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SFY 2024-25 Final Budget Business and Tax Update

April 20, 2024

Good morning from Albany,

The good news here is the final State Budget for fiscal year 2024-25 will be completed today (4/20/2024), late but done for the year. Below please find a **general update, an employee benefit update and a tax detailing the final revenue/ tax bill. We have embedded and attached this update in PDF.** The successful results here should be attributed to all the hard work and countless meetings of our firm (Partners and Associates) and the incredible administrative support of **Kelly Forster (Office Manager) and Christine Simonds (Scheduler extraordinary).**

The final spending plan totals \$237 billion and is \$3 billion more than proposed in the Executive Budget in January. The final deal does not have any broad-based tax increases for corporations or individuals. It includes a two-year extension of mayoral control through June 2026, changes to the Tier VI pension system in place since 2012, a housing package to increase housing stock and add new tenant protections, \$1.3 billion in increased education funding, expansion of tuition assistance for college, a crackdown on organized retail theft and expansion of local authority to shut down illegal cannabis stores. The final budget also includes controversial changes to the state's consumer directed personal assistance program (CDPAP) to move to one fiscal intermediary for the State, increased funding for distressed hospitals including a plan to save SUNY Downstate Medical Center, and a 2.84% cost of living adjustment for human services providers.

Important to many businesses was the defeat (for now) of **PART JJ- UDAP – Expand Consumer Protection Deceptive Acts and Practices** (General Business Law). The proposed law would have increased statutory penalties, expand the scope of the law to deceptive practices and require attorney’s fees and costs to be paid by the plaintiffs, and grant the Attorney General the ability to bring enforcement actions. The General Business Law prohibits deceptive practices in the conduct of any business, trade, commerce or furnishing of any service in the State. This bill would add unfair or abusive practices to that prohibition, increase statutory penalties for engaging in unfair and abusive as well as deceptive practices, and require attorneys’ fees and costs to be paid to prevailing plaintiffs. It would also empower the Attorney General to bring enforcement actions. While the proposed law was deleted from the final State Budget we expect the issue to be debated in the remaining portion of the legislative session (S795 Comrie/A7132 Weinstein).

Please find below details on Employee Benefits and the Tax/Revenue Table:

Employee Benefit Update

PPG-Public Protection General Government Final Budget Bill

Included:

Part M – Establish Paid Prenatal Leave to provide eligible pregnant employees the ability to take 20 additional hours of personal leave in a 52-week calendar period for prenatal medical appointments in addition to New York’s current 12 weeks of Paid Family Leave. Employers are not required to pay an employee for unused paid prenatal leave upon termination, resignation, retirement or other separation from employment and are prohibited from discharging, threatening, penalizing, or in any other manner discriminate against an employee for requesting or using paid prenatal leave. This will take effect on and after January 1, 2025.

ELFA -Education, Labor and Family Assistance Final Budget Bill

Included:

PART J- Require Paid Breaks for Breast Milk Expression in the Workplace- the new law would require breaks for up to 20 minutes for breast milk expression. Nursing employees who need more than 20 minutes would be permitted by using paid break time or meal time.

PART L- Expand Recovery Tools for Stolen Wages- Grants DOL- additional enforcement powers when an employer violates wage payment provisions(warrants).

PART M- Sunset the State’s COVID-19 Sick Leave Law- - the current law will expire on July 31, 2024

Omitted:

PPG

Part N - Increases Short-Term Disability Leave Benefits to increase the maximum weekly payment for eligible employees on short term disability from \$170 to two-thirds of an employee’s average weekly wage, capped at two-thirds of the Statewide Average Weekly Wage (SAWW) by 2029 for the first twelve weeks of disability.

Tax/Revenue Budget Summary

Location in Budget	Proposal	Description of Executive Proposal	Executive Proposal Savings/Cost if Any/ Known	Senate One House	Assembly One House	Final Budget
Revenue Article VII, Part A	Itemized Deduction Limit	This bill would amend Tax Law §615(g) to permanently extend the current limitation on the New York itemized deduction for individuals with New York adjusted gross income of more than \$10 million. Without this bill, after 2024, the itemized deductions of all taxpayers with adjusted gross income over \$1 million would be subject to the 50 percent limitation, without regard to those taxpayers with higher adjusted gross incomes. This bill would also make conforming amendments to NYC Administrative Code §111715(g) to permanently extend the current 25 percent limitation on charitable deductions by taxpayers with	Increase State Revenues by \$175 million in FY 2026, \$350 million in FY 2027 and 2028, \$300 million in FY 2029, and \$250 million in the outyears.	Modifies by extending the provision for five years.	Modifies by extending the provision for five years	Accepts Legislature modification.

		adjusted gross income over \$10 million.				
Revenue Article VII, Part B	Tax Shelter Provisions	Would make permanent the current tax shelter reporting and penalty provisions.		Modifies by extending the provisions for 5 years	Modifies by extending the provision for 5 years	Accepts Legislature modification.
Revenue Article VII, Part C	Personal Taxes	Clarifies that after 1/1/24, the Metropolitan Commuter Transportation Mobility Tax (“MCTMT”) will continue to be imposed on self-employed individuals engaging in business within the Metropolitan Commuter Transportation District (“MCTD”) at the current rate of 34% for net earnings from self-employment attributable to the MCTD suburban counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.		Accepts	Accepts	Accepts Executive proposal.
Revenue Article VII, Part D	Corporate Taxes	Would modify the current restrictions in Tax Law §§ 689 and 1089 that prohibit the Department from taking action, such as issuing a deficiency notice or denying a refund claim, on an amended return when the taxpayer previously filed a petition with the Division of Tax Appeals for the tax year. The bill would allow the Department to take such action on other returns filed by	Increase All Funds revenue by \$20 million annually beginning FY 2025	Accepts	Accepts	Accepts Executive proposal.

		the taxpayers for the same taxable year that were not the subject of the petition to the Division of Tax Appeals.				
Revenue Article VII, Part E	Commercial Security Tax Credit	Would establish a refundable commercial security tax credit program available to businesses, with 100 or fewer employees and retail theft prevention expenses exceeding \$12,000, that operate physical retail locations open to the public in NYS.		Accepts	Modify by lowering the threshold from \$12,000 to \$3,000 and allow for businesses with 25 employees or less to be eligible.	Modifies Executive proposal by lowering the threshold to \$4,000 for businesses with fewer than 25 employees and \$6,000 for businesses with more than 25 employees and allowing for businesses with 50 or fewer employees to be eligible.
Revenue Article VII, Part F	Electronic Filing and Payment Requirements	Would make permanent the Department of Taxation of Finance's current electronic filing and payment mandates.		Modifies by extending the mandate by 5 years	Modifies by extending the mandates for five years	Accepts Legislature modification.
Revenue Article VII, Part G	Manage Delinquent Sales Tax Vendors	Would make permanent the Tax Commissioner's ability to require non-compliant vendors to deposit the sales tax it collected into a segregated account, in trust for the state.		Modifies by extending the mandate by 5 years	Accepts	Accepts Senate modification.
Revenue Article VII, Part H	Filing of Amended Sales Tax Returns	Would allow vendors to file amended returns up to 3 years after the return due date or two		Accepts	Accepts	Accepts

		years after the vendor made their original payment.				
Revenue Article VII, Part I	Dodd-Frank Protection Act Sales Tax Exemption	Would extend for 3 years the sales and use tax exemption related to certain sales or services transacted between certain financial institutions and their subsidiaries.		Modifies by extending for 1 year and adding language requiring that the cost of this tax expenditure be calculated and reported to the Governor and the Legislature prior to 4/1/25	Accepts	Accepts Executive proposal.
Revenue Article VII, Part J	Sales Tax Vending Machine Exemption	Would extend the existing sales tax exemption for certain food and drink purchased from a vending machine for one year.		Accepts	Accepts	Accepts
Revenue Article VII, Part L	Cannabis Potency Tax	Would repeal the wholesale Tetrahydrocannabinol (THC) potency tax which is based on THC per milligram for each product and replace these potency-based tax rates with a single percentage-based tax rate of 9% for the sale or transfer of AUC products by a distributor or cannabis retailer. Would also provide that for retail sales by vertically-integrated microbusinesses and registered organizations, the tax rate of 9% would apply to only 75% of the amount they charge.		Modifies by repealing and replacing the cannabis potency tax with language that phases in a permanent rate for the new wholesale tax over a multi-year period (S.4831B)	Modifies by lowering the wholesale rate to 7%	Accepts Executive proposal.

Revenue Article VII, Part O	Capital Funds Use for Certain Off-track Betting Corporation	Would extend for an additional year the authorized non-capital use of capital acquisition funds by the Capital District Regional Off-Track Betting Corporation.		Modifies by allowing Catskill OTB to apply and ensure both Catskill OTB and Capital OTB are able to satisfy the statutorily required pre-application requirements	Modifies by allowing Catskill OTB to apply and ensure both Catskill OTB and Capital OTB are able to satisfy the statutorily required pre-application requirements	Accepts Legislature modifications.
Revenue Article VII, Part P	Pari-Mutuel Wagering and Breeding Law	Would extend for an additional year various provision of the Racing, Pari-Mutuel Wagering and Breeding Law (PML) to maintain the current pari-mutuel wagering and simulcasting structure in NYS.		Accepts	Modifies by removing the severability clause.	Accepts Executive proposal.
Revenue Article VII, Part Q - Final Budget	Little Cigar Tax Reduction	N/A		N/A	N/A	Decreases the little cigar tax rate from the same rate imposed on cigarettes, \$5.35 per pack, to 26.75 cents.
Revenue Article VII, Part R - Final Budget	Extend Funding of the Jockey Injury Compensation Fund	N/A		N/A	Includes language to extend the 2% allocation from the purse fund through April 1, 2027, and \$2 million out of the Purse Cushion Fund	Accepts Assembly proposal.

					through calendar year 2027 for jockey worker compensation coverage.	
Revenue Article VII, Part S - Final Budget	Belmont Park Race Control License Extensions	N/A		N/A	N/A	Extends license fees and requirements to race dates historically at Belmont Park being conducted at the Saratoga racetrack in 2024 and 2025.
Revenue Article VII, Part T - Final Budget	Medical Cannabis Excise Tax	N/A		Advances language to repeal the excise tax on medical cannabis (S.5365)	N/A	Modifies Senate proposal to reduce the excise tax on medical cannabis from 7% to 3.15%. Also amends section 89-h of the state finance law to increase the monies provided from the medical cannabis trust fund to counties in NYS that manufacture and dispense medical cannabis by 25% and eliminates the 5%

						allocated to OASAS, 5% of the revenue provided to DCJS, and the 45% to NYS cannabis revenue fund.
Revenue Article VII, Part K	Vacation Rental Industry Tax	Would require vacation rental marketplace providers, persons who collect the rent and provide the physical and virtual forum where the transaction occurs, to collect sales tax on the vacation rentals that they facilitate. Persons who rent their own property for 3 days or less annually or do not use a vacation rental marketplace provider to facilitate that rental would be excluded.	Increase All Funds revenue by \$8 million in FY 2025 and \$16 million annually thereafter.	Modifies by advancing language to create a statewide registry of short-term rentals, while allowing localities to maintain their own registries, and imposes the sales tax and hotel and motel occupancy taxes on short term rentals.	Modifies by creating statewide registration and verification for vacation rentals, preventing rent-regulated housing from being operated as vacation rentals, and subjecting them to local hotel taxes.	Intentionally Omitted
Revenue Article VII, Part M	Telecommunications Assessment Ceiling Program Clarification	Would clarify that only property “primarily or exclusively” used in the transmission of radio, TV, or cable TV signals is excluded from the definition of real property to ensure internet service providers pay property tax.		Rejects	Rejects	Intentionally Omitted

Revenue Article VII, Part N	Return Tax Foreclosure Surplus to Property Owner	Would provide that when tax-delinquent property is sold, any excess proceeds be returned to the former owner, owners, and lienors (where appropriate).		Modifies by adding several homeowner protections.	Rejects	Intentionally Omitted
Senate One House Revenue Article VII, Part S	Qualified Opportunity Zones Program	N/A		Advances language to fully de-couple NYS from the Qualified Opportunity Zones program and to tax capital gains from investments in these zones in the same manner as other capital gains are taxed (S.543A)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part T	End Sales and Use Tax Exemption for Certain Boats	N/A		Advances language to end the sales and use tax exemption for the cost of a boat above \$230,000 (S.2557)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part U	End Sales and Use Tax Exemption for Certain Aircraft	N/A		Advances language to end the sales and use tax exemption for private aircraft (S.2556)	N/A	Intentionally Omitted
Senate One House	Vape Distributor	N/A		Advances language	N/A	Intentionally Omitted

Revenue Article VII, Part V	Taxes, Licensure, and Enforcement			requiring vapor product distributors to be licensed by the State and gives the Department of Taxation and Finance the power to enforce the collection of excise taxes on vaping products (S.8559)		
Senate One House Revenue Article VII, Part X	Solar Energy System Equipment Credit Expansion	N/A		Advances language to expand the maximum credit for the solar energy system credit from \$5,000 to \$10,000, to allow the credit to include costs of storage systems installed, and make the credit refundable for low to moderate income taxpayers or individuals living in disadvantaged communities (S.3596C)	N/A	Intentionally Omitted

Senate One House Revenue Article VII, Part Y	Geothermal Energy Systems Expenditure Credit Expansion	N/A		Advances language to expand the maximum credit for geothermal energy systems expenditures from \$5,000 to \$10,000 and to make the credit refundable for low to moderate income taxpayers or individuals living in disadvantaged communities (S.8106)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part Z	Residential Energy Storage System Tax Exemption	N/A		Advances language to exempt the installation of residential energy storage systems from the sales and use tax (based on S.4547)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part AA	Digital Gaming Media Production Credit Changes	N/A		Advances language to make programmatic changes to the digital gaming media production credit to make it more effective	N/A	Intentionally Omitted

				(based on S.6997A)		
Senate One House Revenue Article VII, Part BB	Nonprofit Carshare Organizations Tax Exemption	N/A		Advances language to exempt nonprofit carshare organizations from the supplemental car rental tax (S.7848)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part CC	Volunteer Firefighter and Ambulance Workers Credit Increase	N/A		Advances language to increase the value of the volunteer firefighter and ambulance workers credit from \$200 to \$800 (based on S.7286)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part DD	Personal Income Tax Increases	N/A		Advances language to increase the personal income tax rates for filers making over \$5 million but not over \$25 million from 10.3 to 10.8% and for filers making over \$25 million from 10.9 to	SEE ASSEMBLY ONE-HOUSE BELOW	Intentionally Omitted

				11.4% for Tax Years 24-27.		
Senate One House Revenue Article VII, Part EE	Payroll Tax Credit for Certain Independently Owned Media Entities	N/A		Advances language to create a payroll tax credit for independently owned media entities employing news journalists of 100 or fewer employees, capped at \$20 million annually (S.625C)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part FF	Working Opportunities Tax Credit Creation	N/A		Advances language to establish a state version for the working opportunities tax credit, capped at \$5 million (based on S4833A)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part GG	Fossil Fuel Use Tax Break Removal	N/A		Advances language to remove several tax breaks for the use of fossil fuels and dedicates revenues from the taxation of aviation fuel back to airport capital	N/A	Intentionally Omitted

				and operating expenses (based on S.3389)		
Senate One House Revenue Article VII, Part HH	Working Families Tax Credit Creation	N/A		Advances language that would provide a \$550 credit per child to single taxpayers making under \$75,000 and married taxpayers filing jointly making \$130,000. Higher-income taxpayers would see the value of the credit decline by \$20 for each \$1,000 of additional income over these levels. This would replace the Empire State Child Credit (based on S.277A)	N/A	Intentionally Omitted
Senate One House Revenue Article VII, Part II	Corporate Franchise Tax Rate Increase for Certain Companies	N/A	The Senate will advocate for the use of this additional revenue to provide significant relief to the state's Unemployment Insurance Fund.	Advances language to increase the Corporate Franchise tax rate for companies with a net	SEE ASSEMBLY ONE-HOUSE BELOW	Intentionally Omitted

				<p>business income of \$5 million or above to 9% for Tax Years before 2027.</p> <p>Additionally, the Senate supports restarting the scheduled increases to the maximum weekly benefit for unemployed workers to increase to eventually half of the state median income over a reasonable time frame.</p>		
Senate One House Revenue Article VII, Part JJ	Real Property Tax Relief Credit Expansions	N/A		Advances language extending the real property tax relief credit for 3 years and expanding eligibility.	N/A	Intentionally Omitted
Assembly One House Revenue Article VII, Part R	New Racehorse Safety Program at Cornell University	N/A		N/A	Includes language to establish a new Racehorse Safety Program within the NYS College of Veterinary Medicine at	Intentionally Omitted

					<p>Cornell University. The NY Racing Association would pay the required \$2 million in capital related costs in the first year. The required \$1 million in operating costs for the first year, as well as the \$1.8 million annual operating costs in the out years, would be funded by an increased tax on out of State Advanced Deposit Wagering.</p>	
<p>Assembly One House Revenue Article VII, Part S</p>	<p>Corporate Franchise Tax</p>	<p>N/A</p>		<p>SEE SENATE ONE-HOUSE ABOVE</p>	<p>Advances language increasing the Corporate Franchise tax rate for companies with a net business income of \$5 million or more to 9% for</p>	<p>Intentionally Omitted</p>

					Tax Years before 2027	
Assembly One House Revenue Article VII, Part T	Personal Income Tax Increases	N/A		SEE SENATE ONE-HOUSE ABOVE	Advances language to increase the personal income tax rates for filers making over \$5 million but not over \$25 million from 10.3 to 10.8% and for filers making over \$25 million from 10.9 to 11.4% for Tax Years 24-27.	Intentionally Omitted
Assembly One House Revenue Article VII, Part U	Expand the Earned Income Tax Credit (EITC)	N/A		N/A	Includes language to expand income eligibility for EITC payment for taxpayers who have children. For single filers with one child, the benefit would be phased out at \$56,067. For joint filers with 3 or more children, the benefit would be phased out at \$78,976.	Intentionally Omitted
Assembly One House	Include Taxpayers with	N/A		N/A	Includes language to expand the	Intentionally Omitted

Revenue Article VII, Part V	Individual Taxpayer Identification Number (ITIN) in the EITC				EITC to include taxpayers with an ITIN.	
Assembly One House Revenue Article VII, Part W	Supplemental Empire State Child Credit	N/A		N/A	Includes language to provide a supplemental Empire State Child Credit for one year. The supplemental payment would be calculated as a percentage of a taxpayer's 2023 credit.	Intentionally Omitted
Assembly One House Revenue Article VII, Part X	Homeowner Tax Rebate	N/A		N/A	Includes language to establish a 1-year, \$958 million property tax relief rebate check for households that are eligible for either STAR, or Enhanced STAR, and have incomes at or below \$250,000. The rebate would be calculated as a percentage of the taxpayer's STAR benefit, with the	Intentionally Omitted

					percentage varying based on income level.	
Assembly One House Revenue Article VII, Part Y	Exclude Certain Fire Prevention Equipment from Sales Tax During October	N/A		N/A	Includes language excluding fire extinguishers, fire alarms, smoke alarms, and carbon monoxide alarms from state sales taxes during the month of October.	Intentionally Omitted
Assembly One House Revenue Article VII, Part Z	Exclude School Supplies from Sales Tax for 15 days Prior to Labor Day	N/A		N/A	Includes language to provide a sales tax exemption on school supplies with a value of \$110 or less per item for the 15 days prior to Labor Day	Intentionally Omitted
Assembly One House Revenue Article VII, Part AA	Oral Care Products Sales Tax Exemption	N/A		N/A	Includes language to exempt toothbrushes, toothpaste, tooth powders, mouthwash, dental floss, and other similar products from the state sales tax.	Intentionally Omitted
Assembly One House Revenue	Energy Storage Systems Sales Tax Exemption	N/A		N/A	Includes language to provide a sales tax exemption for	Intentionally Omitted

Article VII, Part BB					the purchase and installation of residential and commercial energy storage systems used to provide heating, cooling, hot water, and electricity.	
Assembly One House Revenue Article VII, Part CC	Statewide Worker Opportunity Tax Credit	N/A		N/A	Includes language to provide a tax credit for employers who hire individuals from targeted groups. The credit would be equal to 100 percent of the federal credit, not to exceed \$500 per employee and the total amount of tax credits provided over a three-year period would not exceed \$30 million.	Intentionally Omitted
Senate One House Health/MH Article VII, Part RR	Medicaid Managed Care Tax	N/A		Includes a new proposal for a tax on Medicaid Managed Care plans which can	Includes a new proposal for a tax on Medicaid Managed Care plans which can	Intentionally Omitted

<p>Assembly One House Health/MH Article VII, Part OO</p>				<p>be applied to the capitated rates paid and matched federally (need waiver approval). The Senate proposal earmarks for all DOH Medicaid payments a 3% rate increase and 10% total for hospitals, \$9.5% total for nursing homes, assisted living facilities and hospice providers and includes exclusions including article 16, 31 and 32 providers. This tax is expected to yield about \$4 Billion for three years.</p>	<p>be applied to the capitated rates paid and matched federally (need waiver approval) to provide \$4 billion in new revenue for Medicaid. The Assembly proposal creates a new Medicaid Investment Fund with monies generated to support healthcare delivery pursuant to a plan approved jointly by the Division of the Budget and Legislature.</p>	
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