

# MARKS PANETH

ACCOUNTANTS & ADVISORS

## MARKS PANETH STATE AND LOCAL TAX ADVISOR: HIGHLIGHTING KEY TAX LAW CHANGES ACROSS THE REGION

### NEW YORK STATE: GOVERNOR CUOMO'S TAX PROVISIONS IN THE PROPOSED 2014-2015 BUDGET

There are several noteworthy proposed tax law changes in the Proposed New York State Budget Tax Provisions. Please note that for "estate tax of gifts," action may be required before April 1, 2014.

The Proposed Budget will reduce taxes by \$500 million in 2014-2015 and reduce taxes by \$1.6 billion in 2015-2016. Under the Proposed 2014-2015 Executive Budget, these are the important changes of which you should be aware:

- The corporate franchise tax (under Article 9A) and the bank tax (under Article 32) will be combined under the corporate franchise tax and the rate will be reduced from 7.1% to 6.5%;
- There will be a 20% refundable real property tax credit for manufacturers;
- The current net income tax rate of 5.9% for upstate manufacturers will be reduced to zero in 2014 and thereafter;
- There will be a refundable residential real property personal income tax credit;
- There will be a refundable renters' personal income tax credit;
- The temporary utility assessment for industrial customers will be eliminated and there will be an acceleration of the phase-out for other customers;
- Real property taxes will be frozen for two years for homeowners with qualifying annual incomes of \$500,000 or less and who live in jurisdictions that stay within the 2% property tax cap. Note that New York City residents are **not** eligible for the freeze;
- Effective April 1, 2014, for decedents dying on or thereafter, there will be reform of the estate tax phased in over four years, whereby the exemption from the estate tax will be raised from \$1 million to \$5.25 million and the estate tax rate will be reduced from 16% to 10% over a four year period;
- All taxable gifts made by a New York State resident **after March 31, 2014**, will be included in the donor's gross taxable estate and subject to the New York estate tax. As there is no New York gift tax, this provision will tax such gifts at the estate tax rate for taxable gifts made on or after April 1, 2014. NY individuals who have significant estates should consider making taxable gifts **before April 1, 2014**, especially if the individual has not used up the federal exclusion amount;
- The State will decouple from the federal tax treatment of trusts, closing the so-called "resident trust loophole". The proposal will impose personal income tax on trust grantors. Distributions of accumulated trust income to NY beneficiaries of non-resident trusts and exempt resident trusts would be taxed. Taxation of an incomplete gift, non-grantor trust (i.e., DINGs and NINGs) will be treated as a grantor trust for NY income tax purposes;

- There would be the elimination of the requirement that tax preparers obtain a written signature from taxpayers before e-filing their returns; and
- There will be a repeal of the financial services investment tax credit.

## **FORMER IRS COMMISSIONER EVERSON ADDRESSES MARKS PANETH**

On January 29, Marks Paneth hosted former IRS Commissioner and current alliantgroup Vice Chairman Mark W. Everson, who spoke to an overflow audience. Among the topics discussed, he touched on the Affordable Care Act, where he urged the government to constantly look at it from three angles: the underlying architecture, its execution and the unintended consequences, both good and bad. He also discussed an emerging problem at the IRS: the waning expertise of the agency. Highly experienced people, who had a defined benefits plan, are retiring from IRS. That coupled with the shorter tenure of young people, who are seeking positions in the private sector because the untraditional pension structure, could lead to yet another crisis at the agency.

## **DOING BUSINESS IN THE CLOUD IS GREAT, EXCEPT FOR TAX TRAPS**

New York State, along with other states, is zeroing in on services that haven't been taxed before, and cloud computing is right up there on the list. In [this short video](#), Steven Bryde discusses the complications of taxation on companies using the Internet to do business.

He also has authored a related article entitled "Facing up to the State and Local Tax Headache the Internet Era Serves up to the Hospitality Industry" that can be [accessed here](#).

## **FOR MORE INFORMATION**

If you have questions about the information contained in this communication or any state or local tax matter, please contact [Steven P. Bryde](#), JD, Tax Principal, by phone at 212.503.8806 or by email at [sbryde@markspaneth.com](mailto:sbryde@markspaneth.com).

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