

# MARKS PANETH

ACCOUNTANTS & ADVISORS

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

### NYS GOVERNOR AND LEGISLATURE REACH AGREEMENT ON 2014-2015 NYS BUDGET AND TAX PROVISIONS

On March 31, Governor Cuomo and the New York State (NYS) Legislature reached agreement on the 2014-2015 Budget, which is effective April 1.

This newsletter provides a summary of the more important tax provisions contained in the budget.

- Income taxation of banks under Article 32 will be repealed and banks will be taxable as regular C-Corporations under Article 9A (corporate franchise tax), effective 1/1/15 and the tax rate under Article 9A will be reduced from 7.1% to 6.5%, effective 1/1/16.
- Extension of the non-custodial Earned Income Tax credit for 2 years.
- Elimination of the resident trust "loophole". That is, for any incomplete gift non-grantor trusts (ING Trusts) their resident New York beneficiaries will be subject to NY income tax by treating such trusts as grantor trusts for NY income tax purposes.
- Elimination of the personal income add-on minimum tax.
- Extension for 2 years of the commercial production credit.
- Enacts a personal income tax credit for homeowners and renters in NYC earning less than \$200,000.
- Enacts a 20% real property tax credit for manufacturers statewide that own or lease realty effective 1/1/14.
- Elimination of the business income tax on manufacturers statewide currently at 5.9% effective 1/1/14.
- Provision of a refundable credit for the excise tax on telecommunication services paid by "Start-Up NY" companies.
- Provision of an "economic nexus" standard for businesses having receipts within New York of \$1 million or more in a taxable year effective 1/1/15.
- Extension of the alternative fuels tax exemption for 2 years through 9/1/16.
- Estate tax reform enacted: raises the estate tax exclusion threshold from \$1MM to \$5.25MM over 4 years; maintains the top estate tax rate of 16% and indexes same to inflation effective 1/1/19.
- Provision of a 2 year real property tax freeze through a refundable personal income tax credit to homeowners who reside in school and municipal jurisdictions that abide by the property tax cap plus, in year 2, such jurisdictions submit an efficiency plan for shared services with other contiguous jurisdictions.
- Repeals the franchise tax on agricultural cooperatives effective 1/1/18.

- Alignment of the Metropolitan Commuter Transportation Mobility tax and personal income tax filing dates for the self-employed.
- Extension for 2 years of the NYC and Lower Manhattan tax credits and abatements.
- Enacts a musical and theatrical production tax credit of 25% of qualified expenses for production tours performing in the State effective 1/1/15.
- Expansion of the Empire film production credit allowing Albany and Schenectady counties to participate in the 10% additional credit for upstate counties.
- Enacts a credit for hiring of persons with developmental disabilities through tax year 2019.
- Accelerates the phase-out of the 18-A temporary utility surcharge for all customers.
- Increases the sales tax exemption threshold for vending machine sales from 75 cents to \$1.50.
- Enhancement of the Youth Works Tax Credit by allowing an additional \$1,000 if an eligible employee is kept for one more year and defines an eligible full time high school student as one who works at least 10 hours per week.
- Provision that the 17% MTA surcharge becomes permanent and the rate is increased to 25.6% in 2015 and 2016.
- Provision of combined reporting for corporations if the taxpayer is engaged in a unitary business and a 50% common ownership test is met.

## **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](mailto:SBryde@markspaneth.com), JD, Tax Principal, by phone at 212.503.8806 or by email at [sbryde@markspaneth.com](mailto:SBryde@markspaneth.com).

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