

1 BEFORE THE NEW YORK STATE SENATE FINANCE
AND ASSEMBLY WAYS AND MEANS COMMITTEES

2 -----

3 JOINT LEGISLATIVE HEARING

4 In the Matter of the
2022-2023 EXECUTIVE BUDGET

5 ON TAXES

6 -----

7 Virtual Hearing
Conducted via Zoom

8

February 16, 2022

9

4:05 p.m.

10

PRESIDING:

11

Senator Liz Krueger

12

Chair, Senate Finance Committee

13

Assemblywoman Helene E. Weinstein

Chair, Assembly Ways & Means Committee

14

PRESENT:

15

Senator Thomas F. O'Mara

16

Senate Finance Committee (RM)

17

Assemblyman Edward P. Ra

Assembly Ways & Means Committee (RM)

18

Assemblywoman Sandy Galef

19

Chair, Committee on Real Property Taxation

20

Senator Andrew Gounardes

Chair, Senate Committee on Revenue and Budget

21

Senator Diane J. Savino

22

Assemblyman Edward C. Braunstein

23

Assemblyman J. Gary Pretlow

24

1 2022-2023 Executive Budget

Taxes

2 2-16-22

3 PRESENT: (Continued)

4 Assemblyman Harry B. Bronson

5 Senator John C. Liu

6 Assemblyman Zohran K. Mamdani

7 Senator Alexis Weik

8 Assemblyman Philip A. Palmesano

9 Senator Edward A. Rath III

10 Assemblyman John T. McDonald III

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12

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14 LIST OF SPEAKERS

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STATEMENT QUESTIONS

16 Amanda Hiller

Acting Commissioner

17 NYS Department of Taxation

and Finance 7 13

18

Heather Deese

19 Director of Policy and

Regulatory Affairs

20 Dandelion Energy

-and-

21 Warren Wheeler

Executive Director

22 NYS Assessors Association 81 88

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2 2-16-22

3 LIST OF SPEAKERS, Cont.

4 STATEMENT QUESTIONS

5 Charles Khan

Coordinator, State and

6 Local Tax Campaigns

Center for Popular Democracy

7 -and-

Allan Gandelman

8 President

New York Cannabis Growers and

9 Processors Association

-and-

10 Ashley Ranslow

New York State Director

11 National Federation of

Independent Business 95 106

12

Kimberly Noble, MD, PhD

13 Professor of Neuroscience

and Education

14 Teachers College

Columbia University

15 -and-

Hirokazu Yoshikawa, PhD

16 Professor of Applied

Psychology

17 New York University

-and-

18 Melissa Genadri

Economic Mobility &

19 Health Policy Associate

Children's Defense Fund-

20 New York 117 126

21

22

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1 CHAIRWOMAN WEINSTEIN: Good afternoon.

2 I am Helene Weinstein, chair of the New York

3 State Assembly's Ways and Means Committee,

4 and cochair of today's hearing, along with

5 Senator Liz Krueger, chair of the Senate

6 Finance Committee.

7 And today we begin the 13th and last

8 in a series of hearings conducted by the

9 joint fiscal committees of the Legislature

10 regarding the Governor's proposed budget for

11 fiscal year 2022-2023.

12 The hearings are conducted pursuant to

13 the New York State Constitution and

14 Legislative Law.

15 And this afternoon the Assembly -- our
16 joint committees will hear testimony
17 concerning the Governor's proposed budget for
18 taxation.

19 Let me introduce the members of my
20 conference who are here. The members of the
21 Assembly who are here include Assemblywoman
22 Galef, the chair of our Real Property Tax
23 Committee; Assemblymember Braunstein;
24 Assemblyman Mamdani; Assemblyman Pretlow; and

1 our ranker on Ways and Means, Assemblyman

2 Ed Ra.

3 Do you want to -- I see you do have a

4 colleague here -- introduce him?

5 ASSEMBLYMAN RA: Yes. We have

6 Mr. Palmesano, who is a member of the Ways

7 and Means Committee.

8 CHAIRWOMAN WEINSTEIN: Thank you.

9 So Senator Krueger, can you introduce

10 the Senators who are with us?

11 CHAIRWOMAN KRUEGER: Thank you. Yes,

12 I appreciate that, thank you.

13 We've been joined by Senator Diane

14 Savino. I see Senator Tom O'Mara. And I see

15 Senator Ed Rath. And I think we're expecting

16 one or two more, so let's get rolling.

17 Oh, I'm sorry, Senator Gouardes, our

18 chair of Tax and Revenue, just got in. Thank

19 you.

20 CHAIRWOMAN WEINSTEIN: So just to

21 review the rules of the road for our last

22 hearing, governmental witnesses -- in this

23 case, Acting Commissioner Amanda Hiller --

24 will have 10 minutes.

1 The nongovernmental witnesses who
2 follow in panels will have three minutes to
3 make a presentation.

4 For legislators, the chairs of the
5 respective relevant committee to this hearing
6 will have 10 minutes and a second round of
7 three minutes if desired. Ranking members of
8 each of these committees will get five
9 minutes, and all other members of the
10 committees who are here will get three
11 minutes each.

12 Just to note for the panelists later,
13 and the acting commissioner, that all written
14 testimony has been submitted to the

15 legislators in advance, so you don't have to

16 read your testimony, you can highlight or

17 summarize the important parts.

18 And everybody just keep an eye on the

19 Zoom clock. When the clock winds down to

20 zero, your time is up. I don't have a real

21 hook to pull you off the stage, but I will

22 chime in if you're still talking.

23 And just a reminder for the

24 legislators -- and the witnesses -- that the

1 time is both for the question and the answer.

2 With all of that being said, let's get

3 to the meat of the hearing. And I'm happy to

4 introduce the New York State Department of

5 Taxation and Finance, represented by Amanda

6 Hiller, the acting commissioner as well as

7 general counsel.

8 Ms. Hiller, the floor is yours.

9 DTF ACTING COMMISSIONER HILLER: Thank

10 you. Good afternoon, Assemblymember

11 Weinstein, Senator Krueger, and members of

12 the fiscal committees. I'm Amanda Hiller,

13 acting commissioner and general counsel of

14 the Department of Taxation and Finance.

15 Thank you for this opportunity to discuss the
16 department and Governor Hochul's 2023
17 Executive Budget proposal.

18 To begin, I'm pleased to note that the
19 state is in an excellent financial position.

20 The economy is rebounding faster than we
21 expected. The national GDP grew 5.7 percent
22 last year after contracting 3.4 percent in
23 2020. We have a \$5 billion surplus, which is
24 primarily due to strong tax receipts. We

1 also have projected outyear surpluses. In
2 fact, this is the first time in my memory
3 that we have a financial plan with no outyear
4 gaps to close.

5 Still, we need to be cautious.

6 Drivers such as labor shortages, supply chain
7 disruptions, high energy prices, strong
8 housing market demand, and strong consumer
9 demand that was driven by federal stimulus
10 payments, have all led to inflation at the
11 highest reported level since 1982. The
12 Budget Division expects economic growth will
13 slow in 2022 as many of these trends continue
14 and those federal stimulus payments no longer

15 drive consumer demand. Tax receipts are
16 sensitive to economic forces, which leaves
17 the state vulnerable to economic disruption.

18 Governor Hochul recognizes this and
19 has proposed a responsible budget that makes
20 targeted one-time investments in healthcare,
21 infrastructure and tax relief. These
22 proposals will help energize the economy
23 without creating recurring liabilities that
24 could cause problems down the road.

1 One of Governor Hochul's key tax
2 relief measures is a proposal to accelerate
3 the phase-in of middle-class tax cuts, which
4 are currently scheduled to fully phase in by
5 2025. Under this proposal, the lower tax
6 rates will be fully phased in by 2023,
7 allowing 6.1 million New Yorkers to receive
8 approximately \$1.2 billion in tax relief two
9 years earlier than originally enacted.

10 The Governor proposes \$250 million in
11 tax credits for small businesses that have
12 incurred COVID-related expenses. Health and
13 safety measures that were needed to help
14 mitigate the spread of COVID-19 placed a

15 heavy burden on small businesses, so this

16 relief is vital.

17 The Governor also proposes a Homeowner

18 Tax Rebate Credit to provide property tax

19 relief to approximately 2.5 million

20 New Yorkers across the state, including New

21 York City. If approved, the Tax Department

22 will be sending checks -- averaging \$865 --

23 to eligible homeowners this fall.

24 There are, of course, many other

1 tax-related provisions in the budget,
2 including tax relief for 195,000 small
3 businesses, expansion of the low-income
4 housing tax credit, and extension and
5 enhancement of the brownfield redevelopment
6 program.

7 I'd like, though, to shift gears and
8 talk about Tax Department operations. At Tax
9 we operate at scale: We process 28 million
10 tax filings, mail 17 million pieces of
11 correspondence, issue 9 million electronic
12 notices to taxpayers, and answer 2.5 million
13 calls each year as we work to collect over
14 \$140 billion in state and local revenue.

15 The 4,000 members of Team Tax strive
16 every day to do this work efficiently,
17 effectively, and fairly. Still, with these
18 volumes, we must always guard against the
19 temptation to prioritize efficiency over all
20 else. That's why we're placing additional
21 emphasis across all of our operational units
22 on improving the taxpayer experience.

23 At its core, this is an exercise in
24 empathy. We want to ensure that our

1 engagement with taxpayers is effective for
2 all taxpayers, which means we need to see the
3 ways in which taxpayers are different and
4 adjust our work in recognition of those
5 differences. This effort has many facets,
6 including new training initiatives and a
7 renewed focus on the clarity and
8 accessibility of our guidance and other
9 communications.

10 We're taking a particularly hard look
11 at the burdens that interacting with the
12 Tax Department may present. We have an
13 obligation to ensure that taxpayers comply
14 with our tax laws, and that includes asking

15 some taxpayers to prove they are entitled to
16 the refunds and credits they've claimed. But
17 we too often have assumed that everyone
18 understands exactly how to comply with
19 complex laws, has ready access to different
20 types of records, and can quickly meet
21 voluminous document demands.

22 These are real challenges for many
23 taxpayers, some of whom abandoned valuable
24 benefits because proving eligibility was

1 simply too difficult. We are working hard to
2 understand these challenges, and we're
3 reevaluating the guidance we give to
4 taxpayers, the ways we select returns for
5 review, and the types of records we request,
6 all with these challenges in mind.

7 Lastly, we're striving to increase
8 awareness of the myriad of resources
9 available to New York taxpayers. It's great
10 that we have tax credits that can help
11 working families and free-file options and
12 educational opportunities and consumer
13 initiatives -- all of which can make a real
14 difference for people, but they do little

15 good unless people know about them and can

16 access them.

17 To this end, we have significantly

18 expanded promotion of these programs and

19 services. Most notably, we continue to

20 expand promotion of the Free File program,

21 which has increased usage by more than

22 50 percent, saving New Yorkers \$51 million in

23 tax preparation fees last year alone.

24 The work of improving the taxpayer

1 experience can't be a one-off. The
2 fundamental fact is that the tax system in
3 New York is very complicated. That means we
4 will definitely need to sustain this energy
5 and focus over the long term.

6 To conclude, I am incredibly proud of
7 the work we are doing here at the department.

8 And I'm excited about Governor Hochul's
9 Executive Budget, which will make a real
10 difference in the lives of New York
11 taxpayers.

12 I look forward to working with you to
13 move these initiatives forward and will now
14 take your questions.

15 CHAIRWOMAN WEINSTEIN: Thank you.

16 We go first to Assemblywoman Galef,

17 for 10 minutes.

18 Sandy, I'm sorry, we cannot hear you,

19 even though you are not muted.

20 (Discussion off the record.)

21 CHAIRWOMAN WEINSTEIN: Even though you

22 just came in here, we may have to ask you to

23 log out and log back in.

24 We still cannot -- we still cannot

1 hear. Why don't -- Senator Krueger, do you

2 want to go first?

3 CHAIRWOMAN KRUEGER: Sure.

4 CHAIRWOMAN WEINSTEIN: Yeah, why don't

5 we do it and then we'll get back to --

6 CHAIRWOMAN KRUEGER: Okay. So

7 Senator Andrew Gounardes, who is our new

8 chair of our Tax and Revenue Committee.

9 SENATOR GOUNARDES: Thank you very

10 much, Senator Krueger.

11 Hello, Commissioner Hiller. Good to

12 see you. I want to piggyback off of where

13 you kind of left us in terms of the staff and

14 the employees at the Department of Taxation

15 and Finance. In my previous role as chairman
16 of the Civil Service Committee, I actually
17 visited the department over the fall as part
18 of my civil service tour. I had a great
19 series of meetings and a tour of the offices
20 up here in Albany, and I thought it was a
21 really tremendous opportunity to see exactly
22 how your staff are able to provide this
23 service for the entire state. And really a
24 model of efficiency, and really dedicated

1 public servants. So the department should be
2 commended for having such a great workforce.

3 It was a very eye-opening experience
4 for me just to see exactly what goes on
5 behind the scenes to process all of these
6 millions of state tax returns. And the whole
7 system was really, really quite impressive.

8 I have a couple of questions for you;
9 hopefully we can fit them all into this one
10 round.

11 First, I want to just jump off of
12 where you started your remarks talking about
13 the economic sensitivity as it relates to
14 taxes within the state. And it sounded like

15 you were alluding to this notion that we've
16 been hearing a lot about, about the impact of
17 taxes on people staying in the state and
18 whether or not some of the changes that were
19 brought onto the tax code in the last year or
20 so had an impact on people leaving the state.

21 So I really want to ask you, just at
22 the outset, do we have any evidence, or from
23 where you've seen in terms of the types of
24 returns that we are processing, any evidence

1 that people have left New York State in the
2 last year because of taxes or because of the
3 change in the tax rates that we implemented
4 last year?

5 DTF ACTING COMMISSIONER HILLER:

6 Senator, thank you for the question.

7 I think we've certainly read stories
8 that, you know, talk about how many moving
9 trucks are moving to different parts of the
10 country. And, you know, those include the
11 sort of assumption that there may be a
12 connection between our tax rates and
13 migration out of the state.

14 It turns out that the tax code is not

15 a really great way -- or tax filings aren't a
16 really great way to measure that, at least in
17 the near term. And that's because there's so
18 much of a lag between tax activity to tax
19 filings and tax processing. So we have not
20 yet been able to close the tax filing season
21 from last year, Processing Year '21, where we
22 were processing the tax returns from Tax Year
23 '20. Those returns would normally have been
24 due in April or in October by extension, but

1 we extended those filing deadlines due to the
2 impacts of Hurricane Ida, and so those filing
3 deadlines moved into early 2022.

4 The state filing deadline has passed,
5 but the federal filing deadline was
6 yesterday, and a lot of taxpayers followed
7 the federal filing deadline even though our
8 state deadline was a little earlier.

9 And so we haven't even been able to
10 close out the tax year from 2020 and assess
11 what the initial pandemic impacts were. So
12 it's really kind of hard for us to tell. One
13 thing I can say is that, you know, our income
14 tax receipts are trending higher in '21. We

15 don't know who paid, but we do know that
16 we've taken in higher PIT revenues than we
17 had previously anticipated.

18 And so certainly we see taxpayers
19 paying the income tax, and we're seeing
20 record revenues as a result of that. But
21 understanding exactly who's paying and where
22 those taxpayers are, that's going to take a
23 while for us to sort out just for Tax Year
24 '20. We won't be able to see Tax Year '21,

1 which is where those higher tax brackets were
2 imposed -- we won't know that till this time
3 next year.

4 SENATOR GOUNARDES: I appreciate that,
5 and I understand that we have to really look
6 at the data. You know, it's always --

7 DTF ACTING COMMISSIONER HILLER:
8 Exactly.

9 SENATOR GOUNARDES: I think lots of
10 people fall into this trap of kind of taking
11 a story or two meant for clickbait on the
12 internet and use that to say that this is or
13 is not the definitive story of what is
14 happening.

15 I think it's fair to say that while we
16 wait for that data, that the fact that we are
17 drawing significantly higher PIT revenue --
18 we have had people who are still in this
19 state paying that revenue, right, so we have
20 not seen the mass exodus. Otherwise, we
21 wouldn't see those rates -- or the volume in
22 net collection really increase the way we've
23 seen.

24 But I really look forward to asking

1 the same question next year so we can
2 actually put numbers to this data point, we
3 can actually drive that point home. I would
4 suggest that we have not seen that type of
5 mass exodus that some of these articles in
6 clickbait stories might have suggested, you
7 know, by interviewing one or two or three
8 people out of a state of 20 million.

9 I want to now shift a little bit to
10 asking -- you know, one of the things we had
11 tried to do last year was create a SALT
12 workaround, you know, creating these
13 pass-through entities. And I'm just curious,
14 you know, as a voluntary or an elective

15 option for folks, do we have any sense or
16 data as to what type of participation we saw
17 of people electing to use the pass-through
18 and what impact it may have had on their
19 ability to kind of minimize at least their
20 federal tax liability?

21 DTF ACTING COMMISSIONER HILLER: We
22 were actually surprised by the popularity of
23 the pass-through entity tax as a SALT
24 workaround for pass-through entities and

1 their taxpayers. I think everyone was
2 surprised to see that 95,000 entities elected
3 to pay this tax for Tax Year '21.

4 We received 50,000 estimated tax
5 payments totaling \$11 billion in estimated
6 tax payments that came in in December for Tax
7 Year '21. And that was important for these
8 entities because it allows them to claim
9 those tax payments as an expense on their Tax
10 Year '21 tax filings that they'll be filing
11 at the federal level in Tax Year '22.

12 You know, the federal tax rates for
13 these taxpayers is probably around
14 30-something percent, so it's \$11 billion in

15 payments. That's probably about \$4 billion
16 in federal tax savings that we were able to
17 deliver to New Yorkers just by putting this
18 workaround on the books.

19 SENATOR GOUNARDES: Fair enough.

20 Thank you. That's a high number, so I
21 appreciate that. That's really -- 95,000 is
22 quite a lot.

23 I'm very happy to see the acceleration
24 of the middle-class tax cut. That will go a

1 long way to help a lot of working-class
2 families and middle-class families,
3 especially, you know, communities that I
4 represent down in southern Brooklyn.

5 But I do want to shift and ask about
6 the property tax credit that's being
7 proposed. And at the outset, I'm just
8 curious as to why -- can you speak to why the
9 Governor's budget proposes to give the credit
10 in this way and not to, let's say, you know,
11 expand the circuit-breaker provisions that we
12 passed in last year's budget as it relates to
13 giving people property tax relief?

14 DTF ACTING COMMISSIONER HILLER: You

15 know, I think that providing property tax

16 relief in different ways is not a bad thing.

17 I think one of the elements of this

18 proposal that I think is really important is

19 that the circuit-breaker credit that we

20 enacted last year provided for benefits that

21 were essentially, you know -- we weren't

22 going to send tax benefits below a minimum.

23 It has to be claimed on a tax return, which

24 means you have to pay the taxes and then get

1 them back.

2 And this credit, instead, will be

3 delivered as a check right to taxpayers, so

4 they don't have to claim it as part of their

5 tax return after the year where they paid

6 their taxes. I think all of those things

7 will allow us to deliver that tax benefit,

8 you know, sooner rather later -- six months

9 sooner, at least.

10 SENATOR GOUNARDES: Seems like we're

11 learning the lessons from the 2008 stimulus

12 bill, right? Give people a check instead of

13 giving them a little bit back months later so

14 they remember where it came from.

15 I think that one of the -- that makes
16 a lot of sense. I think one of the
17 limitations of this approach, though, is that
18 by limiting it strictly to people who qualify
19 for a STAR benefit, it really leaves out a
20 lot of individuals who are also saddled with
21 high property taxes -- especially, you know,
22 again, in communities like mine in southern
23 Brooklyn, lots of communities in New York
24 City, which bear the disproportionate burden

1 of a very high property tax system. And so
2 they are going to be shut out of this type of
3 property tax relief, and that's a concern I
4 think for many of us. Doing it with STAR is
5 important, but it leaves out a whole universe
6 of people that need to also get some type of
7 help.

8 You know, and so I think that's
9 something that we want to look at and see if
10 we can make some adjustments there throughout
11 the next six weeks or so to make sure that
12 we're expanding the pool of opportunity for
13 more folks to benefit from this type of
14 relief; it will literally go a very long way.

15 Can you speak a little bit about

16 there's two different payment structures for

17 the property tax -- for the STAR relief

18 benefit here: Those folks living in New York

19 City and those folks living outside of

20 New York City. I know there have been a lot

21 of questions raised about the lack of parity

22 between those proposed structures. Can you

23 speak to that and maybe shed some light as to

24 why there's two different calculations?

1 DTF ACTING COMMISSIONER HILLER: Well,
2 I think historically many -- I mean, the
3 Tax Department has delivered property tax
4 relief checks in a variety of forms over the
5 course of the last X number of years, and
6 often those programs have not included
7 New York City at all. And I think part of
8 that is a sense that property taxes provide a
9 higher percentage of support for local
10 governments outside of New York City, and
11 that New York City has a broader tax base
12 than just property taxes.
13 And so this year I was really excited
14 to see that this homeowner tax rebate credit

15 will include STAR recipients in New York
16 City. But the STAR benefits are lower in
17 New York City because the property tax burden
18 for those homeowners who are eligible to
19 receive STAR is just a lower burden. And so
20 there had to be a different structure for
21 New York City in order to make sure that
22 New York City recipients of STAR were
23 receiving value from this credit.

24 SENATOR GOUNARDES: Thank you for

1 that.

2 CHAIRWOMAN KRUEGER: Thank you.

3 Perfect timing. Helene?

4 CHAIRWOMAN WEINSTEIN: Yes, I believe

5 Chair Galef has corrected her problem.

6 ASSEMBLYWOMAN GALEF: I think I can

7 speak.

8 CHAIRWOMAN WEINSTEIN: Yes, we can

9 hear you.

10 DTF ACTING COMMISSIONER HILLER: I can

11 hear you.

12 ASSEMBLYWOMAN GALEF: Welcome,

13 Commissioner. Good to see you.

14 DTF ACTING COMMISSIONER HILLER: Thank

15 you.

16 ASSEMBLYWOMAN GALEF: One of the
17 questions we just had, which is the one you
18 were just asked about, New York City
19 homeowners -- and you may hear about that
20 again. So thank you for the explanation.

21 Will the homeowners have to, in the
22 homeowner tax rebate credit program -- do the
23 homeowners have to do anything or is
24 everything done automatically?

1 DTF ACTING COMMISSIONER HILLER: We
2 plan to -- you know, as soon as we know, you
3 know -- the Governor's budget included
4 parameters for this credit. It's certainly
5 possible that some of those parameters might
6 change in the course of budget negotiations.
7 As soon as we know what the final parameters
8 are, we will begin working to put systems in
9 place to deliver those checks for every
10 eligible taxpayer. We don't expect to need
11 to do anything for taxpayers -- we have all
12 the information we need.

13 ASSEMBLYWOMAN GALEF: Right. And
14 about when are they coming out? When do we

15 tell our constituents --

16 DTF ACTING COMMISSIONER HILLER: I

17 think we anticipate that they would be coming

18 out in October.

19 ASSEMBLYWOMAN GALEF: October? Okay.

20 DTF ACTING COMMISSIONER HILLER: I

21 think that was the plan. You know, certainly

22 we'll take direction from the Governor and

23 Legislature. Whatever the ultimate

24 legislation provides, we will do that.

1 ASSEMBLYWOMAN GALEF: So there are
2 going to be people that are going to be in
3 both programs. But because you said before
4 that some will get a check, some will have it
5 on their income tax.

6 DTF ACTING COMMISSIONER HILLER: Nope.
7 Nope. No, I just want to clarify that. So
8 there was a circuit-breaker credit enacted
9 last year, and that's a credit for taxpayers
10 who paid a high amount of their income --
11 taxes represented more than 6 percent of
12 their income. And that is a credit that's
13 claimed on their tax return.

14 This program is just a check program.

15 We will be sending checks to every eligible

16 taxpayer in the fall.

17 ASSEMBLYWOMAN GALEF: All right. How

18 many people do you think are involved in both

19 of these programs? Do you have any idea?

20 How many checks are going out?

21 DTF ACTING COMMISSIONER HILLER: I

22 think we don't know about the circuit-breaker

23 because we actually haven't finished seeing

24 claiming for that program yet. I think there

1 was an estimate that about 1.1 million would
2 be able to be eligible for the
3 circuit-breaker.

4 I think we expect that about
5 2.5 million homeowners will be eligible to
6 receive the new homeowner tax rebate credit.
7 That's 2 million taxpayers outside of
8 New York City and about 480,000 in New York
9 City.

10 ASSEMBLYWOMAN GALEF: Okay. Can we
11 just -- and this is a one-year program only?

12 DTF ACTING COMMISSIONER HILLER: As
13 proposed, it's a one-year program. I think
14 that's part of the Governor's, you know,

15 efforts to make one-time relief so that we

16 don't blow out the budget in outyears.

17 ASSEMBLYWOMAN GALEF: Okay. Can I

18 just go on to the telecommunications

19 assessment ceiling program?

20 DTF ACTING COMMISSIONER HILLER: Sure.

21 ASSEMBLYWOMAN GALEF: That will be

22 extended for four years. Do you

23 think there's -- is there a parity existing

24 between the assessment values made about the

1 telecommunications properties by local
2 assessors and the ceiling established by the
3 state? Do you have any information on that,
4 whether it's pretty much the same?

5 DTF ACTING COMMISSIONER HILLER: You
6 know, I don't have actual data on that. But
7 I would anticipate that most assessors are
8 assessing at the ceiling values we've set.

9 ASSEMBLYWOMAN GALEF: Okay. Have
10 there been many challenges locally --

11 DTF ACTING COMMISSIONER HILLER: There
12 have --

13 ASSEMBLYWOMAN GALEF: Yes, there have
14 been many?

15 DTF ACTING COMMISSIONER HILLER: Yes,
16 there have been a number of challenges by
17 telecommunications companies. Some of them
18 are broader than the ceilings themselves
19 because some telecommunications companies
20 have challenged whether they should be
21 subject to property taxes at all.

22 But there have been some challenges
23 specifically to the ceilings. That actually
24 poses some challenges for local governments,

1 and the Governor's budget proposes to look at
2 that. Because assessors who have to defend
3 the ceilings that were set by the state are
4 kind of handicapped by that, and so we're
5 working with them to try to help that.

6 But we at the end of the day think
7 that those challenges really belong at the
8 state because we were the ones who set the
9 ceilings.

10 ASSEMBLYWOMAN GALEF: Right.

11 Okay, can I just ask about STAR?

12 We're very thankful that there haven't been
13 major changes in the STAR program. But there
14 was one about having the ability to find out

15 from other states what people's information,

16 tax information is. Can you tell us a little

17 bit more about that? Is the privacy of

18 people protected?

19 I think what you're trying to get at

20 is double dipping and that area, where people

21 really shouldn't be getting our STAR, they're

22 not really living in our state full-time.

23 DTF ACTING COMMISSIONER HILLER:

24 Right. I don't think we anticipate, you

1 know, sort of broad exchange of files, you

2 know, like enrollee files with other states.

3 But the Tax Department has been party

4 to tax-information-sharing agreements with

5 other states for decades. And for individual

6 taxpayers that have -- where there's some

7 reason for an inquiry from one state to the

8 other, tax administrators are generally all

9 subject to very stringent SEC rules and rules

10 about keeping that information confidential.

11 So, you know, I don't think we have fears

12 that the information will be mishandled.

13 But there are states that have, you

14 know, like homestead credits and homestead

15 exemptions where a taxpayer has asserted that
16 they are primarily resident in that state,
17 and that would disqualify them from STAR in
18 this state. So being able to have that
19 exchange I think is important.

20 ASSEMBLYWOMAN GALEF: Do we have any
21 idea from last year's experience, you know,
22 how we've stopped some of those payments,
23 illegal payments of STAR or Enhanced STAR?

24 DTF ACTING COMMISSIONER HILLER: You

1 know, last year I have to say that the
2 Tax Department, we weren't aggressively
3 trying to police STAR in the same way we
4 would do in most years, because we understood
5 that the pandemic was providing significant
6 challenges to taxpayers across the state.

7 So we focused instead on working with
8 assessors around their work and trying to
9 provide other kinds of supports. And, you
10 know, as -- you know, I'm pleased that today
11 was the first day that we didn't have a new
12 positive case at the Tax Department, and I'm
13 looking forward to resuming some of those
14 kinds of activities as we move into 2022.

15 I think it was the right call to not
16 pursue them in 2020 and 2021, but we're going
17 to anticipate being more aggressive in 2022.

18 ASSEMBLYWOMAN GALEF: And the issue of
19 your doing a different formal mechanism for
20 the executor, heir or other responsible
21 parties notifying local officials directly of
22 a property owner's death, can you just
23 explain that a little bit further, and what
24 happens now and what you're trying to change?

1 DTF ACTING COMMISSIONER HILLER: Well,
2 I think there are two different things. One
3 is sharing information about the death of a
4 taxpayer with local assessors. We share that
5 with county tax directors now. We want to be
6 able to share it with other local assessors.

7 But there's a separate problem that
8 has come up, and there have been different
9 court treatments of the issue. Often when a
10 property owner dies, the estate of that
11 taxpayer may take some time to resolve. And
12 during that period, the administrator of the
13 estate is responsible for handling that
14 estate. But the local taxing authorities,

15 property tax authorities, don't have any idea

16 who that administrator is. So if there are

17 issues around delinquent taxes on that

18 property, that notice is not necessarily

19 getting to the person who is able to address

20 that.

21 And so we want to create a mechanism

22 in the law that allows an administrator to

23 provide notice to local property tax

24 administrators that they're the person

1 responsible for that property in that interim
2 period before the estate has been closed out
3 and assets have been distributed to their new
4 owners.

5 ASSEMBLYWOMAN GALEF: Can I go on to
6 the solar and wind valuation program, which
7 is a little similar to our
8 telecommunications, I guess.

9 What are some examples of the inputs
10 used by local assessors in the department's
11 solar and wind valuation model? What are
12 they using? And are there challenges right
13 now as we enter, you know, in more solar and
14 wind installations?

15 DTF ACTING COMMISSIONER HILLER: You

16 know, the model just was rolled out this past

17 October. Actually, I think it's a couple of

18 models. You know, the inputs include like

19 the size of the proposed project and the

20 generating capacity of the project. Some of

21 the capitalization costs for the project and

22 the like.

23 But those are just beginning to be

24 used now by assessors. So I don't think that

1 we yet have evidence of how that's going to
2 work.

3 Certainly I think that, you know, the
4 Governor and the Legislature last year were
5 trying to provide certainty around these
6 projects as we try to meet our climate change
7 goals. These renewable energy projects are
8 certainly a growing part of our energy mix.

9 And there were concerns about making sure
10 that we have some certainty for these
11 developers and some tools for assessors, some
12 of whom would tell us that they were
13 struggling to figure out how to assess these
14 projects.

15 But the tool is new for this year, so
16 I think it's just being rolled out now and
17 assessors are just using it now. I'm sure
18 there are frustrations on all sides, as with
19 anything new that is trying to end up being a
20 compromise between different interests, but
21 we'll see how it goes.

22 ASSEMBLYWOMAN GALEF: Okay. I do have
23 a last question, but we're coming to an end
24 so I'll try to pick up on it later, just with

1 the assessors in the budget. There's only
2 750,000 in there for people to do
3 reassessment of property. So I'll come back
4 and we'll talk about that a little later.

5 DTF ACTING COMMISSIONER HILLER: Okay,
6 great.

7 ASSEMBLYWOMAN GALEF: Thank you.

8 CHAIRWOMAN WEINSTEIN: To the Senate.

9 CHAIRWOMAN KRUEGER: Thank you.

10 Actually, I see we've been joined by
11 Senator Tom O'Mara and Senator Alexis Weik,
12 who is the ranker, so we're going to give her
13 five minutes now.

14 SENATOR WEIK: Oh, is that me?

15 CHAIRWOMAN KRUEGER: Yes, that's you.

16 SENATOR WEIK: Thank you. I'm

17 certainly not Senator O'Mara.

18 (Laughter.)

19 CHAIRWOMAN KRUEGER: No, you're not,

20 trust me. We're happy you're not.

21 (Laughter.)

22 CHAIRWOMAN KRUEGER: Oh, did I say

23 that? Never mind, O'Mara.

24 SENATOR WEIK: So first I just want

1 to say thank you so much, Amanda, for being
2 here. I don't know if you remember me in my
3 previous job --

4 DTF ACTING COMMISSIONER HILLER: I
5 totally remember you. Islip.

6 SENATOR WEIK: Yes, that's --
7 absolutely. And I just want to say so I'm
8 glad to see you on this call because you are
9 an incredible wealth of information,
10 especially when it comes to dealing with --
11 the fine-tuning parts of dealing with
12 municipalities and the differences between
13 all of those municipalities.

14 You were a phenomenal help with me in

15 my town and in my county that does things
16 kind of backwards than the rest of the state,
17 and I just -- nothing but wonderful props for
18 you because you do a fantastic job. And
19 thank you so much for joining us today and
20 for all the information you provided so far.

21 DTF ACTING COMMISSIONER HILLER: Thank
22 you. It was a pleasure.

23 SENATOR WEIK: I didn't really have a
24 question, I just wanted to say thank you.

1 I'm so happy to see you here today, I really

2 am.

3 DTF ACTING COMMISSIONER HILLER: If

4 all the questions are this easy, I'll be

5 great.

6 (Laughter.)

7 CHAIRWOMAN KRUEGER: Thank you.

8 All right, back to you, Helene.

9 CHAIRWOMAN WEINSTEIN: So we'll go to

10 Assemblyman Ra for five minutes.

11 ASSEMBLYMAN RA: Thank you, Chair.

12 Commissioner, good afternoon. Thank

13 you. I just wanted to pass along thanks on

14 behalf of myself and our staff. Your

15 department is always responsive and helpful
16 whenever we need to reach out, whether it's a
17 constituent issue or information on
18 legislation. So just wanted to thank you for
19 that.

20 One of the topics that has come up a
21 lot in recent times is inflation. And our
22 conference put forth a proposal called the
23 Inflation Relief and Consumer Assistance
24 Plan.

1 And I'm just wondering if you could
2 comment on whether the administration is
3 thinking about, whether it's in the 30-day
4 amendments or putting something on the table
5 in the final budget, to find some ways to
6 address the inflation and help, you know, our
7 consumers, whose buying power has been, you
8 know, limited because of inflation. You
9 know, any type of tax-holiday-type things on
10 essential items, or anything of that nature
11 that might help with these rising costs.

12 DTF ACTING COMMISSIONER HILLER: Well,
13 the Governor's Executive Budget proposal does
14 not exclude any proposals for new tax

15 holidays. As you know or may know, the state
16 already provides an exemption for clothing
17 and footwear sales, most clothing and
18 footwear sales. A lot of states do that by
19 providing a tax holiday through a certain
20 period of the year. But in New York State
21 the state taxes are -- that's a permanent
22 exemption for those clothing and footwear
23 sales under 110 across the state all year.
24 We think that that's really important relief.

1 But of course the Governor's budget
2 includes other kinds of property tax relief
3 and income tax relief for taxpayers in order
4 to try to stimulate our economy going forward
5 in this year. And I'm excited about that
6 because I think that we're delivering some
7 real tax relief to taxpayers.

8 ASSEMBLYMAN RA: Thank you.

9 I know you mentioned, you know, the
10 fact that we have no gaps in the outyears,
11 and that's a great thing. And part of that
12 is obviously --

13 DTF ACTING COMMISSIONER HILLER: It's
14 amazing too.

15 ASSEMBLYMAN RA: -- the way in which
16 our tax receipts have rebounded. I'm just
17 wondering, though -- one of the concerns many
18 of us have raised over the years with, you
19 know, the tax increases that were put in in
20 the last budget, and particularly how reliant
21 our state has been and continues to be on
22 personal income tax.

23 And I'm just wondering -- you know, I
24 know we do have that picture in the financial

1 plan, but has the department done any kind of
2 internal analysis on the -- you know, the
3 sustainability of tax revenue growth? It is
4 a small portion, especially with the
5 ultra-millionaire's tax, a small number of
6 people that we are dependent upon. And it
7 does, you know, historically show that it can
8 cause some instability in those receipts.

9 DTF ACTING COMMISSIONER HILLER: You
10 know, I think that -- you know, I'm really
11 pleased to see that our tax revenues are
12 rebounding. Certainly our income tax
13 revenues were strong in 2021.

14 Again, I can't really say exactly who

15 has paid those revenues, because we haven't
16 actually been able to sort through those tax
17 filings yet, but -- in fact the lot of the
18 filings haven't even been made yet. We've
19 gotten about 1.5 million in tax returns so
20 far this year, but we have another, you know,
21 9 million to go.

22 And we won't be able to assess what
23 the impact was of those new higher brackets
24 that were imposed for Tax Year '21 until this

1 time next year, which is kind of funky. But
2 we know how much revenue we're collecting,
3 and we know that the receipts that we took in
4 in 2021 in terms of withholding taxes and
5 estimate tax payments were very strong.

6 We also know that we are seeing strong
7 recovery in our sales taxes, which is helping
8 both the state coffers and local coffers.
9 And that's across all sectors. I think there
10 has been stronger growth in the sale of
11 tangible goods and services -- tangible goods
12 than in some of the services like the arts
13 and entertainment, restaurants. But those
14 are recovering too. We're now seeing

15 recovery in all sectors of the economy.

16 So I think that we're in a pretty good

17 shape going forward.

18 ASSEMBLYMAN RA: And then the last

19 question I had, with regard to the STAR

20 credit and people having, you know, really

21 been incentivized to switch to the credit

22 from the exemption, does the department have

23 any data as to how many people are switching

24 over? I know obviously some are forced in

1 terms of income or new home sales. But in
2 terms of people that, you know, didn't have
3 that type of change in circumstances but may
4 be shifting over to taking the credit?

5 DTF ACTING COMMISSIONER HILLER: I
6 think that we're now at a place where we have
7 about 25 percent of STAR beneficiaries are
8 receiving it in the form of a STAR credit.

9 ASSEMBLYMAN RA: Thank you very much,
10 Commissioner.

11 CHAIRWOMAN WEINSTEIN: Back to the
12 Senate.

13 CHAIRWOMAN KRUEGER: Thank you. Our
14 next questioner is Senator Ed Rath.

15 SENATOR RATH: Thank you very much,

16 Madam Chair.

17 And Commissioner Hiller, listening to

18 the resounding endorsement from my colleague

19 Senator Weik, I'm very much looking forward

20 to working with you.

21 DTF ACTING COMMISSIONER HILLER: Thank

22 you.

23 SENATOR RATH: And I want to follow up

24 a little bit on the question that was just

1 asked by Assemblyman Ra about inflation. And
2 we have accelerated the middle-class tax
3 cuts. And I'm concerned, with inflation
4 being as high as it is, the benefit of this
5 cut could be mitigated with what's called
6 bracket creep, whereby what happens is
7 inflation pushes income into a higher tax
8 bracket, you pay higher taxes, but you lose
9 purchasing power.

10 So the question I have is would you be
11 supportive of potentially indexing these tax
12 brackets for inflation to protect this tax
13 cut going forward?

14 DTF ACTING COMMISSIONER HILLER: You

15 know, I think -- I have to say I think I
16 would be a little leery about indexing them
17 specifically to inflation. One, because
18 there are many different ways of measuring
19 inflation and it's very hard to pick a point
20 in time for that. You know, I just was
21 reading a couple of days ago that there was
22 a -- you know, that inflation was at
23 7.5 percent year over year, but that's really
24 for a 12-month period for a certain sector of

1 it, and there are like 19 different reports.

2 So I think that that can be very hard.

3 But I also think it's really important

4 to provide certainty to taxpayers and

5 employers as they go through a tax year

6 cycle; as they try to project their income

7 and their withholdings, that we have some

8 certainty around that. So, you know, I

9 certainly think in the context of this and

10 any other budget we can look at tax brackets,

11 but I think the idea of just putting an index

12 in that would just move without reflection in

13 any given tax year would probably not be the

14 best way to go.

15 SENATOR RATH: Okay, just keep it in

16 mind. I think it's a possible idea --

17 DTF ACTING COMMISSIONER HILLER: Oh,

18 absolutely.

19 SENATOR RATH: -- something to

20 certainly consider.

21 DTF ACTING COMMISSIONER HILLER: Sure.

22 SENATOR RATH: My next question -- I

23 realize I have a minute, so I'll try to keep

24 it quick -- is considering sky-high energy

1 costs -- we've seen natural gas rates up
2 50 percent, we've seen electric or power
3 prices double, and everyone is feeling the
4 effect of these massively increased energy
5 costs, particularly in the wintertime.

6 Is there any potential idea or
7 consideration for suspending some of the
8 various energy taxes that we have in New York
9 State to provide relief to New Yorkers who
10 are already paying some very, very high
11 energy costs as well as energy taxes?

12 DTF ACTING COMMISSIONER HILLER: You
13 know, I'm not aware of specific proposals in
14 the Executive Budget.

15 You know, for the Tax Department, one
16 of the things that's great about my job is
17 that we're going to administer the ultimate
18 budget decisions that are determined by you.
19 And, you know, if the decision is to include
20 other kinds of tax relief around energy, then
21 we will be happy to administer that.

22 SENATOR RATH: Again, something to
23 consider. Because we have, like I said --

24 DTF ACTING COMMISSIONER HILLER:

1 Absolutely. Sure.

2 SENATOR RATH: -- an incredible pinch,

3 if you will, with energy costs.

4 So Commissioner Hiller, I look forward

5 to working with you. I know my time is up.

6 And all my best to you.

7 DTF ACTING COMMISSIONER HILLER: Thank

8 you.

9 CHAIRWOMAN KRUEGER: Thank you.

10 Assembly.

11 CHAIRWOMAN WEINSTEIN: We've been

12 joined by Assemblyman Bronson and Assemblyman

13 McDonald.

14 And we go to Assemblyman Mamdani for

15 three minutes.

16 ASSEMBLYMAN MAMDANI: Thank you,

17 Chair Weinstein.

18 Thank you, Commissioner Hiller. I'll

19 just jump straight into the questions here,

20 in the interests of time.

21 So I understand that in the

22 middle-class personal income tax cut, that

23 joint filers that earn between 27,900 and

24 323,200 will be getting a tax cut. What are

1 the brackets for individual filers?

2 DTF ACTING COMMISSIONER HILLER: I

3 think I might even know that. The brackets

4 for individual filers: 13,900 to 80,650 is

5 the lower bracket. And then 80,650-plus to

6 215,400.

7 ASSEMBLYMAN MAMDANI: Okay.

8 DTF ACTING COMMISSIONER HILLER: But

9 the percentage, the rate change -- the rate

10 reductions are the same for the individuals

11 and for the married filing jointly, it's just

12 the brackets are different, of course.

13 ASSEMBLYMAN MAMDANI: Okay. And so

14 would you as well as the Governor, by

15 extension, classify these individuals as

16 middle class?

17 DTF ACTING COMMISSIONER HILLER: I

18 don't really have a viewpoint to that. When

19 these cuts were enacted back in 2016, they

20 were dubbed the middle-class tax cuts.

21 ASSEMBLYMAN MAMDANI: Okay, so there's

22 no official position from the department as

23 to what constitutes the middle class or what

24 category New Yorkers who earn more than that

1 would be listed as?

2 DTF ACTING COMMISSIONER HILLER: You

3 know, I certainly don't have a position as to

4 what -- where the line is for middle class

5 versus not middle class. I do know that cost

6 of living varies tremendously across

7 different parts of the state and that 200,000

8 goes a lot further in my community than it

9 does in some of the downstate suburbs.

10 ASSEMBLYMAN MAMDANI: Okay. Thank

11 you, Commissioner.

12 Just moving on to another question,

13 were there any negative consequences from the

14 raising of personal income and corporate tax

15 rates last year?

16 DTF ACTING COMMISSIONER HILLER: I

17 can't really speak to that because we don't

18 really know yet. I would say I don't

19 think -- I haven't seen anything to suggest

20 that there have been. But, you know, the

21 economic activity that was subject to those

22 rates last year is being reported on tax

23 filings now and throughout this year, and

24 then we will be able to look back this time

1 next year to see what those tax filings look

2 like.

3 ASSEMBLYMAN MAMDANI: Okay. And so

4 what would your thoughts be on making last

5 year's tax increases permanent in this year's

6 budget?

7 DTF ACTING COMMISSIONER HILLER: You

8 know, I think that that's a choice that is

9 available to the Governor and Legislature.

10 I think that we don't know yet --

11 those rates are going to be in place for

12 several years, so I think that there's an

13 opportunity to take some time and assess what

14 those impacts are before we're forced to make

15 a decision one way or the other.

16 ASSEMBLYMAN MAMDANI: Okay. Well,

17 thank you very much, Commissioner.

18 I cede back my nine seconds.

19 CHAIRWOMAN WEINSTEIN: Thank you.

20 To the Senate.

21 CHAIRWOMAN KRUEGER: Thank you.

22 To Senator John Liu. (Pause.)

23 Unmute, John. You're not able to?

24 It's not working for you?

1 DTF ACTING COMMISSIONER HILLER: Oh,

2 wait, here he is.

3 CHAIRWOMAN WEINSTEIN: Nobody could

4 keep John Liu from talking.

5 (Laughter.)

6 CHAIRWOMAN KRUEGER: No, we still

7 can't hear you, though, John Liu. I'm so

8 sorry. I'm going to ask you to re-Zoom back

9 in and maybe I will go first and then we'll

10 bring John later. Is that okay?

11 SENATOR LIU: (Thumb up.)

12 CHAIRWOMAN KRUEGER: Okay, thank you.

13 Thank you, Helene. You know,

14 sometimes these systems just don't cooperate

15 with us.

16 It's nice to see you, Amanda. I feel

17 like you've been there forever. Is that

18 actually true?

19 DTF ACTING COMMISSIONER HILLER: I

20 have been the general counsel of the

21 Tax Department since December 2012.

22 CHAIRWOMAN KRUEGER: It's almost like

23 forever.

24 DTF ACTING COMMISSIONER HILLER: Yeah,

1 almost forever. And I've been acting

2 commissioner since April.

3 CHAIRWOMAN KRUEGER: Okay, thank you.

4 Well, welcome again.

5 DTF ACTING COMMISSIONER HILLER: Thank

6 you.

7 CHAIRWOMAN KRUEGER: So Senator Rath

8 asked you about some kind of subsidy or --

9 for ratepayers. And I don't know that this

10 would go through you, but my understanding

11 because of a strange deal the Governor made

12 with the nuclear power plants about 2016,

13 ratepayers are ending up subsidizing nuclear

14 power to the tune of about \$7 billion over a

15 10-year period. Do you ever see that tax as
16 a separate tax coming in to you, or a
17 separate subsidy that runs through your
18 department at all?

19 DTF ACTING COMMISSIONER HILLER: I
20 have to say I've been at the Tax Department
21 for many years, and I have not heard that.

22 CHAIRWOMAN KRUEGER: Okay. So I know
23 it exists, I think perhaps it just doesn't
24 come through you --

1 DTF ACTING COMMISSIONER HILLER: Yeah,
2 maybe at the PSC or someplace else.

3 CHAIRWOMAN KRUEGER: Yes, because it
4 was PSC approval.

5 So I'm going to just point out to my
6 colleagues that that is a place we all could
7 work together and call for ratepayers not to
8 have to subsidize nuclear power to such a
9 heavy degree, especially at a time where of
10 course my colleague's right that the energy
11 costs keep growing. So Senator Rath, you and
12 I might want to work on that together.

13 But going back to Amanda, so the mayor
14 of New York City was up here at a budget

15 hearing -- maybe it was last week, I lose
16 track -- and he was calling for the City of
17 New York to expand its Earned Income Tax
18 Credit. Now, that goes through us; we would
19 need to approve it. But does it cost us
20 anything if the City of New York decides to
21 expand its local EITC?

22 DTF ACTING COMMISSIONER HILLER: No,
23 it's -- the Earned Income Tax Credit is a
24 credit against the personal income tax. And

1 the state has a personal income tax, and
2 New York City has its own personal income
3 tax.

4 We administer the New York City
5 personal income tax for the city, but the
6 New York City Earned Income Tax Credit goes
7 against the New York City PIT revenue.

8 CHAIRWOMAN KRUEGER: Okay. Now, he
9 also mentioned that he thought it would be a
10 great idea if the state also expanded its
11 EITC by \$250 million. Have you had a chance
12 to look at what that would mean as a
13 percentage if we were to do that?

14 DTF ACTING COMMISSIONER HILLER: I

15 have to say I have not. I did not
16 specifically hear that, and so I haven't
17 looked at that. I mean, we certainly could
18 try to figure that out, but I haven't looked
19 at it.

20 CHAIRWOMAN KRUEGER: Okay, well if you
21 wouldn't mind. It was in his testimony, and
22 I would just love to know -- he pulled out a
23 number, 250 million, but I'm not sure what
24 that means from a taxpayer, individual

1 taxpayer perspective. So I think that would

2 be helpful, so --

3 DTF ACTING COMMISSIONER HILLER: I

4 mean, I do know that we deliver \$975 million

5 in Earned Income Tax Credits to 1.5 million

6 New Yorkers. So if we were adding another

7 250 million, I think that that would be a

8 significant expansion. But there would be

9 lots of different ways to do that. We could

10 expand the percentage of the federal credit,

11 we could expand who's eligible for the

12 credit. There are a lot of different ways we

13 could explore trying to do something like

14 that.

15 CHAIRWOMAN KRUEGER: Okay. Maybe his
16 tax people can explain what he thought he
17 meant, because that's just the number that he
18 gave.

19 DTF ACTING COMMISSIONER HILLER: Sure.

20 CHAIRWOMAN KRUEGER: Thank you.

21 My colleague Andrew Gounardes did ask
22 about the SALT change we did that seems to be
23 being used by many people. And I understand,
24 I think conceptually, how certain monies

1 coming into us but then we're -- you're

2 giving it back out.

3 When we look at all this new tax

4 revenue we didn't necessarily imagine we were

5 getting, are we possibly counting that SALT

6 money as if it's really ours when it's just

7 passing through?

8 DTF ACTING COMMISSIONER HILLER: Yeah,

9 I think that there's a timing challenge as we

10 think about it. And that makes accounting

11 for the pass-through entities tax, or PTET,

12 revenue funky. And that's because we took in

13 \$11 billion in the '21-'22 fiscal year,

14 because all those payments came in at the end

15 of December 2021 to provide Tax Year '21 tax

16 relief to New Yorkers.

17 But we will be delivering that

18 \$11 billion out in the form of tax credits to

19 those individuals who are the partners,

20 shareholders and members of those

21 pass-through entities -- after April 1st, you

22 know, in their income tax filings. And so

23 there's this cross-fiscal year problem as we

24 account for those revenues.

1 So I think across the financial plan,
2 the PTET is neutral. But if you took one
3 year of revenue in isolation and one year of
4 credits in isolation, it would look like we
5 were having a \$22 billion flow, but it's not.
6 It's just the timing of it from one fiscal
7 year to the next.

8 CHAIRWOMAN KRUEGER: Okay. That's
9 important for us to I think just make sure we
10 all understand. Because we all like to
11 imagine if there's more money, we're going to
12 spend it. But I want to make sure we --

13 DTF ACTING COMMISSIONER HILLER: No,
14 the PTET is designed to be revenue-neutral.

15 The PTET is designed to be revenue-neutral.

16 It's just the timing issue.

17 CHAIRWOMAN KRUEGER: Right, but

18 sometimes we look at individual charts and we

19 get a little thrown off when we see really

20 big numbers and we go, Gee, did Santa come

21 multiple times and we didn't realize it. So

22 thank you for that.

23 So much of the discussion of the

24 Economic Development hearing right before

1 this was all about how much money we're
2 giving out in economic development in money
3 and are we getting a return for it and,
4 frankly, an enormous amount of frustration I
5 think by legislators in both houses, both
6 parties, that New York hasn't really been
7 handling this right. And even though we have
8 now a website at -- or we have, sorry, a
9 database up on Economic Development that's
10 supposed to list out all the different deals
11 that happen and how much money is being
12 spent, ESDC points out that it's really only
13 half of the money that we spend in tax
14 exemptions as part of economic development

15 deals, because most of it actually goes

16 through you in the Tax Department.

17 So how can we ever get that

18 information up in the same place as the ESDC

19 information so we can really evaluate,

20 through a transparent model, how much money

21 the state is giving out or not collecting in

22 taxes under the rubric of its economic

23 development activity?

24 I know other states list out: Tax

1 exemption here, the following companies got

2 A, B, C, D, E. Do you have the capacity to

3 do that?

4 DTF ACTING COMMISSIONER HILLER: We --

5 there -- I would take that question in two

6 different ways.

7 One, the Tax Department prepares, in

8 conjunction with the Division of Budget, a

9 tax expenditure report each year that lists

10 out the volumes -- the totals of what we're

11 spending --

12 CHAIRWOMAN KRUEGER: That's the total.

13 DTF ACTING COMMISSIONER HILLER: -- on

14 each of those tax expenditures. And

15 certainly those economic development credits

16 are tax expenditures.

17 The challenge for the Tax Department

18 relates to flow-through taxpayers. These

19 days many businesses are organized as LLCs or

20 as partnerships or as S corps. And those

21 taxpayers don't claim the tax credit at the

22 entity level, they're claiming it on their

23 individual tax return.

24 And, you know, I might own a McDonalds

1 franchise, but if I did own one, I might own
2 six, and each of them is individually set up
3 as its own standalone LLC for a variety of
4 really solid legal reasons. But then if I'm
5 claiming a hiring credit for two out of six
6 of those franchises, for us as the Tax
7 Department, we can't put together effectively
8 which -- this McDonald's hired these number
9 of employees and that other McDonald's hired
10 that other number of employees. And so it's
11 really hard for us to package that together.

12 One of the ways that we can provide
13 some insight to that is in the tax credits
14 that have been organized -- structured in the

15 law where a different agency that has some

16 subject matter expertise is certifying the

17 credit for the company. We're doing that for

18 a lot of the hiring credits, for example.

19 You know, the Department of Labor is working

20 with that entity, is approving that entity,

21 is approving the tax credits for that entity.

22 We're just writing the check. But that

23 becomes a vehicle for understanding at the

24 entity level what credits are being claimed.

1 CHAIRWOMAN KRUEGER: And yet there are
2 so many different agencies and programs -- I
3 mean, I was thinking -- before you said
4 Department of Labor, I was thinking, yeah,
5 brownfields, somebody tracks brownfields and
6 you can see what company got what amount.

7 And yet when I look at some other
8 states' websites, they seem to have the
9 information. So they just have a less
10 complicated tax system where people all have
11 to file their taxes in the same way and you
12 actually can just see it? Is there something
13 particularly unique about New York that it's
14 so much harder here?

15 DTF ACTING COMMISSIONER HILLER: I
16 certainly can't speak for what's happening in
17 other states. But the state doesn't really
18 impose taxes at the entity level for those
19 pass-through entities. So it becomes hard
20 for us to see at the entity level how these
21 credits are being claimed.

22 CHAIRWOMAN KRUEGER: I think we're
23 still going to struggle to try to come up
24 with ways --

1 DTF ACTING COMMISSIONER HILLER: Of

2 course. Absolutely.

3 CHAIRWOMAN KRUEGER: -- that it can be

4 made more transparent, since we now have a

5 Governor who believes in transparency. And

6 I'm taking her at her word that she wants us

7 to be able to get access to this information.

8 And my time is up. Helene Weinstein?

9 CHAIRWOMAN WEINSTEIN: We go to

10 Assemblyman Palmesano.

11 ASSEMBLYMAN PALMESANO: Yes. Hi,

12 Commissioner.

13 As you're aware, the Farm Labor Wage

14 Board recently made a recommendation to lower

15 the farm overtime threshold from 60 hours to
16 40 hours. And the Governor has put in her
17 Executive Budget a farm employer overtime
18 credit. And obviously the Governor still
19 needs to make a decision on whether to sign
20 off on this overtime threshold being reduced,
21 which many of us, including the Assembly
22 Republican Conference, the Senate Republican
23 Conference, many farmers, agricultural
24 industry and even workers have expressed

1 their opposition to this happening, given the
2 devastating impact this will have on our
3 family farms, 98 percent of which are
4 family-owned farms, and the loss of farm jobs
5 and farm hours.

6 Given that fact, if the Governor does
7 sign off on this reduction, the fact of the
8 matter is our farmers are going to need help.

9 And this overtime credit, is it the intention
10 of the Governor and the administration to
11 provide this credit in advanced payments so
12 that farmers won't have to wait a year or
13 16 months to file their taxes to get paid
14 this relief? Is it the intent to make it

15 more advanced and upfront to provide
16 immediate relief instead of having to absorb
17 those upfront costs upfront? Because they're
18 going to need the help -- if they survive.

19 DTF ACTING COMMISSIONER HILLER:

20 The -- you know, my understanding is that the
21 Governor intends, with the farmworker
22 overtime credit, to try to make sure that
23 farmers are made whole if there's a change in
24 the overtime threshold.

1 You know, I think there's a challenge
2 about providing that assistance in advance
3 because we don't know in advance what those
4 actual wage costs are for farmers. So I
5 think that delivering it in advance I think
6 would be very challenging.

7 I do think that we provide a range of
8 assistance to farmers through the tax code,
9 and those have been successful. And so I
10 think that -- I would expect that this would
11 be successful too.

12 ASSEMBLYMAN PALMESANO: Yeah,
13 Commissioner, I mean, Farm Credit East did a
14 study saying that if this goes through, it's

15 going to increase farm labor costs by
16 42 percent while decreasing net farm income
17 by 20 percent. And if we put this burden
18 onto our family farms, it's going to
19 devastate the family farm.

20 And I'll remind you that if there's no
21 farms, there's no farmworkers. If there's no
22 farms, there's no food. So this needs to be
23 a priority. The farmers are going to need
24 this relief upfront.

1 But the best thing to do, the Governor
2 should reject this proposal, let our farmers
3 farm and let our farmworkers be on the farm,
4 because that's where they want to be. They
5 don't want this to be reduced. So they want
6 to keep those jobs, otherwise -- because,
7 what, 70 percent -- a study by Cornell said
8 70 percent of the farmworkers would leave the
9 state to find other employment so they can
10 make those hours they need so they can make
11 the money they need to make.

12 CHAIRWOMAN KRUEGER: Back to the
13 Senate?

14 CHAIRWOMAN WEINSTEIN: Yes, back to

15 the Senate.

16 CHAIRWOMAN KRUEGER: Thank you.

17 Senator John Liu, who hopefully has a

18 voice now.

19 SENATOR LIU: Can you hear me?

20 CHAIRWOMAN KRUEGER: Yes, we can.

21 SENATOR LIU: All right. My mic

22 wasn't working before, but I could hear all

23 of you, including my dear friend, our

24 Assembly Chair Helen Weinstein say that they

1 could never shut me up, except that one time.

2 Anyway, great to see you, Acting

3 Commissioner. I just have two main questions

4 for you. One has to -- and they're both kind

5 of related. One has to do with this notion

6 that when income tax rates are increased at

7 the high end, all sorts of people will leave

8 the State of New York.

9 And one of my colleagues did ask you

10 something about that before, but I'd like to

11 ask it more precisely, which is, you know, do

12 we have running lists of which taxpayers are

13 -- which taxpayers from one year to the next

14 become -- are no longer taxpayers? And of

15 course we're talking about state income tax.

16 DTF ACTING COMMISSIONER HILLER: I

17 have to say I don't have a list at my desk of

18 New York taxpayers --

19 (Inaudible overtalk.)

20 SENATOR LIU: Yeah, I'm not asking for

21 a list, nor -- and obviously we're not

22 looking for names either. But there's got to

23 be, from year to year, the people -- this

24 list of taxpayers in 2019 and 2020, and then

1 the tax changes of 2021. How many of those
2 individuals who paid state income tax in 2019
3 and 2020 no longer paid income tax in both
4 2021 and 2022?

5 DTF ACTING COMMISSIONER HILLER: You
6 know, there will come a time when we're able
7 to answer that question, but I can't answer
8 it today. And that's again because there's a
9 lag in tax filings. We haven't even finished
10 processing the tax returns for Tax Year 2020.
11 And so we haven't been able to close that tax
12 year and compare it to Tax Year '19, the year
13 before.

14 SENATOR LIU: Sure. I understand.

15 So -- so with --

16 DTF ACTING COMMISSIONER HILLER: Tax

17 returns for Tax Year 2021 haven't even been

18 filed yet.

19 SENATOR LIU: All right. But last

20 year would not have been the first time that

21 the State of New York raised income tax

22 rates. So I think we did it about 11 or

23 12 years ago, significantly. And presumably

24 those kinds of lists should exist for that

1 period of time, before and after, also.

2 So I would ask you to maybe ask your
3 team to look at some of those lists. Again,
4 these are pretty simple lists. We don't want
5 names, but you have the individuals that are
6 identified and, you know, how many people
7 actually did leave the state or were no
8 longer New York State taxpayers after the tax
9 increases were enacted -- this was, again,
10 about a dozen years ago.

11 My second and last question is people
12 say that, oh, you know, people don't actually
13 have to move out of the state, they can
14 simply live in Florida for a few extra days

15 of the calendar year. Of course one famous

16 hedge fund guy said, you know, the problem

17 with having to be a Florida resident is

18 you've got to live in Florida. Right?

19 But how easy is it really for somebody

20 to simply say, Oh, you know what, I spent

21 185 days last year in Florida as opposed to

22 being in New York?

23 CHAIRWOMAN WEINSTEIN: And we'll have

24 to stay in suspense on that answer, since the

1 time has expired.

2 Or perhaps when I speak I'll let the

3 commissioner answer.

4 DTF ACTING COMMISSIONER HILLER: Do

5 you want me to answer? So -- so changes in

6 domicile --

7 CHAIRWOMAN WEINSTEIN: Commissioner,

8 even though this is one of our last

9 questioners, we are sticking to the time

10 clock. So the Assembly, we have myself and

11 then Assemblywoman Galef for a second round.

12 So why don't we put 10 minutes on the

13 clock; I have a couple of questions.

14 So, Commissioner Hiller, would you

15 like to answer Senator Liu's question? In a

16 short time.

17 DTF ACTING COMMISSIONER HILLER: I'm

18 happy to try to answer Senator Liu's

19 question.

20 The state has two different ways of

21 looking at whether somebody is a resident for

22 New York State tax purposes. Certainly one

23 is whether a taxpayer is domiciled in

24 New York State. And changing domicile turns

1 out to be a really heavy lift for people.

2 You actually, really, truly have to move.

3 New York also has a second test for

4 looking at residency, and that's really

5 because looking -- you're always looking

6 backwards at what a taxpayer did two years

7 ago or three years ago when you're auditing

8 them. And so if a taxpayer has a home in

9 New York and has spent more than half the

10 year in New York, then we will consider that

11 taxpayer a resident of New York because

12 having a home and being here makes it

13 certainly look like you're a resident.

14 That does sometimes, for some

15 taxpayers, come down to a count of the number
16 of days that they spend in New York. And so
17 it can turn on that question. But even if a
18 taxpayer is domiciled someplace else and
19 resident someplace else, we still tax their
20 income that's derived from New York sources
21 no matter where you live. If your income is
22 derived from New York sources, we will go out
23 to tax that.

24 CHAIRWOMAN WEINSTEIN: Thank you.

1 So let's move on to a couple of other
2 questions. And I do want to thank you for --
3 I guess it was in early January or even
4 December when we had the presentation and you
5 followed up with some information about the
6 restaurant credits.

7 I wanted to switch gears to the
8 New York City musical/theatrical tax credits.
9 And I note, just hearing what you said about
10 the returns, the year still being open, that
11 you may not have answers to this, but
12 hopefully in the future you will. And I was
13 just wondering if any musical/theatrical
14 productions have applied for the production

15 credit that was enacted as part of last

16 year's budget.

17 And, you know, if that provides some

18 guidance, I know the Governor recently --

19 this budget increases the theater production

20 credit by a hundred million, from 100 million

21 to 200 million. And do you believe that's

22 sufficient funding to meet the needs of the

23 theater industry?

24 DTF ACTING COMMISSIONER HILLER: I

1 have to say that question would probably have
2 been better directed to ESD this morning.

3 We haven't seen credit claims, but I
4 believe that there have been applications for
5 this credit that have come into ESD, which is
6 administering this credit {inaudible}.

7 But I also think that when we enacted
8 this credit last year, I think we were much
9 more optimistic about how soon we would be
10 able to feel like we were moving to the other
11 side of the pandemic and able to allow
12 productions to move forward. And, you know,
13 we instead were challenged by first Delta and
14 then Omicron.

15 And so the proposal to extend this
16 credit so that the enhanced credit is
17 available for a longer period, and that the
18 overall amount of credits is available, I
19 think is going to be important for this
20 industry. And because this industry is such
21 an economic driver for New York City, I think
22 it would be important for New York City as a
23 whole.

24 CHAIRWOMAN WEINSTEIN: And I know

1 there's a proposal in the Governor's budget
2 to expand the financial institution data
3 management program to virtual currency, to
4 cryptocurrency.

5 And just from your perspective, are
6 there other states that have done this? The
7 federal government has attempted this
8 expansion. And do you see difficulties in us
9 moving forward in collecting the 20-plus
10 million that is anticipated from this action?

11 DTF ACTING COMMISSIONER HILLER: So
12 this is the financial data matching program,
13 and this is the program where we have a
14 vendor who works with financial institutions.

15 We give them a list of the people who owe us
16 taxes, and they match them against account
17 holders that have assets.

18 We want to expand the FIDM program,
19 the Financial Institution Data Matching
20 program, to include cryptocurrencies, the
21 virtual currencies, because we certainly
22 don't want to create a circumstance going
23 forward where assets can be hidden in these
24 investment vehicles.

1 Some cryptocurrencies I think are
2 structured in ways that would make it
3 difficult for data matching because
4 they're -- the holdings are inherently
5 cryptic. But certainly we're seeing the
6 industry start to market in a much broader
7 scale to everyday Americans in ways that I
8 think will require the industry to start
9 having accounting in a different way. And we
10 want to be on the front end of that with our
11 vendors as they interact with these
12 institutions, to make sure that they aren't
13 being built in ways that are going to become
14 vehicles to hide assets from tax collectors.

15 CHAIRWOMAN WEINSTEIN: Thank you.

16 And I wanted to raise one question --

17 you may be aware that Senator Krueger and I

18 sponsored legislation to expand the False

19 Claims Act as relates to taxes, tax filers,

20 to include the loophole that would require --

21 that would allow the False Claims Act to

22 cover people who have income in New York but

23 fail to file a tax return, as opposed to

24 those who willfully file a wrong return.

1 And I was wondering -- I know this was
2 vetoed by the Governor, it was a last-minute
3 New Year's Eve veto and there wasn't really
4 time to have much discussion. I wonder if
5 you've had -- if you had weighed in on that
6 or if you have any thoughts on that. As you
7 know, it's a unique situation -- when someone
8 fails to report New York State tax income, we
9 may not know about it but for a whistleblower
10 at that company or somehow tied to that
11 individual.

12 So I was just wondering your thoughts
13 on providing this remedy to encourage
14 whistleblowers.

15 DTF ACTING COMMISSIONER HILLER: I'm

16 certainly aware of the legislation. And

17 you're absolutely right, it is much harder

18 for us to find nonfilers than it is for us to

19 examine the returns that are actually filed

20 with us.

21 I think that, you know, the issues

22 around this legislation speak to the issues

23 around the False Claims Act in general as it

24 relates to taxes. There are -- it's -- I

1 think many tax professionals have been
2 concerned that as they provide aggressive tax
3 planning advice to their clients, that they
4 would somehow be wrapped up in claims
5 against -- you know, in the False Claims Act
6 in ways that aren't quite the same as a
7 taxpayer making a deliberate effort to
8 defraud the state.

9 And I think that there are probably
10 pathways to try to resolve that to make sure
11 that tax professionals that are acting in
12 good faith are not wrapped up in claims
13 against their clients where their clients may
14 have deceived them. And, you know, I think

15 that -- so I think that there's a path
16 forward here, and I think it would be
17 important to try to find a path forward here.

18 But I think that that legislation may
19 not have hit the sweet spot there, and we
20 just need to figure out how to thread that
21 needle.

22 CHAIRWOMAN WEINSTEIN: Thank you for
23 that response.

24 And now that we're probably just an

1 hour away from the close of the budget
2 hearings, I think Senator Krueger and I will
3 be available to have those discussions with
4 you.

5 DTF ACTING COMMISSIONER HILLER:

6 Absolutely. I look forward to them.

7 I don't see any other Senators, so I
8 know our Real Property chair, Sandy Galef,
9 had follow-up questions in her second round
10 for three minutes now.

11 ASSEMBLYWOMAN GALEF: Thank you,
12 Commissioner.

13 You know, most states require that
14 there be reassessment of properties, like

15 every year, every two years. New York does
16 not do that, and we've had -- we have some
17 areas of our state that haven't reassessed
18 properties since 1940. I know we use the
19 equalization rate, but it's not the same as
20 having a full value assessment. And in the
21 budget is \$750,000 for -- it's a carrot to
22 get communities, because we don't require it,
23 but to get communities to do reassessment of
24 their property. And we give \$5 per parcel

1 for that full assessment, and then another \$2
2 for a re-appraisal every four years.

3 But my understanding from some of the
4 communities this year, that they didn't even
5 get the \$5, they got like 67 percent of it or
6 some percentage. And I understand maybe
7 there isn't the \$2 available when they do
8 their re-appraisals.

9 So I wondered, what could we add to
10 the budget to encourage -- first of all, to
11 get people their full amount of up to \$5, you
12 know, get them \$5, get the \$2 going, let's
13 get more municipalities doing reassessment.
14 What could we add to the budget to be able to

15 accommodate the people today?

16 DTF ACTING COMMISSIONER HILLER: I

17 definitely don't have a magic number in mind.

18 I do believe that it's -- that reassessing in

19 a community is really challenging for local

20 officials. It's a real hard lift. I can

21 tell you in my own community they haven't had

22 a full reassessment in a decade or more. And

23 in a community that's changed dramatically,

24 and so I suspect that a reassessment would

1 cause some significant tax displacement

2 across the community.

3 And I think that that's really the

4 barrier in most communities to doing a full

5 reassessment. Certainly having additional

6 assessment aid might push the needle there.

7 And if it comes in, we'll be happy to work

8 with assessors to use it well. But I think

9 that there are a range of challenges around

10 reassessments that are not simply about

11 money.

12 ASSEMBLYWOMAN GALEF: Right. And some

13 of it may be that we as state legislators

14 have to require it, it has to be on the

15 books, that people have to do it because the

16 local communities have such a hard time

17 saying yes.

18 But there is something about the

19 money, too, that is important. We'll hear

20 from assessors later on.

21 DTF ACTING COMMISSIONER HILLER:

22 Absolutely.

23 ASSEMBLYWOMAN GALEF: Right. And just

24 one quick question. Does everybody that goes

1 into the STAR credit check get a 2 percent
2 increase every year? I've had constituents
3 that didn't.

4 DTF ACTING COMMISSIONER HILLER: The

5 credit doesn't automatically grow by

6 2 percent each year. The STAR benefit

7 relates to the growth in school taxes in the

8 community. The exemption is capped, so it

9 will not grow even if those local taxes do

10 grow. And the credit does grow. So the

11 credit is larger than the exemption in most

12 communities, but it doesn't automatically

13 grow at 2 percent, it's allowed to grow up to

14 2 percent.

15 ASSEMBLYWOMAN GALEF: Thank you.

16 CHAIRWOMAN WEINSTEIN: Thank you.

17 So Acting Commissioner Hiller, we look

18 forward to calling you Commissioner Hiller,

19 although you may have to take a pay cut.

20 But we very much appreciate you

21 spending the time with us today. Sorry that

22 we got started a little later than we had

23 initially alerted you to. But thank you for

24 your cooperation and being here with us, and

1 we look forward to continuing to work on many
2 of the issues that were raised with you
3 today.

4 CHAIRWOMAN KRUEGER: Thank you,
5 Amanda.

6 DTF ACTING COMMISSIONER HILLER: Thank
7 you.

8 CHAIRWOMAN WEINSTEIN: Thank you.

9 So now we're going to move on to -- we
10 have three panels of eight different people
11 testifying, so we are going to move on to
12 that.

13 I'm going to introduce Panel A:

14 Dandelion Energy, Heather Deese, director of

15 policy and regulatory affairs; New York State

16 Assessors Association, Warren Wheeler,

17 executive director. If the two of you

18 could -- you have three minutes for your

19 presentation. Your testimony has already

20 been shared.

21 Please proceed in that order, so

22 Heather first.

23 MS. DEESE: Thank you. Good

24 afternoon, or early evening, Chairs and

1 members. Thank you for the opportunity to
2 participate in the hearing.

3 My name is Heather Deese. I'm the
4 director of policy and regulatory affairs for
5 Dandelion Energy. Dandelion was founded in
6 New York in 2017, and in less than five years
7 we have become one of the nation's leading
8 providers of residential heating and cooling
9 using geothermal.

10 Our 160 employees, half of whom are
11 drillers, plumbers, electricians and HVAC
12 installers, work from our facilities in
13 Mount Kisco, Peekskill, Latham and Bay Shore.
14 And we work with subcontractors to install

15 geothermal systems throughout the state as

16 well.

17 Our mission as a company is to make

18 geothermal heat pumps so inexpensive and easy

19 to install that we enable a widespread shift

20 from fossil heating to renewables. We focus

21 on geothermal because it is the most

22 efficient way to heat and cool buildings.

23 And as a result, it is also the lowest cost

24 for homeowners. New Yorkers typically see a

1 40 to 50 percent decrease in their annual
2 energy bills when they switch to geothermal.

3 Geothermal systems also have an
4 incredible climate benefit -- decreasing
5 greenhouse gas emissions by 60 to 80 percent
6 when replacing electric resistance, fuel oil,
7 propane or gas. And geothermal does not
8 require any backup heating or auxiliary
9 heating, even in the coldest months.

10 We applaud the State of New York for
11 its visionary climate goals and
12 nation-leading support of geothermal in the
13 last few years. NYSERDA's Clean Heat program
14 and Green Jobs, Green New York loans have

15 supported thousands of geothermal
16 installations. But the state needs to do
17 more. While operating costs are low, the
18 upfront installation of geothermal presents a
19 barrier to many homeowners.

20 For this reason, we ask you to include
21 two bills in the budget this year which will
22 spur geothermal installation by making it
23 more affordable. Senate Bill 3864 and
24 Assembly 7493, sponsored respectively by

1 Senator Kennedy and Assemblymember Rivera,
2 will establish a 25 percent income tax credit
3 for geothermal, with a cap of \$5,000. Senate
4 Bill 642A and Assembly 8147, sponsored by
5 Senator Sanders and, again, Assemblymember
6 Rivera, provides a sales tax exemption for
7 geothermal equipment.

8 New York has provided both of these
9 same tax incentives, the tax credit and the
10 sales tax exemption, for solar PV for
11 decades, and that has contributed to the over
12 100,000 New York homes that have rooftop
13 solar today.

14 These incentives will help our

15 industry move from hundreds to thousands of
16 installs, and then to tens of thousands every
17 year. The fiscal impact will be modest,
18 likely four to \$5 million for each measure
19 each year, and will return results in energy
20 savings for customers, supporting
21 installation jobs that will not be
22 outsourced, and keeping energy dollars in the
23 state rather than paying for imported fossil
24 fuel.

1 These bills have been passed in the
2 past but vetoed by the Governor because they
3 were not included in the budget. So we're
4 asking for budget inclusion this year.

5 We also want to express our support
6 for the other bills this year that are
7 requiring electric new buildings as soon as
8 feasible, advanced appliance standards and
9 supporting a just transition to renewable
10 heating and cooling.

11 Thank you.

12 CHAIRWOMAN WEINSTEIN: Thank you.

13 And now the Assessors Association.

14 MR. WHEELER: Good afternoon. Can you

15 hear me?

16 CHAIRWOMAN KRUEGER: Yes.

17 MR. WHEELER: Perfect.

18 Well, thank you, everybody, for this

19 opportunity. I do appreciate it. My name is

20 Warren Wheeler. I'm the executive director

21 for the New York State Assessors Association.

22 I provided our testimony, so I'm not

23 going to read it all word for word, but I do

24 want to touch on a couple of key points, the

1 first of which is the solar -- implementation
2 of the solar valuation and wind model.

3 As part of the 2021-'22 budget, there
4 was a model that's mandated that assessors
5 use to value these solar facilities and wind
6 facilities. Right from the beginning, we
7 expressed our concern over the model and
8 mandating a specific methodology to be used
9 to value these properties.

10 We further went on to say that as a
11 result of the model, the values are extremely
12 low. We surveyed our members, and 94 percent
13 of the members surveyed agreed that the model
14 does not truly represent market value in its

15 concern to the solar facilities.

16 And further, stating the need for the

17 inputs and the gathering of information, the

18 information is not always readily available.

19 We ask that if the assessors are going to be

20 mandated to use a model, that the developers

21 are mandated to provide the information

22 necessary.

23 We would be happy to work with -- we

24 have a task force of appraisal professionals,

1 industry professionals that we would go and
2 work with DTF to develop this form and make
3 it a mandatory filing by taxable status date.
4 And for any developer that does not provide
5 the necessary information in a timely manner,
6 they would lose their opportunity to
7 challenge the inputs that the assessor did
8 use.

9 The other thing that we wanted to talk
10 about is -- it was touched on a little bit --
11 about the reassessment and the aid. I do
12 believe that the biggest hurdle is the
13 monetary issue. Five dollars per parcel is
14 really light in what things are running these

15 days as far as the costs associated with
16 implementing a townwide revaluation,
17 especially in municipalities that are fairly
18 large and it has been several years since
19 they've done that.

20 If you noticed on my testimony I
21 mentioned that back in 1999, at the height of
22 revaluations, there was \$83 million in aid
23 for equity projects. So that number has been
24 severely whittled down -- and, as you can

1 see, the amount of equity projects also.

2 And then real quickly, we're asking

3 for -- to follow suit with the Appraisal

4 Institute and the Association of Realtors,

5 where they have actually instituted a class

6 of fair housing and so on, we think that fair

7 housing and an assessment administration type

8 of a class would benefit assessors as well.

9 And I see my time is up, so I will

10 entertain any questions that you may have,

11 and thank you very much.

12 CHAIRWOMAN WEINSTEIN: Thank you.

13 We'll go to Assemblyman Palmesano.

14 Does anybody else -- I'm sorry,

15 Philip. If anybody else has a question,
16 don't forget to raise your hand on the -- so
17 we can call on you. Yes, go ahead.

18 ASSEMBLYMAN PALMESANO: Thank you.

19 My question is for Ms. Deese. I've
20 been a critic of the CLCPA for a number of
21 reasons -- I won't get into them all here,
22 but one of them is cost. Come 2030, when
23 your natural gas boiler first goes out, you
24 can't replace it with natural gas or -- you'd

1 have to electrify your home. With some
2 estimates of cost for electrification at
3 \$35,000 or \$50,000, a significant cost, and,
4 you know, the need to be transparent with the
5 public about what this is going to cost -- I
6 know in your testimony you'd mentioned that
7 one of the barriers to homeowners was the
8 upfront cost relative to purchasing a
9 geothermal heat pump.

10 How much does it cost to purchase a
11 geothermal heat pump?

12 MS. DEESE: So the answer to that
13 question, it varies depending on the size of
14 the home and the level of insulation in the

15 home and therefore the heating and cooling
16 needs. And that does really vary quite a
17 lot. It's a little bit like asking how much
18 does a car cost. I mean, you can buy a
19 \$25,000 new car or you can buy an \$80,000 new
20 car.

21 But what we work with for most of our
22 customers is financing for the part of the
23 cost of the system that's out of pocket for
24 them. Our systems in most of New York State

1 range around \$35,000 to \$45,000 in the total
2 cost for what we consider a typical home. So
3 that is a 2,000 square foot home of sort of
4 1970s vintage in terms of insulation.

5 Of that 35,000 to 45,000, then there's
6 the rebate from the utilities and then
7 there's a 26 percent tax credit from the
8 federal government. And what we're usually
9 trying to do is bring that out-of-pocket cost
10 down below \$20,000 so that when financed, the
11 cost that homeowners are saving right away on
12 their fuel each year has a payback of 10
13 years or less.

14 ASSEMBLYMAN PALMESANO: I understand

15 that. But that's a significant upfront cost
16 even with the tax credits for sure, of people
17 out there not making a lot of money,
18 low-income people, which will be forced upon
19 them because this is the rules, they're going
20 to have to electrify their property, their
21 homes.

22 So we've been advocating, our
23 conference and others, saying we should be
24 transparent with the public about showing, if

1 this is the best way to go, let them show it
2 in true actual dollars and assess what this
3 is going to cost.

4 Regarding the heat pumps, can you
5 explain -- I've heard stories that depending
6 on the weather, climate, that these don't
7 work as well in specific areas. Like if you
8 get up into the North Country with very, very
9 freezing temperatures or in Western New York
10 with Buffalo -- because again, 60 percent of
11 people heat their homes with natural gas.

12 Is there issues with this that you've
13 seen? Are there concerns about ratings to be
14 able to work efficiently and effectively,

15 especially if it's dependent on electrifi --

16 on solar and wind to operate, which isn't

17 reliable.

18 MS. DEESE: So geothermal is different

19 than air source heat pumps, which are the

20 more common right now and what I think it

21 sounds like you are talking about, where when

22 it gets really cold outside it's hard to pull

23 heat out of that cold outside air to bring it

24 in to heat the home. The advantage of the

1 geothermal ground loop is that it stays at
2 50 degrees all year round, and so it's much
3 easier to heat the home and we do not have
4 issues in cold climate.

5 CHAIRWOMAN WEINSTEIN: Thank you.

6 Senator Krueger, do you have any
7 members?

8 You are muted, and I believe the
9 answer is no, so I --

10 CHAIRWOMAN KRUEGER: I apologize.

11 Yes, I see no Senate hands. Back to the
12 Assembly.

13 CHAIRWOMAN WEINSTEIN: All right.

14 Assemblywoman Galef, then.

15 ASSEMBLYWOMAN GALEF: I just want to

16 follow up with Mr. Wheeler.

17 So going back to what you stated was

18 that you thought it was about money, what do

19 other states do to make sure that we do have

20 fair assessments and equality in property

21 values and so on? Is it about money? Is it

22 about state law? What -- what --

23 MR. WHEELER: Outside of the making it

24 a mandatory thing, I'm not a hundred percent

1 sure. We would have to go and do some

2 research on that to see how they do it.

3 I do know that if -- historically

4 speaking, if you look at IAAO standards,

5 New York State typically is light in the

6 assessment office employment staffing against

7 the IAAO national standards of what they

8 recommend on a per-parcel basis of how many

9 people should be in an office. I know that

10 we're severely light in that.

11 ASSEMBLYWOMAN GALEF: You're saying

12 that people in our real property tax office,

13 we're light, or also people in the field?

14 MR. WHEELER: I'm saying -- I'm going

15 and saying that local assessors' offices are

16 typically understaffed. It's doing the less

17 with more type thing -- or more with less.

18 ASSEMBLYWOMAN GALEF: It's a problem.

19 Okay. Could you just give us a little

20 bit of a thought about the range in New York

21 about, you know, what percentage of people --

22 communities have done reassessment in the

23 last 10 years, and some going way back?

24 MR. WHEELER: Well, it's not something

1 that we track. That would be something that
2 the Office of Real Property Tax Services
3 tracks.

4 But, I mean, speaking off the cuff
5 here, it certainly has gone down over the
6 years. And we always hear from the -- you
7 know, there's a few standouts that haven't
8 done it, like you say, in many, many years.

9 And, I mean, I still feel that most of it
10 comes down to the fact that the time and
11 expense associated with actually doing a
12 revaluation is just outside the scope of the
13 assessor's office budget.

14 ASSEMBLYWOMAN GALEF: And what

15 might -- what per-parcel amount, if we had it
16 in the budget, would encourage more activity?

17 MR. WHEELER: Oh, boy. Yeah, that's a
18 good one. You know, because they -- the --
19 to do a revaluation varies a lot, like from
20 municipality to municipality, you know, based
21 on the size and the makeup and the different
22 types of properties located within that
23 municipality.

24 You know, if -- it could run anywheres

1 of 50 to \$100 a parcel, depending on when
2 their information, the data that they have,
3 how relevant that is and if that requires any
4 kind of updating, if it -- you know, the last
5 time it's been maintained. So there's a lot
6 of issues that would need to be answered on a
7 case-by-case basis.

8 ASSEMBLYWOMAN GALEF: All right, thank
9 you very much.

10 MR. WHEELER: Thank you.

11 CHAIRWOMAN WEINSTEIN: Thank you.

12 So I want to thank the two panelists
13 for being here with us. And we're going to
14 move on to Panel B: Center for Popular

15 Democracy, Charles Khan, state and local tax

16 campaigns coordinator; New York Cannabis

17 Growers and Processors Association, Allan

18 Gandelman, president; National Federation of

19 Independent Business, Ashley Ranslow,

20 New York State director.

21 So if we can go in that order.

22 MR. KHAN: Can you hear me?

23 CHAIRWOMAN WEINSTEIN: Yes. Yes.

24 MR. KHAN: Awesome. So good evening,

1 Senator Krueger and Assemblymember Weinstein.

2 Again, my name is Charles Khan. I'm the

3 coordinator of state and local tax campaigns

4 at Center for Popular Democracy.

5 Center for Popular Democracy is a

6 network of 53 organizations across 131 cities

7 and 34 states, including four affiliates in

8 New York State. We work to create equity

9 where communities can thrive together,

10 supported by a resilient economy and

11 political institutions that reflect our

12 priorities.

13 The first thing I really wanted to say

14 is really to congratulate the Legislature on

15 the historic budget that was passed last
16 year. Progressive taxes were not easy to do,
17 but the Legislature adeptly navigated the
18 data and the vastly differing experiences of
19 New Yorkers to make smart, long-term and
20 short-term decisions. And, you know, just a
21 year ago we were looking at an \$11 billion
22 deficit, and now this year we're looking at a
23 \$5 billion surplus -- \$10 billion, if you
24 think about it before \$5 billion is taken out

1 for the rainy day fund.

2 And so I really wanted to take the
3 time to congratulate you and also point out,
4 you know -- we're all inside, we can't see,
5 but the sky has not fallen. Right? There
6 was a lot of hand-wringing, there was a lot
7 of kind of fearmongering about a mass exodus
8 related to raising taxes on the wealthiest
9 New Yorkers.

10 And the Division of Budget Director
11 Robert Mujica has indicated there hasn't been
12 any data that shows that there's been an
13 exodus of high-net-worth individuals from
14 New York State. What we've seen is an

15 intrastate movement of really wealthy people.

16 They're going to the Hamptons and going to

17 the Hudson Valley.

18 And we've seen tax receipts come in,

19 according to the Comptroller's office,

20 30 percent above estimates. Right? Ten

21 billion dollars above estimates. And so

22 we're seeing New York in a really strong

23 financial position, and that's thanks to what

24 we were able to do last year.

1 And I believe that presents a really
2 clear road map on where New York can go in
3 the future. I think it makes a lot of sense
4 to look at last year's tax policies and look
5 at them in a permanent kind of way so that we
6 have those funds to invest in education, to
7 invest in healthcare, to invest in making
8 New York affordable for New Yorkers in the
9 long-term going forward.

10 And quickly, on this year's budget,
11 the Governor has proposed two big tax rebates
12 of sorts. On the middle-class tax cuts I
13 would advocate for targeting at the middle
14 class. The median income across New York

15 State is \$70,000. If we triple that number,
16 that would get us to \$210,000. And for head
17 of household, they're still eligible for a
18 tax cut up to \$270,000. That's way too high.

19 On the property tax rebate, I would
20 push for a longer-term solution of property
21 taxes, shifting more of local costs on
22 education and healthcare back onto the state,
23 because we know that those local costs for
24 towns and municipalities is what's really

1 driving up property taxes. And the state can
2 act to really give a long-term solution, not
3 just an election-year solution for property
4 taxes.

5 CHAIRWOMAN WEINSTEIN: Thank you.

6 Next, Allan Gandelman.

7 MR. GANDELMAN: Okay, there you go.

8 Hi, everyone. Thank you for the
9 opportunity to testify at today's hearing.

10 My name's Allan Gandelman. I'm an organic
11 vegetable and hemp farmer based in Cortland,
12 and president of the New York Cannabis
13 Growers and Processors Association.

14 We are a nonprofit advocacy

15 organization that represents farmers,
16 processors, retailers and ancillary
17 businesses who are actively involved or
18 looking to enter New York's cannabis market.
19 Our association advocates for environmentally
20 sustainable practices throughout the industry
21 and believes that all communities in New York
22 State should benefit from the cannabis
23 industry.

24 I'm here today to talk about the

1 cannabis tax law, the THC potency tax that we
2 believe will have negative consequences for
3 both businesses and consumers once
4 dispensaries open later this year.

5 This novel and complicated tax scheme
6 has never been implemented in the country and
7 would create a range of issues from the
8 supply chain all the way to the consumer,
9 while driving retail prices far beyond those
10 of our neighboring states. This will
11 effectively act as a barrier to entry to all
12 except some of the largest and most
13 sophisticated operators.

14 Levied at the wholesale level, the

15 proposed potency tax would assign a
16 per-milligram THC tax rate that varies based
17 on product category. And after being
18 compounded by the 13 percent retail tax, the
19 net effect of a cannabis tax could be up to
20 50 percent, depending on that category. This
21 is compared to Massachusetts, which is
22 20 percent, and New Jersey, which is
23 33 percent.

24 You know, it's really hard to

1 calculate a cannabis tax because different
2 parts of the plant mature at different times.
3 And so the variation of THC could be
4 5 percent or more per plant, or even larger
5 across a batch. So establishing an exact
6 milligram across that batch becomes almost
7 arbitrary -- and inaccurate.

8 And then further complicating that
9 calculation is that analytical testing labs
10 report a measure of uncertainty or a margin
11 or error normally between 5 and 10 percent of
12 the result. So with that variation, we
13 potentially could be leaving \$100 million of
14 kind of miscalculated taxes on the table for

15 every million pounds of cannabis sold.

16 These miscalculations also raise

17 significant public safety risks. We predict

18 that in an attempt to avoid higher tax rates,

19 people across the supply chain may

20 intentionally report lower levels of THC than

21 are actually present. We've seen this

22 process happen in other states called

23 lab-shopping, where people look for labs that

24 either underreport or overreport their THC

1 levels.

2 And furthermore, you know, for

3 customers who are worried about overconsuming

4 THC, this could potentially be dangerous

5 because all of a sudden you will have

6 products out there that are reporting lower

7 THC numbers -- to save on taxes -- than are

8 actually in the product.

9 So according to a recent study from

10 Whitney Economics, a 1 percent decrease in

11 the price has actually been associated with a

12 2 percent increase in sales, which would

13 actually increase the tax revenue for the

14 state. And we think that the straightforward

15 solution here is to just remove the
16 complicated THC-based tax and replace it with
17 a percent-based tax that could be levied at
18 wholesale or just at retail point of sale.

19 CHAIRWOMAN WEINSTEIN: Thank you.

20 And now NFIB.

21 MS. RANSLOW: Thank you very much.

22 Good evening, everybody. Thank you, Chairs

23 Weinstein and Krueger, for inviting NFIB to

24 testify today. We sincerely appreciate it.

1 My name's Ashley Ranslow. I'm the
2 New York State director for the
3 National Federation of Independent Business.
4 We represent nearly 11,000 small,
5 independently owned businesses from
6 Long Island to Buffalo. Our members are the
7 very small businesses that everyone thinks
8 about -- your barbershops, your florists,
9 your hardware stores, independent
10 restaurants. These are the types of members
11 and businesses that NFIB represents.

12 I submitted my testimony in advance;
13 it goes through several tax provisions that
14 have been proposed in the budget. But I

15 really want to highlight two for you tonight

16 in my oral testimony, the first being the

17 Governor's proposed small business tax

18 relief. NFIB strongly supports that

19 provision.

20 What this would do is essentially

21 adjust the subtraction modification from 5 to

22 15 percent for small businesses who file

23 their taxes as a pass-through entity -- you

24 know, so your S corps, LLCs, LLPs. Most

1 small businesses are organized as
2 pass-through entities, so this certainly
3 would capture a significant portion of
4 New York's small businesses, which is why we
5 strongly support it.

6 I would also urge all of you to also
7 take a look at legislation sponsored by
8 Senator Kaplan and Assemblyman Jones:
9 S.29/A.5064. This is legislation long
10 championed by NFIB over the years. The state
11 has recently cut taxes for corporations and
12 certain types of manufacturers, but we have
13 not done significant structural reform for
14 small business taxes.

15 So we support the Governor's provision
16 and also support Section 1 of Senator Kaplan
17 and Assemblyman Jones' bill, which would
18 extend some rate reductions for small
19 businesses organized as C corps.

20 The other section of my testimony that
21 I want to highlight -- and was brought up
22 earlier today in the Economic Development
23 hearing -- is related to unemployment
24 insurance taxes.

1 The Governor's budget does not include
2 any money for unemployment. We heard the tax
3 commissioner testify earlier: New York State
4 is flush with cash, revenues have come in
5 better and stronger than we anticipated. The
6 state has unspent federal dollars from the
7 American Rescue Plan. Now is the time to
8 address New York State's outgoing UI debt.
9 This is not a can that should be kicked down
10 the road.

11 When you compare what small
12 businesses' tax rates were in 2020 compared
13 to today, they're paying between 30.5 percent
14 to 45.4 percent more in UI taxes now than

15 they were in 2020. That is going to get even

16 worse in 2025 if the state does nothing.

17 They're going to pay between 182 percent and

18 254 percent higher than they did.

19 So this is a crisis. It has to be

20 addressed, and I welcome a conversation. I

21 know Senator Kaplan has been a champion of

22 this as well. The state must put two to

23 \$3 billion towards UI; otherwise, small

24 businesses are going to be paying these

1 higher taxes for decades.

2 Thank you.

3 CHAIRWOMAN WEINSTEIN: Thank you.

4 And we will go first to Assemblyman

5 Ed Ra.

6 ASSEMBLYMAN RA: Thank you, Chair.

7 Ashley, I wanted to just pick up where

8 you left off at the end there with

9 unemployment. You know, and as my colleagues

10 may be aware, there's changes in the

11 regulatory policies at the federal level that

12 are going to kick in, and if we don't commit

13 some money from ARPA before then -- you know,

14 it's very beneficial for us to do so for that

15 reason, in addition to obviously cutting off

16 this increase that our businesses are going

17 to experience.

18 I don't know if you can elaborate a

19 little bit more on -- because, I mean, you

20 concluded by saying, you know, this is a

21 long-term cost that we will be paying off for

22 decades, at a time when our businesses

23 obviously have gone through a tough time and

24 many are hanging on by a thread.

1 So can you talk a little bit more
2 about the long-term impacts of us not
3 committing real dollars towards this now?

4 MS. RANSLOW: Yeah, absolutely.

5 So as you mentioned, there are some
6 changes. I think there's a couple of
7 misconceptions. First of all, you know, to
8 set the record straight, businesses are
9 paying higher UI taxes now as a result of
10 New York State having to borrow money from
11 the feds. So tax rates have already gone up
12 from a state tax perspective.

13 But you're right, there are going to
14 be increases to the federal UI tax rate

15 because of the solvency of our fund. And
16 there are also going to be special
17 assessments that are applied to employers
18 starting this year, to pay the interest on
19 our advance. So those two cost increases are
20 going to -- are coming down the pike this
21 year.

22 Additionally, the taxable wage base
23 continues to grow year after year. So as the
24 taxable wage base grows, taxes grow. So this

1 is why we're going to be continuing to see
2 tax increases year after year. And that pain
3 is going to get worse if New York State does
4 nothing, because we're going to have to
5 continue to pay interest on the loan and, you
6 know, dig ourselves out of this hole. Which
7 is why we're urging the state to address this
8 now and not kick the can down the road.
9 because small businesses are paying the
10 higher taxes now and will continue to do
11 that.

12 And to put it in perspective, the last
13 time the state borrowed money was after the
14 Great Recession, and we borrowed about

15 \$4 billion. And that took, you know, five to
16 six years to pay off. With 9 billion in
17 outstanding debt, it's not unrealistic that
18 it's going to take twice as long if not
19 longer.

20 ASSEMBLYMAN RA: Thank you.

21 CHAIRWOMAN WEINSTEIN: Senator
22 Krueger, did you have a question?

23 CHAIRWOMAN KRUEGER: Thank you very
24 much.

1 So Allan, you did meet with my staff
2 about this. You shared a fairly complex
3 paper, and we are taking a look at it. And
4 we have also shared it with the Office of
5 Cannabis Management.

6 It is true, that specific tax proposal
7 was created by Governor Cuomo's team when we
8 were negotiating the bill between the Senate
9 and the Assembly. So I am not personally wed
10 to that tax, even though it was included in
11 the bill with my name on it.

12 So we appreciate your input, and
13 people smarter than me are staring at it and
14 trying to understand how we make sure we have

15 a fair and equitable tax. But my goal was
16 never to tax cannabis so high in New York
17 State that people would stay in the illegal
18 market. We want them in the legal market,
19 buying the correct product with a reasonable
20 tax.

21 So I just wanted to tell you: No time
22 for a full discussion tonight, but we are
23 taking a look at what you submitted.

24 MR. GANDELMAN: Thank you so much.

1 Appreciate that.

2 CHAIRWOMAN WEINSTEIN: Thank you.

3 So we go to Assemblyman Palmesano.

4 ASSEMBLYMAN PALMESANO: Yeah, my

5 question is for Ashley.

6 Ashley, I know our small businesses'

7 electricity costs, utility costs are always a

8 concern and a worry. And I know you

9 mentioned about kicking the can down the road

10 a little bit. I want to go down that road a

11 little bit because coming soon is the

12 implementation of the CLCPA. We talked about

13 it earlier, about by 2030, if you have a

14 natural gas boiler or furnace, you are not

15 going to be able to replace that natural gas
16 boiler or furnace, you're going to have to
17 totally electrify your home or your business.

18 And some estimates show that's going
19 to cost \$30,000, \$35,000, \$50,000 for all of
20 that. Ms. Deese, who spoke earlier, said a
21 geothermal heat pump, even with subsidies and
22 credits, would be about \$20,000. That's a
23 significant cost.

24 We've been advocating in our

1 conference for a full cost-benefit analysis,
2 to be transparent with the public. But it
3 seems like the CLCPA and CAC are trying to
4 move forward with first putting the plan in
5 place and then saying we're going to pay for
6 the costs later.

7 You mentioned you represent 11,000
8 small businesses. And we've talked to the
9 Restaurant Association. They didn't think
10 that their people knew. I'm sure the public
11 has no idea about this. How about your
12 businesses out there? And what are your
13 thoughts on this? Are they ready for this?
14 Are they going to be able to absorb these

15 costs with everything else they have on --

16 they're dealing with?

17 MS. RANSLOW: They're not ready for

18 this. And they're not aware of it.

19 Right now small businesses are still

20 contending with the challenges of the

21 pandemic and what we've seen stemming from

22 that -- labor shortages, supply chain

23 disruptions, inflation, increased costs of

24 goods and services. That's what they're

1 dealing with, and they are not really
2 forward-looking.
3 So they don't know what's coming down
4 the pike, and we certainly are trying to make
5 them aware of it. But, you know, they're
6 trying to deal with the fires that are right
7 in front of them versus what is going to be
8 coming down the road.
9 But we certainly have concerns and,
10 you know, would like to see a cost-benefit
11 analysis as well in terms of what this is
12 going to cost small businesses, especially as
13 they're already contending with a litany of
14 high-cost things.

15 ASSEMBLYMAN PALMESANO: Right. I know
16 the advocates for it continue to say, Well,
17 the benefits outweigh the costs. But I -- we
18 would disagree, when New York only
19 contributes 0.5 percent of the total carbon
20 emissions in the world. What are we going to
21 achieve when China, who produces 29 percent,
22 continues to build coal plants? We're not
23 going to make an impact on that, but we are
24 going to destroy and bankrupt our businesses

1 and our families.

2 The other issue on this is certainly a
3 reliability issue. I mean, we even talked
4 about the restaurants, how they use the
5 natural gas to do their cooking and
6 businesses have to have that reliable source
7 of electricity generation to make sure that
8 they can operate. You know, relying on wind
9 and solar, which is intermittent, is not a
10 reliable source of energy generation. Isn't
11 that going to be a problem, reliability of
12 electricity is key to your businesses as
13 well?

14 MS. RANSLOW: Absolutely. Yes, so I

15 think it's two pieces, right? We're

16 concerned about the reliability but also the

17 affordability of energy.

18 ASSEMBLYMAN PALMESANO: Absolutely.

19 Thanks so much. I really appreciate it.

20 CHAIRWOMAN WEINSTEIN: Anybody else,

21 Senator Krueger? Because we still have --

22 CHAIRWOMAN KRUEGER: No, I do not see

23 any other Senator with their hands up.

24 CHAIRWOMAN WEINSTEIN: Okay, so the

1 final questioner from the Assembly,

2 Assemblyman Mamdani.

3 ASSEMBLYMAN MAMDANI: Thank you,

4 Chair Weinstein.

5 I wanted to direct this question to

6 you, Charles Khan, to speak a little bit

7 about is there any data that the increase in

8 personal income taxes or corporate taxes from

9 last year drove wealthy New Yorkers to leave

10 the state?

11 MR. KHAN: So kind of the same that

12 Commissioner Hiller said, that we really want

13 to -- we want, in many ways, to wait until

14 2021 and we'll have exactly like the full

15 number.

16 But what we do have, from the

17 Department of Budget, from director Robert

18 Mujica, is he hasn't seen any data of any

19 loss of high-net-worth individuals. He

20 actually indicated that there was an increase

21 in millionaires in New York State, which

22 would be a new all-time record of

23 millionaires. There's been a 39 percent

24 increase in the wealth of billionaires in

1 New York State since the pandemic began, so
2 that's \$200 billion. There's a national
3 shortage of yachts, of private jets. Rolex,
4 Louis Vuitton and Chanel have raised their
5 prices to try and restock their shelves.

6 2021 was also the highest -- it broke
7 all of the records for sale of luxury real
8 estate, and '22 is off to the same start.
9 The first week in January broke the all-time
10 record for leases over -- in excess of
11 \$4 million signed.

12 ASSEMBLYMAN MAMDANI: So what would
13 your assessment be as to how we in the
14 Legislature should approach taxes moving

15 forward?

16 MR. KHAN: I would suggest that the

17 Legislature continues to follow the data.

18 What we're seeing in New York is what we

19 expected to see based on past tax increases,

20 which was no negative impacts on the economy

21 and no negative kind of implications on state

22 revenues and out-flight of migration.

23 I think what we did last year is a

24 road map for how we can continue to govern in

1 the future and have the resources to kind of
2 help New Yorkers to be able to thrive and not
3 just kind of survive.

4 ASSEMBLYMAN MAMDANI: And what would
5 additional taxes that you'd like to see --
6 what would some examples be of additional
7 taxes that we could levy on the wealthiest of
8 New Yorkers?

9 MR. KHAN: So, I mean, I think the
10 best place to start is maybe what the
11 Legislature has already seen before. Last
12 year the Invest in New York coalition
13 proposed \$50 billion in a tax package. We
14 did about \$4 billion, which actually ended up

15 being \$10 billion. So there's still roughly

16 \$40 billion of options that are available to

17 the Legislature.

18 ASSEMBLYMAN MAMDANI: Okay. Well,

19 thank you so much for your time and for your

20 work.

21 I give the 12 seconds back to the

22 chair.

23 MR. KHAN: Thank you.

24 CHAIRWOMAN WEINSTEIN: Thank you.

1 There are no further questioners for
2 this panel, so I want to thank you all for
3 being with us.

4 And we're going to move on to the
5 final panel, Panel C. So I want to welcome
6 Teachers College, Columbia University,
7 Kimberly Noble, professor of neuroscience and
8 education; New York University -- I hopefully
9 don't mispronounce your name, sir -- Hirokazu
10 Yoshikawa --

11 PROFESSOR YOSHIKAWA: Close enough.

12 CHAIRWOMAN WEINSTEIN: Close enough,
13 okay. For the end of the day, close enough.

14 And Children's Defense Fund-New York,

15 Missy Genadri.

16 So if we can go in that order.

17 PROFESSOR NOBLE: Thank you very much.

18 My name is Dr. Kimberly Noble. I'm a

19 professor of neuroscience and education at

20 Teachers College, Columbia University. And

21 I'm a neuroscientist and board-certified

22 pediatrician, and for the past 20 years I've

23 studied the role of socioeconomic inequality

24 in shaping child development.

1 So now decades of research suggest
2 that young children living in economically
3 disadvantaged families tend to be at risk for
4 a host of negative academic, employment and
5 health outcomes. And more recently we've
6 seen that dollar for dollar, small
7 differences in family income tend to be
8 disproportionately associated with brain
9 development among children from the most
10 disadvantaged families.

11 But critically, brain science also
12 teaches us that the developing brain is
13 particularly sensitive to experience early in
14 childhood. So taken together, this means

15 that neuroscience research suggests that
16 supporting the lowest-income families very
17 early in childhood may have the greatest
18 impact on children's development.

19 So should policies target poverty
20 reduction in early childhood directly? Well,
21 I'm one of the principal investigators of the
22 Baby's First Years study, which is attempting
23 to help inform that question. Baby's First
24 Years is the first U.S. clinical trial of

1 poverty reduction in early childhood. We
2 recruited a thousand mothers living with low
3 income shortly after they gave birth in four
4 metro areas around the United States,
5 including New York City. And upon enrolling
6 in the study, moms were offered a monthly
7 unconditional cash gift for the first several
8 years of their children's lives that they've
9 been free to spend however they've liked, no
10 strings attached.

11 The mothers, though, were randomly
12 assigned to receive either \$333 a month or
13 \$20 a month, and both groups are receiving
14 this money for the first four years of their

15 children's lives.

16 Now, the initial findings from the

17 study were recently published just a few

18 weeks ago in the Proceedings of the National

19 Academy of Sciences, and in that report we

20 found that the infants of the mothers

21 receiving \$333 a month appear to show more

22 fast-paced brain activity, particularly in

23 key brain regions that support the

24 development of thinking and learning.

1 Now, because of the pandemic, we were
2 only able to measure brain activity in about
3 half of the originally anticipated sample,
4 and that means that for some of the results
5 we can't be sure that they didn't occur by
6 chance. But putting together all of the
7 evidence across all of the analyses that we
8 conducted, we concluded that the weight of
9 the evidence supports the conclusion that
10 monthly unconditional cash support given to
11 low-income families early in childhood can
12 change brain activity in a pattern associated
13 with the development of thinking and
14 learning.

15 So that suggests that economic support

16 given to families with young children can

17 potentially serve as a mechanism to

18 facilitate parents' investments in children.

19 So in conclusion, brain science

20 suggests that the developing brain is highly

21 sensitive to economic circumstances in the

22 first few years of life. And as a

23 neuroscientist and pediatrician, it's my

24 professional opinion that economic support to

1 low-income families with very young children
2 may have a marked positive impact on
3 children's development.

4 PROFESSOR YOSHIKAWA: Thanks for the
5 opportunity to testify today. My name is
6 Hiro Yoshikawa, and I'm a psychologist at
7 New York University. And for the past
8 30 years I've focused my research on early
9 childhood development.

10 I'm going to summarize evidence --
11 beyond that very important study -- from the
12 past several decades on the impact of the
13 timing of poverty on lifelong outcomes and
14 draw implications of the research for the

15 Empire State Child Tax Credit.

16 So there have been 40 years of

17 longitudinal research in the United States on

18 poverty's effects on the lifespan. And so

19 these landmark national studies have a clear

20 message with relevance to New York State's

21 Child Tax Credit. This work compares the

22 effects of poverty experienced during

23 different periods of childhood, and we could

24 think about three periods: Early childhood,

1 up to age 5; primary-school age, 6 to 11; and
2 adolescence, which is 12 and above.

3 It turns out that the effects of
4 childhood poverty in harming later-life
5 outcomes -- reducing educational attainment,
6 reducing adult earnings, harming later health
7 through outcomes like diabetes, obesity or
8 high blood pressure -- is strongest when
9 experienced in early childhood rather than
10 later in childhood. And this is in agreement
11 with what Professor Noble just said about the
12 impacts of poverty reduction in very early
13 childhood.

14 So nearly one in five children we know

15 live in poverty in New York State, and those
16 rates are higher in early childhood. That's
17 partly because there are higher costs of
18 raising children in early childhood, and we
19 can consider infant/toddler care as an
20 example: Costs of over \$15,000 a year on
21 average in New York State. New York State
22 residents have the sixth-highest childcare
23 costs in the country. There are even higher
24 poverty rates among Black, Latinx and some

1 Asian-American groups.

2 The federal child tax credit expansion
3 in the American Rescue Plan took this science
4 into account by providing a larger amount per
5 year -- \$3,600 per year for every child under
6 6, and \$3,000 per year for children 6 or
7 over. Now, that is in alignment with this
8 research.

9 What does the Empire State Child
10 Tax Credit do? It explicitly excludes all
11 children under 4 from the child tax credit,
12 and that's exactly counter to the four
13 decades of research, including the Baby's
14 First Years study results.

15 So what the science implies for the
16 Empire State Tax Credit is to expand it so
17 children under 4 are eligible, but also make
18 the amount for children under age 6 larger
19 than for those 6 or over, in accordance with
20 the expanded federal child tax credit under
21 the American Rescue Plan and in Build Back
22 Better.

23 I have to say it's rare for research
24 to have such a strong agreement about a

1 finding, and this is a case when New York
2 State policy directly contradicts a strong
3 research consensus.

4 CHAIRWOMAN KRUEGER: Perfect timing.

5 One more.

6 MS. GENADRI: Hi. My name is
7 Missy Genadri, and I work with the
8 Children's Defense Fund-New York. We work at
9 the intersection of racial justice and child
10 advocacy, and envision a state where
11 marginalized children flourish, leaders
12 prioritize their well-being, and communities
13 wield the power to ensure they thrive.

14 One in five New York children live in

15 poverty, and our Black and Latinx kids are
16 more than twice as likely to live in poverty
17 than their white peers. The young advocates
18 that we work with have had to make tough
19 choices of whether to bring home their books
20 from school or save room in their backpacks
21 for food for their families. They face
22 difficulties paying rent, and experience
23 housing-insecurity, traumas that have all
24 been exacerbated by the pandemic.

1 Child poverty is a policy choice, an
2 economic burden, and a moral failure.
3 Expanding the Empire State Child Credit is a
4 smart policy choice. Enacted together with
5 reforms such as universal childcare and
6 expanding health coverage for moms and
7 babies, it can lead to a child poverty
8 reduction of more than 12 percent in
9 New York.

10 And we'll start to realize the vision
11 of the Child Poverty Reduction Act, which
12 aims to cut child poverty in half in New York
13 State. New York must expand ESCC
14 eligibility to children under 4, because our

15 youngest children are our poorest and because
16 of the irrefutable evidence like that
17 presented by my copanelists of how critical
18 investments in the early developmental years
19 are.

20 We must also increase the value of the
21 credit to \$1,000 for young children and \$500
22 for older children, to provide meaningful
23 support to our families.

24 And finally, we must no longer exclude

1 our lowest-income families from receiving the
2 full credit amount by no longer excluding
3 families whose incomes are below \$3,000 and
4 the gradual phase-in for families. These
5 expansions are particularly critical for the
6 72,000 New York children who, due to their
7 immigration status, did not receive the
8 federal expanded child tax credit, which we
9 know provided meaningful support to so many
10 families for rent, food and many other
11 necessities.

12 Expanding the Empire State Child
13 Credit will enable more children throughout
14 our state to flourish, no matter their race,

15 immigration status, or zip code. Our state
16 can and must do this and needs the political
17 will to prioritize the health and well-being
18 of the youngest New Yorkers.

19 Thank you.

20 CHAIRWOMAN WEINSTEIN: Thank you.

21 Senator Krueger, did you have a

22 question?

23 CHAIRWOMAN KRUEGER: Well, I do. I

24 do, if you don't mind. Although it's not a

1 question on the proposals.

2 CHAIRWOMAN WEINSTEIN: Go ahead.

3 CHAIRWOMAN KRUEGER: So for the two

4 academics, child development and the brain, I

5 am not a big fan of the sports betting that

6 we have just made legal in New York,

7 primarily because I believe that the software

8 companies are actually attempting to train

9 children's brains to become addicted to

10 gambling much, much younger than they're ever

11 eligible.

12 And I'm just wondering whether either

13 of you, in your research, has come across

14 anything that would validate my fear. Or

15 tell me I'm nuts, and that's fine too.

16 PROFESSOR NOBLE: So, you know, I

17 couldn't speak to the motivations of video

18 game companies. There certainly is some

19 evidence that video games can, you know,

20 foster addiction -- not in all children, but

21 in some. So there's some evidence that you

22 could see addictive behaviors there.

23 It's not in my area of expertise,

24 though.

1 CHAIRWOMAN KRUEGER: That's okay. You
2 know, I know it's not your area of expertise.
3 But in case you know anyone who's actually
4 doing this research, I really do think that
5 there's a correlation and that we're
6 capturing young people long before they're
7 eligible to gamble. And we've already
8 trained their brains to just have to do this
9 on their phones.

10 PROFESSOR YOSHIKAWA: Though neither
11 of us are experts, I could refer you to a
12 gambling expert at Yale University who's done
13 lots of -- you know, some of the best work
14 around youth development and gambling

15 addiction.

16 CHAIRWOMAN KRUEGER: Hey, I knew you

17 were the right people to ask. That would be

18 great, thank you.

19 Thank you, Helene.

20 CHAIRWOMAN WEINSTEIN: Thank you.

21 So I want to thank this panel for

22 participating with us at the hearing today.

23 And before we bang the gavel on the hearings,

24 I just also want to thank my -- this being

1 our last budget hearing for the 2022-'23
2 fiscal year, I want to thank my cochair, the
3 chair of Finance, Liz Krueger, for being with
4 us, being here all these days together; our
5 Ways and Means ranker, Assemblyman Ed Ra. I
6 know we also want to thank --

7 CHAIRWOMAN KRUEGER: Senator Tom
8 O'Mara.

9 CHAIRWOMAN WEINSTEIN: -- Senator
10 O'Mara, who may pop up when we say his name;
11 all of the legislators who were here with us
12 at all of these 13 hearings; and,
13 importantly, our staff and the tech staff who
14 are behind the scenes and make it look like

15 Liz and I are right on target with what we're

16 doing.

17 And of course all of the witnesses who

18 have been here for all of these hearings,

19 both the governmental witnesses and the many

20 public witnesses who helped participate in

21 these hearings.

22 And I don't know, Senator Krueger, if

23 you wanted to say something before we bang

24 the gavel.

1 CHAIRWOMAN KRUEGER: You know, too

2 many days together, because I was going to

3 say exactly what you just said, Helene. I

4 really want to thank everyone.

5 And yes, our staffs are exhausted, so

6 I know that they are very thrilled that we

7 have completed the assignment and will stop

8 texting them in the middle of nights.

9 And I guess everyone, thank you.

10 Thank you. Now the real challenge is how can

11 we work together to create an even better

12 budget than the proposed Executive Budget.

13 So the work doesn't stop; we just stop

14 sitting here at these hearings every day.

15 So I just really also want to thank

16 everyone.

17 CHAIRWOMAN WEINSTEIN: Thank you.

18 And this now concludes the final joint

19 budget hearing of the fiscal committees of

20 the Assembly and Senate for this fiscal year.

21 (Whereupon, at 6:11 p.m., the budget

22 hearing concluded.)

23

24

