

ASSEMBLY REVENUE PROGRAM

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For State Fiscal Year 2005-2006

The Executive Budget contains net revenue actions that would increase total revenues by \$718 million in SFY 2005-06. This includes \$970 million in revenue increases, offset by \$252 million in revenue reductions in the upcoming fiscal year. When fully implemented, total revenue actions proposed by the Executive are estimated at \$1.5 billion, including total revenue increases of \$1.7 billion, offset by revenue decreases of approximately \$210 million.

The Assembly revenue program modifies the Executive proposals, increasing net revenues by \$1.127 billion in SFY 2005-06. Under the Assembly proposal, revenue enhancements would total \$1.132 billion, while revenue reductions would total \$5 million in SFY 2005-06.

Revenue Enhancement Proposals

Extend Authorization for Quick Draw

Extends the current Quick Draw program for 5 years, until May 31, 2010.

The Assembly rejects the Executive's proposals that would eliminate restrictions on the operation of Quick Draw.

Sales Tax Exemption on Articles of Clothing Under \$110 \$456 million

Reinstates the sales tax exemption on articles of clothing and footwear under \$110 as of January 1, 2006. The Assembly rejects the Executive proposal to permanently repeal the exemption as of June 1, 2005, and replace it with two week-long sales tax holidays.

Reciprocal Tax Offset Agreements

Authorizes the Commissioner of Taxation and Finance to enter into reciprocal tax offset agreements with the New York City Commissioner of Finance. In addition, the Commissioner may enter into similar agreements with other states.

Computation of the Long Term Care Insurance Tax Credit for Nonresidents \$1.5 million

Amends the computation of the long term care insurance credit for nonresident and part-year resident taxpayers to apportion the credit by the proportion of a taxpayer's income derived from NY sources.

Adopt Tax Shelter Provisions Based On Federal Provisions \$25 million

Authorizes the Department of Taxation and Finance to require the disclosure of information relating to a taxpayer's use of tax shelters. A voluntary compliance initiative administered by the Tax Department is also created to allow taxpayers to report and pay underreported tax liabilities and interest attributable to such transactions.

Make Permanent Limited Liability Company (LLC's) Filing Fees \$22 million

Adopt permanently recent increases in limited liability company filing fees. The temporary increases, which expired on December 31, 2004, set filing fees at \$100 dollars per member, with a minimum fee of \$500 and a maximum fee of \$25,000.

Increase the Capital Base Cap Under the Corporate Franchise Tax \$26 million

Increases the maximum amount that a taxpayer can owe under the Article 9-A capital base tax from \$350,000 to \$1,000,000 for all taxpayers except manufacturers.

Sales Tax Reporting Requirements for Manhattan Parking Vendors

Makes permanent the reporting requirements of Manhattan parking vendors. These requirements expired on November 30, 2004.

Excise Tax on Wines \$37.7 million

Increases the excise tax on still wines, artificially carbonated sparkling wines and naturally sparkling wines from 18.93 cents per gallon to \$1.06 per gallon.

Electronic Filing Of Tax Returns For Large Tax Preparers

Requires large tax preparers to file returns electronically. Individuals retain the right to have their returns not filed electronically.

Mortgage Recording Tax Increase \$100 million

Increases the additional Mortgage Recording Tax imposed in the Metropolitan Commuter Transportation District from 25 cents to 35 cents for each \$100 of principal debt secured by a mortgage. All revenues from this tax shall be deposited into the headquarters account of the Metropolitan Transportation Authority (MTA) special assistance fund for the payment of operating and capital costs of the MTA agencies.

REIT/RIC Reform

\$50 million

Disallows the exclusion of income received from real estate investment trusts (REITs) and regulated investment companies (RICs) that are subsidiaries of the taxpayer.

Also denies the fifty percent dividend received deduction to all REIT dividends and to RIC dividends that represent capital gain income. This reform further denies a deduction for rent paid to a subsidiary REIT, adjusts the calculation of the tax on subsidiary capital to exclude subsidiary REITs and RICs and likewise modifies the exclusion of subsidiary-related expenses to allow deduction of expenses related to subsidiary REITs and RICs.

Personal Income Tax Rate Surcharge

\$170 million

The temporary rate increases enacted in 2003 will expire as scheduled, with the exception of the surcharge on taxpayers with income above \$500,000 annually. The existing 7.7 percent surcharge is continued for tax years beginning on or after January 1, 2006.

Sales Tax on Elective Medical Procedures

\$70 million

Extends the sales tax to elective cosmetic procedures. Exceptions are made for procedures that are medically necessary, such as those for burn victims and cancer survivors.

Compensation for Reimbursements, Refunds, or Adjustments to Local Revenues or Payments

Ensures that the State is compensated for any reimbursements, refunds, overpayments, adjustments, or other modifications to local revenues or payments pursuant to a State appropriation to which the State and the chief elected official of a county or the City of New York may agree.

Revenue Reduction Proposals

Enhance Green Buildings Tax Credit

The Green Buildings Tax Credit Program is extended and allotted an additional \$25 million in available credits.

Enhance the Low-Income Housing Tax Credit

The Commissioner of the Division of Housing and Community Renewal (DHCR) is authorized to allocate an additional \$2 million of low-income housing tax credits. The additional money increases the total allocation allowed to \$8 million annually.

Restructure and Expand the Alternative Fuel Vehicles Credit

The existing credits for alternative fuel vehicles are amended as follows:

- The credit for electric vehicles is changed from 50 percent of the incremental cost of such vehicle to 10 percent of the actual cost. The credit would be limited to \$5,000 for vehicles with a vehicle weight rating less than 10,000 pounds and \$10,000 for all other vehicles.
- The credit for hybrid vehicles is amended by adding a new credit for vehicles with gross vehicle weights above 10,000 pounds equal to \$4,000. This new credit applies to such vehicles in service before December 31, 2006. The existing hybrid credit is retained at \$2,000 for vehicles that were in service before December 31, 2005.
- A bio-fuel credit is added, equal to 50 percent of the cost of producing (for sale) a minimum of 10,000 gallons of bio-fuel with a maximum credit of \$1 million per taxable year.

Small Business Rate Reduction

(\$5 million)

Amends the Executive's proposed small business rate reduction by maintaining the current rate of 6.85 percent and increasing the amount of income subject to the reduced rate to \$350,000.

Special Additional Mortgage Recording Tax Credit

Extends the credit for the special additional mortgage recording tax to limited liability companies (LLC's), partnerships, and individuals under the Personal Income Tax. Currently the credit is only available to banks under the Banks Tax and at the corporate entity level under Corporate Franchise Tax.

Power For Jobs

Amends the Executive's proposed extension of the Power For Jobs program to extend the program for three additional years instead of the Executive's proposed one-year extension. The Power Authority is also authorized to provide a voluntary contribution to cover the cost of the program.