

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  
5 2025-2026 EXECUTIVE BUDGET  
6 ON TAXES

6 -----

7 Hearing Room B  
8 Legislative Office Building  
Albany, New York

9 February 27, 2025  
10 9:35 a.m.

11 PRESIDING:

12 Assemblyman G. Gary Pretlow  
13 Chair, Assembly Ways & Means Committee

14 Senator Liz Krueger  
Chair, Senate Finance Committee

15 PRESENT:

16 Senator Thomas F. O'Mara  
17 Senate Finance Committee (RM)

18 Assemblyman Edward P. Ra  
Assembly Ways & Means Committee (RM)

19 Assemblywoman Jaime R. Williams  
20 Chair, Committee on Real Property Taxation

21 Senator Andrew Gounardes  
Chair, Senate Committee on Budget and Revenue

22 Assemblyman Brian D. Miller

23 Senator John C. Liu

24

1 2025-2026 Executive Budget  
Taxes  
2 2-27-25

3 PRESENT: (Continued)

4 Assemblyman Erik M. Dilan

5 Senator Gustavo Rivera

6 Assemblyman Edward C. Braunstein

7 Senator Shelley B. Mayer

8 Assemblyman Steven Otis

9 Assemblywoman Andrea K. Bailey

10 Senator Robert Jackson

11 Assemblyman Brian Manktelow

12 Assemblyman Jonathan Rivera

13 Senator Pamela Helming

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1 2025-2026 Executive Budget  
 Taxes  
 2 2-27-25

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1                   CHAIRMAN PRETLOW: Good morning, and  
2 welcome.

3                   I'm Assemblyman Gary Pretlow, chair of  
4 the Assembly Ways and Means Committee, and  
5 today we begin the 13th in a series of  
6 hearings conducted by the joint fiscal  
7 committees of the Legislature regarding the  
8 Governor's proposed budget for fiscal year  
9 '25-'26.

10                  These hearings are conducted pursuant  
11 to New York State Constitution and  
12 Legislative Law.

13                  Today the Assembly Ways and Means  
14 Committee and the Senate Finance Committee  
15 will hear testimony concerning the Governor's  
16 budget proposal for Taxes.

17                  With us we have  
18 Assemblywoman Williams, the chair of our  
19 Taxation Committee, as well as  
20 Assemblyman Braunstein, Assemblyman Dilan,  
21 and Assemblyman Otis.

22                  Of course we have the chair of the  
23 Senate Finance Committee, Senator Liz  
24 Krueger, who will announce her members.

1 CHAIRWOMAN KRUEGER: Good morning.

2 I am joined by Senator Gounardes,  
3 chair of Budget and Revenue; Senator  
4 John Liu; Senator Jackson; Senator Mayer.

5 And our ranker, Tom O'Mara, might  
6 introduce -- no? Just himself. This is  
7 Senator Tom Mare -- Tom O'Mara.

8 (Laughter.)

9 CHAIRWOMAN KRUEGER: I need some  
10 coffee.

11 CHAIRMAN PRETLOW: And the ranker on  
12 Ways and Means.

13 ASSEMBLYMAN RA: Good morning.

14 We are joined by Assemblywoman Bailey,  
15 who is our ranker on Real Property Taxes, as  
16 well as Assemblyman Miller.

17 CHAIRMAN PRETLOW: Thank you.

18 Let's go over some of the ground  
19 rules. The governmental witnesses have  
20 10 minutes for a presentation, and the chairs  
21 of the appropriate committees have 10 minutes  
22 for questioning.

23 All other members have three minutes  
24 for questions. The rankers have five

1 minutes.

2 And I can tell we have one person  
3 here, you're waiting patiently for us. We  
4 have your testimony, if you'd just like to  
5 just summarize what your testimony is, then  
6 leave room for questions. Otherwise, do your  
7 thing.

8 Thank you.

9 DTF COMMISSIONER HILLER: (Mic off) --  
10 thank you for this opportunity to discuss  
11 Governor Hochul --

12 CHAIRWOMAN KRUEGER: They're turning  
13 it up.

14 DTF COMMISSIONER HILLER: Oh, okay.  
15 It's not me, it's them? Okay, great.

16 CHAIRMAN PRETLOW: Yeah.

17 DTF COMMISSIONER HILLER: Thank you  
18 for this opportunity to discuss Governor  
19 Hochul's Executive Budget and the operations  
20 of the Tax Department.

21 As I suspect you know, the national  
22 and state economies showed unexpected  
23 resilience last year, including slowing  
24 inflation and steady job growth. The

1 Division of the Budget is now projecting a  
2 significant budget surplus going into fiscal  
3 year 2026, in large measure due to strong  
4 personal income tax receipts.

5 Still, we are facing very real  
6 economic and budgetary risks. Nearly half of  
7 New York's personal income tax receipts are  
8 paid by fewer than 2 percent of New York's  
9 personal taxpayers. Our economic fortunes  
10 are tied to their economic fortunes. When  
11 they have a good year, we see strong  
12 income tax receipts.

13 It's too soon to tell how the current  
14 turmoil in Washington will play out, but we  
15 know that uncertainty itself can impact the  
16 economy. We just saw an unexpected spike in  
17 the rate of inflation and a drop in consumer  
18 confidence. The president is using trade  
19 tariffs to advance both economic and  
20 non-economic policy objectives. And efforts  
21 to reshape federal spending and the federal  
22 government itself will have consequences for  
23 New York that we can't yet predict.

24 What is certain is that affordability

1 remains an enormous challenge in communities  
2 across the state. Governor Hochul has  
3 proposed a fiscal year 2026 budget that is  
4 focused on addressing these challenges. As  
5 part of her Affordability Agenda, the  
6 Governor's Executive Budget advances several  
7 proposals to deliver much-needed tax relief  
8 to hardworking New York families.

9 First, Governor Hochul's Executive  
10 Budget would return \$3 billion to New Yorkers  
11 in the form of a sales tax rebate. Under  
12 this proposal, the Tax Department would  
13 deliver rebate payments to 8.6 million  
14 households this year, providing much-needed  
15 relief to help families meet every-increasing  
16 costs.

17 The Governor's proposed budget would  
18 also cut personal income tax rates for low-  
19 and middle-income taxpayers. When fully  
20 phased in, the new rates for these taxpayers  
21 will be the lowest in nearly 70 years,  
22 providing nearly \$1 billion in recurring tax  
23 relief to 8.3 million New Yorkers.

24 At the same time, Governor Hochul is

1           proposing to keep the state's top three tax  
2           brackets in place for an additional five  
3           years, providing consistency and  
4           predictability in the tax treatment of these  
5           tranches of taxpayers.

6                     The third prong of Governor Hochul's  
7           tax relief package is a historic expansion of  
8           the Empire State Child Credit. New York has  
9           offered a child tax credit for decades, but  
10          the credit only covered children ages 4 to  
11          16. The Governor and Legislature expanded  
12          the credit in 2023 to cover children under  
13          the age of 4, allowing us to reach nearly  
14          630,000 additional children.

15                    We know that a refundable child tax  
16          credit is one of the most effective ways of  
17          helping to address the needs of children  
18          living in poverty. Building on the  
19          recommendations of the Child Poverty  
20          Reduction Advisory Council, Governor Hochul  
21          is proposing to decouple the state credit  
22          from the federal child credit in order to  
23          provide significantly greater benefits to  
24          even more families.

1                   We will be increasing the maximum  
2                   credit from \$330 to \$500 for children ages 4  
3                   to 16, and to \$1,000 for children under  
4                   age 4.

5                   We will also be changing the way the  
6                   credit phases out at higher income levels,  
7                   and we'll be eliminating the minimum earned  
8                   income requirement that historically  
9                   functioned to exclude some of our poorest  
10                  families. This initiative is a critical step  
11                  in the state's commitment to cut child  
12                  poverty in half by 2031.

13                  At the Tax Department we're working to  
14                  make these child tax credits and other  
15                  valuable tax programs more readily available  
16                  to New York taxpayers.

17                  I have long been frustrated that  
18                  low-income taxpayers too often turn to  
19                  expensive tax preparers to help them claim  
20                  the refundable credits they are entitled to  
21                  under the state's tax laws. Exorbitant fees  
22                  function to discount the value of these  
23                  credits, diverting these tax expenditures  
24                  away from the families they are intended to

1 help.

2 This dynamic is one of the reasons  
3 New York jumped at the opportunity to  
4 participate in the Direct File pilot program  
5 last year. Direct File allows taxpayers to  
6 prepare and file their federal tax returns  
7 for free.

8 New York was one of four states that  
9 partnered with the Internal Revenue Service  
10 last year to pilot parallel direct-filing  
11 tools for state tax returns. Although the  
12 pilot was limited in scope and availability,  
13 14,000 New Yorkers used the state filing app  
14 to prepare and submit their state tax returns  
15 for free, saving \$260, about -- or \$270.

16 This year, Direct File is bigger and  
17 better. More New Yorkers are eligible to use  
18 Direct File to prepare and file relatively  
19 simple federal and state returns. Direct  
20 File now supports additional types of income  
21 and additional types of tax credits, and the  
22 income eligibility limits have expanded to  
23 cover single filers with incomes up to  
24 \$200,000 and joint filers with incomes up to

1           \$250,000.

2                       We launched the Tax Department's  
3           mobile-friendly app when the tax filing  
4           season began in late January and, to date,  
5           thousands of New Yorkers have used it to file  
6           their state returns -- 83 percent in less  
7           than 15 minutes, and with a 97 percent  
8           satisfaction rate.

9                       In addition to Direct File, New York  
10          participates in the Free File program, a  
11          partnership with tax software providers that  
12          allows eligible taxpayers to use tax  
13          preparation software for free. For many  
14          years we've run a companion taxpayer  
15          assistance program where members of Team Tax  
16          help eligible New Yorkers use Free File  
17          software to prepare and e-file their returns,  
18          building skills those taxpayers go on to  
19          share with their family and friends.

20                      The team that built our Direct File  
21          app is part of an army of IT administrators  
22          and IT professionals who are replatforming  
23          and modernizing the core IT systems that  
24          power the Tax Department. We are now in

1 Year 4 of this five-year project, still  
2 on time and on budget, and we're really  
3 starting to see the fruits of their labor.

4 We are currently rolling out a new  
5 wage and withholding system that employers  
6 and payroll service providers will use later  
7 this spring to file 600,000 first-quarter  
8 wage and tax withholding reports covering  
9 14 million employee records.

10 This summer we'll be rolling out the  
11 new Real Property System Online, or RPSO,  
12 which will replace the outdated software used  
13 by assessors across the state with new,  
14 modern, cloud-based tools that will allow  
15 assessors to work more effectively and  
16 efficiently. We've been working closely with  
17 the property tax assessment community to make  
18 sure the new tools will meet their needs and  
19 can't wait to see the system go live.

20 This year Tax will also be launching  
21 Secure Choice, a state-sponsored retirement  
22 savings program for New Yorkers whose  
23 employers do not offer other retirement  
24 savings options. These employers will be

1 required to make Secure Choice available for  
2 their employees, allowing those employees to  
3 use payroll deduction to save for retirement.

4 We expect to begin on-boarding  
5 employers into a limited pilot this June and,  
6 assuming all goes well, we'll be rolling out  
7 the program to all employers in the fall.

8 In addition to these signature  
9 projects, Tax is always looking for  
10 opportunities to improve our interactions  
11 with taxpayers. Many taxpayers engage with  
12 us online, including more than 7 million  
13 Online Services System accountholders. We  
14 handled more than 2.2 million calls in 2024,  
15 with 431,000 taxpayers opting to get a  
16 call-back instead of hanging on hold. More  
17 than 62,000 callers were assisted using  
18 interpretation services in 32 different  
19 languages, and we're currently working on  
20 changes to our integrated voice response  
21 menus so we can ascertain taxpayers'  
22 preferred language earlier in the process.  
23 In these and many other ways we continue to  
24 strive to improve the taxpayer experience.

1                   As I suspect you can tell, I'm  
2                   incredibly proud of Team Tax and the work we  
3                   are doing at the Tax Department. I'm excited  
4                   about the initiatives we are pursuing and  
5                   look forward to working with you to move them  
6                   forward. I'm happy to take any questions.

7                   CHAIRMAN PRETLOW: Assemblywoman Jaime  
8                   Williams.

9                   ASSEMBLYWOMAN WILLIAMS: Thank you.

10                  So we'll start with questions  
11                  regarding the Executive proposes to make  
12                  various changes to the income and eligibility  
13                  rules for the STAR program, including  
14                  proposals to require only one resident owner  
15                  of the property to be at least 65 years old  
16                  to qualify for the Enhanced STAR; clarify  
17                  eligibility rules so only income of the  
18                  owners who as primary residents reside on the  
19                  property is considered; allow certain  
20                  property owners who are not required to file  
21                  income tax returns to maintain their benefit  
22                  without the need to file income verification  
23                  worksheets.

24                  How many homeowners are currently

1 enrolled in the STAR program? And what is  
2 the participation split between Basic and  
3 Enhanced STAR?

4 DTF COMMISSIONER HILLER: I don't have  
5 those numbers offhand, but I can certainly  
6 get them to you. And I know that we have  
7 millions of properties that are receiving  
8 STAR benefits. But I can get you the exact  
9 numbers.

10 Most properties are receiving the  
11 Basic STAR program. The Enhanced STAR  
12 benefits are going to low-income senior  
13 citizens who are property owners. I think  
14 the income tax -- combined income tax cutoff  
15 is 97,000. And we have hundreds of thousands  
16 of Enhanced STAR recipients and millions of  
17 Basic STAR recipients across the state.

18 ASSEMBLYWOMAN WILLIAMS: Has the  
19 New York State Assessors Association provided  
20 any feedback on this proposal?

21 DTF COMMISSIONER HILLER: I am not  
22 aware of any feedback we've received directly  
23 from the Assessors Association. I would  
24 expect that they would be generally

1 supportive.

2 The -- one of the challenges that we  
3 have in the STAR program, particularly with  
4 regard to the Enhanced STAR program, is that  
5 the eligibility rules are incredibly complex  
6 and difficult for seniors to navigate.  
7 They're difficult for anyone to navigate.

8 We have a homeowner benefit portal on  
9 our website in our Online Services System  
10 that folks can use, for example, to enroll in  
11 STAR direct deposit. And one look at that,  
12 at the complexity of the registration  
13 process, will tell you that the rules around  
14 STAR are very complex. And they're complex  
15 in ways that I don't think are achieving the  
16 overarching goals of the STAR program.

17 For example, we're talking about the  
18 income -- you know, which owner's income is  
19 considered when determining STAR eligibility.  
20 We look at the income of both the owners who  
21 are resident on the property and the owners  
22 who are not resident on the property and  
23 their spouses.

24 And so, first, if the -- you know, I

1           inherited a home with my brother, my brother  
2           lives in Arkansas, I'm the one who lived in  
3           the house and cared for dad, I'm still in the  
4           house, but it's not my income alone that  
5           matters here. Even though I'm the one who's  
6           in the house and still living in the house,  
7           we also need to try and measure the income of  
8           the brother in Arkansas and that brother's  
9           spouse.

10                    The Tax Department doesn't have the  
11           ability to verify that income efficiently  
12           because that income isn't being reported to  
13           New York. So we're not effectively using  
14           that as a measure, and I don't think that  
15           measure is one that speaks to whether or not  
16           the occupants of that property, that home,  
17           are able to meet their tax obligations here  
18           in New York.

19                    So by trying to ease that complexity,  
20           we think we will allow the Enhanced STAR  
21           benefit to reach the families that we want it  
22           to reach, as opposed to having people sort of  
23           default out of the system because it was too  
24           complex to navigate.

1 ASSEMBLYWOMAN WILLIAMS: Okay. You've  
2 actually answered other questions that I had,  
3 too, as to the barriers and so forth. And  
4 it's really great that you guys acknowledge  
5 that, because sometimes it can be very, very  
6 confusing.

7 DTF COMMISSIONER HILLER: I think the  
8 STAR program has become very confusing. It  
9 dates back to the '90s, and every couple of  
10 years a new situation arises and then we do a  
11 legislative fix to address that situation.  
12 And what we have done is made the program  
13 very complex.

14 I think it's complex for every  
15 property owner, and especially complex for  
16 our seniors. And I think our seniors --  
17 we're providing enhanced benefits because we  
18 understand that our seniors are facing  
19 different challenges in terms of the  
20 affordability of their homes. And that mix I  
21 think is just not where we want to go as a  
22 state.

23 This will ease administration for the  
24 Tax Department, for assessors, and for

1 property owners, and we think that this is  
2 the time to get it done.

3 ASSEMBLYWOMAN WILLIAMS: Okay. I  
4 think I'll yield my time. If there's any  
5 other questions, I may come back.

6 CHAIRMAN PRETLOW: Okay.

7 CHAIRWOMAN KRUEGER: Thank you.

8 Our chair, Senator Gounardes, from  
9 Brooklyn.

10 SENATOR GOUNARDES: Thank you. Good  
11 morning, Commissioner. How are you?

12 DTF COMMISSIONER HILLER: Good  
13 morning.

14 SENATOR GOUNARDES: I want to start  
15 quickly with -- I have a bunch of things to  
16 cover.

17 But first, there was a proposal in the  
18 Governor's budget to eliminate the  
19 requirement that IDAs report the value of  
20 their sales tax exemptions to DTF. And they  
21 argued that it was redundant, a redundant  
22 reporting mechanism.

23 Can you comment on that? Is it  
24 redundant? And do you need that information?

1                   DTF COMMISSIONER HILLER: Yeah. So  
2                   IDAs report certain tax-related information  
3                   to the Tax Department, but they have much  
4                   more robust reporting requirements to the  
5                   Authorities Budget Office, including this  
6                   particular sales tax exemption information.

7                   The Tax Department is able to get that  
8                   information from the Authorities Budget  
9                   Office, either directly or through their  
10                  online PARIS system. And so we have access  
11                  to the information, but it is a duplicative  
12                  requirement that requires IDAs to report  
13                  separately to us from their overarching ABO  
14                  reporting requirements, and requires us to  
15                  process those one-off reportings to us  
16                  differently.

17                  We think we can be more efficient and  
18                  it will ease a burden on IDAs without  
19                  changing in any way how we oversee IDAs.

20                  SENATOR GOUNARDES: Thank you.

21                  And it's helpful looking at the tax  
22                  expenditure report that your department puts  
23                  out. It's easy to see that that exemption,  
24                  for example, last year was \$86 million in

1 foregone sales tax revenue. Right?

2 And so my initial concern is without  
3 the reporting, we lose the finding there and  
4 the publication of that finding. And so even  
5 if we remove this reporting requirement, will  
6 you still be able and will you still publish  
7 that value in the Tax Expenditure Report as  
8 you guys have been?

9 DTF COMMISSIONER HILLER: I think as a  
10 practical matter we're using the ABO  
11 reporting now.

12 SENATOR GOUNARDES: I'm sorry?

13 DTF COMMISSIONER HILLER: I think as a  
14 practical matter we're using the ABO  
15 reporting now.

16 SENATOR GOUNARDES: Okay.

17 DTF COMMISSIONER HILLER: We receive  
18 it separately, but we can grab it from there  
19 in a one-stop that is easy for us to use. So  
20 we're using that reporting.

21 We get those reports from IDAs, and we  
22 could lean back on them if for some reason  
23 the ABO stopped operating. But I don't see  
24 that day. I think the ABO is performing

1 important functions for the state.

2 And again, for IDAs, the sales tax  
3 exemption reporting to the ABO is one piece  
4 of a much larger set of reporting obligations  
5 that IDAs have to the ABO. So they're  
6 undertaking that reporting to the ABO in a  
7 different focused way than the one-off  
8 exemptions that they're reporting to the  
9 Tax Department.

10 SENATOR GOUNARDES: Thank you.

11 Going back to the Tax Expenditure  
12 Report, which I find illuminating, just a  
13 couple of weeks ago I kind of put out a quick  
14 analysis looking at some of the things that  
15 we exempt, some of the things that we forego  
16 in tax revenue, trying to total up some of  
17 the loose change that we leave on the table.

18 You know, found quite a bit of  
19 money -- you know, 3 billion-plus. One of  
20 the things that I saw in just the report that  
21 you guys put out this week, you know, we  
22 forego more than \$600 million in sales tax  
23 revenue because we exempt people who buy gold  
24 bars from paying that tax -- \$600-plus

1 million, according to your estimates in the  
2 most recent fiscal year report.

3 Do you have a sense of who's buying  
4 those gold bars that we're giving that tax  
5 break to?

6 DTF COMMISSIONER HILLER: I think --  
7 my understanding, although I've never gone to  
8 see the space, I probably wouldn't be allowed  
9 in, is that there are a couple of  
10 depositories for gold bullion deep  
11 underground in the city. And the ownership  
12 of that gold bullion may change on paper, but  
13 the gold bullion itself does not move.

14 And that makes all those transactions  
15 that are happening here in New York that  
16 could be taxable if we imposed sales tax on  
17 them.

18 We are taxing capital gains on the  
19 trading in that gold bullion, so it's not  
20 that there isn't a pathway for taxation  
21 there. But I think the historic rationale  
22 for this exemption, which was put in place  
23 long before I was involved with taxes in  
24 New York, is that it would be hard to move

1           that gold, but it would be a one-time move.  
2           And they could relocate that gold to another  
3           state, and then all of the transactions about  
4           the ownership of that gold -- which isn't  
5           itself moving, it's not -- I don't buy it and  
6           take it home, it just sits there in the same  
7           place -- that a one-time move of that gold  
8           bullion out of New York would drop away all  
9           of that potential sales tax revenue that we  
10          think we might be getting if we remove the  
11          exemption, while further sort of diminishing  
12          the state's place in the financial services  
13          industry as a locus for that industry in the  
14          United States.

15                    Our share of that industry is  
16          declining every year as the growth has  
17          happened -- you know, we're relatively steady  
18          in New York, but the growth in that industry  
19          is happening elsewhere. And I think the gold  
20          bullion here is an example, an artifact of  
21          some of our place in banking and investment  
22          markets. And if they figure out how to move  
23          it once, then it's over.

24                    SENATOR GOUNARDES:    Thank you.

1           Last year there was a proposal to  
2           basically continue a 50 percent -- I believe  
3           it was a 50 percent credit towards charitable  
4           contributions for income filers over  
5           \$10 million. That's the only -- as I  
6           understand it, the only item itemized  
7           deduction that we let those high-income  
8           earners continue to claim even a piece of. I  
9           think the rest of them kind of drop off  
10          around the 450, \$500,000 income level, they  
11          start to drop off at the itemized level.

12                   Do we have a sense of a breakdown by  
13           income bracket who is claiming that itemized  
14           deduction?

15                   DTF COMMISSIONER HILLER: For  
16           charitable contributions?

17                   SENATOR GOUNARDES: For charitable  
18           contributions.

19                   DTF COMMISSIONER HILLER: I certainly  
20           don't have that offhand. We might be able to  
21           get that from our study files. I can  
22           certainly talk to our data analytics folks  
23           and see if we can figure that out. I would  
24           assume that we can identify that on our

1 returns.

2           You know, I think this is -- we don't  
3 have the same limitations on deductions as  
4 the federal government does. But we have a  
5 particular limitation on these deductions  
6 here in New York. We also have some other  
7 provisions to make sure, for example, that we  
8 don't attribute charitable contributions that  
9 occur in New York to help determine residency  
10 here in New York. I think that's because we  
11 do have a significant sort of philanthropic  
12 activity in New York, and we want to balance  
13 the investments in, for example, our cultural  
14 institutions against the cost to the state of  
15 allowing those deductions.

16           That's a balance that certainly the  
17 Tax Department doesn't choose. But we can  
18 certainly try to get you information about  
19 that.

20           SENATOR GOUNARDES: Yeah, I'm just  
21 curious about the breakdown.

22           And similarly in that same vein, you  
23 know -- I guess you don't have this  
24 information handy, but I'd also appreciate

1 follow-up on the bracket breakdown for filers  
2 who claim the college credit tuition  
3 deduction -- I mean, itemize that -- as well  
4 as the mortgage interest deduction.

5 Because it's my understanding that  
6 90 percent of New York filers are not  
7 itemizing, and so I want to just get a sense  
8 of that 10 percent, what is the income  
9 distribution of that 10 percent who are  
10 itemizing.

11 And these are costly deductions. They  
12 might be the right investments, but I think  
13 we need to know who's getting these  
14 investments.

15 DTF COMMISSIONER HILLER: Sure. Sure,  
16 absolutely. We can certainly try to get that  
17 information.

18 Again, I think that that will be a  
19 data analytics exercise against our study  
20 files.

21 SENATOR GOUNARDES: And switching in  
22 the last couple of moments here, there's  
23 obviously a lot happening at the federal  
24 level right now, there's a lot of churn.

1 DTF COMMISSIONER HILLER: Yes.

2 SENATOR GOUNARDES: A lot of churn.

3 What -- with all the discussions around the  
4 renewal of the TCJA, what are you paying most  
5 attention to, what is the department paying  
6 most attention to with this renewal? What  
7 should we have on our radar as it relates to  
8 the impacts on New York's code -- where we've  
9 decoupled, where are we still coupled,  
10 et cetera?

11 DTF COMMISSIONER HILLER: I think  
12 we're looking at the non-TCJA provisions that  
13 are at issue most. I mean, we're certainly  
14 paying attention to the SALT cap, which has  
15 had devastating impacts on the state and  
16 state taxpayers.

17 But for the most part, we took action  
18 in 2018 to respond to the 2017 tax cuts, and  
19 we're in a relatively okay place with regard  
20 to those tax changes that are set to expire.

21 And what worries me are the other  
22 potential tax changes that could come  
23 together, especially last minute as final  
24 deals are being made, because we don't -- we

1           didn't have very much time to respond to the  
2           2017 TCJA tax changes, and that forced us to  
3           make some very broad-based changes. We  
4           broadly decoupled from a lot of federal tax  
5           changes because we didn't have time to have a  
6           more measured approach to those tax changes  
7           to decide which ones would work for us and  
8           which ones wouldn't. And then we had to go  
9           back the next year and the year after that to  
10          sort of fine-tune those choices.

11                         And so if we find ourselves again  
12          where tax changes are being made without a  
13          lead time for the impact of those changes, we  
14          may find ourselves jammed with potentially  
15          significant changes to our underlying tax  
16          base because the federal tax base is  
17          changing.

18                         So changes to the income tax base,  
19          changes to the appropriate tax base could all  
20          have flow-through consequence to New York if  
21          we don't just broadly decouple. And I don't  
22          think broad decoupling is ever really the  
23          right answer. We -- I think we want to have  
24          enough time to be deliberate in how we

1 navigate the changing landscape in the  
2 federal tax code.

3 SENATOR GOUNARDES: Okay, thank you.  
4 I'll have a couple more for Round 2. Thank  
5 you.

6 CHAIRMAN PRETLOW: Assemblymember  
7 Bailey for five minutes.

8 ASSEMBLYWOMAN BAILEY: Good morning.  
9 Thank you very much. It is -- I appreciate  
10 you being here. And I just have to say real  
11 quick I was a former county clerk, and  
12 working with your team over the years,  
13 they've been great. So please share that  
14 with them. I appreciate that.

15 DTF COMMISSIONER HILLER: Absolutely.  
16 We have a great team at Tax.

17 ASSEMBLYWOMAN BAILEY: My question  
18 initially is going to be around outmigration  
19 and the implications that that could have  
20 potentially on us.

21 So the Governor is proposing the  
22 five-year extension on the increased taxes on  
23 the -- for the ultra-millionaire tax. And  
24 every year we seem to face troubling data on

1 the number of individuals who are no longer  
2 here. You had mentioned in your testimony  
3 that nearly half of New York's personal  
4 income tax receipts are paid by fewer than  
5 2 percent of our taxpayers.

6 Since these rates were first enacted  
7 in 2021, what is your office seeing in terms  
8 of the number of filers with incomes of more  
9 than \$1 million per year?

10 DTF COMMISSIONER HILLER: The number  
11 of taxpayers -- we call them income  
12 millionaires, or sometimes just millionaires.  
13 But we're talking about taxpayers who report  
14 a million dollars in income, not who have a  
15 million dollars in assets. I think that's  
16 very different and an important distinction  
17 to make.

18 We saw a huge uptick in the number of  
19 income millionaires in New York in 2021  
20 because it was a huge capital gains year.  
21 That dropped away in 2022. I'm told that in  
22 twenty-twenty -- so we just finished our  
23 analysis of Tax Year '23, which are the  
24 returns that were processed in 2024. So it's



1 We see outmigration of millionaires. We see  
2 outmigration of New Yorkers, net outmigration  
3 of all New Yorkers at every income level.  
4 There is data on our website, we have  
5 Tax Facts data, we just updated it this week  
6 with the information from the Tax Year '23  
7 study file.

8 And I encourage you to go there and  
9 look at that. We have data, we have tables,  
10 we have charts, some of them are really  
11 colorful --

12 ASSEMBLYWOMAN BAILEY: Thank you very  
13 much. I did look at that, and it appears  
14 that most folks are heading down south. It  
15 looked like Florida, Texas.

16 DTF COMMISSIONER HILLER: We do -- I  
17 think Florida and Texas are certainly places.  
18 I think we all know people who have made that  
19 move to the Sun Belt for a lot of different  
20 reasons -- some for economic reasons, some  
21 because the weather's better.

22 You know, I think one of the things I  
23 found most startling is that we have net  
24 outmigration. We have people who leave and

1 people who come in. Florida has people who  
2 leave and people who come in. We have more  
3 people leave New York than leave Florida, but  
4 that differential isn't huge. It's an  
5 in-migration problem that is driving our net  
6 outmigration numbers.

7 ASSEMBLYWOMAN BAILEY: I have one more  
8 question I want to get in, and I have a  
9 minute and 13 seconds left.

10 DTF COMMISSIONER HILLER: Sure.

11 ASSEMBLYWOMAN BAILEY: So I'm going to  
12 shift back to STAR real quick.

13 DTF COMMISSIONER HILLER: Of course.

14 ASSEMBLYWOMAN BAILEY: It is nice to  
15 see that that -- some of the complexity is  
16 coming down in that.

17 One question I do have. When we're  
18 looking at that, do we know what that impact  
19 is going to have on your department as far as  
20 being able to determine the eligibility for  
21 these individuals now? Because I am assuming  
22 we're going to see an increase in who are  
23 going to be eligible for STAR.

24 And what -- will that also have an

1 impact on our local assessors?

2 DTF COMMISSIONER HILLER: We think it  
3 will reduce the complexity of income  
4 eligibility determinations both for the  
5 Tax Department and for local assessors.

6 The Tax Department does income  
7 eligibility verification for all STAR  
8 beneficiaries, both exemption and credit  
9 recipients. Assessors assist property owners  
10 in navigating that process. And we also have  
11 some taxpayers who don't file tax returns.

12 One of the things that we're also  
13 simplifying here, for property owners who  
14 don't have a tax filing obligation because  
15 their incomes are too low or their income  
16 sources aren't taxable, they file income  
17 worksheets with us. And we have to do that  
18 process every year. It is a manual process,  
19 it's complicated. And we -- we're going to  
20 eliminate that. If you've qualified twice,  
21 you're going to be done.

22 CHAIRMAN PRETLOW: Thank you.

23 ASSEMBLYWOMAN BAILEY: Thank you very  
24 much.

1 CHAIRMAN PRETLOW: Senator?

2 CHAIRWOMAN KRUEGER: Thank you.

3 Senator John Liu.

4 SENATOR LIU: Thank you, Madam Chair.

5 And thank you, Commissioner, for coming  
6 today.

7 How long have you been acting  
8 commissioner? You should be real  
9 commissioner.

10 DTF COMMISSIONER HILLER: I've been  
11 acting commissioner for nearly four years.  
12 As I think some of you know --

13 SENATOR LIU: Okay. I'm not sure why  
14 the delay. You clearly are qualified for  
15 this. So hopefully the Governor will --

16 DTF COMMISSIONER HILLER: There are  
17 actually some retirement consequences for me  
18 if I moved into the commissioner role. And  
19 as I joke --

20 SENATOR LIU: Oh, so you don't want to  
21 be.

22 DTF COMMISSIONER HILLER: As I joke  
23 often, you want people with good judgment in  
24 a role like mine. And I would lose some

1 significant retirement benefits if I moved  
2 there, and I just can't get there.

3 SENATOR LIU: I see. Got it. So  
4 that's your preference, then.

5 DTF COMMISSIONER HILLER: Yes,  
6 absolutely.

7 SENATOR LIU: I see, all right.

8 I wanted you to talk about this new  
9 program that I don't know why I haven't heard  
10 of before, Secure Choice. So is that  
11 something that's going to be rolled out in  
12 Tax Year 2025?

13 DTF COMMISSIONER HILLER: We expect to  
14 roll it out this year.

15 The Secure Choice journey has been a  
16 long one. I think the legislation  
17 authorizing Secure Choice was first enacted  
18 in 2018, but it was enacted in a way that  
19 made the program untenable. The program as  
20 originally enacted was voluntary for  
21 employers, so employers would have an option  
22 to provide a pathway --

23 SENATOR LIU: So this program is  
24 compulsory.

1                   DTF COMMISSIONER HILLER:  It is  
2                   compulsory --

3                   SENATOR LIU:  For?

4                   DTF COMMISSIONER HILLER:  For  
5                   employers with 10 or more employees who do  
6                   not offer retirement options.  They aren't  
7                   paying anything, but they have to make the  
8                   program available to their employees.

9                   SENATOR LIU:  And will the state --  
10                  meaning your department -- keep track of the  
11                  accounts, the contributions from the  
12                  employees?

13                  DTF COMMISSIONER HILLER:  We have a  
14                  program administrator that we have contracted  
15                  with to be the basic administrator of the  
16                  program.

17                  If any of you, for example, might have  
18                  participated in the state's deferred  
19                  compensation program, that -- if you go to  
20                  their website, that website is being operated  
21                  by Nationwide, is the program administrator.  
22                  It's responsible for the core accounting  
23                  under the supervision of a board.

24                  SENATOR LIU:  So the employees in

1           this -- participating in the Secure Choice  
2           program, would they also get the tax benefits  
3           such as --

4                     DTF COMMISSIONER HILLER:  Yes,  
5           absolutely.  It's sort of an auto-IRA  
6           program.  We had to go back and amend the  
7           original 2018 law in 2021 to require  
8           employers to make this program an option for  
9           their employees.

10                    SENATOR LIU:  And do they get tax  
11           {unintelligible} just for New York State  
12           income tax or federal income taxes?

13                    DTF COMMISSIONER HILLER:  For both.  
14           For both state and federal.

15                    SENATOR LIU:  I see.  That's good.

16                    DTF COMMISSIONER HILLER:  It is -- it  
17           is a retirement -- it's similar to a 401(k)  
18           or a 457B or other type of retirement  
19           program.

20                    We think it's an important  
21           opportunity.  It took a little while, again,  
22           to get it off the ground, but we have  
23           contracts in place for a program  
24           administrator and --

1                   SENATOR LIU: Well, thank you.

2                   hopefully we get this off the ground.

3                   DTF COMMISSIONER HILLER: Yeah,

4                   absolutely.

5                   SENATOR LIU: Just a real quick

6                   response to one of your statements. You said

7                   we have a net outmigration --

8                   DTF COMMISSIONER HILLER: Yes.

9                   SENATOR LIU: -- of millionaires.

10                  DTF COMMISSIONER HILLER: Of

11                  everybody.

12                  SENATOR LIU: Okay. But would you --

13                  so it's a net migration --

14                  DTF COMMISSIONER HILLER: Yes.

15                  SENATOR LIU: -- of millionaires?

16                  Because there are lots of millionaires moving

17                  to New York also.

18                  DTF COMMISSIONER HILLER: We have --

19                  we have a net outmigration in all income

20                  categories. Except, I think, a couple of

21                  young people -- young people --

22                  SENATOR LIU: Thank you.

23                  (Unintelligible overtalk.)

24                  CHAIRMAN PRETLOW: Thank you,

1 Madam Acting Commissioner.

2 Assemblyman Otis.

3 ASSEMBLYMAN OTIS: Thank you,  
4 Commissioner. And thank you for your very  
5 thorough answers to everybody's questions. I  
6 think people appreciate that.

7 My question relates to a sense of the  
8 state of play in terms of cybersecurity  
9 threats and how the department is working  
10 with other state agencies to continue to  
11 protect us in an evolving situation.

12 DTF COMMISSIONER HILLER: New York  
13 State -- the New York State Tax Department is  
14 supported by the Office of Information  
15 Technology Services. The state has a chief  
16 cybersecurity officer, and ITS is responsible  
17 for the core cybersecurity initiatives that  
18 are safeguarding state information, including  
19 state tax data.

20 We have -- we are subject to rigorous  
21 state and federal data security requirements  
22 around tax data. And we work closely with  
23 our colleagues at ITS to make sure that we  
24 are properly safeguarding that data. Those

1 requirements aren't new, but they evolve  
2 every year. And I think our state  
3 cybersecurity efforts continue to evolve as  
4 the threats keep on changing.

5 ASSEMBLYMAN OTIS: That's great. So  
6 you're confident that we're doing everything  
7 we need to be doing for the moment.

8 DTF COMMISSIONER HILLER: I am -- I  
9 think we're doing everything we need to be  
10 doing.

11 I remain always concerned that despite  
12 all of our best cybersecurity efforts, a  
13 careless action by an individual could expose  
14 a state system. And so we are constantly  
15 training employees at Tax around being  
16 cautious in their handling of other seemingly  
17 routine things. We train to make sure that  
18 people don't click on links, because it's  
19 easy to expose a system. And at the Tax  
20 Department we are incredibly focused on  
21 making sure that our employees aren't  
22 creating those risks.

23 ASSEMBLYMAN OTIS: Thank you for that  
24 answer, and thank you for the great job

1           you're doing.

2                     DTF COMMISSIONER HILLER: Thank you.

3                     CHAIRMAN PRETLOW: Thank you.

4                     CHAIRWOMAN KRUEGER: Thank you.

5                     Next, Gustavo Rivera.

6                     SENATOR RIVERA: Thank you,

7           Madam Chair.

8                     Hello, Commissioner.

9                     You were cut off right at the end of  
10           Senator Liu's questions, but I was very  
11           interested in the answer. If you can tell us  
12           a little bit more about outmigration,  
13           in-migration, and some of the folks that are  
14           leaving, particularly since we hear endlessly  
15           about how tax policies make, you know,  
16           wealthy people run away, when there's many of  
17           us who believe that there's other policies  
18           that we follow that make it harder for  
19           working-class folks to remain in the state.

20                     But tell us about some of them just in  
21           straight-up numbers.

22                     DTF COMMISSIONER HILLER: So I think  
23           the first and mainly main thing I want to do  
24           is I want to refer you to our website.

1                   On our website we have a tax data  
2 drop-down, and that will bring you to what we  
3 call Tax Facts. And there are a lot of  
4 charts and tables around tax migration. One  
5 of my -- we have a chart that is looking at  
6 in-migration and outmigration rates  
7 historically.

8                   Our rate of net outmigration dropped,  
9 has dropped in the last couple of years. We  
10 saw it really spike during the pandemic,  
11 which I don't think surprises any of us. But  
12 we are seeing our outmigration rates return  
13 to more historic pre-pandemic levels.

14                   We did see a spike in outmigration of  
15 our highest-income New Yorkers in the year we  
16 increased our tax brackets. And then it  
17 dropped down to -- it started returning more  
18 towards historic levels.

19                   I'm not in that tax bracket, so I'm  
20 not sure exactly why. But my assumption is  
21 that the people who were sensitive to those  
22 tax changes left and those who weren't  
23 sensitive to those tax changes are still  
24 here. And so they stopped leaving. They

1 weren't sensitive to that.

2 We have also a heat map, I think they  
3 call it, that is looking at -- where you can  
4 see visually, based on shading, where the  
5 hotspots are for outmigration by age and  
6 income level. So we see in-migration for  
7 young people in sort of those  
8 upper-middle-class brackets, folks who are  
9 coming and landing their job in New York.  
10 And we see outmigration in most other age and  
11 income brackets.

12 But I think that that's a really good  
13 way to get a sense of that. And I really  
14 encourage you to look at some of those charts  
15 because I think that you'll find that really  
16 informative about where these changes are.

17 But again, when I look at the data, it  
18 looks to me like our rates of outmigration,  
19 while significant, have always been true. We  
20 have always had outmigration in New York.

21 SENATOR RIVERA: Tell me, just because  
22 we have so little time --

23 DTF COMMISSIONER HILLER: Sure.

24 SENATOR RIVERA: -- it's the -- which

1 website again? Just because I'm --

2 DTF COMMISSIONER HILLER: So if you go  
3 to tax.ny.gov, there's a tax data and  
4 statistics drop-down. And when you get  
5 there, there is -- one of the first things  
6 you get is Tax Facts.

7 SENATOR RIVERA: Got it.

8 DTF COMMISSIONER HILLER: And you'll  
9 see a ton of charts and graphs and tables.  
10 You can view things as charts and as data  
11 tables. Take a look. It's great.

12 SENATOR RIVERA: Thank you so much.

13 Thank you, Madam Chair.

14 CHAIRMAN PRETLOW: Thank you.

15 Assemblymember Miller.

16 ASSEMBLYMAN MILLER: Thank you.

17 And thank you, Acting Commissioner,  
18 for your testimony.

19 DTF COMMISSIONER HILLER: Thank you.

20 ASSEMBLYMAN MILLER: My question is on  
21 the Farm Employee Overtime Credit.

22 DTF COMMISSIONER HILLER: Sure.

23 ASSEMBLYMAN MILLER: The Farm Employee  
24 Overtime Credit was the Governor's solution

1 to keep New York State farms viable after the  
2 state implemented harmful, costly regulations  
3 on farm overtime. However, not all New York  
4 State farms are eligible for the credit,  
5 creating a dire economic hardship for these  
6 farms.

7 The Senate and the Assembly  
8 unanimously passed a bill last year to fix  
9 this so all farms would be eligible. The  
10 Governor vetoed the bill and instructed the  
11 Departments of Ag and Markets and Tax and  
12 Finance to work with the Legislature to put a  
13 solution in the budget.

14 Okay. Commissioner Ball shared with  
15 us that his department is working to find a  
16 solution. What is your department doing to  
17 find a solution?

18 DTF COMMISSIONER HILLER: We are also  
19 working to find a solution.

20 I think it's important to understand  
21 that the legislation that the Legislature  
22 passed last year was -- would not have  
23 changed eligibility for the Farmworker  
24 Overtime Credit. There were some technical

1 issues with that legislation that meant that  
2 it would not have actually changed anything  
3 about the eligibility for the credit.

4 And that's because the credit is  
5 framed for taxpayers who earn their living  
6 from farming, who are farmers. And so  
7 although the legislation I think was intended  
8 to capture those farmers who use a separate  
9 entity to manage their labor costs, those  
10 separate entities aren't farmers.

11 And so where the underlying  
12 eligibility test is are you a farmer, that  
13 wasn't being changed in that legislation.  
14 And so that legislation was not going to  
15 expand eligibility for anyone.

16 I think that test of "are you a  
17 farmer" is an important one. It's been in  
18 place for a long time in New York across a  
19 range of benefits that are driven to farmers.  
20 But it gets a little tricky when we try to  
21 expand that concept to capture other entities  
22 that are providing labor to a farm,  
23 particularly in the context of overtime.

24 I expect that we will be engaging with

1 your teams as part of the budget process when  
2 the negotiations sort of take off in earnest,  
3 and I'm confident we'll find a solution.

4 ASSEMBLYWOMAN MILLER: Okay. So I'll  
5 just answer the question: There is a viable  
6 path moving forward --

7 DTF COMMISSIONER HILLER: It's a  
8 complicated one. I think it's going to be a  
9 complicated one and we're probably going to  
10 have some serious conversations about how to  
11 craft a solution that reaches those entities  
12 while ensuring that we're only paying for  
13 farmworker overtime that -- you know, for  
14 overtime wages that are being triggered by  
15 farming.

16 ASSEMBLYWOMAN MILLER: So do we feel  
17 that that's something that we can accomplish  
18 even though it's relatively --

19 DTF COMMISSIONER HILLER: Yeah, I'm  
20 confident we can get there. I think, you  
21 know, we're leaning in, I'm sure Ag & Markets  
22 is leaning in, and I think we'll get there.

23 ASSEMBLYWOMAN MILLER: Thank you,  
24 Commissioner.

1 CHAIRWOMAN KRUEGER: Tom O'Mara.

2 SENATOR O'MARA: Thank you.

3 Good morning.

4 DTF COMMISSIONER HILLER: Good

5 morning.

6 SENATOR O'MARA: Thanks for being with

7 us.

8 An area that's been a significant  
9 concern of mine in recent years is the loss  
10 of financial services jobs from the state. I  
11 think in the last two years Texas now has  
12 more financial services jobs than New York  
13 State for the first time ever. Very  
14 concerning.

15 Even more concerning now is that the  
16 New York Stock Exchange has announced they're  
17 going to open a Dallas exchange.

18 What are we doing from a tax  
19 perspective to protect the financial industry  
20 that we have in New York State and the loss  
21 of that to other states? You know, it's  
22 about 20 percent of our total tax receipts in  
23 the state; 84 percent of that is from  
24 personal income taxes. So every job we lose

1 to Texas is a loss of a -- presumably a  
2 high-income earner going.

3 So what are your thoughts on the loss  
4 of these jobs and the significant portion of  
5 our total tax revenues that we get from this  
6 industry?

7 DTF COMMISSIONER HILLER: One, as I  
8 think I mentioned earlier, we certainly at  
9 Tax are paying attention to changes in the  
10 financial services industry because it is  
11 such an important component of the state's  
12 economy and a significant source of state tax  
13 receipts.

14 And to be clear, New York remains the  
15 center of the financial services industry in  
16 this country. But we're seeing growth in  
17 that industry in other states instead of in  
18 New York. And I believe --

19 SENATOR O'MARA: Well, they have more  
20 jobs in Texas than New York --

21 DTF COMMISSIONER HILLER: Right, where  
22 those jobs are going in other places.

23 I think there's a combination of  
24 things. One, we enacted significant

1 corporate tax reforms in 2015. We finally  
2 finished the regulatory process for that in  
3 2023. It's been a 20-plus-year journey to  
4 restructure our tax code to align with  
5 federal changes that allowed for financial  
6 service entities to be engaged in activities  
7 that crossed our historic tax types. And so  
8 we combined them together.

9 Before those reforms, we were getting  
10 about half of our tax receipts from complex  
11 corporate taxpayers in the financial services  
12 industry on audit, because it was very  
13 difficult to fit their activities into our  
14 tax structures under the law. And although  
15 in some cases they are paying more in taxes,  
16 the certainty around the corporate tax law  
17 changes that we made I think are really  
18 making it possible for those industries to  
19 comply in a much more orderly and predictable  
20 way, and that that was an incredibly  
21 important step that we took.

22 SENATOR O'MARA: How can you take that  
23 position when we're losing jobs to other  
24 states and Texas has now surpassed New York

1 on other jobs? That doesn't add up.

2 DTF COMMISSIONER HILLER: I think  
3 there are a couple of different things.

4 One, I think that we have -- in terms  
5 of our tax policy, we have made tax  
6 compliance easier for these entities.  
7 Although they in some cases are paying more,  
8 they are paying more in a predictable way,  
9 and that predictability is itself of value.

10 But there are certainly other aspects  
11 of our state's economy and the economy in  
12 other states that are driving these changes.  
13 Just as we were talking about people who are  
14 moving to other parts of the country for tax  
15 and other reasons, including affordability  
16 challenges, housing challenges and the like,  
17 we are seeing financial services firms make a  
18 calculation that it's easier for them to grow  
19 their business in other parts of the country  
20 than to grow them here.

21 SENATOR O'MARA: Well -- and I'm  
22 running out of time and I thank you for your  
23 answers. And I've got one more area I wanted  
24 to get to.

1           But, you know, I think perhaps that  
2           predictability and knowing that they're going  
3           to pay more taxes in New York is leading them  
4           to leave New York because they know they're  
5           going to continue to pay more.

6           But one positive area, an area that we  
7           worked on the last couple of years, is  
8           reviewing the Excelsior Jobs Program. And  
9           the report and review of that showed a  
10          positive return on investment of \$5.25 for  
11          every dollar invested.

12          And I'm glad we're continuing that  
13          program, extending it, and I think that's  
14          been a very successful program over the  
15          years.

16          But another one that was also reported  
17          on was the Film Tax Credit. And we get a  
18          31-cent return on every dollar, yet we're  
19          continuing to waste \$700 million a year on  
20          that industry.

21          Can you justify why we're continuing  
22          to spend \$700 million on a program that has a  
23          negative rate of return?

24                 DTF COMMISSIONER HILLER: I think

1           you're referring to the Independent Tax  
2           Expenditure Study that the department  
3           commissioned at the direction of the Governor  
4           and Legislature.

5                     I think that report itself took a very  
6           narrow view of the return on investment from  
7           our tax expenditures, and measured that  
8           return on investment only in terms of the  
9           actual number of dollars, state tax dollars  
10          that were generated by the state tax  
11          investment we made.

12                    But that report made clear in the  
13          context of the film credit and other credits  
14          that there are intangible benefits to these  
15          investments that are not just metric in terms  
16          of state tax receipts that are generated.

17                    CHAIRMAN PRETLOW: Thank you.

18                    Assemblyman Ra.

19                    ASSEMBLYMAN RA: Thank you.

20                    We've talked about this issue a number  
21          of times. You know, we had enacted these  
22          restrictions a few years ago on flavored  
23          e-cigarettes. Obviously there is a  
24          dichotomy, I call it maybe even an

1           inconsistency in the way we enforce tobacco  
2           and enforce these types of products.

3                     And I know there are a lot of illegal  
4           products out there that come from China;  
5           they're not FDA-approved, so we don't even  
6           know what's in them. And I know you're not  
7           one to really offer an opinion necessarily  
8           about what we should be doing.

9                     But, I mean, does it make sense to  
10          maybe consolidate the enforcement of both of  
11          these types of products under Tax & Finance?  
12          Because it seems like you guys have the  
13          resources and are out there and doing a good  
14          job, whereas DOH doesn't necessarily have  
15          that when they're trying to deal with these  
16          types of products.

17                    DTF COMMISSIONER HILLER: So thank you  
18          for that question.

19                    The Tax Department enforces taxes. We  
20          have specific provisions in our tax laws that  
21          authorize us to engage in very specific kinds  
22          of criminal enforcement with regard to  
23          tobacco taxes and with regard to cannabis  
24          taxes.

1           We do have taxes on vapor products,  
2           but there are no enforcement provisions in  
3           the Tax Law associated with them beyond  
4           penalties for filing a late return and the  
5           like. We do not have the same kind of  
6           enforcement responsibilities or authority  
7           that we do for tobacco and for cannabis under  
8           the law.

9           There certainly are tax issues here.  
10          If a vapor product is being sold illegally,  
11          it's unlikely to be properly taxed too. But  
12          in order to have the Tax Department engage in  
13          the kind of civil and criminal enforcement  
14          responsibilities, we would have to be  
15          enforcing a regulatory scheme around vapor  
16          that doesn't exist in the law today.

17          ASSEMBLYMAN RA: Okay. A totally  
18          different subject.

19          The pass-through entity tax, I know  
20          businesses have been asking for flexibility  
21          on the election date. We have this proposal  
22          in the Executive Budget to extend to  
23          September 15th. But I have heard some  
24          concerns about this new provision that the

1 election could be invalidated for nontimely  
2 payment.

3 Is the department considering these  
4 concerns? Is the availability of penalties  
5 and interest sufficient rather than, you  
6 know, invalidation?

7 DTF COMMISSIONER HILLER: We have  
8 certainly heard those concerns.

9 I mean, I think that the businesses  
10 that avail themselves of PTET have long been  
11 seeking to have the election moved to  
12 September from March because it allows them  
13 to have a better sense of whether PTET would  
14 help them.

15 I think it's always been a cash-flow  
16 concern for the state because that first  
17 estimated payment comes in March, at the end  
18 of one fiscal year, and moving the election  
19 to the end of September moves that payment  
20 into the next fiscal year. So there's a  
21 spin-down effect from moving that.

22 The language in the Executive Budget  
23 is the same language that we had in 2022 when  
24 the election date was moved from March to

1           September. And I think the intention there  
2           is to ensure that we don't have significant  
3           disruptions to our cash flow by moving the  
4           election date.

5                        I'm certainly open to finding ways to  
6           work through those issues with your staff and  
7           the business community. I think that's how  
8           we are trying to approach every one of the  
9           business tax proposals that we have and  
10          generally try to do business.

11                       ASSEMBLYMAN RA: All right, thank you.

12                       And then in December 2023, by  
13          contract, we had the comprehensive report  
14          issued on economic development tax credits.  
15          I know many of us have expressed concerns,  
16          you know, yesterday to Commissioner Knight  
17          with regard to a lot of these programs.

18                       But I do note that the -- you know, we  
19          required, obviously, this report, but even  
20          the authors kind of commented on the overly  
21          broad scope. So just wondering if you have  
22          any take on whether a reporting requirement  
23          that we were looking more in depth at a  
24          smaller number, rather than trying to be so

1 broad in looking at all of these programs at  
2 once, if that would get us better information  
3 as to the effectiveness of the programs.

4 DTF COMMISSIONER HILLER: You know, I  
5 don't know if it would get better  
6 information. I think the challenge is in  
7 defining the goals for the investments we're  
8 making and then figuring out how to measure  
9 whether those goals are being achieved.

10 And I think, you know, at the end of  
11 the day the Tax Department isn't making these  
12 programs available. And so we can -- I  
13 sometimes -- you ask me about these programs  
14 and I have to guess at why we're doing them.  
15 I think that's where the challenge would lie.

16 ASSEMBLYMAN RA: We do sometimes too  
17 have to guess.

18 Thank you.

19 CHAIRWOMAN KRUEGER: Senator Shelley  
20 Mayer.

21 SENATOR MAYER: Good morning,  
22 Commissioner. Good to see you.

23 On the Enhanced STAR changes, do you  
24 have a sense of how many additional people

1 will be eligible for Enhanced STAR under this  
2 change if it's enacted?

3 DTF COMMISSIONER HILLER: I think we  
4 estimate the total fiscal for the state at  
5 about \$9 million in changes. Which, you  
6 know, about \$1100 a family, is -- you know,  
7 there's some math there. We could figure  
8 that out.

9 It's -- I think the main point here is  
10 that the -- the eligibility constructs that  
11 we're using here are functioning to exclude  
12 people that I think we always intended to  
13 have be eligible for Enhanced STAR. And that  
14 complexity is deterring people from entering  
15 into the process.

16 SENATOR MAYER: Yes.

17 DTF COMMISSIONER HILLER: And so we --  
18 it's going to be a very modest gain. But it  
19 will be a significant simplification for  
20 folks.

21 SENATOR MAYER: Right. But you don't  
22 have right now the number --

23 DTF COMMISSIONER HILLER: No, but I  
24 could probably do it in my head.

1                   SENATOR MAYER: Co-ops will still be  
2 included, co-ops and condominiums?

3                   DTF COMMISSIONER HILLER: Yes. Yeah,  
4 we're not changing the scope of coverage of  
5 these programs, we're just changing like  
6 which incomes we're looking at.

7                   SENATOR MAYER: Yes, understood.

8                   DTF COMMISSIONER HILLER: Yeah.

9                   SENATOR MAYER: What about the process  
10 of challenging a determination of Tax &  
11 Finance? Does this require additional staff  
12 on your part? And how long does the  
13 department have to make a decision on an  
14 appeal?

15                   DTF COMMISSIONER HILLER: We handle  
16 those appeals expeditiously. It's not going  
17 to take additional staff for us. If  
18 anything, we expect that the number of  
19 challenges will likely go down.

20                   One of the things that is certainly  
21 frustrating for us is that I think there are  
22 a lot of tax property owners who don't  
23 understand why they were not eligible when it  
24 was an income disqualification. And we're

1 looking at their tax return, and you're not  
2 qualified, based on that.

3 So we don't see a ton of reversals of  
4 appeals of these eligibility determinations,  
5 because for the most part they're really  
6 straightforward. We looked at your tax  
7 filing, and your tax filing said this, and  
8 therefore you're not eligible.

9 SENATOR MAYER: I understand.

10 But is there a requirement in your  
11 proposal as to how quickly you must  
12 determine -- from a consumer point of view.

13 DTF COMMISSIONER HILLER: I don't  
14 believe so. I don't believe so.

15 There are -- I think there are a  
16 myriad of changes we could make to start to  
17 simplify it, and that could include some  
18 additional changes to the STAR program that I  
19 think would make the protest process more  
20 straightforward.

21 I think not consistent between the  
22 credit and the exemption, between the basic  
23 exemption and the enhanced exemption, because  
24 those laws have evolved at different times.

1 And we could also strive to simplify that.  
2 You might see that proposal next year.

3 SENATOR MAYER: We need  
4 simplification. It's extremely hard for an  
5 individual homeowner to figure out.

6 DTF COMMISSIONER HILLER: It's very  
7 hard, yes.

8 SENATOR MAYER: So I'm interested in  
9 that.

10 I have one more question. How much  
11 staff does Tax & Finance have?

12 DTF COMMISSIONER HILLER: We have just  
13 under 4,000 right now.

14 SENATOR MAYER: Okay, thank you.

15 CHAIRMAN PRETLOW: Thank you, Senator.

16 I just have a couple of questions,  
17 Madam Commissioner.

18 The Governor is proposing a  
19 middle-class tax cut for certain taxpayers.  
20 It's a three-part question. First, who is  
21 not eligible for this? I never know who the  
22 certain taxpayers are. So who is not  
23 eligible for this tax cut?

24 When will it kick in? And will you be

1 adjusting the tax rate tables this year, or  
2 is it next year?

3 DTF COMMISSIONER HILLER: The proposal  
4 would cover taxpayers up through -- I think  
5 it's 323,000 for married filing jointly.

6 CHAIRMAN PRETLOW: Right. Right.

7 DTF COMMISSIONER HILLER: Those tax  
8 brackets. So the tax brackets above that are  
9 6.85 or 9.3 or 10 point -- 9.65 or 10.3 and  
10 our 10.9 brackets would remain unchanged.  
11 For taxpayers reporting more than \$323,000  
12 for joint filers, it's ties about 160 --

13 CHAIRMAN PRETLOW: Taxpayers under  
14 that, that max, that aren't eligible, who  
15 would that be?

16 DTF COMMISSIONER HILLER: For the tax  
17 credit, those would be those taxpayers --

18 CHAIRMAN PRETLOW: So everyone that  
19 makes less than \$323,000 is eligible?

20 DTF COMMISSIONER HILLER: Yes, they  
21 would all -- the proposal is to reduce our  
22 income tax brackets by one basis point this  
23 year and by another basis point next year.  
24 The proposal would bring our tax rates to

1 the -- to essentially the lowest tax rates  
2 since 1934. We had a zero rate in 1958,  
3 which makes it a blip. But otherwise we're  
4 going back to 1934 when we imposed the income  
5 tax.

6 The first tax rate change would be for  
7 tax year '25, for this year. The second  
8 basis point change would be for next year.  
9 That would be recurring relief going forward  
10 from there.

11 CHAIRMAN PRETLOW: Okay. And the  
12 Governor is also proposing a -- I think we're  
13 calling it an inflation refund that totals  
14 around \$3 billion for people earning less  
15 than \$300,000 -- taxpayers filing less than  
16 \$300,000.

17 When will those checks be sent out to  
18 the taxpayers, do you know?

19 DTF COMMISSIONER HILLER: We would be  
20 sending them out later this year.

21 I think the specific timing would have  
22 to fall around our STAR check mailings. We  
23 have some timing obligations under the law  
24 around when we deliver STAR credits as

1 compared to their billing cycle, so we would  
2 be sliding these rebate checks in around that  
3 mailing schedule.

4 CHAIRMAN PRETLOW: And what recourse  
5 will the taxpayers have if they don't receive  
6 a check by the end of the year?

7 DTF COMMISSIONER HILLER: These  
8 rebates are structurally income tax credits.  
9 That's how we deliver these kinds of check  
10 programs historically. And so they would  
11 have all of the recourse that would be  
12 available to them for any personal income tax  
13 matter.

14 CHAIRMAN PRETLOW: Okay. And just a  
15 back of the envelope calculation in your  
16 head, if we reduce the max income from  
17 300,000 to 150,000, do you know -- can you  
18 estimate what that number would be? I know  
19 there would be more people less than than  
20 above, so it wouldn't be half.

21 DTF COMMISSIONER HILLER: Yeah, I  
22 mean, we're -- the program is intended to  
23 deliver -- as proposed would deliver checks  
24 to 8.6 million households. It's joint filers

1 with incomes up to \$300,000 and single filers  
2 with incomes up to \$150,000.

3 I think if we dropped the income level  
4 we would see a marginal decrease, but not --  
5 it wouldn't drop in half because we have more  
6 taxpayers in lower brackets.

7 CHAIRMAN PRETLOW: Right. Exactly,  
8 yeah.

9 So it wouldn't be that beneficial --

10 DTF COMMISSIONER HILLER: You know, if  
11 we dropped it in half we might drop from  
12 8,000 to -- 8 million to 6 million, maybe.

13 CHAIRMAN PRETLOW: Okay. Pass-through  
14 entities, the Governor is proposing a change  
15 in them from April to September filing. How  
16 would that affect cash flow?

17 DTF COMMISSIONER HILLER: So I think  
18 that the significant impact of a changed  
19 election deadline from March to September  
20 would be a cash-flow impact.

21 Essentially, a one-year cash-flow  
22 spin-down, because entities that are electing  
23 now in March make a March estimated payment  
24 that comes in at the end of the current

1 fiscal year. And if that election is moved  
2 to September and their associated estimated  
3 payments are moved to September, that makes  
4 those payments fall in the next fiscal year.

5 So that's a cash-flow impact, not  
6 an -- and there are some financial plan  
7 ramifications for that. But the Division of  
8 Budget tells me that we have enough cash on  
9 hand to manage that cash-flow impact, and  
10 that makes this year a good year to make this  
11 change.

12 CHAIRMAN PRETLOW: All righty.  
13 Yesterday we heard from people in the  
14 entertainment industry, and they were  
15 actually supporting the Governor's proposal  
16 to amend the tax credit and extension of the  
17 tax credit.

18 Does the state really benefit from  
19 this program? Because some people said that  
20 we're just giving away money. Some people  
21 are saying that it enhances our  
22 respectability in the world. You know, there  
23 are different comments on it.

24 In your estimation, are we making a

1 significant amount of revenue going toward  
2 the state to make this whole program  
3 worthwhile?

4 DTF COMMISSIONER HILLER: Well, one of  
5 the great things about my job is that that's  
6 not my call.

7 (Laughter.)

8 CHAIRMAN PRETLOW: I'm going to let  
9 that answer stand. Okay?

10 DTF COMMISSIONER HILLER: I do like  
11 movies.

12 CHAIRMAN PRETLOW: No, that answer  
13 stands. I'm not going to pursue that.

14 As a matter of fact, that was such a  
15 good answer I'm going to move on to  
16 Senator Krueger.

17 (Laughter.)

18 CHAIRWOMAN KRUEGER: Well, it was  
19 factually correct. I can't blame you there.

20 So the Governor is -- well, let me  
21 start again. We're all very interested in  
22 tax exemptions, tax credits, how they impact  
23 the state, whether they are legitimate public  
24 policy or giveaways.

1                   And there's been frustration that even  
2                   for those of us who actually look forward to  
3                   your Tax Expenditure Report every year -- I  
4                   know that Senator Gouardes and I are fans of  
5                   actually reading it. Don't talk about us --  
6                   it's very hard to understand how you evaluate  
7                   with your -- you know, your letter codes in  
8                   the columns.

9                   Is there a better way to share  
10                  information with us about what the findings  
11                  are from each of these tax credits and  
12                  exemptions?

13                  DTF COMMISSIONER HILLER: So when  
14                  we're reporting -- so folks are talking  
15                  about -- we're talking about the Tax  
16                  Expenditure Report, the most recent one was  
17                  just posted last week, together with the  
18                  30-day amendments.

19                  The reliability level of our exemption  
20                  estimates depends on how that information  
21                  comes to us and how clearly defined it is  
22                  when we get it. We have incredible  
23                  reliability with regard to some, and some of  
24                  it we have to estimate in a slightly

1 different way. And we always want to be  
2 transparent about that, so we have some  
3 obscure coding on the side that helps folks  
4 understand that reliability.

5 We're confident in our estimates, but  
6 we want to make sure folks understand that  
7 there are different levels of reliability  
8 based on the different methodologies we need  
9 to bring to the table to reach those  
10 expenditure estimates.

11 That said, again, we're pretty  
12 confident in those expenditures. I think the  
13 larger question underlying your question is  
14 whether it's worth it.

15 CHAIRWOMAN KRUEGER: Right.

16 DTF COMMISSIONER HILLER: And again,  
17 you know, we can certainly help folks  
18 understand how much we're spending, but the  
19 goals for why we're making those expenditures  
20 aren't necessarily in the purview of the  
21 Tax Department. And so that requires a  
22 different set of questions to be asked and  
23 information to be identified.

24 You know, if we had a really clear

1           understanding of why we're pursuing a  
2           particular program, then we could measure  
3           whether we're meeting those goals. But I  
4           think for a lot of the expenditures we have,  
5           we've had them in place for decades. I think  
6           we -- in some cases it's really clear why  
7           we're doing it. We're providing a child tax  
8           credit because we want to support low-income  
9           families with children. Some of the --

10                   CHAIRWOMAN KRUEGER: Right. I'm going  
11           to cut you off just because I have more  
12           questions.

13                   DTF COMMISSIONER HILLER: Of course.

14                   CHAIRWOMAN KRUEGER: So -- but along  
15           that line. So the Governor -- so our own  
16           research that we have from a study that we've  
17           already referenced was that the Excelsior Tax  
18           Credit is one of our more successful  
19           programs.

20                   But the Governor is expanding it this  
21           year and sort of creating a subprogram which  
22           will have different guidelines of eligibility  
23           and return. I think it will just muddy the  
24           waters.

1           Can't we just call it a different name  
2           and not say "And now Excelsior is this also"?  
3           Doesn't that make it just harder to evaluate?

4           DTF COMMISSIONER HILLER: I'm not sure  
5           yet that it will be harder to evaluate or not  
6           because we aren't even there yet. It might  
7           be that we can evaluate it as effectively.

8           I think one of the reasons why the  
9           Excelsior program is as successful as it is,  
10          is because it has a little more flexibility  
11          within the program to target our tax credit  
12          investments to particular industries. And as  
13          compared to tax expenditures that, you know,  
14          were made for good reasons 30 years ago and  
15          we just continue to do it, I think we have  
16          the ability in Excelsior to be a little more  
17          nimble.

18          And I defer to my colleagues at ESD.  
19          If they believe that having this -- the new  
20          investments in the semiconductor industry be  
21          a program within Excelsior and that that will  
22          be an effective way to address that, I don't  
23          feel like I can second-guess that. I think  
24          that this is a program that they're

1 administering successfully, and I would defer  
2 to them.

3 CHAIRWOMAN KRUEGER: And you already  
4 answered my colleague about the changing of  
5 the timelines for the pass-through entity tax  
6 flexibility.

7 DTF COMMISSIONER HILLER: Sure.

8 CHAIRWOMAN KRUEGER: But am I hearing  
9 you right, this is really just a way to shift  
10 revenue into the following year from this  
11 year?

12 DTF COMMISSIONER HILLER: I don't  
13 think that we're doing it for the purpose of  
14 shifting revenue. I think that taxpayers who  
15 are availing themselves of the pass-through  
16 entity tax, it's hard to know in March  
17 whether it will be a good year or not a good  
18 year for those entities. And so they're  
19 better able to determine whether the  
20 pass-through entity tax will be an effective  
21 tool for them as we move further along in the  
22 tax year.

23 And so by allowing -- for some, they  
24 know now that it's going to be a good program

1 and they're electing now, because then they  
2 can make orderly estimated tax payments. But  
3 by moving the election deadline to September,  
4 we're giving them the opportunity to have a  
5 better view into their year and know whether  
6 this is going to work for them.

7 CHAIRWOMAN KRUEGER: Do we think there  
8 will be more entities filing because of this?

9 DTF COMMISSIONER HILLER: I doubt it.  
10 I doubt it.

11 CHAIRWOMAN KRUEGER: Okay.

12 DTF COMMISSIONER HILLER: I think that  
13 the program is a fairly mature program at  
14 this point.

15 CHAIRWOMAN KRUEGER: Okay.

16 DTF COMMISSIONER HILLER: I think  
17 that, if anything, we will find some -- maybe  
18 fewer filing, because they took a shot in  
19 March and had to guess whether it would work  
20 for them and they were going to be -- it was  
21 going to be off the table if they didn't  
22 elect in. And now, by waiting till September  
23 they might not elect in because they have a  
24 better sense that it's not going to be

1 effective for them.

2 CHAIRWOMAN KRUEGER: Got it. So we  
3 already talked a little bit about the  
4 coupling or decoupling with the feds and who  
5 knows what the feds are going to do. And I  
6 get it, it's hard to know unless you know.

7 We do know that the feds have already  
8 announced they're radically reducing the  
9 staff at the IRS, which will I assume  
10 radically reduce the number of people to both  
11 respond to taxpayer questions and correct  
12 things before they go wrong. But also it  
13 will reduce audits.

14 So much of what we end up doing is  
15 playing off of what the feds did with our  
16 federal tax returns. What do you think this  
17 is going to do here in New York? Are we  
18 going to see a lower return on taxes because  
19 people think "Oh, I don't have to file taxes  
20 anymore, even, I don't have to follow the  
21 rules because the feds aren't looking?"

22 Or is it going to make more work for  
23 us to stay on top of everything? What's your  
24 gut?

1                   DTF COMMISSIONER HILLER: Look, I am  
2                   deeply frustrated and disappointed by the  
3                   cuts at the IRS. The IRS has been  
4                   systemically defunded for decades in order to  
5                   essentially prevent tax enforcement.

6                   And so I've always felt really sort of  
7                   demoralized by the job that my colleagues at  
8                   the IRS need to do in order to function.  
9                   Their technology is massively outdated, they  
10                  were really understaffed. It was very, very  
11                  hard to get a phone call answered. I'm not  
12                  saying that it's easy to get a phone call  
13                  answered at New York Tax, but it was  
14                  essentially impossible to get a phone call  
15                  answered at the IRS.

16                  And so there was an infusion of funds  
17                  under the Inflation Reduction Act, and that's  
18                  certainly being undone. And I find that  
19                  really frustrating.

20                  You know, at New York Tax we engage  
21                  with our federal colleagues. We do get  
22                  reports of federal audit changes that can  
23                  trigger state audit changes. But for the  
24                  most part, although our tax forms are aligned

1 with the Federal Tax Code, our administration  
2 of those tax returns is an independent state  
3 function. It is the quintessential state  
4 sovereign function, and we aren't engaging  
5 day-to-day with the IRS around that.

6 I think your question also speaks to I  
7 think maybe a more sociological challenge  
8 that we face, which is that there is this  
9 sense that tax compliance is maybe not  
10 mandatory.

11 CHAIRWOMAN KRUEGER: Correct.

12 DTF COMMISSIONER HILLER: And we have  
13 a system where -- in New York our estimate is  
14 that about 96 percent of our tax revenues  
15 across all tax types is being paid, we call  
16 it voluntarily. It's not really voluntarily.  
17 It's being paid by people who understand they  
18 have an obligation to pay taxes under the law  
19 and are meeting those obligations without  
20 compulsion. And that's 96 percent of our  
21 taxes.

22 And then we spend all of our agency  
23 budget collecting the other 4 percent.

24 CHAIRWOMAN KRUEGER: Right.

1                   DTF COMMISSIONER HILLER: And there's  
2 a balance there. And when you shift that  
3 balance, I think that makes it harder for  
4 everybody. Now we're going to need to devote  
5 more resources to enforcement. If the  
6 receipts that are coming in from taxpayers  
7 without compulsion drops down from 96 to 94,  
8 that's going to be a significant change in  
9 our allocation of resources to try to make up  
10 for that revenue drop.

11                   CHAIRWOMAN KRUEGER: And the federal  
12 data is that the return on auditing wealthier  
13 Americans at the federal level is a 12-to-1  
14 of what you spend versus what you get, and it  
15 also changes behavior.

16                   And it's clear to me that the feds are  
17 going to stop doing audits on higher-income  
18 filers. And I think personally that it's  
19 going to translate very problematically to us  
20 here in New York, and we're going to have to  
21 need to focus more on, just like you said,  
22 the changing of the behavioral expectations  
23 that no one's looking.

24                   DTF COMMISSIONER HILLER: Absolutely.

1 I think there's a very real --

2 CHAIRWOMAN KRUEGER: I only have  
3 30 seconds left. I just have to -- sorry.  
4 ITIN filers, people who don't have  
5 Social Security numbers, do you know how many  
6 we have and how much revenue we bring in?

7 DTF COMMISSIONER HILLER: I don't know  
8 how many we have. I can certainly get you  
9 that.

10 CHAIRWOMAN KRUEGER: Thank you.

11 DTF COMMISSIONER HILLER: We do take  
12 in --

13 CHAIRWOMAN KRUEGER: Appreciate it.

14 DTF COMMISSIONER HILLER: -- returns  
15 from ITIN filers.

16 CHAIRWOMAN KRUEGER: And finally, in  
17 15 seconds, so Elon Musk has all our tax  
18 information. How much do we care? I thought  
19 we were always very protective of everybody's  
20 tax information.

21 DTF COMMISSIONER HILLER: We are  
22 incredibly --

23 CHAIRWOMAN KRUEGER: Now everybody  
24 will have that.

1 DTF COMMISSIONER HILLER: --  
2 Protective of tax information here in  
3 New York. For the most part the information  
4 we have in New York is similar -- essentially  
5 the same information that the federal  
6 government has under -- from federal tax  
7 returns.

8 CHAIRWOMAN KRUEGER: And now a private  
9 company who can sell whatever they want.

10 DTF COMMISSIONER HILLER: I -- there  
11 are federal laws that safeguard that  
12 information. I'm going to guess that they're  
13 not going to be rigorously enforced in the  
14 near term.

15 (Overtalk.)

16 CHAIRWOMAN KRUEGER: I have to cut  
17 myself off. We'll actually remember living  
18 in a world where federal law mattered,  
19 apparently that's --

20 (Overtalk.)

21 CHAIRMAN PRETLOW: Senator --

22 CHAIRWOMAN KRUEGER: Thank you.

23 CHAIRMAN PRETLOW: -- you do get an  
24 extra three minutes. Which I'm going to use

1 right now, my three minutes, just for one  
2 quick question having to do -- it's a  
3 follow-up to Senator Krueger's questions.

4 And that's that if a taxpayer files  
5 their New York State income taxes late and is  
6 due a refund, the Tax Department does not  
7 give them that refund. Why is that? How  
8 long has this been going on? And is it fair?

9 DTF COMMISSIONER HILLER: If a  
10 taxpayer is entitled to a refund and --

11 CHAIRMAN PRETLOW: Right. If I file  
12 my 2020 taxes today and I'm due a refund,  
13 everything is proper on the form but the  
14 individual does not -- the Tax Department  
15 withholds the refund.

16 DTF COMMISSIONER HILLER: So we -- if  
17 you're due a refund, we'll pay you that  
18 refund unless you have outstanding debts to  
19 the state or federal government, in which  
20 case we will offset that refund to pay those  
21 other debts.

22 CHAIRMAN PRETLOW: Well, that's not  
23 the case, they just don't -- I'll contact you  
24 offline with --

1                   DTF COMMISSIONER HILLER: I would be  
2 happy to address because we are in the  
3 business of delivering refunds. We deliver  
4 millions of refunds every year, most within  
5 30 days or less. We pay interest if we don't  
6 pay refunds on time.

7                   And if there's a particular taxpayer  
8 who's due a refund and hasn't received it, we  
9 would be happy to look at that.

10                  CHAIRMAN PRETLOW: Thank you.

11                  Senator?

12                  CHAIRWOMAN KRUEGER: Yes, Senator  
13 Gounardes for a second round of  
14 three minutes.

15                  SENATOR GOUNARDES: Thank you. I have  
16 just two questions and a quick comment.

17                  Great to hear about all the progress  
18 on Direct File. I know we talked about that  
19 a little bit last year. It's very exciting  
20 to see that --

21                  DTF COMMISSIONER HILLER: It's very  
22 exciting.

23                  SENATOR GOUNARDES: -- that progress.

24                  As it relates to the Governor's

1           proposal for the inflation refund checks,  
2           right, it's been framed as sales tax is  
3           booming because inflation is up and we're  
4           going to give you back that money.

5                     Have we seen an actual appreciable  
6           change in sales tax collections?

7                     DTF COMMISSIONER HILLER: We actually  
8           have seen a change in sales tax collections.  
9           I believe that the Division of Budget  
10          calculated the nut for the inflation tax  
11          rebate at \$3 billion because that was the  
12          growth in sales tax revenues over the assumed  
13          inflation rate that they had expected. And  
14          that that's what created that nut.

15                    But that's not a recurring nut.  
16          That's -- you know, we've seen that. As  
17          we've seen changes in the economy, we're  
18          seeing changes in consumption. And so we  
19          don't have certainty that we're going to see  
20          that revenue in outyears, which I think is  
21          why the Governor is proposing to deliver that  
22          particular bucket of funds in a one-time  
23          relief as opposed to recurring relief.

24                    SENATOR GOUNARDES: Got it. Thank

1           you.

2                         And then on the Secure Choice program,  
3           also excited to see this finally coming off  
4           the ground, a little bit delayed but -- you  
5           mentioned that there will be a start with a  
6           limited program this June, hopefully.

7                         DTF COMMISSIONER HILLER:   Yup.

8                         SENATOR GOUNARDES:    Last year the  
9           Governor signed -- I think it was last year;  
10          maybe two years ago now -- expanding that  
11          program eligibility to independent workers,  
12          workers who don't have an employer.

13                        What's the plan for the rollout for  
14          freelancers, who are now eligible to invest  
15          in that program?

16                        DTF COMMISSIONER HILLER:   So the  
17          legislation that was enacted last year or the  
18          year before authorized the Secure Choice  
19          Board, which is comprised of Governor's and  
20          legislative appointees, to expand the program  
21          to freelancers under their authority when we  
22          get there.

23                        We're rolling it out in the first  
24          instance to employers because that's where

1           there's complexity around setting up portals  
2           for employers to transmit the funds that are  
3           being deducted from employee paychecks and  
4           the like. There's just some administrative  
5           complexity to how that will work.

6                     And our program administrator will be  
7           building out the interfaces for the  
8           management of the funds and the like. Once  
9           that's in place, I expect the Secure Choice  
10          Board will expand it to freelancers.

11                    It's a slightly different  
12          implementation because freelancers aren't  
13          paid on a regular schedule. They will be  
14          making -- they'll be coming in to make a  
15          deposit when they're able to make a deposit,  
16          and not having just an automatic payroll  
17          deduction flowing into their account. So  
18          it's going to be a slightly different  
19          implementation, which is why it's being  
20          phased to come after the initial rollout.

21                    SENATOR GOUNARDES: So the rough  
22          timeline -- in the last eight seconds, rough  
23          timeline for the freelance piece?

24                    DTF COMMISSIONER HILLER: So we expect

1 to roll this out to employers in the fall;  
2 we're going to start with limited  
3 employees -- limited employers. And then  
4 hopefully the following year.

5 SENATOR GOUNARDES: Thank you.

6 CHAIRWOMAN KRUEGER: Thank you.

7 Assembly?

8 CHAIRMAN PRETLOW: We're done.

9 CHAIRWOMAN KRUEGER: Then I'm taking  
10 my next three minutes, thank you.

11 DTF COMMISSIONER HILLER: Okay.

12 CHAIRWOMAN KRUEGER: I just never run  
13 out of tax questions.

14 DTF COMMISSIONER HILLER: Always here.

15 CHAIRWOMAN KRUEGER: So I don't think  
16 this affects the state, but I wanted to ask  
17 your opinion.

18 So some of us are exploring how you  
19 deal with the property tax debt on people all  
20 over the state who are cash poor but real  
21 estate rich because the value of their house  
22 went up so much over the years -- and they  
23 often have now gone into actually fixed  
24 incomes and have lower cash than they ever

1 had before -- and discussions of allowing  
2 towns to do liens that upon sale or transfer  
3 of deed, probably in some cases at the death  
4 of the older people living in the house,  
5 that's when the money comes to the towns.

6 So it would delay their receiving the  
7 property taxes they owe, but some people  
8 think it could actually stabilize people  
9 being able to stay in their homes.

10 Is there a state reason to be  
11 concerned about this?

12 DTF COMMISSIONER HILLER: I think  
13 that -- I think that that would be  
14 challenging. That might be feasible in some  
15 communities and could be really challenging  
16 in other communities.

17 New York has some of the highest  
18 property tax burdens in the country, but  
19 about two-thirds of the taxes that we pay are  
20 school taxes. And so if you're proposing to  
21 have school districts delay collection of a  
22 core source of revenue for them, that could  
23 have cascading impacts that I don't feel in a  
24 position to predict. I can foresee them, but

1 I don't know what they would look like.

2 I think that -- you know, if instead  
3 we were saying that a county would make a  
4 school district whole for the missing taxes  
5 and then be the holder of those liens, we  
6 also have significant challenges in county  
7 finances that, again, are primarily supported  
8 by property taxes, although counties also  
9 have sales tax and other tax revenue that are  
10 helping to support their operations.

11 But I think we're coming into a time  
12 when we could see significant fiscal  
13 challenges for counties because they are our  
14 partners in delivering a wide range of social  
15 services that are primarily federally funded.  
16 And if we see reductions there, we may see  
17 additional financial challenges at the local  
18 level.

19 So I would be really cautious about  
20 that. I certainly can't imagine advancing  
21 something in that realm without having it be  
22 at local option.

23 CHAIRWOMAN KRUEGER: I would agree,  
24 local option.

1                   DTF COMMISSIONER HILLER: But I think  
2                   that that becomes complicated because  
3                   especially -- in many parts of the state the  
4                   relationship between school districts and  
5                   counties is not always great. And I think  
6                   the school districts are the places where  
7                   this would hit most profoundly absent some  
8                   real thoughtful and careful balancing of  
9                   where those impacts are going to lie.

10                  CHAIRWOMAN KRUEGER: Thank you.

11                  Thank you.

12                  CHAIRMAN PRETLOW: Thank you.

13                  And this concludes this section of our  
14                  hearing. Commissioner, I want to thank you  
15                  for your participation.

16                  DTF COMMISSIONER HILLER: Absolutely.

17                  CHAIRMAN PRETLOW: And I'm calling up  
18                  now Panel A: The Fiscal Policy Institute;  
19                  Strong Economy for All Coalition; and  
20                  New Yorkers for Fiscal Fairness.

21                  Gentlemen, good morning.

22                  CHAIRWOMAN KRUEGER: Good morning.

23                  CHAIRMAN PRETLOW: Just for the sake  
24                  of the people in the audiovisual booth, could

1           you just state your names quickly so they'll  
2           know which names to put up on the screen?  
3           And then when we start your testimony, we'll  
4           start from my right, your left, and work that  
5           way.

6                     MR. GUSDORF: I'm Nathan Gusdorf. I'm  
7           the executive director of the Fiscal Policy  
8           Institute.

9                     You couldn't hear me? I'm Nathan  
10          Gusdorf, executive director of the  
11          Fiscal Policy Institute.

12                    MR. KHAN: Charles Khan, the deputy  
13          director of the Strong Economy for All  
14          Coalition.

15                    MR. DEUTSCH: Ron Deutsch, director,  
16          New Yorkers for Fiscal Fairness.

17                    CHAIRMAN PRETLOW: Thank you.

18                    You each have three minutes.

19                    MR. GUSDORF: All right, I want to  
20          speak to a lot of items in the  
21          Executive Budget, so I'm going to move  
22          quickly through a list of items here.

23                    First of all, in terms of the  
24          Executive Budget proposals, FPI is strongly

1 of the view that there should not be an  
2 income tax cut at a time of substantial  
3 federal funding risks. It doesn't make sense  
4 to impose a permanent billion-dollar revenue  
5 loss. There's never going to be political  
6 will to raise the tax rates on those income  
7 brackets.

8 Most of that tax cut, as well, goes to  
9 upper income groups -- not the rich, but  
10 about 65 percent, by our calculation, goes to  
11 households making over \$150,000. So we don't  
12 think that's really a rational use of the  
13 state's resources.

14 Second point, the corporate tax is set  
15 to expire, the current top rate is set to  
16 expire in 2026. That's another  
17 billion-dollar revenue loss, beginning within  
18 the outyears of this financial plan. That's  
19 \$2 billion in combined revenue losses at a  
20 time when the Legislature has been tasked  
21 with coming up with about \$2 billion for the  
22 MTA. That math doesn't make sense.

23 The inflation refund is also not a  
24 wise use of the state's resources. That's

1           about the whole surplus for this fiscal year  
2           spread over 93 percent of taxpayers. The  
3           checks that people receive are not really on  
4           the scale of cost increases from recent  
5           inflation. And the money could be put to  
6           better uses like investing in affordable  
7           housing, paying down the Unemployment  
8           Insurance Trust debt, or just saving it  
9           because of the likely need to bridge funding  
10          gaps from federal cuts in the near term.

11                 Second, in terms of MTA funding, to  
12          the extent that new sources of revenue are  
13          sought, we would point to two things: One,  
14          reducing the rebate of the pass-through  
15          entity tax. It doesn't need to be at a  
16          100-percent rebate for that tax to work.

17                 And second, targeting multinational  
18          profit shifting, in particular by following  
19          the federal taxation of global and tangible  
20          low-taxed income.

21                 Moving on to the discussion of  
22          outmigration in my last minute, FPI has done  
23          consistent research over the past few years  
24          showing that this is largely a myth.

1           The top 1 percent of earners move at  
2           about one-fourth of the rate of all other  
3           households. Evidence shows that they don't  
4           really move in response to tax increases.

5           The last tax increase came up in the  
6           acting commissioner's testimony -- but that  
7           was during COVID, and the 2021 outmigration  
8           rate came down compared to 2022. I think  
9           it's hard to say that that was about taxes.

10           Finally, the other big concern around  
11           top earners and progressive tax increases is  
12           this fairness question, or the  
13           disproportionality question. So I'll just  
14           point out that we have about 1.5 percent of  
15           taxpayers who are millionaire taxpayers.  
16           They earn about a third of all of the income  
17           earned in the state, and they pay about  
18           45 percent of all tax liability. That's  
19           basically proportional and reflects a modest  
20           degree of progressivity in the income tax,  
21           but it's not prohibitive of further  
22           progressivity.

23           MR. KHAN: So thank you. Good  
24           morning. I want to spend actually most of my

1 time talking about some of the federal risks  
2 that Nathan alluded to. I think right now  
3 we've all maybe been watching the news too  
4 much if we've been seeing that a budget  
5 reconciliation package is quickly moving  
6 through Congress with the goal of being  
7 passed in the next 30 days.

8 And unfortunately New York has been  
9 named specifically in some of these  
10 documents, and in our current fiscal  
11 situation we are not well-prepared to respond  
12 to this bill.

13 And just to talk about the scale of  
14 how New Yorkers could be impacted in some of  
15 the things that they've been proposing, the  
16 biggest pieces are the cuts of at least  
17 \$880 billion to Medicaid. Seven million  
18 New Yorkers rely on Medicaid. These are  
19 about 45 percent of children in New York  
20 receive healthcare because of Medicaid. Our  
21 grandmas and grandpas and elderly get  
22 healthcare through Medicaid.

23 And that's just -- it's an enormous,  
24 enormous number. The cuts that they've

1 proposed could easily blow a 5 or \$10 billion  
2 hole in the New York State budget.

3 In addition to healthcare cuts and  
4 Medicaid cuts, there's also 3 million  
5 New Yorkers that rely on SNAP for food  
6 assistance that are facing cuts. Thousands  
7 of New Yorkers that are on Head Start for  
8 childcare, they're facing cuts. A million  
9 New Yorkers that are receiving rental  
10 assistance because of this aid from the  
11 federal government.

12 All of this is on the chopping block.  
13 All of this is included in the budget  
14 reconciliation package and the menus that  
15 they have been putting forth.

16 And again, I will say that we're not  
17 well-prepared, and government takes some time  
18 to act, and I want to implore all of us that  
19 we need to act in some way this year in order  
20 to be prepared for those cuts.

21 By the time the cuts happen, it will  
22 be too late to stop millions of people from  
23 being harmed. Even if we raise the revenue  
24 next year, millions of people already will

1           have seen benefit cuts. And because we're  
2           talking about healthcare, we're talking about  
3           life or death decisions that millions of  
4           New Yorkers will be facing.

5                     It's not a wait-and-see scenario the  
6           way typical federal budgets have been. I'd  
7           also point to -- Elon Musk has been mentioned  
8           a couple of times. Some of these funding  
9           cuts are not coming through budgetary  
10          processes, they're coming through alternative  
11          processes that are happening overnight. And  
12          New York's typical reliance on the federal  
13          government for some of this funding is no  
14          longer a viable option to provide services  
15          that millions of New Yorkers are depending on  
16          to make ends meet.

17                    There's a number of ways in which we  
18          could start to prepare for this, right? In  
19          the Taxes hearing, as Nathan said, as Ron  
20          will probably say, there's a lot of revenue  
21          options. We have record millionaires, record  
22          billionaires in New York State.

23                    MR. DEUTSCH: All right. My name is  
24          Ron Deutsch, New Yorkers for Fiscal Fairness.

1 Thank you all for the opportunity to be with  
2 you here today.

3 I want to highlight what we call our  
4 Share Our Wealth proposals that we are  
5 pushing for in terms of higher marginal tax  
6 rates on the superrich. I think one thing  
7 that brings us together and unites many  
8 across the political spectrum is this notion  
9 that the wealthy are not paying their fair  
10 share and that the superrich certainly are  
11 not paying their fair share in taxes and can  
12 do more to help us.

13 So a number of different proposals are  
14 being advanced right now. One is on the  
15 income tax rates, and we would increase  
16 marginal tax rates for those making over  
17 5 million and those making over 25 million,  
18 the two top brackets, by half a percent each.  
19 That would generate nearly a billion dollars  
20 in revenue.

21 And also on the corporate tax we'd be  
22 looking to increase the rates from the  
23 current 7.25 for businesses with incomes over  
24 \$5 million to 9 percent, which brings us in

1 line with states like Pennsylvania,  
2 New Jersey, California, and other surrounding  
3 states. This would raise about \$2 billion a  
4 year.

5 The corporate tax increase that was  
6 put in place in 2024 is set to expire in '26,  
7 and we need to make sure that that does not  
8 happen at a time when we are needing revenue.

9 We would also like to see these  
10 changes made permanent and to not have us  
11 continually come back and fight for these  
12 changes. Senator Gounardes has introduced a  
13 bill -- two bills, actually, S4437 and S3943,  
14 and Assemblymember Solages has introduced a  
15 same-as in the Assembly.

16 Supporting this legislation are a  
17 number of unions, faith groups and community  
18 groups, not the least of which is NYSUT, New  
19 York State AFL-CIO, 1199, AFSCME, CWA, NYSNA,  
20 UUP, PSC, DC37, FPWA, Human Services Council,  
21 the New York State Council of Churches, and  
22 many others.

23 These proposals may sound familiar to  
24 you because they are not new. As a matter of

1 fact, they were taken from your one-house  
2 budgets last year. So there seems to be  
3 broad agreement among the majorities in both  
4 houses that this is indeed a good plan.

5 It only impacts the top quarter of  
6 1 percent of taxpayers in New York --  
7 26,500 taxpayers. So the folks who would be  
8 impacted by this are not going to pick up  
9 stakes and move away, but the revenue  
10 generated would go a long way to keeping the  
11 folks who are struggling in New York here.

12 CHAIRMAN PRETLOW: To question,  
13 Assemblyman Ra.

14 ASSEMBLYMAN RA: Thank you.

15 For FPI, you mentioned about -- saying  
16 that the pass-through entities shouldn't be a  
17 100 percent rebate. Do you have a number in  
18 mind?

19 MR. GUSDORF: Yes, thanks for the  
20 question. So I take it you're familiar with  
21 the tax and motivation for creating the tax.

22 A 90 percent rebate or an 85 percent  
23 rebate would basically match us to what  
24 Massachusetts and Connecticut do. And the

1 revenue calculation, that is very easy  
2 because we know what PTET revenues are, so  
3 that gets you about a billion and a half  
4 dollars a year.

5 And one thing I'd add to that, if you  
6 don't mind, is even though it's likely that  
7 there will be a change in SALT deductibility  
8 under the federal rules, it's very unlikely  
9 that we'll go back to unlimited SALT  
10 deductibility. And even a \$20,000 or  
11 \$30,000 change at the federal level has no  
12 effect on the incentive of that top taxpayer  
13 class to elect to pay the PTET.

14 ASSEMBLYMAN RA: Thank you.

15 So generally I think, you know, we're  
16 going to agree to disagree on a lot of things  
17 when it comes to our tax policy, but I do  
18 always appreciate your testimony.

19 But in particular, you know, that  
20 corporate rate -- New York was a massive  
21 outlier nationwide in taking that action  
22 post-pandemic. There was really no other  
23 state -- every other state was cutting these  
24 tax rates, and New York raised it. You know,

1 we're a year out from that expiration, and as  
2 you know -- and perhaps you disagree -- but,  
3 you know, our business community is  
4 struggling with the cost of operating  
5 businesses in this state.

6 We have many metrics that consistently  
7 rank us near the bottom. And regardless of  
8 what's coming at the federal level, I think  
9 our competitiveness as a state is something  
10 that we always have to keep in mind to bring  
11 in businesses. Because at the end of the  
12 day, that's how we grow our revenues and  
13 that's how we have the assets to invest in so  
14 many of the things that are in this budget  
15 that I'm very supportive of -- childcare, you  
16 know, all those types of things.

17 MR. GUSDORF: Yeah, thank you. I also  
18 enjoy our exchanges at these hearings.

19 A few important points about the  
20 corporate tax. The rate that we had in place  
21 prior to that increase was a historically low  
22 rate for New York State and actually a very  
23 low rate by state-to-state comparisons. We  
24 were at 6.5 percent; it had been decreased



1 of you. You know, there's -- we always talk  
2 about revenue raising, increasing tax rates.  
3 Everyone has a back-and-forth and that's an  
4 important part of the conversation. But I  
5 think there's also a conversation to be had  
6 about finding the change within the cushions,  
7 right, and where are we leaking money, where  
8 are we otherwise spending money on tax  
9 breaks, exemptions, deductions, et cetera,  
10 that might not be the best investment.

11 So I'd like to ask all three of you:  
12 In your estimation, what is the most  
13 egregious tax giveaway in our current tax  
14 code that we should be looking at as a way to  
15 reclaim some revenue to help us fund a lot of  
16 the things that many of us up here care  
17 about?

18 MR. DEUTSCH: I mean -- I would start.  
19 I mean, I've read the report that you so ably  
20 put together. I think, you know, when you  
21 look at things like tax breaks for yachts,  
22 tax breaks for gold bullion, tax breaks for  
23 private jets, those are certainly things --  
24 tax breaks for no sales tax on the purchase

1 of thoroughbred horses -- all of these things  
2 are just absolutely ridiculous and I think  
3 should be taken away.

4 But the reality is that they're not  
5 going to generate probably enough revenue to  
6 make a huge difference as to what's coming  
7 down the pike right now, so I think that's  
8 part of the solution, to be examining all of  
9 those ridiculous tax breaks that we're  
10 providing, especially to the uber-wealthy,  
11 and reverse that trend.

12 MR. KHAN: I'd say something similar.  
13 I would definitely say economic development.  
14 I think the metrics that we use to track  
15 economic development are opaque and they are  
16 hard to quantify and different programs use  
17 them differently.

18 And so I do think that that program,  
19 there's quite a bit of waste there, but would  
20 also say I think it's part of the solution.  
21 And even that money, if we completely fix  
22 that program, wouldn't generate the type of  
23 resources we'll need to, you know, fix the  
24 Medicaid gap.

1           MR. GUSDORF: So, yeah, I would make a  
2           few additional specific comments.

3           First of all, I do think that the sort  
4           of statewide system of economic development  
5           authorities that are allowed to reduce  
6           property taxes and other sorts of local taxes  
7           is not an efficient form of tax policy from  
8           any perspective, including from a very  
9           fiscally conservative perspective.

10          It would be preferable to broaden the  
11          base and have lower rates for all businesses  
12          than to do selective tax breaks that end up  
13          being very costly.

14          The second thing, which is the sort of  
15          annoying truth of the tax-breaks calculation  
16          is most of the big ones are things that sound  
17          good to people, like the home mortgage  
18          interest deduction and the charitable  
19          deduction. The ones that sound really bad  
20          normally are a very small amount of money.

21          So there's a good strategy there,  
22          though, which is you reduce the value of the  
23          deduction for very-high-income taxpayers  
24          because they get most of the benefit of a lot

1 of these deductions. And so if you took that  
2 approach, you could come up with some serious  
3 money.

4 SENATOR GOUNARDES: Thank you.

5 CHAIRMAN PRETLOW: Assemblymember  
6 Bailey.

7 ASSEMBLYWOMAN BAILEY: Good morning.  
8 Thank you very much.

9 My question is going to be for Nathan.  
10 And it's in and around the Governor's  
11 proposed inflation rebate checks. We know  
12 that, you know, 500 for couples who are  
13 married and filing jointly, with an income  
14 less than 300,000, and then 300 for  
15 individuals with an income of less than  
16 150,000. So -- and that's based on the  
17 taxpayers 2023. And that's using some of the  
18 surplus -- or the revenue that we have.

19 So some critics, you know, argue that  
20 the one-time payments are gimmicky and  
21 instead it should be used for something else.  
22 Where -- where do you see that the best use  
23 for that could potentially be?

24 MR. GUSDORF: So I'll go through three

1 things. The most quotidian one is this is  
2 not a bad time for the state to be saving  
3 money. I mean, we think that it's a  
4 reasonable use of reserves to bridge the  
5 federal funding gaps that we expect to see  
6 very soon.

7 So we're not opposed to spending down  
8 those reserves, but that's -- this is a good  
9 moment to be holding onto cash.

10 There are two other things that we  
11 think are really good policy options. One,  
12 the Executive Budget includes a proposal for  
13 a revolving lending facility to finance  
14 mixed-income housing. We think that's a good  
15 idea. But there's only \$50 million proposed  
16 to go into the fund. If you put billions of  
17 dollars into that, it starts to make a more  
18 meaningful difference in housing production,  
19 which is necessary to lower the cost of  
20 housing.

21 The other thing that is a  
22 multi-billion-dollar issue is the state's  
23 Unemployment Insurance Trust Fund debt to the  
24 federal government. Now, this will be paid

1 off by businesses over the next few years.  
2 Paying it off is necessary to improve the  
3 benefits payout, and the state also needs to  
4 raise the tax base for the Unemployment  
5 Insurance system because it simply doesn't  
6 put enough money into the program.

7 We're already seeing laid off federal  
8 workers, we're likely to see economic  
9 volatility under this presidential  
10 administration's economic policies. And so  
11 we think it is very important that the state  
12 get its UI system into proper functioning  
13 mode as quickly as possible.

14 That may mean that some of the benefit  
15 can flow to businesses, but it would have to  
16 be part of a deal that is paired with  
17 appropriate increases to the benefit level  
18 and to the overall tax rolls so that  
19 prospectively we don't continue to end up in  
20 the situation that the state has faced time  
21 and time again where it just is not able to  
22 adequately finance its Unemployment Insurance  
23 system.

24 ASSEMBLYWOMAN BAILEY: Okay. And I

1           was just going off of the executive summary  
2           from your organization and, you know, it  
3           indicates the one, you know, putting it into  
4           the state's Unemployment Insurance debt from  
5           the federal government. And obviously that's  
6           coming out of COVID where we saw that large  
7           increase.

8                         So, you know, we will see -- you know,  
9           I don't disagree with that from that  
10          standpoint. Thank you.

11                        CHAIRWOMAN KRUEGER: Thank you.

12                        Senator Rivera.

13                        SENATOR RIVERA: Thank you,  
14          Madam Chair.

15                        So we've talked for a while,  
16          gentlemen, about the cuts that are definitely  
17          coming from the federal government, so it  
18          is -- and most of the conversation we have  
19          today is about revenue-generating ideas. And  
20          I want to talk about one -- I wanted to give  
21          you an opportunity to talk about one related  
22          to capital gains.

23                        And considering that since we have a  
24          lot of wealthy folks in the State of New York

1 and a lot of wealthy folks who are probably  
2 going to get all sorts of tax breaks from the  
3 federal government, could you talk a little  
4 bit about capital gains, about population in  
5 the State of New York, what would that mean  
6 as it relates to revenue for the state?

7 Anybody can take it.

8 MR. GUSDORF: So we've done estimates  
9 on it. You know, a quick overview.

10 The first thing is a very substantial  
11 federal tax benefit for capital gains, right?  
12 The top federal income tax rate is  
13 37 percent. That's actually -- you know, it  
14 used to be 39.6 percent until Trump cut it.  
15 The top capital gains rate is 20 percent,  
16 setting aside an Obamacare tax. But there's  
17 still a very substantial federal tax benefit  
18 for investment income.

19 So in equity terms --

20 SENATOR RIVERA: This is already.  
21 This already exists.

22 MR. GUSDORF: Yeah, this has been  
23 going on for a hundred years.

24 SENATOR RIVERA: Gotcha.

1                   MR. GUSDORF: So there's a very strong  
2                   fairness argument for higher taxes on  
3                   investment income. Sometimes that scares  
4                   people because they say, Well, working people  
5                   have 401(k)s; you know, what about my stock  
6                   portfolio? The unsurprising reality is about  
7                   80 percent of all capital gains in New York  
8                   State -- this is New York tax data, this  
9                   isn't like national data -- 80 percent of  
10                  capital gains in New York State go to people  
11                  making over a million dollars a year. Right?  
12                  It's overwhelmingly earned by the very rich.

13                   And interestingly, the rich taxpayers  
14                  mostly earn their income from investment  
15                  income and from business ownership. They  
16                  earn a small amount of the wage income earned  
17                  in New York. So that's the concentration of  
18                  capital gains.

19                   You could -- I believe there are  
20                  proposals in the Legislature to do a full  
21                  offset of the federal benefit. That's like a  
22                  \$15 billion a year revenue proposal.

23                   But even at a low rate, because of the  
24                  high amount of investment income earned, you

1 can get into the \$1 billion to \$4 billion a  
2 year revenue estimate range based on, say, a  
3 2 to 3 percent surtax on investment income  
4 for the top income brackets.

5 SENATOR RIVERA: Go ahead.

6 MR. KHAN: I would, I think, add that  
7 sort of the way that income and wealth has  
8 been accumulated in New York State is  
9 probably the best math to show that the gap  
10 between capital gains and income tax rate is  
11 just accumulating at the top.

12 Since 2017, where we saw cuts to sort  
13 of both of those cuts to a lot of different  
14 rates for wealthy individuals, we saw a  
15 74 increase in the wealth of billionaires in  
16 New York State. Right? So they have  
17 74 percent more money in 2025 than they did  
18 in 2017.

19 SENATOR RIVERA: And with only five  
20 seconds, I say let's go get it.

21 MR. KHAN: Yes.

22 SENATOR RIVERA: Let's go get it.

23 MR. KHAN: We have a record number of  
24 billionaires, and so that's where the

1 resources are.

2 SENATOR RIVERA: Thank you.

3 CHAIRMAN PRETLOW: Assemblymember  
4 Manktelow.

5 ASSEMBLYMAN MANKTELOW: Thank you.

6 Nathan, back to a question for you.

7 Let's go back to the unemployment insurance.

8 Back when COVID hit, a lot of our  
9 businesses were asked to close, lay their  
10 people off, put them on unemployment. A lot  
11 of that was mandated from our former  
12 governor. And now these businesses that were  
13 essential stayed open and they continued to  
14 provide wage-earning wages to their  
15 employees.

16 But the constant call I get back all  
17 the time is, why does New York State not pay  
18 for our unemployment debt back to the federal  
19 government? Why is my business being held  
20 responsible for that and not New York State,  
21 who put them in the position they're at?

22 Do you feel that New York State should  
23 cover that expense and not the businesses  
24 back home?



1 businesses and employers in very volatile  
2 industries like if you work in construction  
3 and you just sort of hire people seasonally  
4 and then lay them off, that's the nature of  
5 the industry. Right? You can't change that.

6 So the -- I believe that the  
7 rationalized version of this tax, it's still  
8 a business tax, but it should be one with a  
9 higher taxable wage base that is just spread  
10 over, right, broadly over employers. That's  
11 the broad-based low rate concept that gets  
12 more money into the system and it sort of  
13 reduces some of the penalty to being one of  
14 these businesses that we think is not  
15 appropriately targeted by the current system.

16 So that's like the necessary tax  
17 reform.

18 Then there's the question of what to  
19 do with the debt. Again, in principle, I  
20 don't think it's wrong or unfair for that to  
21 be a burden of businesses. The issue is just  
22 that this is a very timely problem, right,  
23 it's a multi-billion-dollar issue. And it  
24 makes more sense to do a deal where you get

1 the right benefit reforms and tax reforms and  
2 bring down the debt.

3 ASSEMBLYMAN MANKTELOW: Thank you. I  
4 hate to interrupt you, but I only have  
5 seven seconds.

6 I agree with that. But if our  
7 businesses are able to grow, they can put  
8 more employees on and we could crack that nut  
9 as well, in that direction.

10 MR. GUSDORF: Yeah.

11 ASSEMBLYMAN MANKTELOW: Thank you for  
12 answering my question.

13 CHAIRMAN PRETLOW: Senator?

14 CHAIRWOMAN KRUEGER: Senator Shelley  
15 Mayer.

16 SENATOR MAYER: Good morning.

17 I'm not sure who can answer this  
18 question.

19 Have any of you done -- based on the  
20 House bill that was just passed this week --  
21 the likely dollar impact on New York's  
22 Medicaid program, based on the assumptions  
23 that are in that bill?

24 MR. KHAN: So the bill that passed

1           this week, it put sort of a blueprint. And  
2           so it has some actually bottom-line figures  
3           on healthcare.

4                     SENATOR MAYER: Yes.

5                     MR. KHAN: It will probably be about  
6           another 30 days that we'll have the details  
7           where we'll be able to, with any type of real  
8           accuracy, determine like the dollar figure  
9           amount. But it's quite large.

10                    SENATOR MAYER: Right. So then the  
11           second part is, other than the tax issue,  
12           which you've all talked about, it's very  
13           likely that it's a short-term -- it's a  
14           this-year problem in New York, this loss of  
15           Medicaid funds, particularly FMAP or whatever  
16           they choose to do.

17                    Other than the tax issues, which I  
18           know you all want to talk about, none of you  
19           have talked about any application of the  
20           rainy day fund or any other place where money  
21           is situated in New York State as a possible  
22           solution. What are your views on that?

23                    MR. GUSDORF: So our views at FPI are  
24           the state, by the Executive Budget

1           accounting, has about \$21 billion in reserve.  
2           There's additional money in the General Fund,  
3           so by our accounting it's really 34 billion.  
4           Right? And that's assuming that the  
5           current-year surplus is all spent, so you  
6           could potentially have even more.

7                        I think the basic outline of the  
8           strategy should be prepare to spend down a  
9           significant amount of those reserves in order  
10          to bridge federal funding losses. And then  
11          there has to be a contingency plan on the  
12          spending side to do something permanently,  
13          that the reserves are basically a short-term  
14          solution.

15                       That means looking at, I mean,  
16          potentially serious broad-based revenue  
17          raisers -- maybe something like doing a sales  
18          tax on services. Right? We don't -- our  
19          sales tax doesn't apply to services. You do  
20          a low rate, but that's the kind of policy  
21          that many other counties use to raise really  
22          substantial revenue. New York needs to  
23          consider those sorts of options if it comes  
24          to a dilemma of losing \$15 billion in

1 Medicaid funding versus trying to backfill  
2 it.

3 SENATOR MAYER: Any others? Yes.

4 MR. DEUTSCH: I would say yeah, I  
5 totally agree with what Nathan just said.  
6 Utilizing the economic stabilization funds  
7 and the rainy day funds, as well as the  
8 additional revenue that we are holding right  
9 now makes a lot of sense to weather this  
10 initial storm.

11 But in the long term, we're going to  
12 need to figure out how to generate the type  
13 of revenue we need to make sure we're  
14 providing the residents of this state the  
15 services that they so desperately need. And  
16 asking the wealthiest, who are very likely  
17 going to be doing very well under the new tax  
18 cut package that it looks like Congress is  
19 pulling together, it seems to make sense for  
20 us to ask our wealthiest residents to pay a  
21 little bit more, yeah.

22 SENATOR MAYER: Thank you.

23 CHAIRWOMAN KRUEGER: Assembly?

24 CHAIRMAN PRETLOW: I believe I have no

1 further questions, just maybe a comment.

2 Is it being suggested by any of you  
3 that if -- and I know "if" is not the right  
4 word -- when the federal government cuts our  
5 Medicaid funding, that the state backfill  
6 what the feds are not doing?

7 MR. GUSDORF: Yes.

8 MR. KHAN: Yes.

9 MR. DEUTSCH: Yes.

10 CHAIRMAN PRETLOW: So if they cut us  
11 10 billion, you would expect the state to  
12 raise taxes to make up for that 10 billion?

13 MR. DEUTSCH: It will be raining, so a  
14 good time to use rainy day funds, I suppose.

15 MR. GUSDORF: Yeah, in terms --

16 CHAIRMAN PRETLOW: But this is more  
17 than just rain, this is more of a flood. And  
18 Noah's Ark isn't big enough to get us out of  
19 it.

20 MR. GUSDORF: And so, you know, you  
21 can think about the sort of range of cuts in  
22 the -- we might see a few billion dollars of  
23 cuts. That's something that we all  
24 understand --

1                   CHAIRMAN PRETLOW: I hate to say a  
2 billion dollars is small potatoes.

3                   MR. DEUTSCH: Yeah, exactly.

4                   CHAIRMAN PRETLOW: But when you're  
5 talking about forty -- the Medicaid is around  
6 47 percent of the state's budget of  
7 \$257 billion. So we're looking at over \$100  
8 billion of Medicaid monies. If the feds cut  
9 half of that, you're looking at a \$70 billion  
10 hole.

11                   PIT is not going to take care of it,  
12 the rainy day fund's not going to take care  
13 of it. Nothing is going to take care of it.  
14 The only way that we can maybe -- maybe --  
15 make this work is if the feds cut their  
16 income taxes, the state's going to have to  
17 raise its income taxes -- which I know you're  
18 all opposed to doing -- and then we're going  
19 to be in the same boat.

20                   So we're in a world of trouble right  
21 now, and people aren't really recognizing  
22 what the issue is. You know, in Alaska it is  
23 said that they put their elderly out on the  
24 ice. That's what's going to happen here.

1           Because the bulk of our Medicaid funding goes  
2           for long-term care, which is our senior  
3           citizens. And if we don't have the funding  
4           available -- and we're not going to be able  
5           to tax our way out of this. If we don't have  
6           the funding available to take care of our  
7           most vulnerable, unfortunately they're going  
8           to perish. And I hate to sound like this,  
9           but that's what I think is going to happen.

10                   MR. GUSDORF: If I could add. I do  
11           have an answer to that.

12                   If we're -- we're looking at  
13           \$90 billion of federal funding in this  
14           upcoming year's budget, 70 billion of which  
15           is Medicaid.

16                   It's unlikely that we would lose  
17           \$70 billion in Medicaid funding. If we end  
18           up in \$10 to \$15 billion revenue loss  
19           situation from federal funding -- I mean,  
20           it's a shift in tax policy, but that is  
21           doable, given the size of the state economy.

22                   But you're not going to get  
23           \$15 billion by only taxing people who make  
24           over \$5 million a year. That's why we've

1 pointed to broad-based business taxation,  
2 including pass-throughs, sales taxes on  
3 services, and broad-based income tax  
4 increases. Which no one's going to be a fan  
5 of. But that is a realistic, stable path to  
6 finding another \$15 billion a year where it  
7 is viable to backfill it. You know, two to  
8 three times that is -- who knows. But that's  
9 still in range.

10 CHAIRMAN PRETLOW: But, see, but your  
11 numbers are off because -- I have to cut  
12 myself off.

13 CHAIRWOMAN KRUEGER: I'll continue it,  
14 if that's okay, because I have three minutes.

15 So I was going to go down that same  
16 road, because I think it's overly optimistic  
17 that they would only cut us \$15 billion at  
18 the rate they're going and the rapidity by  
19 which they all folded on \$2 trillion cuts at  
20 the federal level the other night.

21 So I'm just curious, because you're  
22 all tax experts. You don't have to answer it  
23 now, but you have to help me. The governor  
24 of Maine said: If Donald Trump stops federal

1 funding to Maine, we, the people of Maine,  
2 will take our federal taxes from all  
3 paychecks and no taxes will be paid to the  
4 federal government, so we can pay for things  
5 ourselves.

6 Will any of you explore whether we can  
7 put that into law and do that?

8 MR. GUSDORF: Well, so I am a tax  
9 attorney. I have not studied the issue. My  
10 guess is that you're not allowed to do that.

11 CHAIRWOMAN KRUEGER: And yet they  
12 don't seem to recognize law. So I'm not sure  
13 I do either.

14 MR. GUSDORF: I mean, it --

15 CHAIRWOMAN KRUEGER: So I'm just  
16 saying --

17 MR. GUSDORF: In the event of a civil  
18 war, it's a good idea.

19 CHAIRWOMAN KRUEGER: -- I'm sharing my  
20 colleague's position, we're not going to be  
21 able to produce this money ourselves unless  
22 we are substituting money that now goes to  
23 Washington and will no longer come back with  
24 our needs.

1           So, you know, I'm only half joking --  
2           it was a governor who said this -- to see if  
3           we can pull this off.

4           MR. DEUTSCH: I think there is a very  
5           large imbalance between what we send to the  
6           federal government versus what we get back.

7           CHAIRWOMAN KRUEGER: Yes.

8           MR. DEUTSCH: And certainly the  
9           Comptroller does reports on that all the  
10          time, so we know what those numbers are.

11          But I think, you know, we need to  
12          rethink how we do business here in New York  
13          as we move forward in this new world that we  
14          find ourselves in -- a new funding world, a  
15          new political world. But, you know, New York  
16          is spending \$10 billion a year on poor  
17          economic development programs, both at the  
18          state and local level. That should be pared  
19          back dramatically, if not -- you know, we  
20          should be looking at using that money to fund  
21          other services like childcare, like higher  
22          education. Things that have a greater return  
23          on investment for the public than funding,  
24          say, an Amazon warehouse, which makes

1 absolutely no sense whatsoever.

2 So we need to rethink how we're  
3 spending the money that we are spending right  
4 now, cutting out the waste. And I'm not  
5 talking about a DOGE Commission here by any  
6 stretch of the imagination. But we know  
7 where we're spending money in places that we  
8 shouldn't. We've brought that up to you many  
9 times.

10 MR. GUSDORF: I would just add, you  
11 know, the \$2 trillion of cuts is over the  
12 10-year CBO forecasting window, so it's \$200  
13 billion a year spread over 50 states. So  
14 it's real money for New York, but it's  
15 probably not \$30 billion for New York.

16 So I actually think the right window  
17 to look at is the, like -- you know, a few  
18 billion to, maybe if they went really far,  
19 the ten to \$15 billion range.

20 And I would just point out that the  
21 state economy is robust enough to raise that  
22 through new revenue measures.

23 CHAIRWOMAN KRUEGER: Thank you.

24 Thank you. The Senate is done.

1                   CHAIRMAN PRETLOW: Thank you. The  
2                   Assembly is done.

3                   Gentlemen, thank you for your  
4                   participation.

5                   PANEL MEMBERS: Thank you.

6                   CHAIRMAN PRETLOW: We're now calling  
7                   up Panel B. Panel B: National Coin and  
8                   Bullion Association; the National Federation  
9                   of Independent Businesses; Schuyler Center  
10                  for Analysis and Advocacy; and the New York  
11                  State Council of Churches.

12                  (Pause; discussion off the record.)

13                  CHAIRMAN PRETLOW: Welcome. Please  
14                  state your names so the people in the  
15                  audiovisual room know whose name to put up  
16                  when you speak.

17                  And if you'd just introduce yourselves  
18                  starting from my right, your left, so we just  
19                  know who you are.

20                  MR. COOK: Hi, I'm Peter Cook and I am  
21                  the executive director of the New York State  
22                  Council of Churches.

23                  MS. SIDDIQUI: Good morning. I'm Kari  
24                  Siddiqui. I'm a project director at the

1 Schuyler Center for Analysis and Advocacy.

2 MS. RANSLOW: Ashley Ranslow. I'm the  
3 New York State director for the National  
4 Federation of Independent Business.

5 CHAIRMAN PRETLOW: Welcome all.

6 You can start on either side.

7 MS. RANSLOW: I can go ahead. Thank  
8 you. All right.

9 Well, good morning, everybody. Thank  
10 you for having me. Thank you, Senator  
11 Krueger, Assemblymember Pretlow, and members  
12 of the Senate and Assembly and legislative  
13 staff for having us here today.

14 NFIB is a member-driven organization  
15 representing more than 11,000 members in  
16 New York State. NFIB members are the  
17 businesses that define our neighborhoods and  
18 strengthen our communities with character and  
19 value -- local hardware stores, independent  
20 restaurants, florists, barbers, retailers,  
21 dry cleaners, convenience stores, farmers,  
22 roofers, landscapers. This is just a sample  
23 of NFIB members, and the typical small  
24 business owner is a member of NFIB. The

1 average size of our members is 10 employees  
2 or less.

3 There are close to 500,000 small  
4 businesses in the State of New York. They  
5 employ 40 percent of the state's  
6 private-sector workforce, over 3 million  
7 New Yorkers. And their production accounts  
8 for nearly half of the state's GDP. A  
9 staggering 98 percent of businesses in  
10 New York have 100 employees or less.

11 Small businesses are also the  
12 backbones of their communities. Ninety  
13 percent of small business owners have  
14 financially supported community or civic  
15 groups; 63 percent have provided in-kind  
16 contributions; and 76 percent have reported  
17 volunteering for their local community  
18 organizations.

19 I'm going to focus today's testimony  
20 on a topic that got quite a bit of attention  
21 during the last panel, and that is  
22 unemployment insurance. The state does have  
23 currently a \$6.3 billion debt to the federal  
24 government as a result of COVID. The state

1 needed to borrow money because of the  
2 unprecedented amounts of business closures we  
3 saw during COVID that were mandated by state  
4 public policy decisions.

5 Those closures obviously led to a  
6 drastic amount of layoffs in a short period  
7 of time. The unemployment system was quickly  
8 overwhelmed. The state needed to borrow  
9 money to pay out unemployment insurance  
10 benefits. We still have 6.3 billion that we  
11 owe back to the federal government.

12 The Governor's Executive Budget  
13 proposal has allocated \$165 million to pay  
14 the interest assessment surcharge, which NFIB  
15 strongly supports. This surcharge is  
16 assessed once a year on employers to just pay  
17 the interest on the state's debt. That  
18 notice goes out in the summer. Last year it  
19 was about \$15 per employee.

20 We support the Governor's initiative  
21 to pay this -- for the state to pay this,  
22 because small businesses have been  
23 shouldering the burden of paying back the  
24 UI debt by themselves without any assistance.

1           This is contrary to what 36 other  
2 states have done. They used COVID relief  
3 funds to address their UI debt, to pay it  
4 off, to get it back to solvency, and to  
5 restore UI tax levels.

6           Small businesses are also paying \$105  
7 in increased federal UI taxes, they're paying  
8 \$250 per employee in state UI taxes. This is  
9 a big problem, and New York State does need  
10 to address it sooner than later.

11           Thank you for your time today, and I'm  
12 happy to answer questions.

13           CHAIRMAN PRETLOW: Thank you.

14           MS. SIDDIQUI: All right, good  
15 morning. And thank you for the opportunity  
16 to testify today.

17           My name is Kari Siddiqui. I am a  
18 project director with the Schuyler Center for  
19 Analysis and Advocacy, where I focus on our  
20 child poverty reduction work.

21           The Schuyler Center is a 152-year-old  
22 statewide nonprofit organization based here  
23 in Albany and dedicated to policy analysis  
24 and advocacy in support of public systems

1           that meet the needs of children and families,  
2           particularly those living in poverty.

3                       I'm going to take a turn from what we  
4           just talked about and talk about how the tax  
5           code can better support New York's kids and  
6           families. And this year we have a tremendous  
7           opportunity to make a real substantial change  
8           to our child tax credit so that it can better  
9           help and support children and families and  
10          make New York State an affordable home for  
11          our families.

12                      Backing up just a tiny bit, in 2021  
13          the Legislature passed, you all passed and  
14          Governor Hochul signed into law the  
15          Child Poverty Reduction Act, which commits  
16          the state to reduce child poverty by  
17          50 percent by 2031. It also established the  
18          Child Poverty Reduction Advisory Council,  
19          which just this past December released a set  
20          of really strong recommendations that would  
21          help New York State achieve that goal.

22                      And key among their recommendations  
23          was an expansion to the Empire State Child  
24          Credit, which is our child tax credit here in

1 New York.

2 In January the Governor included an  
3 expansion of the tax credit in her Executive  
4 Budget, a proposal that, if passed, would be  
5 the largest expansion of the credit since its  
6 establishment, and one that is a great first  
7 step towards a stronger, more impactful child  
8 tax credit.

9 The Governor's proposal is  
10 broad-based. It reaches both our  
11 lowest-income and middle-class families and  
12 extends the credit to lower-income families  
13 who actually, due to their low income level,  
14 were previously excluded from receiving the  
15 full credit amount.

16 But while the Governor's proposal is a  
17 great starting place, we can and must do more  
18 to make our tax credit work better for  
19 families and have a stronger poverty-fighting  
20 potential. The child tax credit expansion  
21 recommended by the Child Poverty Reduction  
22 Advisory Council would provide a larger  
23 amount, \$1500 per child per year for all  
24 children zero to 18, while still eliminating

1           that income requirement that has excluded the  
2           lowest-income families from the full credit  
3           amount.

4                         It's also critical to index the credit  
5           to inflation so that families can continue to  
6           benefit from the full value of the credit for  
7           years to come. The expansion that is  
8           recommended by the Child Poverty Reduction  
9           Advisory Council is estimated to reduce child  
10          poverty by 23 percent compared to an  
11          estimated 8 percent reduction from the  
12          Governor's proposal.

13                        I will point out that the  
14          Working Families Tax Credit, sponsored by  
15          Senator Gounardes and by Assemblymember  
16          Hevesi, would encompass all of the changes in  
17          the CPRAC recommendation and go even further  
18          to put money into families' pockets,  
19          including by paying the credit out throughout  
20          the year.

21                        I'll end as I began, which is to say  
22          that we have a real opportunity this year to  
23          start to make New York State an affordable  
24          place and the best place to raise a family.

1 Research on this topic has shown us again and  
2 again that tax credits work.

3 Thank you.

4 CHAIRMAN PRETLOW: Thank you.

5 Ed? Assemblyman Ra?

6 (Discussion off the record.)

7 CHAIRMAN PRETLOW: Oh, oh, I'm sorry.

8 MR. COOK: No worries. No worries.

9 CHAIRMAN PRETLOW: I'm looking at the  
10 clock here. Okay.

11 MR. COOK: Yeah, my name's Peter Cook.  
12 I serve as executive director of the New York  
13 State Council of Churches, founded in 1893.  
14 We represent 7500 congregations and nine  
15 denominations all over the State of New York.

16 Since the early 20th century, our  
17 council, shaped by the Social Gospel, has  
18 fought hard for a strong social safety net  
19 because we recognize the charity offered by  
20 church-based institutions could only go so  
21 far and that government programs were  
22 essential for permanently lifting people out  
23 of poverty and restoring our economy.

24 Unfortunately, the Trump

1 administration, embracing the widely  
2 discredited supply side economics, seeks to  
3 severely cut that social safety net to give  
4 enormous tax cuts for the very wealthiest  
5 based on the mistaken assumption that it will  
6 help our economy.

7 To raise revenue, invest in our social  
8 safety net and put more money in the pockets  
9 of low-wealth and middle-class New Yorkers,  
10 we offer three proposals.

11 One, as members of the Share Our  
12 Wealth Campaign, we call for an increase in  
13 New York's top income tax rates for those  
14 earning over 5 million and over 25 million by  
15 0.5 percent, and increase the top corporate  
16 tax rate by 1.75 percent. And we seek to  
17 make these changes permanent.

18 Second, we strongly urge you to pass a  
19 bill that no longer rebates the stock  
20 transfer tax. The state began rebating the  
21 tax in 1979, and since 1981 the tax is  
22 100 percent rebated back to Wall Street. No  
23 longer rebating what is essentially a  
24 minuscule sales tax could result in 10 to

1 14 billion in additional revenue.

2 And finally, in order to relieve  
3 pressure on the most crushing property taxes  
4 in the country and invest in our social  
5 safety net, we ask that industrial area  
6 councils, IDAs, no longer be given tax breaks  
7 without the express approval from affected  
8 school boards. This we think will help  
9 reduce pressure on property taxes and also  
10 spawn more economic growth that comes through  
11 the expansion of the social safety net.

12 Thank you.

13 CHAIRWOMAN KRUEGER: Thank you.

14 CHAIRMAN PRETLOW: Assemblyman Ra?

15 ASSEMBLYMAN RA: Thank you.

16 Ashley, so you ran out of time a  
17 little bit. But if you could further detail  
18 regarding, you know, what the kind of all-in  
19 cost is to our businesses given now, you  
20 know, the Federal Unemployment Tax Act offset  
21 credit reduction will double.

22 So we're not just looking at the  
23 impact of them paying very high rates,  
24 there's a number of things that impact them

1           the longer we keep this debt on our books and  
2           on the backs of our small businesses.

3                     MS. RANSLOW: Yes, you're correct.

4                     So New York is approaching the  
5           five-year mark of having outstanding debt.  
6           There is a provision in federal law, when you  
7           have five years of outstanding debt, what  
8           they call the FUTA offset is adjusted. They  
9           call this the benefit-cost ratio or the  
10          benefits-cost rate.

11                    So what's going to happen is right now  
12          we're at 1.2 percent in a FUTA offset, so  
13          that equals about an extra \$105 per employee  
14          for federal UI taxes. So that's going to  
15          double next year if the state still has its  
16          debt. So we're going to go from 1.2 percent  
17          to 2.3 percent. So businesses are going to  
18          be looking at a sizable jump in their federal  
19          UI taxes.

20                    They do this as a way to pay the debt  
21          off faster, right? But I think it's really  
22          important to note that these federal UI tax  
23          offsets are in addition to businesses being  
24          in the highest possible state UI tax

1 brackets, which average about an extra \$250  
2 per employee per year. So you're talking  
3 hundreds of extra dollars per employee per  
4 year.

5 So small businesses have poured out  
6 thousands of additional dollars to fix  
7 New York State's UI problem -- which again,  
8 to remind everybody, was a result of state  
9 public policy decisions. Right? The state  
10 shut down businesses.

11 And unlike 30-plus other states,  
12 New York just said, Oh, well, businesses,  
13 you're on the hook to pay it back. Other  
14 states used COVID relief funds to address  
15 their UI problems; New York hasn't.

16 And this is, again -- to the points  
17 that were made earlier as well, you cannot  
18 adjust the weekly benefit UI rate with the  
19 state's outstanding debt.

20 So the longer we let this go on, you  
21 can't do anything for workers either. You  
22 cannot -- the federal government will not  
23 allow you to increase UI weekly benefit rates  
24 as long as New York has this unemployment

1 insurance problem. It's in the best  
2 interests of the state to address this  
3 problem now and to not let it continue.

4 ASSEMBLYMAN RA: And real quick, the  
5 manual workers issue -- obviously we had a  
6 provision that didn't make it over the finish  
7 line last year. Is it just large businesses  
8 or are there a lot of small businesses that  
9 are getting these lawsuits and dealing with  
10 them?

11 MS. RANSLOW: It's also small  
12 businesses.

13 You're right, there's a provision in  
14 the Governor's budget to address lawsuits  
15 over manual workers and the frequency at  
16 which they're being paid. It is not unique  
17 to big business; it is impacting small  
18 businesses who are facing multi-million-  
19 dollar lawsuits. And it should be addressed  
20 in this year's budget.

21 ASSEMBLYMAN RA: Thank you.

22 CHAIRWOMAN KRUEGER: Thank you.

23 Senator Gounardes.

24 SENATOR GOUNARDES: Thank you very

1 much.

2 My question is for Kari.

3 You talked about the Governor's  
4 proposal on the child tax credit, and you  
5 pointed to the Working Families Tax Credit  
6 proposal as well. I'll just note, under the  
7 Governor's proposal, by my math, 86 percent  
8 of kids would only see a \$170 boost, or their  
9 families would see a boost of \$170, which if  
10 they're lucky might pay for a cable bill for  
11 half a month.

12 So I think you rightfully pointed out  
13 that we can do a lot better. But my question  
14 is, with the discussion at the federal level  
15 right now around the extension of the TCJA,  
16 and the expiration of the enhanced federal  
17 child tax credit and then the dropping back  
18 down of the value of the credit -- or the  
19 potential drop-down -- do you have any  
20 analysis as to what that impact might be on  
21 child poverty?

22 And New York almost leads the country  
23 for child poverty. If that child -- if the  
24 federal credit drops to a thousand, again,

1           what's going to be the impact on New York's  
2           children?

3                       MS. SIDDIQUI: Yeah, that's a really  
4           great question.

5                       We don't have specific analysis yet on  
6           that. But we can get it. And I also think  
7           that we have some really strong things to  
8           look to, as you may know, as you know for  
9           sure, when the federal government expanded  
10          the child tax credit during COVID where  
11          families were getting monthly payments into  
12          their banks automatically every month, we saw  
13          child poverty, here in New York State and  
14          nationally, cut in half. Like by half. Half  
15          the amount of kids were living in poverty  
16          during that time.

17                      And when that was allowed to expire  
18          and not renewed, we saw those child poverty  
19          rates rebound and actually go beyond where  
20          they were before.

21                      So we can only extrapolate from that  
22          right now to say that, you know, that losing  
23          federal tax credit benefits would have a real  
24          impact on families' lives and on our child

1 poverty rate here in New York State.

2 SENATOR GOUNARDES: Thank you.

3 CHAIRWOMAN KRUEGER: Assembly.

4 CHAIRMAN PRETLOW: Assemblyman

5 Manktelow.

6 ASSEMBLYMAN MANKTELOW: Thank you.

7 Actually, a question back to small  
8 businesses. I know we've talked about  
9 unemployment and what that is doing to our  
10 small businesses. So if we can take care of  
11 that problem in this year's budget, what's  
12 the next best thing we can do to support  
13 these small businesses back home -- help them  
14 grow, help them put more employees on, and in  
15 turn that helps the state as well. What  
16 would be the next thing we could look at?

17 MS. RANSLOW: So unemployment  
18 insurance is obviously a key issue, as you  
19 reference. I think there are other things  
20 laid out in our testimony.

21 A couple of years ago New York did  
22 increase the small businesses deduction from  
23 5 to 15 percent. It didn't do anything on  
24 the C corp side for small businesses, and

1           there are some small businesses organized as  
2           C corps, so I think that that's something  
3           that the state should look at, tax  
4           parity-wise. Right?

5                     I think also for small manufacturers  
6           we did cut tax rates from large C corp  
7           manufacturers many, many, many years ago. We  
8           did not do the same for small manufacturers,  
9           who are typically organized as pass-throughs:  
10          LLCs, S corps, that kind of thing.

11                    So again, just looking at that tax  
12          parity, right, we sort of have cut taxes here  
13          a little bit, cut taxes there a little bit,  
14          to help certain businesses in certain areas.  
15          But I think we should take a step back and  
16          look at that and make sure that there is some  
17          real tax parity going on and that, you know,  
18          just how you're organized and your tax code  
19          doesn't necessarily dictate where you land,  
20          right, as a small business owner.

21                    So I think we need to take a look at  
22          that.

23                    I also think that in this conversation  
24          of revenue raisers we have to be really,

1 really careful about what that could mean for  
2 small business owners. Right?

3 Just -- I always say like you've got  
4 to use a scalpel instead of a sledgehammer.  
5 Right? The answer isn't just to increase  
6 taxes on corporations, increase taxes on this  
7 area or that area. You really have to look  
8 at how businesses are organized and also, you  
9 know, who you're trying to target. Right?

10 Because small business owners -- I  
11 heard in the last panel, right, like, Well,  
12 our economy can handle it, right, tax  
13 increases. But I challenge anyone to walk  
14 into a small business owner and ask them how  
15 they're doing and how their business is going  
16 and how they're feeling. And they're going  
17 to tell you that they can't afford a tax  
18 increase.

19 So I'd just caution that.

20 ASSEMBLYMAN MANKTELOW: Yeah, you're  
21 absolutely right. Talking to the small  
22 businesses, every little tax, every little  
23 extra piece that they have to do takes away  
24 from their business, takes away from their

1 employees having the ability or the chance to  
2 make more money. And if they can make more  
3 money, that adds money to the state side as  
4 well.

5 And I honestly believe if we can help  
6 that happen, we can grow those businesses and  
7 grow New York.

8 So thank you. Thank you all for your  
9 testimony.

10 Thank you, Chairwoman.

11 CHAIRWOMAN KRUEGER: Thank you.

12 Senator Tom O'Mara.

13 SENATOR O'MARA: Thanks.

14 Good morning, everyone. Thanks for  
15 being here.

16 Ashley, just to follow-up on the  
17 manufacturers tax and trying to get that  
18 parity with the C corps and the pass-through  
19 entities. We've talked about it in years  
20 past.

21 I've talked about it with  
22 Commissioner Hiller in years past; didn't get  
23 a chance to get to it today. But in years  
24 past she had raised an issue of maybe a

1 difficulty in defining manufacturing to tell  
2 who would qualify for that as a pass-through  
3 entity.

4 If you could comment on that and  
5 whether there's been any -- whether your  
6 group has had any discussions with the  
7 Tax Department on how to possibly handle that  
8 type of a definition.

9 But also there was discussion earlier  
10 about changing the tax reporting time for  
11 pass-through entities and how the proposal in  
12 the budget and how that would be helpful or  
13 not to these pass-through entities.

14 MS. RANSLOW: So in terms of -- there  
15 has been some discussion with the  
16 Tax Department about how do you define  
17 manufacturing and how do you do that for  
18 pass-through entities.

19 There's not an answer yet on how to do  
20 that. I think that there are people that are  
21 smarter than I am, quite frankly, that are  
22 trying to figure that out in terms of tax  
23 policy. So I think it's ongoing, right, how  
24 can we find a reasonable solution to

1           accomplish what we're trying to accomplish  
2           here. So I would say stay tuned on that  
3           front.

4                     In terms of reporting for pass-through  
5           entities, I'd have to get back to you on that  
6           one.

7                     SENATOR O'MARA: Okay. On the UI debt  
8           that's outstanding, I think the commissioner  
9           of Labor said that the amounts are even  
10          higher than the \$6.3 billion you're  
11          referencing today.

12                    But we know that about 36 other states  
13          used their federal COVID relief to pay this  
14          down, and New York did not, they chose to  
15          carry it. Of those states that weren't in  
16          that 36 that used the COVID relief, do you  
17          know where they stand? As compared to paying  
18          that down, are they dragging it out like  
19          New York State is, or are they making a more  
20          concerted effort to eliminate that debt?

21                    MS. RANSLOW: Some states didn't have  
22          to borrow money. Some states' UI trust funds  
23          were actually so robust that they were able  
24          to get through COVID without having to borrow

1 money.

2           Some states paid -- used some to pay  
3 off their debt, right, some COVID relief  
4 money, then some money from, you know,  
5 increased business taxes to pay off their  
6 debt.

7           And then there's only one other state  
8 in addition to New York that has outstanding  
9 debt. It's us and California. We're the  
10 only two left that have UI debt to repay.  
11 everyone else is -- has paid off advances or  
12 didn't borrow it to begin with.

13           SENATOR O'MARA: And in your testimony  
14 you say that it's going to get more difficult  
15 for small businesses to deal with as that  
16 repayment amount increases year to year,  
17 correct?

18           MS. RANSLOW: Correct. And also you  
19 risk an economic downturn, right, in -- if  
20 there are just natural economic downturns and  
21 layoffs and the state has to look at  
22 borrowing more money, which just puts us  
23 further in the hole.

24           SENATOR O'MARA: Thank you.

1 CHAIRWOMAN KRUEGER: Any members?

2 So we have Senator Jackson.

3 SENATOR JACKSON: So I was going to  
4 say good afternoon. It's almost good  
5 afternoon. Thank you for staying the course  
6 and making sure that who you represent are  
7 being heard here today.

8 Did I hear correctly that all three  
9 organizations' representatives agree that we  
10 should look at getting resources by taxing  
11 the wealthiest New Yorkers -- not the small  
12 business people, not the churches and not the  
13 analysis organization that you work for, but  
14 where the resources are, and taxing the  
15 wealthiest New Yorkers?

16 Did I hear you correctly that you  
17 support that, and looking at the issues and  
18 concerns that impact the State of New York as  
19 far as, you know, dealing with the  
20 unemployment insurance hole that we are in,  
21 and also looking at the needs of our children  
22 and families that exist?

23 Am I correct in that all three of you  
24 are in favor of taxing the wealthiest

1 New Yorkers just a little bit in order to  
2 help their brothers and sisters of New York  
3 State?

4 MR. COOK: Yes, absolutely. And we  
5 really think that taxing the wealthiest a  
6 little bit more is actually going to be more  
7 economically productive in terms of improving  
8 the social safety net, which helps to  
9 mitigate high costs which cause people to  
10 leave the state and also affect our  
11 businesses at all levels.

12 MS. SIDDIQUI: Yeah, I would just echo  
13 what Peter said.

14 SENATOR JACKSON: I'm sorry, I could  
15 not hear you.

16 MS. SIDDIQUI: I'd just echo what  
17 Peter said.

18 SENATOR JACKSON: Okay. And  
19 Director Ranslow?

20 MS. RANSLow: In terms of the UI debt,  
21 yes, we obviously support paying that down.

22 And in terms of tax policy, I think  
23 that, you know, to my comments earlier, when  
24 we talk about revenue raisers, you have to be

1 very discerning about where you're getting  
2 the revenue from and if it's going to have an  
3 impact on small business owners.

4 SENATOR JACKSON: And that's why I  
5 indicated as far as -- I thought I heard you  
6 say that the issues and concerns of small  
7 businesses have to be taken into  
8 consideration. Everyone says small  
9 businesses are the backbone of our society.

10 And so I'm not talking about the small  
11 businesses, though, I'm talking about the  
12 wealthiest New Yorkers.

13 MS. RANSLOW: I hear you. I think it  
14 gets difficult when you talk about personal  
15 income taxes. There are a lot of small  
16 businesses who pay their taxes via personal  
17 income taxes. They themselves may not be a  
18 multi-millionaire, right, but they pay their  
19 taxes via personal income taxes. So you have  
20 to be very careful about that.

21 SENATOR JACKSON: Thank you.

22 Thank you, all three, for coming in.

23 CHAIRWOMAN KRUEGER: Senator Pam  
24 Helming.

1                   SENATOR HELMING: Thank you,  
2                   Senator Krueger.

3                   This question is for Ashley. Thank  
4                   you all for being here.

5                   It's always dangerous when you come in  
6                   at the very end and throw out a question.  
7                   But Ashley, I hear from small businesses  
8                   across my district all the time about the  
9                   challenges of doing business in New York  
10                  State, whether it's the costly mandates that  
11                  are pushed down on them, including the  
12                  all-electric mandates; uncertainty  
13                  surrounding a number of regulations that are  
14                  constantly in flux; and of course high taxes.

15                  And now, in the budget, there are  
16                  programs that will incentivize new  
17                  businesses, the CATALIST NY program. In my  
18                  district, because I'm so close to Micron, my  
19                  companies want to know where is their Micron  
20                  bonus, right?

21                  So I'm just wondering, from your  
22                  perspective, do you see any challenges for  
23                  our small businesses, existing businesses,  
24                  when new businesses receive so many

1           incentives?

2                       MS. RANSLOW: This is an issue that is  
3           near and dear to NFIB's heart.

4                       I testified a couple of months ago  
5           before many of you on economic development  
6           programs. Most of -- if you look at most of  
7           New York's economic development programs,  
8           they are very specific to often larger  
9           businesses. They are geared towards certain  
10          industries, right. And I often categorize it  
11          that New York has gotten into the business of  
12          picking winners and losers. Right? Who we  
13          want to give money to and who we don't want  
14          to give money to.

15                      If you're an existing small business,  
16          third generation, fourth generation, you've  
17          been around for hundreds of years, paid  
18          taxes, done everything -- you qualify for  
19          practically nothing from New York State.  
20          Right? Maybe a loan program, if you want to.

21                      So from an economic development  
22          perspective, if you're an existing small  
23          business and you have been for a long time,  
24          no, you're probably not getting anything in

1 terms of economic development.

2 SENATOR HELMING: Thank you.

3 CHAIRWOMAN KRUEGER: I think the  
4 Senate is done, just looking quickly.

5 So I pass it back to the Assembly and  
6 thank you very much for your participation  
7 today.

8 CHAIRMAN PRETLOW: The Assembly's also  
9 done, and I want to thank the three of you  
10 for your participation.

11 And this formally ends this hearing on  
12 Taxes. Thank you very much.

13 PANEL MEMBERS: Thank you.

14 (Whereupon, the budget hearing concluded  
15 at 11:57 a.m.)

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