



Department of Taxation and Finance

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Department of Taxation and Finance
Joint Senate & Assembly Budget Hearing
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Good morning Chairwoman Young and Chairman Farrell and to all of the members of the Senate Finance and Ways and Means Committees. My name is Nonie Manion and I am the Acting Commissioner of the Department of Taxation and Finance. It is my pleasure to appear before you today to discuss Governor Cuomo's 2018 Executive Budget and, more specifically, how the Budget relates to the work that we do at the Tax Department.

At the Department of Taxation and Finance our mission is to efficiently collect tax revenues in support of State services and programs while acting with integrity and fairness in the administration of the tax laws of New York. We process over 24 million tax returns annually and administer over 40 state and local taxes. In addition to the millions of income tax refunds we issue annually, we have also issued nearly 7 million property tax relief checks to 2.6 million households over the past three years, providing New York homeowners with over \$1.3 billion in much needed real property tax relief. Through the end of 2020, we will have provided over \$4.3 billion in relief.

Governor Cuomo's Executive Budget continues the progress we have made over the past six years to change the direction of this State. The State's prudent fiscal practices have limited annual growth in the State's operating budget to less than two percent, eliminated structural deficits and resulted in an upgrade of the State's credit rating to its highest level since 1972. This fiscal restraint has provided us with the means to provide much needed tax relief.

Today, every New Yorker's tax rate is lower than when Governor Cuomo first took office. Over the course of the Governor's time in office, we have enacted personal income tax cuts that will save taxpayers \$23.6 billion. And those tax cuts have been focused primarily on the middle class. The middle class tax cut will save middle class taxpayers \$6.6 billion over the first four years. By 2025, annual savings will be \$4.2 billion, saving more than 6 million taxpayers an average of \$700 a year.

To provide relief to middle class families who struggle with the costs of providing child care, the Governor proposes to supplement the Child and Dependent Care Credit, which is already the most generous in the nation, by more than doubling the benefit for families earning between \$60,000 and \$150,000. For example, a family with an income of \$60,000 and child care costs of \$3,000, will receive a combined federal and State tax credit of \$1,257. To support these and other important initiatives, the Governor is proposing an extension of the top personal income tax bracket for an additional three years.

The Governor has also transformed the business climate in New York State over the last six years. New York now has the lowest corporate tax rate since 1968 and the lowest manufacturers' tax rate since 1917. The MTA payroll tax has been eliminated for more than 700,000 small businesses and the self-employed. The Governor's tax cuts will save businesses \$7.6 billion over his first two terms (FY 2012 – FY 2019).

Building on this success, the Governor is proposing a bold new initiative to capitalize on New York's standing as a leader in cutting-edge research in the life sciences. As part of a \$650 million multi-pronged strategy, the Executive Budget provides three new tax incentives, worth \$250 million over 10 years. Existing life sciences businesses would be eligible for \$10 million in Excelsior tax credits. New life science businesses would be eligible for a 15% refundable tax credit on new research and development – with small businesses eligible for a 20% credit. Angel investors would be eligible for a credit worth 25% of their investment, up to \$250,000 per investor.

While the budget builds on tax reduction actions taken over the past six years, it is also important to recognize the need for the tax law to evolve with changing times. In this regard, the Executive Budget contains several tax reforms to ensure that existing programs are working as intended and modernizes the tax law to reflect the high tech economy.

The rapid advance of technology has brought with it many societal and economic benefits, changing the way we live and work. However, technological advances have also provided more sophisticated tools for use by cybercriminals. At the Tax Department, we work diligently to prevent refund fraud and identity theft on a daily basis. We have made major investments in data analytics and cyber security, placing us at the forefront of fraud detection in tax administration worldwide. In the last year alone, our systems identified almost 382,000 suspect refund claims, saving the State and taxpayers over \$554 million. However, while our infrastructure investments help us detect identity theft, we have discovered that our cybercrime laws are severely outdated and are not a deterrent to this type of criminal activity.

To combat this new vulnerability, the Governor has proposed a complete package of cybersecurity initiatives. The package strengthens and modernizes New York's cybercrime and identity theft laws, and establishes a new Cyber Incident Response Team to provide cybersecurity support to state entities, local governments, critical infrastructure and schools. This initiative will help deter cyber criminals from victimizing NYS taxpayers and also give us the means to punish those who try.

Again, I want to thank all of you for allowing me to appear before you today to discuss the Governor's important initiatives and I am happy to answer any questions that you might have.