



Summary of Tax Provisions in SFY 2014-15 Budget

Contents

Summary of SFY 2014-15 Tax Provisions	<i>Real Property Taxes</i>	1
	Real Property Tax Freeze Credit	1
	Late Filing of STAR Registrations	2
	Oil and Gas Unit of Production Fees	2
	Industrial and Commercial Properties in Lower Manhattan	3
	Enhanced STAR Income Determination – Death of Spouse	3
	Niagara Mohawk Area Property Tax Relief Due to Storm Damage	3
	NYC Provisions – Multi-Unit Properties in Bronx	4
	NYC Provisions—Property Tax Abatements and Exemptions for Seniors	4
	Nassau County Assessment Review Changes	4
	School District Reorganizations – Tax Rate Phase-in Provisions	4
	<i>Business Taxes</i>	5
	Corporate Tax Reform	5
	<i>Overview</i>	5
	<i>Tax Base and Rate Changes</i>	6
	Agricultural Co-operative Franchise Tax Repeal	9
	<i>Estate Tax</i>	9
	<i>Personal Income Taxes</i>	10
	Enhanced Real Property Tax Circuit Breaker	10
	Reform Taxation of Resident Trusts	11
	Repeal the Additional Minimum Personal Income Tax	12
	Eliminate Prepayment of the Family Tax Relief Credit	12
	Align Metropolitan Commuter Transportation Mobility Tax and Personal Income Tax Filings for the Self-Employed	13

Personal Income Taxes (cont'd)

Modify Signature Requirement on E-Filed Returns Prepared by Tax Professionals 13

Noncustodial Parent Earned Income Tax Credit 13

Clarify the Tax Treatment of Length of Service Awards for Volunteer Firefighters and Ambulance Workers 14

Tax Credits 14

Commercial Production Credit 14

Low-Income Housing Credit 14

Real Property Tax Credit for Manufacturers 14

Credit for the Excise Tax on Telecommunication Services Paid by START-UP New York Businesses 15

Youth Works Tax Credit 15

Musical and Theatrical Production Credit 16

Film Credit County Expansion 16

Workers with Disabilities Tax Credit 17

Limitation on Tax Credit Eligibility 17

Correctional Facilities Added to START-UP NY Tax Free Areas 17

Sales Taxes and Excise Taxes 18

Alternative Fuel 18

Commercial Office Space Leases in Lower Manhattan 18

Prepaid Sales Tax on Motor Fuel 19

Vending Machines 19

Appendix

[Appendix A: Index of SFY 2014-15 Tax Provisions](#) A-1

Summary of SFY 2014-15 Tax Provisions

Property Taxes

Real Property Tax Freeze Credit

Part FF of Chapter 59 of the Laws of 2014 provides a real property tax freeze credit to taxpayers who are STAR recipients or otherwise would be STAR-eligible.

The credit is applicable against school district and municipal taxes levied outside of the City of New York. Credits against school tax increases will be provided for school years 2014-15 and 2015-16. Credits against all other municipal taxes will be provided in 2015 and 2016. The credits will be sent as an advance payment, with the initial 2014-15 school tax payment occurring in the fall of 2014.

In the first year of the applicable credit, taxpayers who reside in taxing jurisdictions that keep growth in their real property tax levy at or below the real property tax cap will receive a credit equal to the change in their real property taxes from the prior year or the product of their previous year's taxes and the inflation factor used in the real property tax cap determination, whichever is greater. Only those taxes levied by jurisdictions that are cap compliant will be included in the calculation of the credit.

In the second year, a credit will be available to taxpayers who reside in taxing jurisdictions that stay within the cap and produce state approved government efficiency plans that demonstrate 3-year savings and efficiencies from shared services, cooperation agreements and/or mergers or efficiencies. For those jurisdictions that were cap compliant in the first year, the second year's credit includes a repeat payment of the first year's credit as well.

Any tax bill increase that is due to a physical improvement, exemption loss, or disproportionate tax bill increase due to a general reassessment of all properties is not included in the credit. If a district reduces taxes over the relevant period, or increases them by a percentage that is lower than the inflation factor used in the tax cap determination, then eligible taxpayers receive a freeze credit equal to the prior year's tax bill times the allowed inflation factor.

Eligible taxpayers may receive a freeze credit for the second eligibility year in the case of school districts and other taxing units that are not cap compliant in their first eligibility year.

For the larger cities having dependent school districts, and thus a unified tax levy for all city services, including schools, the freeze credit calculation is essentially the same, except that an assumption is made that 67% of the city's tax levy is applicable to school tax purposes and 33% is applicable to municipal tax purposes.

For cooperative apartments and mobile homes on rented land, which are not separately assessed, the credit is 60% of the average credit allowed in the applicable taxing district for cooperatives and 25% for mobile homes.

Late Filing of STAR Registrations

Part B of Chapter 59 of the Laws of 2014 amends the STAR Registration program (enacted with the 2013-14 Budget) in relation to late registrations. It provides that if the Commissioner accepts a late registration after having directed the removal of the basic STAR exemption from the property to which the registration pertains for the reason of non-registration, then in lieu of directing that the exemption be restored for the year in question, the Commissioner is authorized to remit directly to the property owner or owners the tax savings that the exemption would have yielded had it not been removed. The Commissioner must also direct the assessor in question to restore the exemption on a prospective basis without a new application unless the assessor has reason to believe that the property owner is no longer eligible for any reason other than the prior failure to register in a timely fashion.

Oil and Gas Unit of Production Fees

Part C of Chapter 59 of the Laws of 2014 further amends Chapter 540 of the Laws of 1992, relating to oil and gas charges imposed under Section 593 of the Real Property Tax Law, as previously amended by section 1 of part A of Chapter 59 of the Laws of 2012. The current amendment extends the previous extension of such fees from 2015 to 2018. The fees in question, which are charged to oil and gas producers according to production levels in the various geologic areas of the State, support the costs incurred by the NYS Department of Taxation and Finance in calculating unit of production values for use in local property tax assessment.

Industrial and Commercial
Properties in Lower
Manhattan

Part GG of Chapter 59 of the Laws of 2014 makes changes to Article 4 of the Real Property Tax Law in relation to a specified area in lower Manhattan. The provisions extend certain real property tax benefits in a section of lower Manhattan in the City of New York for two years.

Enhanced STAR Income
Determination – Death of
Spouse

Part NN of Chapter 59 of the Laws of 2014 relates to income eligibility for the Enhanced STAR exemption in cases of the recent death of a spouse. Currently, income eligibility is based on the income reported for the tax year that is two years prior to the final date for exemption application in the benefit year in question (known as the “taxable status date”). This is necessary because many taxpayers have not filed their income tax returns for the prior year by the taxable status date for the current year – March 1st in most municipalities. The current enactment makes an exception under which the tax return for the year immediately previous may be used for eligibility determination.

Niagara and Mohawk Area
Property Tax Relief Due to
Storm Damage

Part T of Chapter 55 of the Laws of 2014 relates to real property damage from severe weather in specified counties within the Niagara and Mohawk regions (Oneida, Herkimer, Madison, Montgomery, Tompkins, Cortland, Chemung, Schuyler, Steuben, and Niagara). Assessment adjustments, according to a specified schedule in the statute, are permitted if the locality adopts the provisions in question. Any assessment reductions are to be considered “errors in essential fact” under the Real Property Tax Law, and may thus result in refunds to taxpayers of property taxes already paid based on assessment rolls with taxable status dates prior to June 20, 2013.

NYC Provisions – Multi-Unit Properties in the Bronx

Part O of Chapter 55 of the Laws of the 2014 relates to property tax benefits for multi-unit properties in the Bronx containing less than four units. The administrative code of the City of New York (Subdivision (c) of Section 11-245.1-b) is modified such that it shall not be applicable to any multiple dwelling containing fewer than four dwelling units, as set forth in the certificate of occupancy, that is located on lots numbered 1667 through 1708 and lots numbered 1801 through 1964 of the Bronx block 50 numbered 3432, provided that the construction of any such multiple dwellings on those lots commenced on or before January 1, 2009, and an application for a preliminary or a final certificate of eligibility for the lots is submitted to the local housing agency no later than 180 days after the effective date of this act.

NYC Provisions—Senior Citizen Rent Increase Exemption (SCRIE)

Part U of Chapter 55 of the Laws of 2014 provides an increase in the income eligibility ceiling under Sections 467-b and 467-c of the Real Property Tax Law. The program provides an exemption for increases in rents of income eligible seniors through the partial abatement of local real property taxes paid by the owners. The prior ceiling of \$29,000 is replaced by \$50,000. For benefit years beginning July 1, 2014 and ending on June 30, 2016, the State must reimburse New York City for any additional benefits under the program that are attributable to the income ceiling increase.

Nassau County Assessment Review Changes

Part Y of Chapter 55 of the Laws of 2014 amends the Real Property Tax Law and the Nassau County Administrative Code regarding assessment and the review of assessments in the County. Under current law, the review system created in 2002 would expire on June 30, 2014. This enactment extends the expiration date to June 30, 2016.

School District Reorganizations – Tax Rate Phase-in Provisions

Part A of Chapter 56 of the Laws of 2014 provides for a gradual phase-in of different effective tax rates in municipal portions of school districts that are involved in a merger or reorganization. If the school district so chooses, the tax rates in the first year are frozen at existing levels, and any increases in subsequent years are phased in gradually, for a full period of up to ten years. The purpose is to facilitate reorganizations by reducing the impact of any tax rate differences in the separate municipal areas of the newly configured district.

Business Taxes

Corporate Tax Reform

Overview

Part A of Chapter 59 of the Laws of 2014 enacts comprehensive corporate tax reform for tax years beginning on or after January 1, 2015. Major changes include:

- Merging Article 32 (Bank Franchise Tax) into Article 9-A (Corporate Franchise Tax);
- Adopting economic nexus for all taxpayers;
- Adopting full unitary water's-edge combined reporting with an ownership requirement of more than 50%;
- Implementing a single receipts apportionment factor using customer based sourcing rules for all taxpayers;
- Eliminating the separate treatment of subsidiary capital and income;
- Narrowing the current definition of investment capital and investment income and completely exempting both from tax;
- Creating a new "other exempt income" category of income;
- Requiring only interest expenses to be directly and indirectly attributed to tax exempt income. Alternatively, allowing taxpayers to elect to reduce the tax exempt income by 40 percent;
- Converting existing NOLs into a prior NOL conversion subtraction pool to stabilize their value for financial accounting purposes;
- Simplifying the rules for NOLs incurred in tax years beginning on or after January 1, 2015;
- Allowing a three year carry back of net operating losses (NOLs) incurred in tax years 2015 and after;
- Lowering the business income base tax rate from 7.1% to 6.5% for tax years beginning on or after January 1, 2016;
- Reducing the business income base rate for qualified manufacturers to 0% beginning for tax years on or after January 1, 2014;
- Repealing the alternative minimum tax base;
- Phasing out the capital base tax over six years;
- Streamlining the computation of the MTA Surcharge and making it permanent; and
- Repealing the organization tax and taxes on changes of capital on domestic corporations under §180 of the Tax Law and the license and maintenance fees on foreign corporations imposed by §181 of the Tax Law.

Subsequent guidance and regulations will more fully explain these provisions due to the nature and complexity of the changes.

Tax Base and Rate Changes

Entire Net Income (ENI) Base/Business Income Base

- The following tax rate schedule applies to the income base:

Type of Business	Tax Year 2014	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018 and Thereafter
Qualified New York Manufacturers ¹	0.0%	0.0%	0.0%	0.0%	0.0%
Qualified Emerging Technology Companies (QETCs)	5.9%	5.7005%	5.4990%	5.4990%	4.875%
Small Businesses ²	6.5%	6.5%	6.5%	6.5%	6.5%
Remaining Taxpayers	7.1%	7.1%	6.5%	6.5%	6.5%
¹ Includes eligible qualified New York manufacturers ² For the 2014 and 2015 tax years, current law graduated rates apply to small businesses with income over \$290,000 but below \$390,000. A flat 6.5% rate applies to tax years beginning on or after January 1, 2016.					

- *Qualified New York manufacturers* must meet the existing property and receipts tests.
 - ◊ Either all or at least \$1 million of manufacturing property is in New York; and
 - ◊ At least 50% of receipts must be from manufacturing.
 - * For tax years beginning on or after January 1, 2014, a taxpayer, or combined group, that fails the receipts test may still be a qualified New York manufacturer if it has at least 2,500 New York manufacturing employees and at least \$100 million of manufacturing property in New York.
- An *eligible qualified New York manufacturer* is one that meets the eligibility requirements in [TSB-M-13\(1\)C](#).
- A taxpayer is a *qualified emerging technology company* if it meets the definition in Public Authorities Law Section 3102-e(1)(c), except that the \$10 million limitation under §3102-e(1)(c)(1) does not apply.
- A *small business taxpayer* is defined as a taxpayer with (1) ENI of \$390,000 or less, (2) \$1 million or less in the aggregate amount of money and other property it received for stock, as a contribution to capital and as paid-in surplus, and (3) 100 or fewer New York employees. The taxpayer cannot be part of an affiliated group unless the group itself would meet the test if it had filed a combined return.
 - ◊ The employment test does not apply to the 2014 tax year.

Capital Base

- The following rate schedule applies to the capital base:

Type of Business	Tax Year 2014	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018	Tax Year 2019	Tax Year 2020	Tax Year 2021 and There after
Qualified New York Manufacturers & QETCs	0.1362%	0.15%	0.106%	.085%	.056%	.038%	.019%	0%
Cooperative Housing Corporations	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	.025%	0%
Remaining Taxpayers	0.15%	0.15%	0.125%	.1%	.075%	0.05%	.025%	0%

- For tax year 2014, the tax is capped at \$350,000 for qualified New York manufacturers including QETCs, and \$1 million for all other taxpayers.
- For tax years beginning on or after January 1, 2015, the tax is capped at \$350,000 for qualified New York manufacturers and QETCs, and \$5 million for all other taxpayers.
- Small business taxpayers are exempt from the capital base tax in their first two years.

Fixed Dollar Minimum (FDM)

- Eligible qualified New York manufacturer C corporations are subject to the following FDM schedule for the 2014 tax year:

New York Receipts	Tax Year 2014
Not more than \$100,000	\$12.50
More than \$100,000 but not over \$250,000	\$37.50
More than \$250,000 but not over \$500,000	\$87.50
More than \$500,000 but not over \$1,000,000	\$250
More than \$1,000,000 but not over \$5,000,000	\$750
More than \$5,000,000 but not over \$25,000,000	\$1,750
Over \$25 million	\$2,500
<i>NOTE:</i> Beginning with the 2015 tax year, these eligible qualified New York manufacturers are subject to the FDM schedule for qualified New York manufacturers detailed below.	

- Qualified New York manufacturer C corporations and QETCs are subject to the following FDM schedule:

New York Receipts	Tax Year 2014	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018 and Thereafter
Not more than \$100,000	\$22.70	\$22	\$21	\$21	\$19
More than \$100,000 but not over \$250,000	\$68.10	\$66	\$63	\$63	\$56
More than \$250,000 but not over \$500,000	\$158.90	\$153	\$148	\$148	\$131
More than \$500,000 but not over \$1,000,000	\$454	\$439	\$423	\$423	\$375
More than \$1,000,000 but not over \$5,000,000	\$1,362	\$1,316	\$1,269	\$1,269	\$1,125
More than \$5,000,000 but not over \$25,000,000	\$3,178	\$3,070	\$2,961	\$2,961	\$2,625
Over \$25 million	\$4,540	\$4,385	\$4,230	\$4,230	\$3,750

- Remaining C corporation taxpayers are subject to the following FDM schedule:

New York Receipts	Tax Year 2014	Tax Year 2015 and Thereafter
Not more than \$100,000	\$25	\$25
More than \$100,000 but not over \$250,000	\$75	\$75
More than \$250,000 but not over \$500,000	\$175	\$175
More than \$500,000 but not over \$1,000,000	\$500	\$500
More than \$1,000,000 but not over \$5,000,000	\$1,500	\$1,500
More than \$5,000,000 but not over \$25,000,000	\$3,500	\$3,500
More than \$25,000,000 but not over \$50,000,000	\$5,000	\$5,000
More than \$50,000,000 but not over \$100,000,000	\$5,000	\$10,000
More than \$100,000,000 but not over \$250,000,000	\$5,000	\$20,000
More than \$250,000,000 but not over \$500,000,000	\$5,000	\$50,000
More than \$500,000,000 but not over \$1 billion	\$5,000	\$100,000
Over \$1 billion	\$5,000	\$200,000

Alternative Minimum Tax

- For tax year 2014, the rate is:
 - ◊0.75% for eligible qualified New York manufacturers;
 - ◊1.362% for qualified New York manufacturers and QETCs; and
 - ◊1.5% for all other taxpayers.
- This base is eliminated for tax years beginning on or after January 1, 2015.

Agricultural
Co-operative
Franchise Tax
Repeal

Part S of Chapter 59 of the Laws of 2014 repeals the Article 9, Section 185 tax on agricultural co-operatives, and makes conforming amendments to various chapters of law. For tax years beginning on or after January 1, 2018, agricultural co-operatives will be exempt from tax.

Estate Tax

Part X of Chapter 59 of the Laws of 2014 amends the estate tax to decouple the tax from Federal law. The estate tax was commonly known as a “pick-up” tax because the tax equaled the Federal credit for state estate taxes as it existed on July 22, 1998. The unified threshold of \$1 million is replaced with an applicable credit equal to the tax on a basic threshold amount equal to \$2,062,500 for those dying in State Fiscal Year 2014-15; \$3,125,000 in SFY2015-16; \$4,187,500 in SFY2016-17; and \$5,250,000 from April 1, 2017 to December 31, 2018. The basic threshold will equal the Federal basic threshold amount with annual indexing for those dying on or after January 1, 2019. The applicable credit is reduced for New York taxable estates exceeding the basic threshold amount and equals zero for those exceeding one hundred five percent of such amount. This is similar to the loss of the benefit of the \$1 million unified threshold under previous law.

Gifts taxable under Section 2503 of the Internal Revenue Code that were not otherwise included in Federal Gross Estate and that were made during the three years ending on the date of death must be added to the New York Gross Estate. However, gifts made while the decedent was a nonresident of New York State and gifts made prior to April 1, 2014 or on or after January 1, 2019 are not included.

The Generation Skipping Tax has also been repealed as of April 1, 2014.

Personal Income Taxes

Enhanced Real Property Tax Circuit Breaker

Part K of Chapter 59 of the Laws of 2014 amends the Personal Income Tax to establish a refundable enhanced real property tax circuit breaker credit for tax years 2014 and 2015. The credit applies to homeowners and renters residing in New York City with household gross income of less than \$200,000 annually. Eligible circuit breaker recipients will claim the credit on their Personal Income Tax return (or stand-alone form for claimants not required to file a tax return).

Qualifying property taxes include all real property taxes levied. The credit applies to excess real property tax above a certain percentage of household gross income and is a maximum of \$500. This threshold varies from 4 to 6% of income and credit rates range from 1.5 to 4.5% of excess real property tax as follows:

Household Income	Burden Threshold	Credit Percentage
Less than \$100,000	4%	4.5%
\$100,000 - \$150,000	5%	3.0%
\$150,000 - \$200,000	6%	1.5%

The credit is also available for qualifying renters. The real property tax equivalent for renters (i.e., the amount of real property tax that a renter is deemed to have paid for purposes of calculating the credit) is set at 15.75% of adjusted rent paid in the taxable year.

Part I of Chapter 59 of the Laws of 2014 requires New York beneficiaries of exempt resident trusts to pay tax on accumulated income distributed to them. The accumulated income will be taxed at the rate in effect in the year in which it is paid out to the beneficiary. Furthermore, the income of a particular type of exempt resident trust, known as an incomplete gift, non-grantor trusts, will be taxed to the grantor of the trust.

In general, from an income tax perspective, income that is earned by a resident trust (a trust that becomes irrevocable while its creator is a New York resident) may be included in the income of the grantor, the trust, or the beneficiaries of the trust. Under the Tax Law, however, the accumulated income (i.e. the income of a trust that is not distributed to a beneficiary in the year it is earned) of some types of resident trusts is not subject to any New York tax at the grantor level, the trust level, or the beneficiary level. The main cause of the problem is that New York exempts a resident trust if it has no trustees or assets located in New York and its income is not derived from New York sources (“exempt resident trusts”).

This legislation closes that loophole in two different ways. With regard to one type of exempt resident trust, known as an incomplete gift, non-grantor trust (“ING trust”), this bill requires the New York resident grantor of the ING trust to pay tax on the income of the trust. The fact that the transfer of property to the trust was an incomplete gift means that the New York grantor has retained some degree of control over the property, thereby creating a proper nexus for the State to tax the grantor on the income from that property. With regard to all other exempt resident trusts, distributions of the accumulated income of the trust will be taxed to the New York resident beneficiaries who receive the distributions. In computing the tax, income accumulated on behalf of beneficiaries that are not yet born or that are under the age of 21 will not be subject to the tax. Credits are to be applied to avoid the income from the trusts being taxed twice at the State level.

This provision takes effect immediately and applies to income accumulated by a trust in a tax year starting on or after January 1, 2014. However, to mitigate transition issues, there is an exclusion of distributions by exempt resident trusts (except ING trusts) of accumulated income made before June 1, 2014, and income earned by ING trusts that are liquidated on or before June 1, 2014.

Repeal the Additional
Minimum Personal Income
Tax

Part J of Chapter 59 of the Laws of 2014 repeals the Personal Income Tax Additional Minimum Tax. The provision also makes conforming changes for New York City’s Additional Minimum Personal Income Tax. The Additional Minimum Personal Income Tax pre-dates 1986 tax reforms and was imposed on the New York minimum taxable income of every individual, estate, or trust at the rate of 6%. Minimum taxable income is determined with reference to items of tax preference. For purposes of the minimum income tax, the term “items of tax preference” means the federal items of tax preference of a resident individual, estate, or trust, for the taxable year, with certain modifications. Furthermore, individuals or fiduciaries of an estate or trust are allowed a specific deduction of \$5,000 (\$2,500 if married and filing separately).

This provision takes effect immediately and applies to taxable years beginning on or after January 1, 2014.

Eliminate Prepayment of
the Family Tax Relief
Credit

Part M of Chapter 59 of the Laws of 2014 eliminates the prepayment element of the family tax relief credit for tax years beginning on or after January 1, 2015. The relief will be administered as a regular Personal Income Tax credit and provide that the eligibility for the credit will be based on the taxpayer’s tax information for the current year. Previous law provided that the prepayment would be available in each year that the credit is allowed (i.e., tax years 2014, 2015 and 2016). Because of the prepayment, it was necessary to determine eligibility from a taxpayer’s return filed two years prior.

This provision takes effect immediately and applies to taxable years beginning on or after January 1, 2015. Thus, taxpayers will receive the family tax relief credit check for 2014 in the fall of this year, and will claim the credit on their Personal Income Tax returns for tax years 2015 and 2016.

Align Metropolitan
Commuter Transportation
Mobility Tax and Personal
Income Tax Filings for the
Self-Employed

Part DD of Chapter 59 of the Laws of 2014 changes the due dates for filing returns and making estimated tax payments for self-employed individuals subject to the Metropolitan Commuter Transportation Mobility Tax (MCTMT). The provision uncouples the due date for estimated MCTMT payments for self-employed individuals from the date for estimated MCTMT payments for employers (i.e., April 30, July 31, October 31, and January 31). Quarterly estimated MCTMT payments instead are due on the same date as quarterly estimated Personal Income Tax payments (i.e., April 15, June 15, September 15, and January 15). The MCTMT final return due date is also changed from April 30 to April 15, to conform to the personal income tax return due date.

This provision takes effect immediately and applies to taxable years beginning on or after January 1, 2015.

Modify Signature
Requirement on E-Filed
Returns Prepared by Tax
Preparers

Part E of Chapter 59 of the Laws of 2014 allows taxpayers to electronically send their authorization to e-file their tax returns and related documents to their tax preparer in accordance with regulations or instructions prescribed by the commissioner. Effective for returns filed for taxable years beginning on or after January 1, 2014, this requirement will make the process less burdensome for tax professionals and serve to further reduce barriers to electronic filing.

Noncustodial Parent
Earned Income Tax Credit

Part G of Chapter 59 of the Laws of 2014 extends the enhanced earned income tax credit (EITC) for certain noncustodial parents for two years. The current credit was scheduled to sunset December 31, 2014. The new law extends the credit for tax years 2015 and 2016. To qualify for the enhanced EITC, claimants must be a resident taxpayer, age 18 and over, and have a minor child with whom they do not reside. The credit is equal to the greater of 20% of the Federal EITC that the taxpayer would otherwise be able to claim for one qualifying child (if he/she were a custodial parent), or 2.5 times the EITC for taxpayers without qualifying children. Claimants must have a child support order in effect for at least half the tax year and have made their required support payments.

Clarify the Tax Treatment
of Length of Service
Awards for Volunteer
Firefighters and
Ambulance Workers

Part KK of Chapter 59 of the Laws of 2014 clarifies the tax treatment of length of service awards for volunteer firefighters and ambulance workers. Effective for taxable years beginning on or after January 1, 2014, the legislation creates a subtraction modification for awards paid to these workers that were included in gross income for Federal tax purposes. The subtraction does not apply to lump sum payments or distributions to those taxpayers who have not reached the age of 59½. Although awards were previously not generally subject to tax, the legislation clarifies their tax treatment.

Tax Credits

Commercial Production
Credit

Part O of Chapter 59 of the Laws of 2014 modifies and extends the commercial production credit. The threshold minimum activity required for the pool of credit allocated to production outside of the Metropolitan Commuter Transportation District is lowered from \$200,000 to \$100,000. The sunset date of the credit is extended two years to January 1, 2017.

Low-Income Housing
Credit

Part P of Chapter 59 of the Laws of 2014 increases the low-income housing credit. The aggregate dollar amount of credit that the Commissioner of the Division of Housing and Community Renewal may allocate to eligible low-income buildings is increased from \$48 million to \$56 million effective immediately and further raised to \$64 million dollars effective April 1, 2015.

Real Property Tax Credit
for Manufacturers

Part R of Chapter 59 of the Laws of 2014 creates a new credit for qualified New York manufacturers equal to 20% of the real property taxes paid during the taxable year for real property owned by such manufacturer in New York and principally used for manufacturing. The credit is also allowed for property taxes paid on real property leased from an unrelated third party if the taxes are paid pursuant to explicit requirements in a written lease and remitted directly to the taxing authority. The Article 9-A tax credit can reduce tax to \$25 while the Article 22 credit is refundable. The credit is effective for tax years beginning on or after January 1, 2014.

A taxpayer that claims the credit must add back to taxable income any amount of real property taxes deducted at the federal level.

Also, property taxes used as the basis for this credit may not be used for any other tax credit.

For purposes of the credit, a “manufacturer” is defined as a taxpayer principally engaged in the production of goods by manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture or commercial fishing. However, the generation and distribution of electricity, the distribution of natural gas, and the production of steam associated with the generation of electricity shall not be qualifying activities.

A manufacturer must also satisfy the existing receipts and property tests:

- ◇ At least 50% of receipts must be from manufacturing; and
- ◇ Either all or at least \$1 million of manufacturing property is in New York.

A manufacturer that fails the receipts test may still qualify if it employs at least 2,500 people in manufacturing in New York and has \$100 million in manufacturing property in the state.

Credit for the Excise Tax on Telecommunication Services Paid by START-UP NY Businesses

Part T of Chapter 59 of the Laws of 2014 provides an approved business participating in the START-UP NY (SUNY Tax-Free Areas to Revitalize and Transform Upstate New York) Program with a refundable credit equal to the 2.5% Excise Tax paid on purchased telecommunication services under Tax Law Article 9, Section 186-e. These changes take effect immediately and apply to taxable years beginning on and after January 1, 2014.

The START-UP NY Program, established by Chapter 68 of the Laws of 2013 and which became effective January 1, 2014, designated areas where approved businesses are eligible to operate tax free. The program is administered by Empire State Development (ESD).

Youth Works Tax Credit

Part U of Chapter 59 of the Laws of 2014 enhances the Youth Works tax credit, which is administered by the Department of Labor (DOL). One enhancement provides an additional \$1,000 tax credit for each youth retained in full-time status for one additional year and an additional \$500 for each youth retained in part-time status for one additional year. Part U also lowers the part-time hourly threshold from 20 hours to 10 hours for full-time high school students. Finally, Part U increases the allocations for the Youth Works Programs two through five from \$6 million to \$10 million.

Part U also mandates an annual report by DOL containing information about employers claiming credit.

Musical and Theatrical
Production Credit

Part HH of Chapter 59 of the Laws of 2014 creates a new tax credit to encourage touring musical and theatrical productions in upstate New York theaters. Eligible production companies taxable under Articles 9-A and 22 can claim a refundable credit equal to 25% of certain costs. The total amount of credit is capped at \$4 million per year and the credit is administered by Empire State Development (ESD). The credit is first effective for taxable years beginning on or after January 1, 2015 and expires on January 1, 2019.

To be eligible, a company must produce a live, dramatic stage presentation in a qualified production facility on a tour that consists of eight or more shows in three or more localities. A qualified production facility is a 1,000 or more seat theater located outside of New York City for which ticket receipts constitute 75% or more of the total receipts. The credit is based on costs for tangible property used and services performed in the course of production, with personal compensation expenses capped at \$200,000 per week. The credit is also allowed for transportation expenditures, which includes costs for packaging, crating, and transporting production equipment, sets, costumes, and cast and crew.

Part HH also contains two informational and reporting provisions. The first allows the Tax Department and ESD to share information and to publish the names of specific credit claimants. The second directs ESD to produce a public, annual report by February 1st evaluating the effectiveness of the credit in stimulating the growth of the musical and theatrical industry in New York State.

Film Credit County
Expansion

Part JJ of Chapter 59 of the Laws of 2014 amends the Empire State film production credit to add Albany and Schenectady Counties to the list of upstate counties where additional credit based on wages may be earned. The additional credit equals 10% of the amount of wages or salaries paid to individuals directly employed (excluding those employed as writers, directors, music directors, producers and performers, including background actors with no scripted lines) by a qualified film production company or a qualified independent film production company for services performed by those individuals in one of the counties specified in connection with a qualified film with a minimum budget of \$500,000.

The aggregate amount of tax credits allowed for the additional credit is \$5 million dollars each year during the period 2015 through 2019.

Workers with Disabilities
Tax Credit

Part MM of Chapter 59 of the Laws of 2014 establishes the Workers with Disabilities Tax Credit Program, administered by the Department of Labor (DOL), to provide an additional tax incentive to employers for employing individuals with developmental disabilities. The non-refundable credit is equal to 15% of the qualified wages for qualified full-time employees and 10% of the qualified wages for qualified part-time employees. Any unused credit may be carried forward for 3 years. Full-time employment is defined as working at least 30 hours per week, and part-time employment at least 8 hours per week, each for at least 6 months. The credit is available for qualified wages paid after January 1, 2015.

In order to participate in the program, a taxpayer must apply to DOL by November 30th of the prior year to become a qualified employer, and will be issued a preliminary certificate of eligibility. At the end of the tax year, the employer must obtain a final certificate of eligibility from DOL that states the maximum amount of credit allowed and provides verification for the credit claims. An employer is not allowed to concurrently claim this credit and any other credit for the employment of persons with disabilities for the same employee.

The annual credit allocation is \$6 million and expires on January 1, 2020.

Limitation on Tax Credit
Eligibility

Section 36 of Subpart A of Part H of Chapter 55 of the Laws of 2014 makes any taxpayer who stands convicted of an offense defined in Article 200 or 496 or Section 195.20 of the Penal Law ineligible for any business credits. Furthermore, the office responsible for prosecuting the offense must report the conviction to the Department, along with the names of any firm, partnership or corporation in which the convicted person is a member, shareholder, partner, officer or director.

Correctional Facilities
Added to START-UP NY
Tax Free Areas

Part BB of Chapter 55 of the Laws of 2014 amends the Economic Development Law to include four correctional facilities owned by the State of New York as tax-free START-UP NY areas. Specifically included beginning July 26, 2014, are any land or buildings owned by New York on the premises of Butler Correctional Facility, Chateaugay Correctional Facility, Monterey Shock Incarceration Correctional Facility, and Mount McGregor Correctional Facility. These assets are not subject to the 200,000 square-foot maximum for vacant land or vacant building space designated as a START-UP NY area, and will not count against the Program's total square footage limitation.

Sales and Excise Taxes

Alternative Fuel

Part V of Chapter 59 of the Laws of 2014 extends for two years the alternative fuel tax exemptions for fuel types E-85, CNG and hydrogen and the partial exemption for B-20. Under current law, these exemptions were scheduled to expire on September 1, 2014. Part V extends this expiration date until September 1, 2016.

The two-year extension continues the full exemption from the Excise Tax, Petroleum Business Tax (PBT) and State and local Sales Taxes for fuel products identified as E-85 (a fuel blend of consisting of ethanol and motor fuel meeting the American Society of Testing Materials standard D5798 for fuel ethanol), compressed natural gas (CNG) and hydrogen when they are suitable for use in a motor vehicle engine. The extension also applies to the reduced tax rates under the excise tax and PBT for fuel product identified as biodiesel-B-20 [20 percent bio-product (e.g., soybean oil), 80% diesel fuel]. The rate reduction is 20% under both taxes. Further, the extension maintains that 20% of the receipts from the retail sale of B-20 are exempted from the State and local sales tax.

These changes take effect immediately.

Commercial Office Space Leases in Lower Manhattan

Subpart A of Part GG of Chapter 59 of the Laws of 2014 extends the Sales Tax incentives for businesses to locate or relocate their offices and employees in the two eligible areas (as defined in Tax Law section 1115(ee)(7)(D)) in lower Manhattan. This part extends by two years the cutoff date by which a qualifying commercial office space lease must commence. For purposes of a lease in the eligible area that is generally bounded by Murray Street on the north, this date is extended from September 1, 2013 to September 1, 2015. For a lease in the eligible area that generally consists of the World Trade Center site, World Financial Center and Battery Park City area, this date is extended from September 1, 2015 to September 1, 2017.

This part also extends the sunset date of the Sales Tax exemptions in Tax Law section 1115(ee) by two years. The exemptions for qualifying purchases in the eligible area generally below Murray Street now expire on December 1, 2016 and the exemptions for qualifying purchases in the World Trade Center site, World Financial Center and Battery Park City eligible area now expire on December 1, 2018.

These changes take effect immediately and are deemed to have been in full force and effect after August 31, 2013.

Prepaid Sales Tax on
Motor Fuel and Diesel
Motor Fuel

Part LL of Chapter 59 of the Laws of 2014 amends section 1111 (e) of the Tax Law to create a third region for the prepayment of Sales Tax on motor fuel and diesel motor fuel and to establish prepaid tax rates. Prepaid sales taxes are paid on motor fuel and diesel motor fuel prior to the retail sale. Retailers collect the correct amount of sales tax from customers and take a credit for the prepaid tax.

Under current law, the prepaid sales tax has two regions. Region one consists of localities in the metropolitan commuter transportation district (MCTD) and region two localities outside the MCTD. In region one the prepaid tax rate is 14.75 cents per gallon and in region two the rate is 14 cents per gallon.

Part LL creates a third region consisting of localities in the counties of Nassau and Suffolk. As amended, region one consists of localities in the MCTD, excluding those in Nassau and Suffolk Counties; region two consists of localities in the counties of Nassau and Suffolk; and region three consists of localities outside regions one and two (i.e., rest of State).

The prepaid tax rates in the three regions are:

Region one - 17.5 cents per gallon

Region two - 21 cents per gallon

Region three - 16 cents per gallon

These changes take effect on June 1, 2014.

Vending Machines

Part II of Chapter 59 of the Laws of 2014 amends the Sales Tax exemption provided for certain food and beverages sold from a vending machine. Under existing law the exemption applies to items sold for 75 cents or less. Part II will exempt items sold for \$1.50 or less. This change takes effect on June 1, 2014.

The Summary of Tax Provisions is an informational document that provides descriptions of tax provisions enacted as part of the 2014-15 budget. It is designed to provide general guidance and is not intended to interpret the laws or change their meaning.

Appendix A:

Index of SFY 2014-15 Tax Provisions

Summary of Tax Provisions in SFY 2014-15 Budget

Chapter 59 of the Laws of 2014 (S.6359-D/A.8559-D) REVENUE BILL

Section(s)	Page(s)	Subject	Description	Effective Date
Part A	4-170	Corporate Tax Reform	Enacts comprehensive corporate tax reform	TYBOA 1/1/15
Part B	171	Late Filing of STAR Registrations	Allows direct payment of STAR benefit if benefit is missed due to late filing	4/1/14
Part C	171	Fees for Oil and Gas Unit of Production Values	Extends State program of charges for unit of production values it establishes for operating wells from 2015 to 2018	Immediately
Part E	171-172	Modify Signature Requirement on e-Filed Returns Prepared by Tax Preparers	Allows tax preparers to use an electronic certification stating the taxpayer has authorized the preparer to file the return and the preparer has provided a copy of the filed return to the taxpayer	Returns filed for TYBOA 1/1/14
Part G	172	Noncustodial Parent Earned Income Tax Credit	Extends the enhanced earned income tax credit (EITC) for certain noncustodial parents for two years (tax years 2015 and 2016)	Immediately
Part I	172-176	Resident Trust Reform	Eliminates a loophole that allows incomplete gift, non-grantor trusts set up by New York residents to completely avoid New York income tax; also ensures that accumulated income earned by exempt resident trusts and distributed to New York beneficiaries is subject to tax	Immediately for TYBOA 1/1/14
Part J	176-183	Repeal Additional Minimum Personal Income Tax	Repeals the Personal Income Tax's Additional Minimum Tax; also makes conforming changes for New York City's Additional Minimum Personal Income Tax	Immediately for TYBOA 1/1/14
Part K	183-188	Create Enhanced Real Property Tax Circuit Breaker Credit	Creates a refundable circuit breaker credit for NYC homeowners and renters with income below \$200,000	TYBOA 01/1/14 and before 1/1/16

Summary of Tax Provisions in SFY 2014-15 Budget				
Chapter 59 of the Laws of 2014(S.6359-D/A.8559-D) REVENUE BILL				
Section(s)	Page(s)	Subject	Description	Effective Date
Part M	188	Eliminate Prepayment of the Family Tax Relief Credit	Eliminates the prepayment element of the family tax relief credit for tax years 2015 and 2016; relief will be administered as a regular personal income tax credit and provide that the eligibility for the credit will be based on the taxpayer's tax information for the current year	Immediately for TYBOA 1/1/15
Part O	189-190	Commercial Production Credit	Modifies minimum activity threshold for outside MCTD component; extends sunset 2 years to January 1, 2017	Immediately
Part P	190	Low-Income Housing Credit	Increases the credit by \$8 million in each of the next 2 fiscal years	Immediately
Part R	190-193	Real Property Tax Credit for Manufacturers	Creates a credit for real property taxes paid by manufacturers on property owned or leased by manufacturers and principally used for manufacturing	TYBOA 1/1/14
Part R	193-196	0% Tax Rate for Manufacturers	Reduces the tax rate on the entire net income base to zero for manufacturers statewide	TYBOA 1/1/14
Part S	196-209	Agricultural Co-operative Franchise Tax Repeal	Repeals Art. 9, Sec. 185 franchise tax on ag co-ops	TYBOA 1/1/18
Part T	210-211	Credit for Excise Tax on Telecommunication Services for START-UP NY Businesses	Creates a refundable credit for the excise tax imposed by Sec.186-e, for START-UP NY Program participants	TYBOA 1/1/14
Part U	211-213	Youth Works Credit Enhancements	Provides an extra tax credit for employers that retain youth for one additional year; lowers part-time threshold to 10hrs / week for high school students; increases allocation cap from \$6m to \$10m for Programs 2-5	TYBOA 1/1/14
Part V	213-214	Extends the Alternative Fuel Tax Exemptions for Two Years	Extends the sunset date for the alternative fuel tax exemptions from September 1, 2014 to September 1, 2016; exemptions apply to sales of E85, CNG, hydrogen and B20 (partial)	Immediately

Summary of Tax Provisions in SFY 2014-15 Budget				
Chapter 59 of the Laws of 2014 (S.6359-D/A.8559-D) REVENUE BILL				
Section(s)	Page(s)	Subject	Description	Effective Date
Part X	215-284	Reform Estate Tax	Creates a "stand-alone" NYS estate tax with a basic threshold amount that increases over 4 years and equals the federal basic exclusion starting 1/1/19; requires addback of taxable gifts made within three years of death during the period 4/1/14 to 1/1/19	4/1/14
Part DD	290-291	Align Metropolitan Commuter Transportation Mobility Tax and Personal Income Tax Filings for the Self-Employed	Changes the due dates for making estimated tax payments for self-employed individuals subject to the MCTMT to correspond with the same due dates as quarterly estimated Personal Income Tax payments; MCTMT return due date also changed from April 30 to April 15, to conform to the Personal Income Tax due date	Immediately for TYBOA 1/1/15
Part FF	294-307	Establishes a State-funded Two-Year Freeze of Property Taxes in Cap-compliant Local Government Taxing Units	For independent school districts and school fiscal years beginning in 2014, and other taxing units in local fiscal years beginning in 2015, a property tax freeze credit of two years duration will be remitted directly to eligible homeowners	For school districts and the large cities, assessment rolls finalized on or after 7/1/13; for other local government units, for rolls finalized after 7/1/14
Part GG (Subpart A)	307-308	Extends Certain Sales Tax Exemptions Related to Commercial Office Space Leases in Lower Manhattan	Extends by two years the sunset date of an exemption for certain purchases of property and services by a qualifying tenant or landlord in specific areas of lower Manhattan	Immediately
Part GG (Subparts B-G)	308-319	Extends Benefit Period for Certain Properties in Lower Manhattan	Applies to qualifying industrial and commercial properties in a specified area. Extends eligibility period for an additional two years	Generally, effectively immediately, and assumed to have been in effect after 6/30/13
Part HH	319-323	Musical and Theatrical Production Credit	Creates a refundable tax credit to encourage touring musical and theatrical performances in upstate theaters; capped at \$4m annually and administered by Empire State Development	TYBOA 1/1/15 - 12/31/18
Part II	323	Sales Tax on Vending Machine Sales	Increases the maximum price at which certain food and beverages are exempt when sold through a vending machine from 75 cents to \$1.50	6/1/14

Summary of Tax Provisions in SFY 2014-15 Budget				
Chapter 59 of the Laws of 2014 (S.6359-D/A.8559-D) REVENUE BILL				
Section(s)	Page(s)	Subject	Description	Effective Date
Part JJ	323-325	Film Credit County Expansion	Adds Albany and Schenectady Counties to list eligible for 10% wage credit bonus	TYBOA 1/1/15
Part KK	325	Clarify the Tax Treatment of Length of Service Awards for Volunteer Firefighters and Ambulance Workers	Creates a subtraction modification for awards paid to these workers that were included in gross income for Federal tax purposes	TYBOA 1/1/14
Part LL	325-326	Changes the Prepaid Sales Tax on Motor Fuel and Diesel Motor Fuel	Creates three regions for the payment of prepaid sales tax on highway fuels and sets fixed per gallon tax rates for each region	6/1/14
Part MM	326-329	Workers with Disabilities Tax Credit	Creates a non-refundable credit for employers hiring individuals with developmental disabilities, computed at 15% of full-time wages and 10% of part-time wages; administered by DOL	1/1/15 - 12/31/19
Part NN	329	Allows a Later Income Year to be Used in Qualifying for the Enhanced STAR Exemption	In a case of the recent death of a spouse, the surviving spouse can use the year immediately prior rather than two years prior (the general rule) for eligibility purposes	Immediately

Summary of Tax Provisions in SFY 2014-15 Budget				
Chapter 55 of the Laws of 2014 (S.6355-D/A.8555D) Public Protection and General Government Bill				
Section(s)	Page(s)	Subject	Description	Effective Date
Part H	22	Limitation on Tax Credit Eligibility	Makes a taxpayer convicted of an offense defined in Article 200 or 496 or Section 195-20 of the Penal Law ineligible for business credits	4/30/14 and applicable to acts committed on or after such date
Part O	74-75	Residential Buildings of Less than 4 Units in the Bronx	Provides that a specified section of the NYS Adm. Code will not be applicable to such buildings in a specified area of Bronx, and for which construction was begun prior to 1/1/2009	Immediately
Part T	77-81	Provides that Retroactive Adjustments to Assessments may be Made in Specified Counties in the Niagara-Mohawk Region	Adjustments are for property damage resulting from severe weather occurring before taxable status dates before 6/20/2013. Local governments have the option of adopting the provisions in question	Immediately
Part U	81-82	Property Tax Abatements for Income-Eligible Seniors in NYC under RPTL 467b and 467c	Increases the income eligibility ceiling under Sections 467b and 467c of the Real Property Tax Law; State reimbursement to New York City for property tax losses due to income increase	7/1/2014
Part Y	87	Nassau County Assessment Review Program	Amends the RPTL and Nassau County Administrative Code regarding assessment and review of assessments in the County; changes expiration date set in 2002 from June 30, 2014 to June 30, 2016	Immediately
Part BB	89-90	Correctional Facilities Added to START-UP NY Areas	Includes the following facilities in the START-UP NY Program: Butler, Chateaugay, Monterey Shock, and Mount McGregor	7/26/14

Summary of Tax Provisions in SFY 2014-15 Budget				
Chapter 56 of the Laws of 2014 (S.6356-D/A.8556-D) Education, Labor, and Family Assistance				
Section(s)	Page(s)	Subject	Description	Effective Date
Part A, §6	14-15	Phase-in of tax rate differentials in school district mergers or reorganizations	Rates in prior district segments are frozen at existing levels the first year, and any increases in subsequent years are phased in over a period of up to ten years	7/1/14

For more information concerning the data provided in this publication, please contact:

New York State Department of Taxation and Finance
Office of Tax Policy Analysis
W.A. Harriman State Campus Office
Albany, New York 12227
Phone: 518-530-4520
<http://www.tax.ny.gov>