

New York State Budget Offers Middle Class Tax Cut

On April 13, 2016, Governor Andrew Cuomo signed New York State's 2016-2017 budget which includes a variety of corporate franchise and personal income changes. Below are highlights of the major changes.

Middle class tax cut: The personal income tax rate for affected taxpayers will drop beginning in 2018.

Taxpayers eligible for a tax rate reduction to 5.5%, when fully implemented for tax years after 2024, include single filers with taxable income up to \$75,000, head of household filers with taxable income up to \$100,000, and married joint filers with taxable income up to \$150,000.

Taxpayers eligible for a tax rate reduction to 6%, when fully implemented for tax years after 2024, include single filers with taxable income between \$75,000 and \$200,000, head of household filers with taxable income between \$100,000 and \$250,000, and married joint filers with taxable income between \$150,000 and \$300,000.

Conformity to new federal filing dates: The legislation aligns various state and New York City tax filing deadlines with new deadlines at the federal level (i.e., generally changing the due date from March 15 to April 15 for corporations and from April 15 to March 15 for partnerships, for taxable years beginning on or after January 1, 2016).

STAR credit: The legislation provides for transitioning the school tax relief (STAR) property tax exemption into a personal income tax credit.

New York City school tax reduction credit: The legislation contains provisions converting the school tax relief credit for New York City taxpayers from a city personal income tax credit into a state personal income tax credit. The change applies to taxable years beginning on or after January 1, 2016.

Real property tax credit for manufacturers: Provisions regarding the real property tax credit for manufacturers are amended to specify that, in the case of a taxpayer principally engaged in the production of goods by farming, agriculture, horticulture, floriculture, viticulture, or commercial fishing, the term real property tax includes taxes paid by the taxpayer upon real property principally used during the taxable year by the taxpayer in manufacturing where the taxpayer leases such real property from an unrelated third party if the following conditions are satisfied: (i) the tax must be paid by the taxpayer as lessee pursuant to explicit requirements in a written lease, and (ii) the taxpayer as lessee has paid such taxes directly to the taxing authority and has received a written receipt for payment of taxes from the taxing authority.