



## Department of Taxation and Finance

### Opening Statement

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**New York State Department of Taxation and Finance**

**Joint Senate & Assembly Budget Hearing**

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Good Afternoon. I'm Amanda Hiller, Acting Commissioner of the Department of Taxation and Finance. Thank you for this opportunity to discuss New York taxes, Governor Hochul's Executive Budget and the operations of the Tax Department.

Many New Yorkers and, I dare say, most Americans, believe New Yorkers pay the highest taxes in the country. On average, New Yorkers do shoulder the highest tax burdens. But, this is a gross simplification that hides how those tax burdens are distributed. New York has an extremely progressive income tax rate structure, both for personal income and for corporate income, which means most New York individuals and businesses have very modest income tax burdens, but our highest-earning individuals and businesses pay the highest combined tax rates in the country. More than half of New York's personal income tax receipts are paid by fewer than 2% of New York's personal income taxpayers. Over 75% of our corporate franchise tax receipts are paid by just one quarter of one percent of our corporate taxpayers.

This concentration of tax burdens is not without risk. Our economic fortunes are tied to the economic fortunes of a tiny fraction of our taxpayers: when those individuals and those businesses have a good year we see strong income tax receipts. But if our economy slows, the revenue implications of this outsized dependence on just a few taxpayers could be profound.

This fiscal year has been a strong year for tax receipts. It looks like we'll close out the fiscal year with net income tax receipts up \$6.7 billion over the prior year, largely due to a strong stock market, and sales tax receipts up \$1.2 billion, driven by increased consumption made possible by that income growth. New York's economy continues to lag behind the national economy, which is slowing, but the Division of the Budget does project that income, corporate and sales tax receipts will continue to grow in fiscal year 2027 and beyond.

Although New York has seen real wage growth, affordability remains an enormous challenge in communities across the state. Strong tax receipts have allowed Governor Hochul to craft a Fiscal Year 2027 budget that holds state tax rates steady, while advancing important initiatives to address the needs of hard-working New York families.

Over the last several years, Governor Hochul's Affordability Agenda has delivered much-needed tax relief. Together with the Legislature, Governor Hochul returned \$ 2.2 billion in state tax receipts to more than 8.2 million New York households via tax rebate checks. The Governor and Legislature also cut personal income tax rates for low- and middle-income taxpayers to the lowest rates in nearly 70 years, providing nearly \$1 billion in recurring tax relief to 8.3 million New Yorkers. And, we simplified

eligibility for STAR and simplified and expanded the Real Property Tax Credit, two programs that help New Yorkers stay in their homes.

Last year also saw a historic expansion of the Empire State Child Credit, increasing the maximum credit to \$1000 for children under age 4 and to \$500 for children ages 4-16. By decoupling from the federal child credit, we were able to change the way the credit phases out at higher income levels and eliminate the minimum earned income requirement that historically functioned to exclude some of our poorest families.

This year, Governor Hochul is again proposing to disconnect from federal tax rules in some key areas. Most notably, the Governor has proposed a significant expansion of the Child and Dependent Care Credit, decoupling from the federal rules in order to expand eligibility and benefits so more New York families can afford child care. The Governor is also proposing to protect New Yorkers, and the non-profits they support – by ensuring that charitable contributions will remain deductible in New York even if President Trump follows through on threats to strip disfavored organizations of their 501(c)(3) status. And, the Governor is proposing to decouple from several provisions of President Trump’s One Big Beautiful Bill Act that simply don’t make sense for New York.

At the Tax Department, we continue to strive to ensure that the tax policies you enact are administered fairly and effectively. We processed 28 million tax filings and collected \$162 billion in state and local revenue last year. Our ability to work at this scale is a function of sophisticated tax processing technology. We continue to be focused on re-platforming and modernizing the core IT systems that power the Department. We are now in year five of this five-year project, which is being done in-house, and we are on track to finish on time and under budget. In the last year alone, we rolled out a new Wage and Withholding System, made significant improvements to our Online Services System, and successfully piloted the new Real Property System Online, which is replacing outdated property tax administration software with new modern, cloud-based tools that will allow assessors to work more effectively and efficiently.

As we work to complete the remaining components of the current modernization effort, we are also thinking about what comes next. We are already scoping the next IT projects to address less central, but still critical, technology systems, such as the OSCAR system for Highway Use Tax compliance. And, we’re thinking about how to leverage our new IT systems to advance initiatives we were not equipped to pursue before.

One of the initiatives I’m most excited about is a comprehensive sales tax vendor re-registration. Under the state’s sales tax laws, every business that intends to sell taxable goods or services must register with the Tax Department and receive a Certificate of Authority to collect and remit the sales taxes paid by its customers. And, for each registered business, there must be at least one individual who is personally responsible for ensuring that the business meets its sales tax responsibilities – and is personally liable for any sales tax debts of that business. Businesses may close, and the individuals responsible for those businesses may change, which is why the Tax Law authorizes the Tax Commissioner to require periodic re-registration.

It's been 18 years since the Tax Department conducted a sales tax re-registration. By all accounts, the last one did not go well. That program, which began in 2008, was driven by the state's need for revenue during a recession and included an application fee to generate revenue. The Tax Department was unprepared and faced additional challenges when the same recession led to a broad tax amnesty program in 2009 that complicated the re-registration in progress.

We've long known that our sales tax vendor information is dated. We also knew that our ancient IT systems could not handle a re-registration program. We've been anxiously waiting for our systems to catch up to our ambitions and have been thinking deeply about how to conduct a smooth and effective re-registration campaign.

Governor Hochul's Executive Budget includes a proposal to this end. It would modify the Department's current re-registration authority so we can conduct a re-registration over the course of three years, rather than all at once, and it would ease application, decision and protest timelines for taxpayers, the Department and the Division of Tax Appeals so that issues that arise during the re-registration process can be handled well. The proposal would also authorize a sales tax discount program that would offer penalty abatement and an interest discount to sales tax vendors that resolve their outstanding sales tax debts before the re-registration begins. Sales tax debts grow quickly due to high statutory interest rates and often become insurmountable for businesses and their owners. Our goal is to conduct an effective re-registration that functions as a reset for active businesses with sales tax debts and ensures we have accurate information so we look to the correct responsible individuals when sales tax debts go unpaid.

Sales Tax re-registration is just one of the initiatives in Governor Hochul's Executive Budget that is aimed at easing tax compliance. We are grateful to the Governor for advancing proposals to simplify and standardize the definition of a farmer for various farming-related tax benefits, to ease the compliance burden for owners of EV charging equipment, and to add flexibility for businesses that want to enroll in the Pass-Through Entity Tax. These legislative proposals complement ongoing efforts at Tax to simplify our forms, instructions and guidance in order to promote tax compliance and improve the taxpayer experience.

I remain incredibly proud of Team Tax and the work we are doing at the Tax Department. I am excited about the initiatives we are pursuing and look forward to working with you to move them forward. I'm happy to take any questions.