after January 1, 2015.

Note: For tax years beginning on or after January 1, 2020, the credit limit will revert to \$25,000 per tax year (\$50,000 for taxpayers filing a joint return).

- For tax years beginning before January 1, 2020, if the amount of credit allowed exceeds the taxpayer's tax due for the year, and the taxpayer's New York adjusted gross income (NYAGI) is \$60,000 or less, the excess credit will be refunded without interest. If a taxpayer's NYAGI is greater than \$60,000, and the credit allowed exceeds the tax due, the excess credit may be carried over to the following tax year or years. Prior to the amendment, the refundable credit for taxpayers with NYAGI of \$60,000 or less was due to expire for tax years beginning on or after January 1, 2015.

Note: For tax years beginning on or after January 1, 2020, the credit is no longer refundable. However, if the amount of credit allowed exceeds the taxpayer's tax due for the year, the excess credit may be carried over to the following tax year or years.

(Tax Law section 606(pp))

Minimum wage reimbursement credit

Chapter 59 of the Laws of 2013 (Part EE) amended the Tax Law to provide for the minimum wage reimbursement credit. Taxpayers who are eligible employers or owners of eligible employers are allowed a refundable credit equal to the number of hours worked by eligible employees for which they are paid the New York minimum wage multiplied by the applicable tax credit rate. The credit is available for tax years beginning on or after January 1, 2014, and before January 1, 2019.

An eligible employee who is used as the basis for this credit may not be used as the basis for any other credit allowed under the Tax Law. Also, an eligible employer who discharges an ineligible employee and replaces that employee with an eligible employee solely for the purpose of qualifying for the credit does not qualify to claim the credit for any eligible employee.

For more information, see [TSB-M-13\(8\)C, \(7\)I](#), *Minimum Wage Reimbursement Credit*.

(Tax Law sections 38, 606(aaa), and 606(i)(1)(B)(xxxv))

New York Youth Works Tax Credit Program

The New York Youth Works Tax Credit Program was established to provide tax incentives to qualified businesses employing at-risk youths in full-time and part-time positions. The program is administered by the Department of Labor.

Chapter 59 of the Laws of 2013 (Part DD) made several additional amendments to the Labor Law that expand the tax credit program by reducing the city population threshold, extending the allocations for the program through 2017, and providing separate credit allocations for each of the four additional program years.

For more information, see [TSB-M-13\(10\)C, 13\(9\)I](#), *Extension and Expansion of the New York Youth Works Tax Credit Program*.

(Labor Law section 25-a and Tax Law section 606(tt))

Small business subtraction modification

Chapter 59 of the Laws of 2013 (Part Y) amended the Tax Law and the Administrative Code of the city of New York to provide for a small business subtraction modification. This subtraction modification to federal adjusted gross income applies to certain taxpayers who have small business income¹ and/or farm income² attributable to one or more of the following:

- A small business that is a sole proprietorship where the sole proprietor employs one or more persons during the tax year and the net small business income is greater than zero but less than \$250,000 for the tax year.
- A farm business that is a sole proprietorship where the sole proprietor employs one or more persons during the tax year and the net farm income is greater than zero but less than \$250,000 for the tax year.
- A farm business that is a partnership (including a limited liability company that is treated as a partnership for federal income tax purposes) or a New York S corporation that employs one or more persons during the tax year and has net farm income greater than zero but less than \$250,000 for the tax year.

The modification is equal to a percentage of the net items of income, gain, loss, and deduction attributable to an eligible sole proprietorship or a farm business that is included in the taxpayer's federal adjusted gross income (but not less than zero) for the tax year. The percentage used to compute this modification is shown in the chart below:

Tax year	Percentage
2014	3%
2015	3.75%
Tax years after 2015	5%

The modification is effective for tax years beginning on or after January 1, 2014.

(Tax Law section 612(c)(39) and Administrative Code of the city of New York section 11-1712(c)(35))

¹ For federal income tax purposes, small business income is generally reported on federal Schedule C, *Profit or Loss From Business (Sole Proprietorship)*, and/or Schedule C-EZ, *Net Profit From Business (Sole Proprietorship)*.

² For federal income tax purposes farm income is generally reported on federal Schedule F, *Profit or Loss From Farming*, and/or federal Schedule E, *Supplemental Income or Loss* (for partnerships and S corporations).

Three-year personal income tax extender

Chapter 59 of the Laws of 2013 (Part FF) extends the following provisions that were added by Chapter 56 of the Laws of 2011 (Part A) for three additional tax years (see [TSB-M-12\(3\)I](#), *Summary of Personal Income Tax Legislative Changes Enacted in Extraordinary Legislation Session*).

Tax rates and tables. Sections 601(a), 601(b), 601(c), and 601-a of the Tax Law relating to the tax tables and the cost of living percentage adjustment have been amended. The amendments extend the temporary tax brackets and rates that were added for tax years beginning after 2011 and before 2015, to tax years beginning before 2018. In addition, for tax years 2015, 2016, and 2017, the tax tables will continue to be indexed by a cost of living percentage adjustment, if applicable.

For tax years beginning after 2017, the tax tables revert to the tables and tax rates in effect for tax years beginning after 2005 and before 2009 (i.e., the highest rate will be 6.85%). However, the dollar amounts in those tax tables will be indexed by the cost of living percentage adjustments, if any, applicable for the 2013-2017 tax years.

Tax benefit recapture. Sections 601(d-1) and 601(d-2) of the Tax Law relating to the tax benefit recapture provisions have been amended. Section 601(d-1) has been amended to extend the temporary supplemental tax to tax years beginning before 2018. In addition, for tax years 2015, 2016, and 2017, the supplemental tax will be indexed by a cost of living adjustment, if applicable, computed under section 601-a of the Tax Law.

For tax years after 2017, section 601(d-2) of the Tax Law imposes a supplemental tax intended to recapture the tax benefit a taxpayer receives from the tax tables that are below the highest rate (6.85%). The supplemental tax will apply to taxpayers whose adjusted gross income exceeds \$100,000. The computation of the supplemental tax will be indexed by the cost of living percentage adjustments, if any, applicable for the 2013-2017 tax years.

Standard deduction. Section 614(f) of the Tax Law relating to the New York standard deduction has been amended. The law provides that the New York standard deduction for tax years 2015, 2016, and 2017 will continue to be indexed by a cost of living percentage adjustment, if applicable. For tax years beginning after 2017, the standard deduction amount will be fixed at the amount allowable for tax year 2017.

In addition, new section 11-1714(f) has been added to the Administrative Code of the city of New York. This new section provides that the standard deduction amount for New York City resident income tax purposes will be adjusted in the same manner as the New York State standard deduction under section 614(f) of the Tax Law.

(Tax Law sections 601(a), 601(b), 601(c), 601(d-1), 601(d-2), 601-a, and 614(f); and section 11-1714(f) of the Administrative Code of the city of New York)

NOTE: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department 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.