

New York State Senate Democratic Majority

2024 ECONOMIC AND REVENUE REPORT



Senate Majority Conference Finance Committee

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February 27, 2024

Dear Colleagues:

I am pleased to provide you with the 2024 New York State Senate Finance Committee's Economic and Revenue Report. This report offers a general overview of the status of the national and New York State economies. It also specifies revenue projections for State Fiscal Years (SFY) 2023-24 and 2024-25.

Section 23 of the State Finance Law requires the issuance of an annual Consensus Economic and Revenue Report. This report serves as the basis for the joint annual New York State Consensus Report that contains the results of the consensus economic and revenue forecasting process, which is released each year on March 1.

With signs of a recession waning and a "soft landing" becoming probable, the State's economy continues to encounter several challenges. We anticipate a decrease in revenues for SFY 2023-24, with ongoing concerns about inflation and the adverse effects of international tensions on both the global and State economies.

The Senate Finance Committee staff projects that All Funds receipts, including federal sources, will total \$218.4 billion in SFY 2023-24, which is \$1.0 billion or 0.5 percent above the level estimated by the Executive Budget Financial Plan. For SFY 2024-25, Senate Finance Committee staff forecasts that All Funds receipts, including federal sources, will total \$214.5 billion, which is \$1.2 billion or 0.5 percent higher than the Executive Budget Financial Plan forecast.

This analysis, prepared by the Senate Finance Committee staff, will support our careful deliberation of the revenue and economic projections contained in the SFY 2024-25 Executive Budget. I look forward to working with you to construct an enacted State Budget that serves the needs of all New Yorkers.

Sincerely,

A handwritten signature in black ink that reads 'Liz Krueger'.

Liz Krueger
Chair
Senate Finance Committee

Senate Finance Committee Democratic Conference Members

Senator Liz Krueger, Chair

Senator Jamaal T. Bailey

Senator Neil D. Breslin

Senator Leroy Comrie

Senator Jeremy A. Cooney

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Senator Michelle Hinchey

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Senator Gustavo Rivera

Senator Julia Salazar

Senator James Skoufis

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2024 Economic and Revenue Report

Senate Majority Conference Finance Committee

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CONTENTS

EXECUTIVE SUMMARY	3
State Revenue.....	3
U.S. and New York State Economic Outlook.....	4
Revenue Forecast Highlights	5
General Fund Receipts SFY 2023-24 and SFY 2024-25	5
All Funds Receipts SFY 2023-24 and SFY 2024-25	5
REVENUE TABLES.....	6
Economic Highlights:.....	10
U.S. Gross Domestic Product.....	10
NEW YORK AND U.S. ECONOMIC TRENDS.....	11
2023 New York State Trends.....	11
Overview	11
Employment and Wages	11
Prices.....	11
Consumer Spending	11
Manufacturing and Distribution.....	11
Services	12
Real Estate and Construction	12
Banking and Finance.....	12
2023 National Trends	13
Overview	13
Employment and Wages	13
Prices.....	13
Economic Indicators Forecast – U.S. and New York State	14
U.S. LABOR MARKET AND INCOME	15
U.S. Employment.....	15
New York State Workforce Trends.....	17
Change in Jobs by Major Industry Sector: December 2022 to December 2023	18
Unemployment Rates	18
Personal Income	19
Retail Sales.....	20
Consumer Price Index (CPI).....	20
U.S. Gross Domestic Product, Fourth Quarter and Year 2023 (Advance Estimate)	21
U.S. Corporate Profits (Third Quarter Estimate)	21
Financial Markets.....	23
Risks to the U.S. and New York State Forecasts	25
REVENUE OUTLOOK.....	26
PERSONAL INCOME TAX.....	28
Withholding.....	30
Estimated Payments	31
Final Returns and Other Payments	32
Refunds/Offsets.....	33
CONSUMPTION AND USE TAXES.....	34

Sales and Use Tax	36
Cigarette and Tobacco Taxes	38
Motor Fuel Tax	39
Alcoholic Beverage Tax.....	39
Auto Rental Tax.....	40
Highway Use Tax	40
Medical Cannabis Tax.....	41
Adult-Use Cannabis Tax	41
Opioid Excise Tax.....	41
Vapor Excise Tax.....	42
BUSINESS TAXES	43
Corporation Franchise Tax	44
Corporation and Utilities Tax	45
Insurance Tax	46
Bank Tax	47
Petroleum Business Tax	48
Pass-Through Entity Tax.....	48
OTHER TAXES	49
Estate Tax.....	49
Real Estate Transfer Tax.....	49
Employer Compensation Expense Program	50
Pari-Mutuel Tax	50
Other Taxes.....	51
Gaming and Wagering Taxes	51
General Fund Miscellaneous Receipts.....	52

EXECUTIVE SUMMARY

The Senate Majority Conference Finance Committee has produced this State Fiscal Year (SFY) 2024-25 Economic and Revenue Forecast as part of the revenue and economic consensus process mandated by Chapter 309 of the Laws of 1996.

Section 23 of the State Finance Law requires that the Chairperson and Ranking Minority Member of the Senate Finance Committee, the Chairperson and Ranking Minority Member of the Assembly Ways and Means Committee, and the Director of the Budget jointly convene a consensus economic and revenue forecasting conference in the form of a joint Legislative-Executive public hearing by the end of February each year for the purpose of assisting the Governor and the Legislature in reaching the New York State Consensus Revenue Forecast.

The conveners of the Conference invite the New York State Comptroller and other participants to provide guidance on current United States (U.S.) and New York State (NYS) economic conditions and their effect on State receipts.

Each year, on or before March 1, the Director of the Budget, the Secretary of the Senate Finance Committee, and the Secretary of the Assembly Ways and Means Committee issue a joint report containing a consensus forecast of the economy and estimates of receipts for the current and ensuing State Fiscal Years.

State Revenue

The State has a variety of tax revenues dedicated to specific purposes that are deposited in the General Fund as well as in special revenue funds, capital projects funds, and debt service funds. Additionally, certain tax revenues (*e.g.*, petroleum business taxes and highway use taxes) are deposited exclusively in funds other than the General Fund.

The Senate Majority Conference Finance Committee staff's SFY 2023-24 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$985.9 million more than the Executive Budget Financial Plan estimate of \$50.7 billion. The committee staff's SFY 2024-25 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.1 billion more than the Executive Budget Financial Plan estimate of \$51.1 billion. The committee staff's two-year aggregate projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$2.1 billion more than the Executive Budget Financial Plan projections.

The committee staff's SFY 2023-24 estimate for All Funds receipts, excluding Federal funding, is \$1.0 billion more than the Executive Budget Financial Plan receipts estimate of \$121.5 billion. The committee staff's SFY 2024-25 projection for All Funds receipts is \$1.2 billion above the Executive Budget Financial Plan receipts estimate, excluding Federal funding of \$121.5 billion. The committee staff's two-year aggregate All Funds receipts projection is \$2.2 billion more than the Executive Budget Financial Plan projections.

U.S. and New York State Economic Outlook

Overall, the economic outlook for the United States and New York is on the upswing, albeit at a slower pace, due mostly to the impact of inflation and the Federal Reserve's monetary tightening. At the national level, the economy is measured by the Gross Domestic Product (GDP), a representation of the combination of goods and services produced and consumed in a year. Prior to the COVID-19 pandemic, the U.S. was in its longest period of economic expansion. In 2020, the impact of COVID-19 caused a widespread economic downturn. In 2021, the economy began showing signs of significant recovery. However, in 2022, faced with high levels of inflation, the Federal Reserve began tightening monetary policy. Inflation remained high in 2023, but with a slower growth rate than 2022. Inflation, represented by the Consumer Price Index (CPI), was 4.1 percent in Calendar Year (CY) 2023. This is expected to fall to 2.7 percent in CY 2024 and 2.4 percent in CY 2025.

Real GDP in the U.S. is estimated to have increased by 2.5 percent in Calendar Year (CY) 2023 and is projected to grow at a slightly slower rate of 2.3 percent in CY 2024, reflecting change in inflationary pressures, with prices rising modestly. Committee staff estimate an increase in CY 2025 of 1.6 percent, 0.3 percent below the Executive estimate of 1.9 percent. Nominal U.S. wages are estimated to have increased by 6.2 percent in CY 2023. Committee staff expect wages to continue growing by 5.4 percent and 4.3 percent in CY 2024 and CY 2025 correspondingly. The Executive estimates wage growth to advance at 4.3 percent in CY 2024 and 4.0 percent in CY 2025.

The Federal Reserve Bank of St. Louis's coincident economic activity index for the United States, which includes indicators of nonfarm payroll employment, unemployment rate, average hours worked in manufacturing, and wages and salaries, increased by 4.04 points or 2.97 percent, to end the year at 140.18. (This index's benchmark score of 100 points reflects the state of these economic indicators in 2007.) The same measurement for New York State increased by 1.26 points or 0.95 percent over that same period.

Changes in personal income are projected to differ between the U.S. and the State. For Calendar Year (CY) 2024 and 2025, U.S. personal income is expected to grow at 4.6 percent and 4.3 percent, respectively. For CY 2024, New York State personal income is estimated to experience growth of 4.3 percent, followed by growth of 3.8 percent in CY 2025.

For Calendar Year (CY) 2023, the U.S. unemployment rate is expected to average 3.6 percent, followed by an increase to 3.9 percent in CY 2024 and 4.1 percent in CY 2025. The State unemployment rate, which averaged 4.1 percent for Calendar Year (CY) 2023, is expected to average 4.2 percent by the end of CY 2024 and 4.3 percent through CY 2025.

REVENUE FORECAST HIGHLIGHTS

General Fund Receipts SFY 2023-24 and SFY 2024-25

The Senate Majority Conference Finance Committee staff conclude that:

- General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, in SFY 2023-24 will total \$51.7 billion. This estimate represents an increase of \$606.9 million or 1.2 percent from SFY 2022-23.
- The SFY 2023-24 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$985.9 million more than the Executive Budget Financial Plan estimate of \$50.7 billion.
- The SFY 2024-25 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$52.2 billion. This estimate represents an increase of \$546.6 million or 1.1 percent from the committee staff's SFY 2023-24 estimate.
- The SFY 2024-25 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.1 billion more than the Executive Budget Financial Plan receipts estimate of \$51.1 billion.

All Funds Receipts SFY 2023-24 and SFY 2024-25

The Senate Majority Conference Finance Committee staff conclude that:

- The SFY 2023-24 estimate for All Funds receipts, excluding federal receipts, is \$122.5 billion. This estimate represents a decrease of \$6 billion or 4.7 percent from the SFY 2022-23 receipts of \$128.6 billion.
- The SFY 2023-24 estimate for All Funds receipts is \$1 billion more than the Executive Budget Financial Plan receipts estimate of \$121.5 billion, excluding federal receipts.
- The SFY 2024-25 projection for All Funds receipts, excluding federal receipts, is \$122.7 billion. This estimate represents an increase of \$141 million or 0.1 percent from the committee staff's SFY 2023-24 estimate.
- The SFY 2024-25 projection for All Funds receipts, excluding federal receipts, is \$1.2 billion more than the Executive Budget Financial Plan receipts estimate of \$121.5 billion.

REVENUE TABLES

General Fund Receipts
(amounts in millions of dollars)

Receipts	SFY 2023-24 Estimate		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	53,808	54,094	286
Estimated Payments	10,264	10,672	408
Final Payments	3,630	3,630	0
Other Payments	1,860	1,860	0
Gross Collections	69,562	70,256	694
Refunds/Offsets	(17,362)	(17,362)	0
Reported Collections	52,200	52,894	694
STAR (Dedicated Deposits)	(1,617)	(1,617)	0
RBTF (Dedicated Transfers)	(26,100)	(26,100)	0
Total	24,483	25,177	694
User Taxes and Fees			
Sales and Use	18,652	18,689	37
Cigarette/Tobacco	260	260	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage	276	276	0
Opioid Excise Tax	23	23	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Peer to Peer Car Sharing Tax	0	0	0
Gross Collections	19,211	19,248	37
LGAC/STBF (Dedicated Transfers)	(9,326)	(9,326)	0
Total	9,885	9,922	37
Business Taxes			
Corporation Franchise Tax	7,291	7,291	0
Corporation and Utilities Tax	386	432	46
Insurance Taxes	2,428	2,428	0
Bank Tax	(7)	(7)	0
Petroleum Business Tax	0	0	0
Total	10,098	10,144	46
Other Taxes			
Estate Tax	1,882	2,009	127
Real Estate Transfer Tax	1,166	1,180	14
Emp. Comp. Expense Program	14	14	0
Pari-Mutuel Taxes	12	12	0
Other Taxes	2	2	0
Gross Collections	3,076	3,217	141
Real Estate Transfer Tax (Dedicated)	(1,166)	(1,180)	(14)
RBTF (Dedicated Transfers)	(7)	(7)	0
Total	1,903	2,030	127
Total Tax Receipts	46,369	47,273	904
Miscellaneous Receipts	4,295	4,377	82
Total	50,664	51,650	986

General Fund Receipts (amounts in millions of dollars)			
Receipts	SFY 2024-25 Forecast		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	56,386	56,686	300
Estimated Payments	11,157	11,359	202
Final Payments	3,781	3,781	0
Other Payments	1,914	1,914	0
Gross Collections	73,238	73,740	502
Refunds/Offsets	(17,734)	(17,734)	0
Reported Collections	55,504	56,006	502
STAR (Dedicated Deposits)	(1,575)	(1,575)	0
RBTF (Dedicated Transfers)	(27,752)	(27,752)	0
Total	26,177	26,679	502
User Taxes and Fees			
Sales and Use	19,077	19,257	180
Cigarette/Tobacco	253	253	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage	278	278	0
Opioid Excise Tax	23	23	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Peer to Peer Car Sharing Tax	2	2	0
Gross Collections	19,633	19,813	180
LGAC/STBF (Dedicated Transfers)	(9,539)	(9,539)	0
Total	10,094	10,274	180
Business Taxes			
Corporation Franchise Tax	6,791	6,791	0
Corporation and Utilities Tax	414	438	24
Insurance Taxes	2,436	2,436	0
Bank Tax	180	180	0
Petroleum Business Tax	0	0	0
Total	9,821	9,845	24
Other Taxes			
Estate Tax	1,325	1,595	270
Real Estate Transfer Tax	1,147	1,166	19
Emp. Comp. Expense Program	15	15	0
Pari-Mutuel Taxes	12	12	0
Other Taxes	2	2	0
Gross Collections	2,501	2,790	289
Real Estate Transfer Tax (Dedicated)	(1,147)	(1,166)	(19)
RBTF (Dedicated Transfers)	(7)	(7)	0
Total	1,347	1,617	270
Total Tax Receipts	47,439	48,414	975
Miscellaneous Receipts	3,634	3,782	148
Total	51,073	52,196	1,123

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2023-24 Estimate		
	DOB	SFC	Difference
<i>Personal Income Tax</i>			
Withholding	53,808.0	54,094.0	286.0
Estimated Payments	10,264.0	10,672.0	408.0
Final Payments	3,630.0	3,630.0	0.0
Other Payments	1,860.0	1,860.0	0.0
Gross Collections	69,562.0	70,256.0	694.0
Refunds/Offsets	(17,362.0)	(17,362.0)	0.0
Net Collections	52,200.0	52,894.0	694.0
<i>User Taxes and Fees</i>			
Sales and Use	19,931.0	19,970.2	39.2
Cigarette/Tobacco	836.0	836.0	0.0
Vapor Excise Tax	25.0	25.0	0.0
Motor Fuel Tax	491.0	491.0	0.0
Alcoholic Beverage	276.0	276.0	0.0
Opioid Excise Tax	23.0	23.0	0.0
Medical Cannabis Excise Tax	9.0	9.0	0.0
Adult-Use Cannabis Tax	70.0	70.0	0.0
Highway Use Tax	144.0	144.0	0.0
Auto Rental Tax	131.0	131.0	0.0
Peer to Peer Car Sharing Tax	0.0	0.0	0.0
Total	21,936.0	21,975.2	39.2
<i>Business Taxes</i>			
Corporation Franchise Tax	8,951.0	8,951.0	0.0
Corporation and Utilities Tax	518.0	579.6	61.6
Insurance Taxes	2,710.0	2,710.0	0.0
Bank Tax	(9.0)	(9.0)	0.0
Petroleum Business Tax	1,115.0	1,115.0	0.0
Total	13,285.0	13,346.6	61.6
<i>Other Taxes</i>			
Estate Tax	1,882.0	2,009.3	127.3
Real Estate Transfer Tax	1,166.0	1,179.6	13.6
Emp. Comp. Expense Program	14.0	14.0	0.0
Pari-Mutuel	12.0	12.0	0.0
Other (Racing and Combative Sports)	2.0	2.0	0.0
Total	3,076.0	3,217.0	141.0
Total Tax Receipts	90,497.0	91,432.7	935.7
Miscellaneous Receipts	31,000.0	31,082.0	82.0
Total	121,497.0	122,514.7	1,017.7

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2024-25 Forecast		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	56,386.0	56,685.9	299.9
Estimated Payments	11,157.0	11,359.0	202.0
Final Payments	3,781.0	3,781.0	0.0
Other Payments	1,914.0	1,914.0	0.0
Gross Collections	73,238.0	73,739.9	501.9
Refunds/Offsets	(17,734.0)	(17,734.0)	0.0
Net Collections	55,504.0	56,005.9	501.9
User Taxes and Fees			
Sales and Use	20,380.0	20,571.8	191.8
Cigarette/Tobacco	798.0	798.0	0.0
Vapor Excise Tax	25.0	25.0	0.0
Motor Fuel Tax	491.0	491.0	0.0
Alcoholic Beverage	278.0	278.0	0.0
Opioid Excise Tax	23.0	23.0	0.0
Medical Cannabis Excise Tax	9.0	9.0	0.0
Adult-Use Cannabis Tax	158.0	158.0	0.0
Highway Use Tax	143.0	143.0	0.0
Auto Rental Tax	124.0	124.0	0.0
Peer to Peer Car Sharing Tax	2.0	2.0	0.0
Total	22,431.0	22,622.8	191.8
Business Taxes			
Corporation Franchise Tax	8,535.0	8,535.0	0.0
Corporation and Utilities Tax	539.0	569.9	30.9
Insurance Taxes	2,710.0	2,710.0	0.0
Bank Tax	212.0	212.0	0.0
Petroleum Business Tax	1,068.0	1,068.0	0.0
Total	13,064.0	13,094.9	30.9
Other Taxes			
Estate Tax	1,325.0	1,595.3	270.3
Real Estate Transfer Tax	1,147.0	1,165.8	18.8
Emp. Comp. Expense Program	15.0	15.0	0.0
Pari-Mutuel	12.0	12.0	0.0
Other (Racing and Combative Sports)	2.0	2.0	0.0
Total	2,501.0	2,790.1	289.1
Total Tax Receipts	93,500.0	94,513.7	1,013.7
Miscellaneous Receipts	27,994.0	28,142.0	148.0
Total	121,494.0	122,655.7	1,161.7

ECONOMIC OUTLOOK

Economic Highlights:

The Senate Majority Conference Finance Committee staff believes that:

- The U.S. economy expanded by an estimated 2.5 percent in CY 2023 and will continue to grow by 2.3 percent in CY 2024 and by a slower rate of 1.6 percent in CY 2025
- The U.S. unemployment rate, which averaged 3.6 percent in CY 2022, remained flat with an estimated 3.6 percent in CY 2023. The rate is expected to increase slightly to 3.9 percent in CY 2024 and increase to 4.1 percent in CY 2025
- U.S. Personal Income grew by 5.2 percent in CY 2023, and is expected to grow at a slower rate of 4.6 percent growth in CY 2024 and by 4.3 percent growth in CY 2025

U.S. Gross Domestic Product

The national economy is measured by the Gross Domestic Product (GDP), while the Gross State Product (GSP) is a similar annual measure at the state level. GDP and GSP are a combination of all the goods and services produced and consumed by the three major sectors of the economy – consumers, business, and government. Increases in consumer spending usually directly translate into increased corporate sales and potentially higher business profits. Firms are expected to use these profits to make capital investments, hire workers, or increase wages for existing employees. Increases in the private sector contribute to larger tax revenues in the public sector, allowing for government spending growth or tax relief.

The consumer is the major driving force in the U.S. economy. Private consumption accounts for approximately 70 percent of U.S. GDP. Although business accounts for a relatively small share of GDP, it is still an important contributor to the economy as it directly supports aggregate employment and wages, which engender consumer spending. Government, through various spending and monetary policies, also plays a significant role in the economy. In the last quarter of 2023, U.S. GDP increased at an annual rate of 3.3 percent, according to the advance estimate released by the Bureau of Economic Analysis. The increase in real GDP reflected increases in private inventory investment, consumer spending, federal, state, and local government spending, exports, residential fixed investment and nonresidential fixed investments. Imports, which is a subtraction in the GDP calculation, also increased. The increase in consumer spending reflects increases in services, led by health care, food services and accommodations, and goods, primarily in pharmaceutical products and computer software. Non-defense expenditures lead the growth in federal government spending, while the increase in state and local government spending reflects increased compensation of government employees. The increase in residential fixed investment reflects an increase in new residential structures that was partly offset by a decrease in brokers' commissions, while the increase in nonresidential fixed investment reflects increases in intellectual property products, structures and equipment. The increase in exports were led by petroleum and financial services, while the increase in imports was led by travel. Wholesale trade industries lead the growth in inventory investment. While the overall real GDP increased, growth in the fourth quarter of 2023 slowed compared to the previous quarters, due to a slowdown in private inventory investment, federal government spending, residential fixed investment, and consumer spending.

NEW YORK AND U.S. ECONOMIC TRENDS

2023 New York State Trends

Overview

Employment and Wages

The Federal Reserve reports that the labor market remained solid in late 2023 despite recent shortfalls. Employment is growing at a slightly slower pace, as the demand for labor softens. Businesses report a decline in employment in several sectors including information services, manufacturing, transportation, and construction in recent weeks. While there is improvement in the availability of workers, many mid-sized companies are not hiring, and smaller companies have become very selective in the hiring process.

Wage growth in New York has been moderate. The outsized wage adjustments seen during the pandemic have been reduced as the demand and supply of labor continues to shift. Bonuses were up in 2023 and are expected to increase in the upcoming months as more employees are receiving bonuses along with increases in the average bonus percentage.

Prices

According to the Federal Reserve Beige Book, prices are rising modestly due to slight changes in inflationary pressures. Prices for goods such as paper, ink and construction materials have become stable, while there is a continuous increase in the cost of freight and insurance. The selling price is moderate for manufactured goods, increased slightly in the service sector and declined for construction firms. Businesses do not expect major changes in selling prices in the upcoming months.

Consumer Spending

Consumer spending in the state increased moderately primarily due to strong holiday sales. Sales of apparel, toys, and sporting goods were up, while sales at restaurants and bars were down. Aided by inventory improvement, and continuing decline in used car prices, auto dealers in upstate New York said their sales increased for both new and used cars despite higher credit cost.

Manufacturing and Distribution

Manufacturing activity declined significantly at the end of 2023, particularly in orders and shipments. Multiple businesses report that supply chains have returned to pre-pandemic levels, however, transportation and distribution remain challenging. There is a slight increase in inventories, along with a decline in unfilled orders. Manufacturers expect modest improvement in business conditions in the months to come.

Services

The service sector continued to decline slightly in late 2023. Activity in education and health services sectors increased modestly, while a decline in activity is reported in business service and personal service firms. Looking forward, businesses expect conditions to improve.

New York City tourism activity reached pre-pandemic holiday levels. There was a massive increase in hotel bookings in 2023 compared to 2022. New York City experienced a higher hotel occupancy rate compared to other competitors in the U.S. tourism market, although this is partially offset by some hotel rooms being used for asylum seekers. Tourism is expected to return to normal levels in 2024 despite economic and political concerns.

Real Estate and Construction

The housing market has not encountered any significant changes since November 2023. Low inventory continues to be a limiting factor across New York State. Inventory in New York City suburbs is remarkably low and inventory in upstate New York has shown slight improvement. Across the state demand for homes remains high.

Rent prices dropped across New York, especially in New York City, where new lease activity continues to decrease, and rents are significantly lower than a year earlier. Investors in upstate New York who purchased properties for rental income have begun to sell their properties, this increases the supply of homes for sale but reduces options for renters.

Commercial real estate markets remain steady. Office vacancies in New York City remain relatively unchanged, near historic high levels, and rent prices fell slightly. Offices in upstate New York saw a continued increase in vacancy rate, with rent prices remaining steady. The industrial real estate market experienced slight improvement downstate while conditions worsened in upstate New York.

Construction contacts activity declined modestly due to a reduction in office construction. However, industrial construction increased significantly with substantial deliveries set for this year in downstate New York and northern New Jersey.

Banking and Finance

The finance sector encountered a modest decline during late 2023. The Federal Reserve's contacts in the finance sector voiced concerns about the high cost and reduced availability of credit. Small and medium-sized banks have seen a fall in loan demand across all categories. Credit standards remain the same for consumer loans and residential mortgages, although standards continue to tighten for business loans and commercial mortgages. Moreover, deposit rates increased, loan spreads narrowed, and delinquency rates continued to increase.

2023 NATIONAL TRENDS

Overview

According to the Beige Book, most Federal Reserve Districts report steady economic activity with little or no change in the final weeks of 2023. Consumer spending met expectations in most districts, exceeding expectations in New York State, during a strong holiday period. The tourism industry noted increased leisure travel activity in several districts, especially in New York City. Manufacturing activity decreased and auto sales and real estate deals continued to be limited by high interest rates. However, multiple contacts of the Federal Reserve are optimistic about the potential of falling interest rates. Concern over weakening demand in the commercial real estate market and the 2024 political cycle were cited as sources of economic uncertainty. Nevertheless, the Federal Reserve contacts expectations for growth were positive, improving or both.

Employment and Wages

A majority of the districts report that overall employment levels remain mostly unchanged. Nationally, there are signs pointing to a cooling labor market, including larger applicant pools, declining turnover rates, more selective hiring by businesses and reducing wage pressures. Wage growth is described as moderate to slight amongst the districts. For the next year, wage pressures are expected to ease and wage growth is expected to further decline.

Prices

Almost all Districts saw increases in prices, but at different paces from slight to moderate increases. Businesses in many districts report steady or falling input prices, particularly in the manufacturing and construction sectors, and more discounting by auto dealers. The increase in consumer price sensitivity during 2023 has forced retailers to limit their profit margins and push back in turn on their suppliers' efforts to increase prices. Insurance prices continue to impact businesses with premium increases for property insurance, casualty insurance and health insurance. Expectations for prices are a mixed bag, some expect price increases to lessen while others anticipate minimal change.

ECONOMIC INDICATORS FORECAST – U.S. AND NEW YORK STATE

U.S. and New York State Economies Calendar Year (CY)			
U.S Economy	2023 Estimate	2024 Forecast	2025 Forecast
Real GDP	2.5	2.3	1.6
Personal Income	5.2	4.6	4.3
Non-Farm Employment	2.3	1.2	0.5
Consumer Price Index (CPI)	4.1	2.7	2.4
Wages	6.2	5.4	4.3
Unemployment Rate (Percent)	3.6	3.9	4.1
10-Year Treasury Yield	4.0	4.2	4.1
Corporate Profits	0.8	3.9	-2.0
Government Spending	4.0	1.9	0.4
New York State Economy			
Non-Farm Employment (Total)	1.9	0.9	0.4
Wages (Total)	5.3	4.9	4.1
Personal Income	4.7	4.3	3.8
Unemployment Rate (Percent)	4.1	4.2	4.3
Composite CPI of New York	4.0	2.9	2.4

Sources: Moody's Analytics, New York State Division of Budget, Senate Majority Finance Committee staff calculations

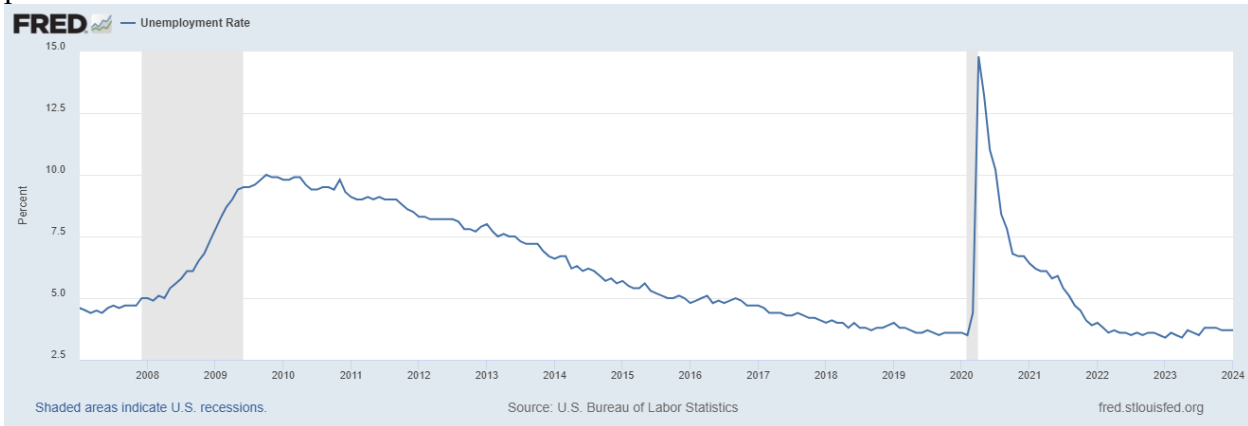
The COVID-19 pandemic has rapidly and drastically shifted the economic landscape both nationally and in New York. Prior to the economic downturn, the U.S. was in its longest period of economic expansion with some signs of slowing down. However, the actions taken to abate the spread of COVID-19, including the shuttering of entire industries, resulted in a changed economic picture. While the economy had shown signs of recovery, 2022 was marred with concerns over growing inflation and the monetary policy meant to curb such increase. Inflation represented by the Consumer Price Index (CPI), increased by 8.0 percent in 2022, the highest level in the U.S. in more than 40 years.

Wage growth in New York State was slightly weaker than the U.S., with CY 2023 estimates at 5.3 percent in the State compared to 6.2 percent for the U.S. on a national level. Nonfarm employment has seen moderate growth in CY 2023 for both the U.S. and the State. CY 2024 is forecast to have continued growth albeit at a slower rate. This is largely the result of labor market tightness, though availability of workers improved, employers are becoming more selective in the hiring process. Finally, the unemployment rate, which increased almost threefold because of the COVID-19 pandemic, has returned to pre-pandemic levels for the U.S. and New York State.

U.S. LABOR MARKET AND INCOME

U.S. Employment

According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate at 3.7 percent and the number of unemployed persons remained relatively unchanged in January 2024. Total nonfarm payroll employment increased by 353,000 in January 2024. Employment continued to trend upward in professional and business services, health care, retail trade, and social assistance. The number of unemployed persons in January 2023 was 6.1 million. The labor market has slowed as unemployment has exceeded pre-pandemic levels of 3.5 percent and 5.7 million unemployed persons.



Source: Federal Reserve Bank of St. Louis

Among the unemployed, the number of persons on temporary layoff decreased slightly in January 2024 to 876,000. This measure is down 113,000 over the course of the year.

In January, the number of unemployed persons who were:

- Jobless less than five weeks decreased by 51,000 to 2.1 million.
- Jobless five to 14 weeks increased by 57,000 to 1.8 million.
- Jobless 15 to 26 weeks decreased by 237,000 to 867,000.
- Jobless 27 weeks or more increased by 32,000 to 1.3 million.

Among the major worker groups, the following unemployment rates applied in January:

- 2.9 percent for Asian persons, which represented little change over the month.
- 3.2 percent for adult women, which represented little change over the month.
- 3.4 percent for White persons, which represented little change over the month.
- 3.6 percent for adult men, which represented little change over the month.
- 5.0 percent for Hispanics, which represented little change over the month.
- 5.3 percent for Black persons, which represented little change over the month.
- 10.6 percent for teenagers, which represented little change over the month.

The labor force participation rate was unchanged during January 2024 from the prior month at 62.5 percent. The employment to population ratio increased from the prior month by 0.1 percent to 60.2 percent.

In January 2024, the number of persons employed part-time for economic reasons increased by 211,000 from the prior month to 4.4 million.

The number of persons not in the labor force who are seeking employment was little changed in January 2024 at 5.8 million. These individuals were not counted as unemployed because they were not actively looking for work during the last four weeks or were unavailable to take a job.

Among those not in the labor force who currently want a job - the number of persons marginally attached to the labor force - is at 1.7 million and changed little in January. These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months but have not looked for work in the 4 weeks preceding the survey. The number of discouraged workers, a subset of the marginally attached who believe that no jobs were available to them increased to 342,000 in January from the previous month.

New York State Workforce Trends

Overall private sector and government jobs increased in New York State, there are still sectors, such as information and professional and business services, that are struggling and have lost jobs. The following table compares the year-over-year change in total nonfarm and private sector jobs that occurred in the United States, New York State, certain metropolitan areas, and non-metro areas in the state between December 2021 and December 2022.

Change in Total Nonfarm and Private Sector Jobs by Area¹ December 2022 - December 2023				
	Total Nonfarm Jobs: (private sector + government)		Private Sector Jobs:	
	Net	Percent	Net	Percent
United States	-1,943,000	-1.2	-2,659,000	-2.0
New York State	79,600	0.8	49,200	0.6
Albany-Schenectady-Troy	9,000	1.9	6800	1.8
Binghamton	-200	-0.2	-600	-0.8
Buffalo-Niagara Falls	2,800	0.5	2,500	0.5
Dutchess-Putnma	4,200	3.0	3,400	2.1
Elmira	0	0.0	-200	11.6
Glens Falls	200	0.4	200	-0.5
Ithaca	-100	-0.2	-500	0.4
Kingston	500	0.8	600	-1.1
Nassau-Suffolk	4,500	0.3	3,100	0.1
New York City	53,600	1.1	54,900	0.1
Orange-Rockland-Westchester	700	0.1	1,100	0.2
Rochester	2,600	0.5	900	0.2
Syracuse	3,600	1.1	3,300	0.3
Utica-Rome	0	0.0	-300	3.6
Watertown-Fort Drum	600	1.5	400	-1.0
Non-metropolitan counties	2,100	0.4	9,100	0.1
<p>Note: The sum of sub-state area job estimates will usually differ from the New York State total. This is because the State total is calculated separately from the sub-state areas and is estimated based on an independent sample.</p>				

Source: New York State Department of Labor

Change in Jobs by Major Industry Sector: December 2022 to December 2023

The table below lists the change in jobs by major industry sector in New York State occurring between December 2022 and December 2023.

Change in Jobs by Major Industry Sector in New York State December 2022 - December 2023	
Sectors:	
Leisure and Hospitality	33,900
Professional and Business Services	-15,600
Educational and Health Services ¹	126,600
Trade, Transportation, and Utilities	-43,800
Information	-26,400
Manufacturing	-8,400
Government ²	30,400
Mining and Logging	0
Financial Activities	-5,100
Construction	-11,600
Other Services	-400
¹ Educational and health services is in the private sector.	
² Government includes public education and public health services.	
Note: The data is not seasonally adjusted.	

Source: New York State Department of Labor

Unemployment Rates

The U.S. Bureau of Labor Statistics utilizes a statistical regression model that primarily uses the results of a monthly telephone survey of households in New York State to calculate the State's unemployment rate. In December 2023, the statewide seasonally adjusted unemployment rate increased to 4.5 percent from 4.3 percent. New York City's unemployment rate increased over the month to 5.4 percent from 5.3 percent. Outside of New York City, the unemployment rate increased to 3.8 percent from 3.5 percent. The number of unemployed New Yorkers increased over the year by 40,500 from 395,500 in December 2022 to 436,000 in December 2023.

Unemployment Rates (%)¹			
	December 2023	November 2023	December 2022
United States	3.7	3.7	3.5
New York State	4.5	4.3	4.1
New York City	5.4	5.3	5.1
NYS, outside of NYC	3.8	3.5	3.4
¹ Data is seasonally adjusted and are preliminary and subject to change			

Source: New York State Department of Labor

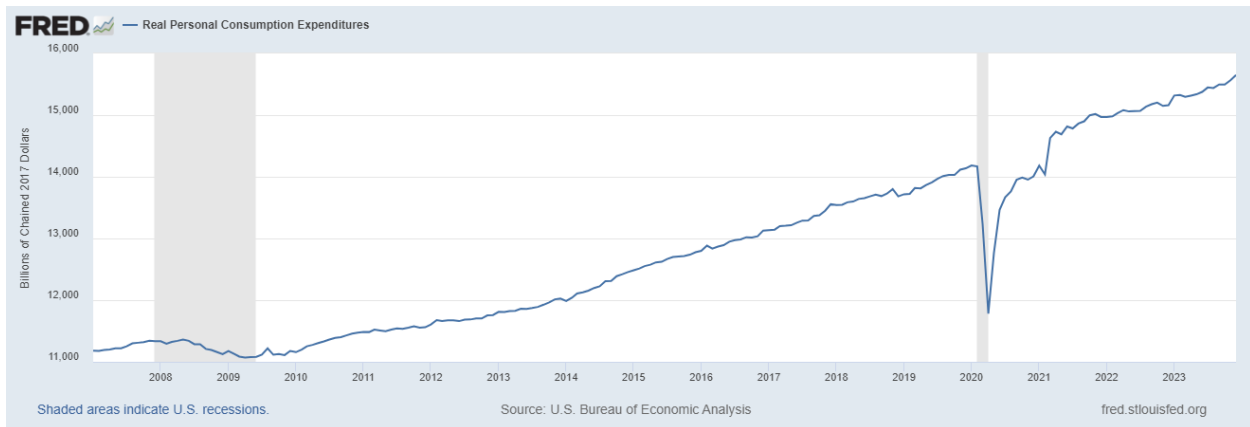
Personal Income

According to the U.S. Bureau of Economic Analysis (BEA), personal income increased by \$224.8 billion or 1.0 percent, and disposable personal income (DPI) increased by \$211.7 billion or 4.2 percent in the fourth quarter of 2023. Personal consumption expenditures (PCE) increased by \$133.9 billion or 0.7 percent in December 2023.

The increase in personal income in December reflects growth in compensation, and personal interest income. Within compensation, the change includes increases in spending for services and spending for goods. Spending for services were led by portfolio management and investment advice services, both hospital and outpatient services and gambling. Spendings for goods were led by new light trucks, prescription drugs and gasoline.



Source: Federal Reserve Bank of St. Louis



Source: Federal Reserve Bank of St. Louis

Personal outlays increased \$134.7 billion in December 2023. Personal saving was \$766.7 billion and the personal saving rate was 4.0 percent in the fourth quarter, compared to 4.2 percent in the third quarter of 2023. The personal saving rate is personal savings as a percentage of disposable personal income.

Retail Sales

According to the U.S. Census Bureau, the advance estimate of U.S. retail and food services sales for January 2024 was \$700.3 billion, which is a decrease of 0.8 percent from December 2023, and an increase of 0.6 percent from January 2023. This figure adjusts for seasonal variation, holiday and trading-day differences but not for price changes.



Source: Federal Reserve Bank of St. Louis

Total sales for 2023 were down 0.2 percent from 2022. Total sales for November 2023 through January 2024 were up 3.1 percent from the same period last year. Retail trade sales from January 2024 were down 1.1 percent from December 2023 and down 0.2 percent from the previous year. Food service and drinking places were up 6.3 percent from last year, and nonstore retailers were up 6.4 percent from last year.

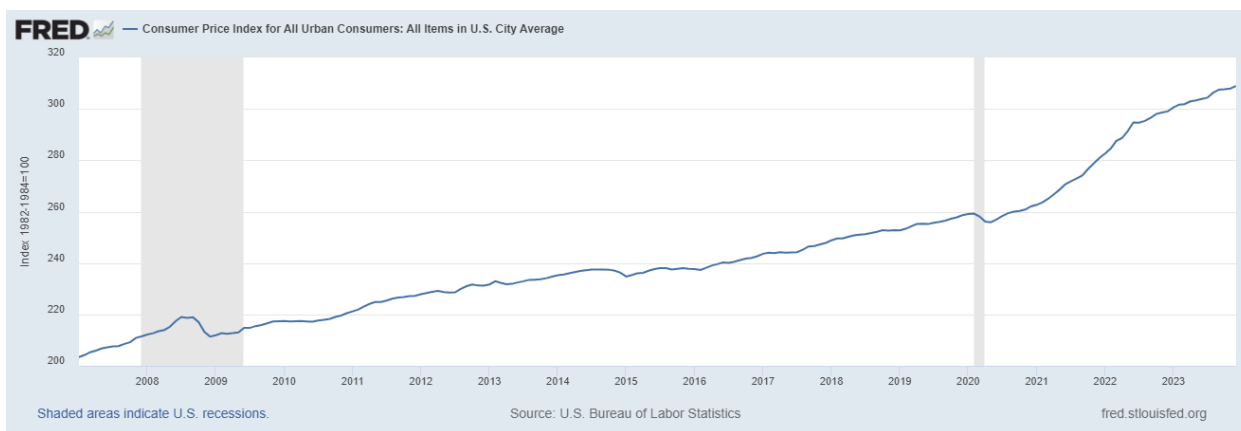
Consumer Price Index (CPI)

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.3 percent in January 2024 over the previous month on a seasonally adjusted basis. Over the last 12 months, the all items index, increased 3.1 percent before seasonal adjustment.

The driving force behind the increase of the all items index was the 0.6 percent increase in the shelter index. The energy index decreased in January by 0.9 percent mainly because of a decline in the gasoline index. However, the food index rose in January, as the food at home and the food away from home indices increased by 0.4 percent and 0.4 percent respectively.

The index for all items other than food and energy increased 0.4 percent in January after rising 0.3 percent in December. The indices for shelter, motor vehicle insurance and medical care all rose in January. The indices for used cars and trucks and apparel were among those to decline over the month.

The all items index rose 3.1 percent for the 12 months ending in January, which represented a smaller increase than the 3.4 percent increase for the 12 months ending December. The index for all items less food and energy rose 3.9 percent over the last 12 months, which was the same increase as the 12 months ending December. The food index rose 2.6 percent over the last year, while the energy index declined by 4.6 percent for the 12 months ending January.



Source: Federal Reserve Bank of St. Louis

U.S. Gross Domestic Product, Fourth Quarter and Year 2023 (Advance Estimate)

According to the U.S. Bureau of Economic Analysis (BEA) advance estimate, the real gross domestic product (GDP) increased at an annualized rate of 3.3 percent in the fourth quarter of 2023. In the third quarter, real GDP increased 4.9 percent, in line with the anticipated 4.9 percent increase from the third quarter advance estimate. The increase in real GDP reflected increases in private inventory investment, consumer spending, federal, state, and local government spending, nonresidential fixed, residential fixed investment, and exports.

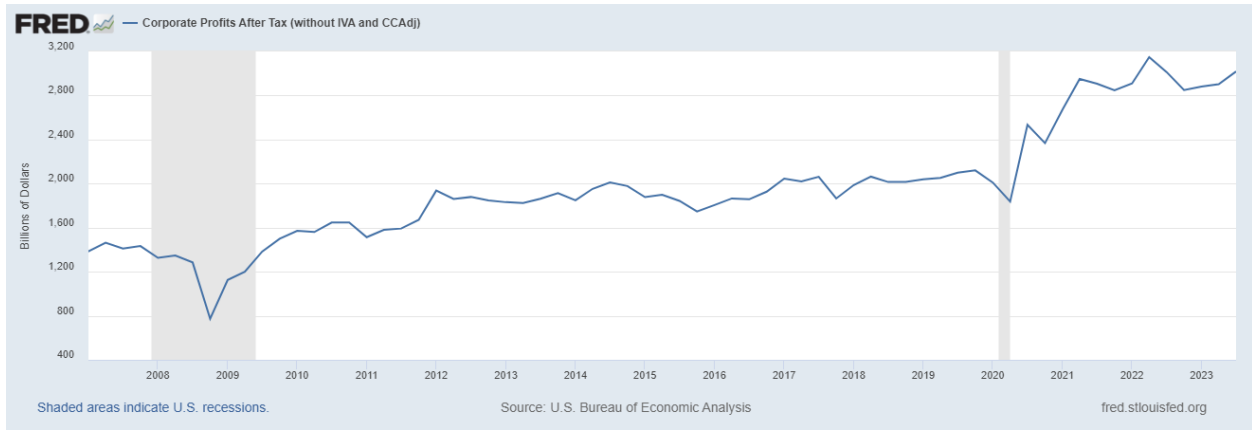
GDP rose 4.8 percent or \$328.7 billion in the fourth quarter to a level of \$27.94 trillion. In the third quarter, GDP increased 8.3 percent or \$547.1 billion.

U.S. Corporate Profits (Third Quarter Estimate)

According to the Bureau of Economic Analysis (BEA), profits from current production (corporate profits) with inventory valuation adjustment (IVA) and capital consumption adjustment (CCA) decreased \$108.7 billion in the third quarter, an upward revision of \$3.0 billion compared to the previous estimate.

Profits of domestic financial corporations decreased \$9.0 billion in the third quarter, a downward revision of \$9.8 billion. Profits of domestic nonfinancial corporations increased \$90.8 billion, an upward revision of \$14.7 billion.

The rest-of-the-world component of profits increased \$8.8 billion, a downward revision of \$1.9 billion. In the third quarter, receipts increased \$22.0 billion, and payments increased \$13.2 billion. The rest-of-the-world component of profits is the difference between receipts from the rest of the world and payments to the rest of the world.



Source: Federal Reserve Bank of St. Louis

FINANCIAL MARKETS

Standard & Poor's 500 Index

The Standard & Poor's 500 stock index (S&P 500) finished 2023 at 4,769.83 points, which is an increase of 24.2 percent from where the S&P 500 finished in 2022 at 3,839.50. S&P 500 has bounced back from an overall downward trend that was experienced in 2022 with some minor fluctuations as the federal reserve combats inflation. On January 19, 2024, the S&P 500 index closed at 4,839.81 points superseding the all-time high that was set on January 3, 2022, of 4,796.81 points. From January 19, 2024, to February 2024, S&P 500 has been trending upwards hitting a new all-time high of 4,997.91 points on February 8, 2024.



Source: Federal Reserve Bank of St. Louis

Dow Jones Industrial Average

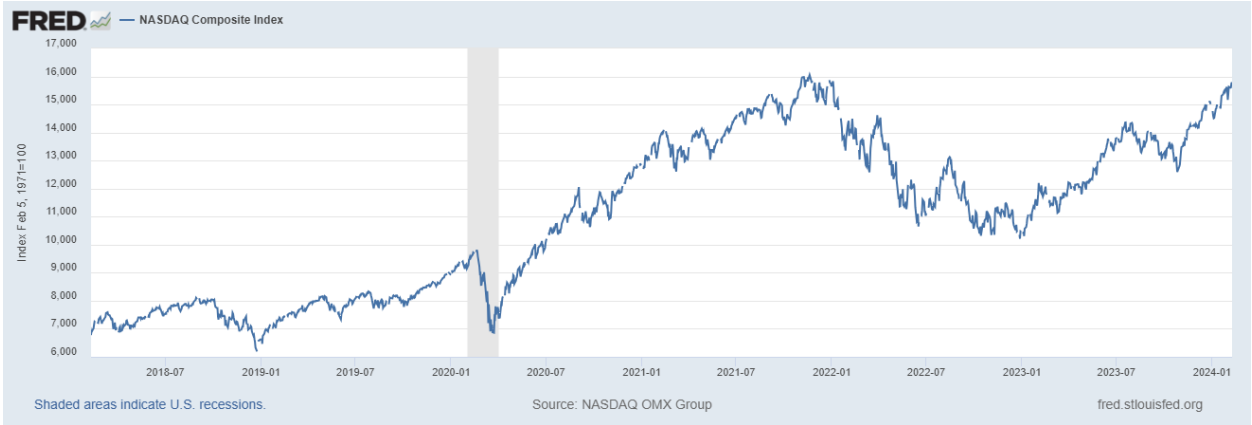
For 2023, the Dow Jones Industrial Average (DJIA) ended at 37,689.54 points, an increase of 13.7 percent from its 2022 close of 33,147.25 points. On February 8, 2024, the DJIA closed at 38,726.33 points which is the highest point of all-time. Much like S&P 500, DJIA has been trending upwards since the beginning of January 2024 with minor fluctuations.



Source: Federal Reserve Bank of St. Louis

NASDAQ Composite

The NASDAQ Composite finished 2023 at 15,011.350 points, an increase of 43.42 percent from the prior year, when it closed at 10,466.480 points. On February 8, 2023, the NASDAQ Composite closed at 15,793.710 points, following an overall upward trend with minor fluctuations since a low of 12,595.61 points on October 26, 2023. Unlike the S&P 500 and the DJIA, NASDAQ is still below the all-time high of 16,057.44 set on November 19, 2021.



Source: Federal Reserve Bank of St. Louis

RISKS TO THE U.S. AND NEW YORK STATE FORECASTS

There are many unforeseen factors associated with forecasting the economy. Any sharp variation in the expected performance of the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. This is evidenced by the COVID-19 pandemic that has markedly affected all sectors of the economy in unprecedented ways. The resilience of the economic outlook carries a broad range of potential outcomes that depend on navigating inflation, elevated interest rate and the challenges of an election year.

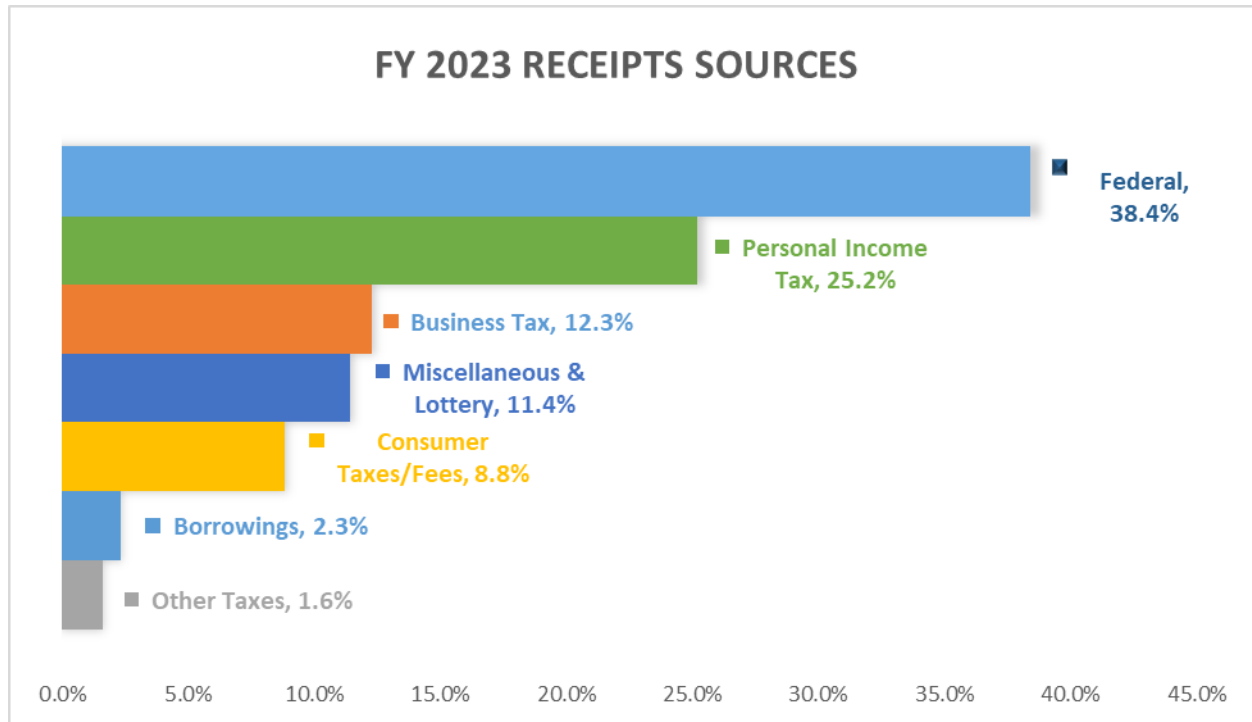
Inflation and the policy actions taken by the Federal Reserve to curb its impact, remain a risk to both the U.S. and New York State forecasts. Although inflation is below its 9.1 percent peak in June 2022, the rate remains above the Federal Reserve 2 percent target. Depending on the direction of inflation in the upcoming periods, comes the possibility of interest rate cuts by the Central Bank. This is especially concerning for New York State due to the importance of the financial sector to the State economy.

Furthermore, 2024 is a historic year, with elections in 50 countries including the United States, Mexico, and India. This raises economic uncertainty in both the U.S. and New York State. Should the control of the White House or Congress change in the upcoming U.S. election, Federal funding and policy actions may also change course.

Finally, the global economic outlook continues to be a concern. The global economy is facing a slowdown for the third year in a row and geopolitical tensions are also on the rise. This can impact the U.S. international trade flows, economic growth and contribute to supply chain challenges.

REVENUE OUTLOOK

Revenues are primarily affected by economic changes and changes in Federal and State tax policies. The tax base is a measure of the State's ability to generate revenue. Personal income tax receipts make up the largest share of total tax receipts (25.2 percent), followed by business taxes (12.3 percent), consumer taxes/fees (8.8 percent) and other taxes (1.6 percent). Of the non-tax categories of receipts, federal receipts make up the largest share of total receipts (38.4 percent), followed by miscellaneous and lottery receipts (11.4 percent), and borrowings (2.3 percent).



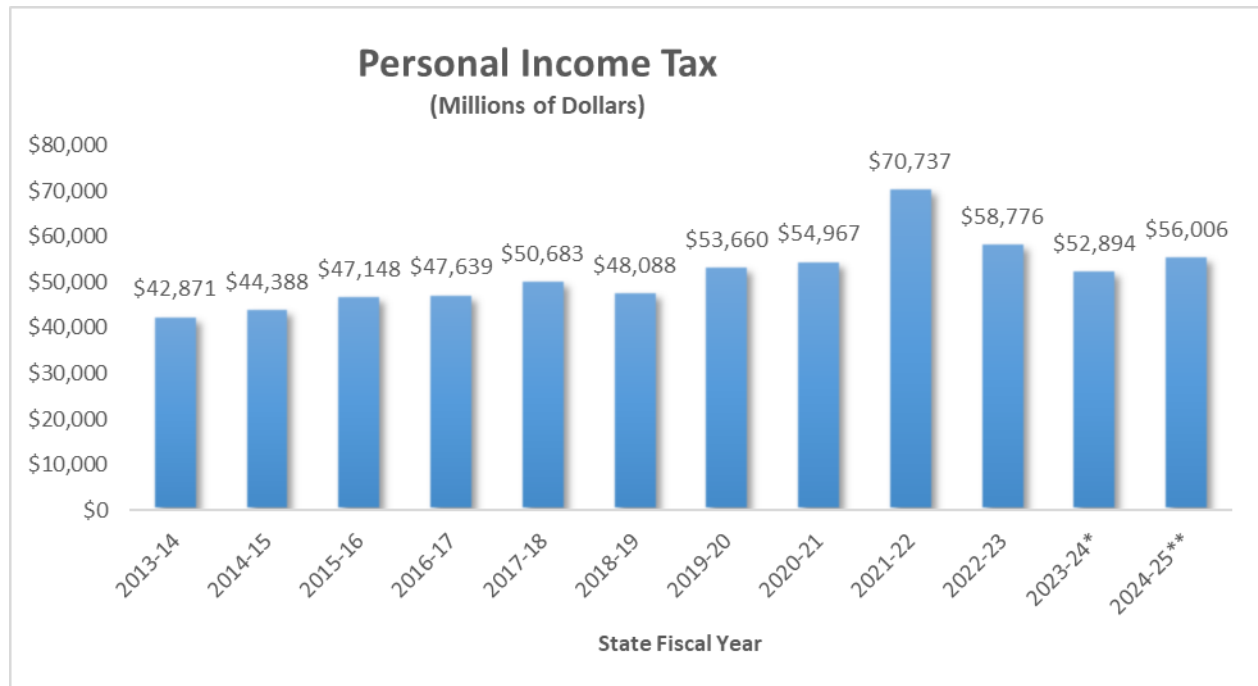
Source: Office of New York State Comptroller – 2023 Financial Condition Report

Senate Majority Finance Committee Staff Receipts Projections

The committee staff's SFY 2023-24 estimate for All Funds receipts, excluding federal receipts, is \$1 billion over the Executive Budget Financial Plan receipts estimate of \$121.5 billion. The committee staff's SFY 2024-25 projection for All Funds receipts, excluding federal receipts, is \$1.2 billion above the Executive Budget Financial Plan receipts estimate of \$121.5 billion.

The committee staff's SFY 2023-24 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$985.9 million over the Executive Budget Financial Plan estimate of \$50.6 billion. The committee staff's SFY 2024-25 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.1 billion over the Executive Budget Financial Plan receipts estimate of \$51.1 billion.

PERSONAL INCOME TAX



*2023-24 is estimated **2024-25 is projected.

Source: Senate Majority Conference Finance Committee staff

Article 22 of the Tax Law establishes a tax on the income of individuals, estates and trusts. Personal Income Tax (PIT) receipts contributed approximately 53.3 percent of all tax collections deposited into the General Fund in SFY 2023-24. New York’s definition of income closely follows Federal law, which includes wages, salaries, capital gains, unemployment compensation, and interest and dividend income. Those components comprise the Federal Adjusted Gross Income (FAGI). The New York State adjusted gross income (NYSAGI) is calculated by FAGI, from which certain income items are then added or subtracted. The New York standard deduction or itemized deductions are subtracted from NYSAGI to arrive at New York State taxable income. Finally, certain credits are then subtracted from the calculated tax to determine total personal income tax liability.

PIT is paid by the withholding of wages and other income payments, the payment of estimated taxes, the payment of unpaid taxes through final returns, and the payment of overdue taxes known as delinquencies through assessments. Any overpayment of PIT is refunded to the taxpayer. The manner of payment determines the income year to which the tax applies. For example, withholding is paid when the income is earned. Therefore, 2024 wages would be reflected in 2024 withholding. However, tax payments made with the final returns are based on the prior year’s income. As a result, final payments made in 2024 reflect income earned in 2023. The same pattern holds true for refunds.

For SFY 2023-24, the committee staff estimate All Funds net PIT receipts to total \$52.9 billion, which is a decrease of \$5.9 billion or 10 percent from SFY 2022-23. For SFY 2024-25 committee

staff project All Funds net PIT receipts to total \$56 billion, which is an increase of \$3.1 billion or 5.9 percent from SFY 2023-24.

For SFY 2023-24, the committee staff projects General Fund net PIT receipts to total \$25.2 billion, reflecting a decrease of \$2.4 billion or 8.8 percent from SFY 2022-23. For SFY 2024-25 General Fund net PIT receipts are projected at \$26.7 billion, which is \$1.5 billion or 6 percent more than the prior year.

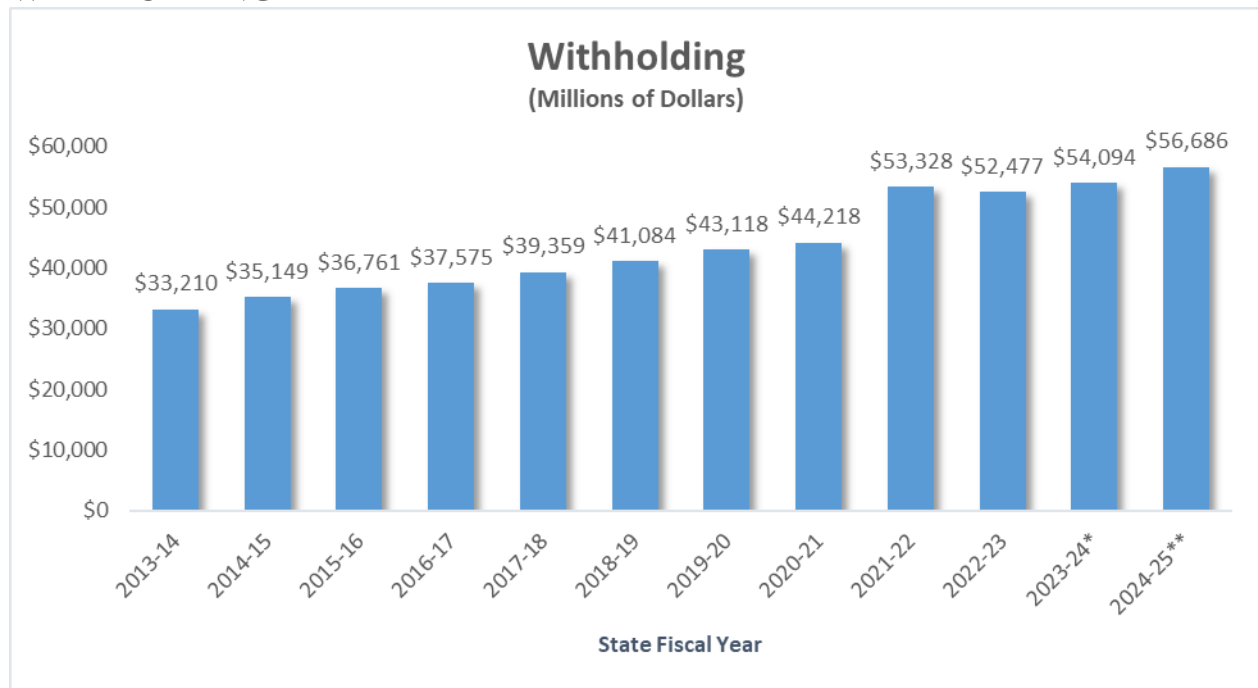
The SFY 2021-22 Enacted Budget contained a high-income personal income tax surcharge. The effects of this surcharge are included in the staff projection for SFY 2024-25. The high-income surcharge added \$3.4 billion in new receipts in SFY 2023-24 and will add approximately \$4.5 billion in new receipts in SFY 2024-25.

The Executive Budget Financial Plan projects the Pass-Through Entity Tax (PTET) enacted in 2021-22 to be revenue neutral for the State over the duration of the tax but it will not appear neutral within each fiscal year. The Executive Budget Financial Plan projects PTET to reduce PIT receipts by \$14.4 billion in SFY 2023-24.

The Executive Budget Financial Plan estimates net All Funds PIT receipts for SFY 2023-24 to total \$52.2 billion, which is a decrease of \$6.6 billion or 11.2 percent from SFY 2022-23. The Executive Budget Financial Plan projects All Funds net PIT receipts for SFY 2024-25 to total \$55.5 billion, reflecting an increase of \$3.3 billion or 6.3 percent from its SFY 2023-24 projections.

The Executive Budget Financial Plan estimates net General Fund PIT receipts for SFY 2023-24 to total \$24.5 billion which is \$3.1 billion less than SFY 2022-23 or a decrease of 11.3 percent. Net General Fund PIT receipts for SFY 2024-25, are projected at \$26.2 billion which is \$1.7 billion or 6.9 percent higher than what is projected for SFY 2023-24.

WITHHOLDING



*2023-24 is estimated **2024-25 is projected.

Source: Senate Majority Conference Finance Committee staff

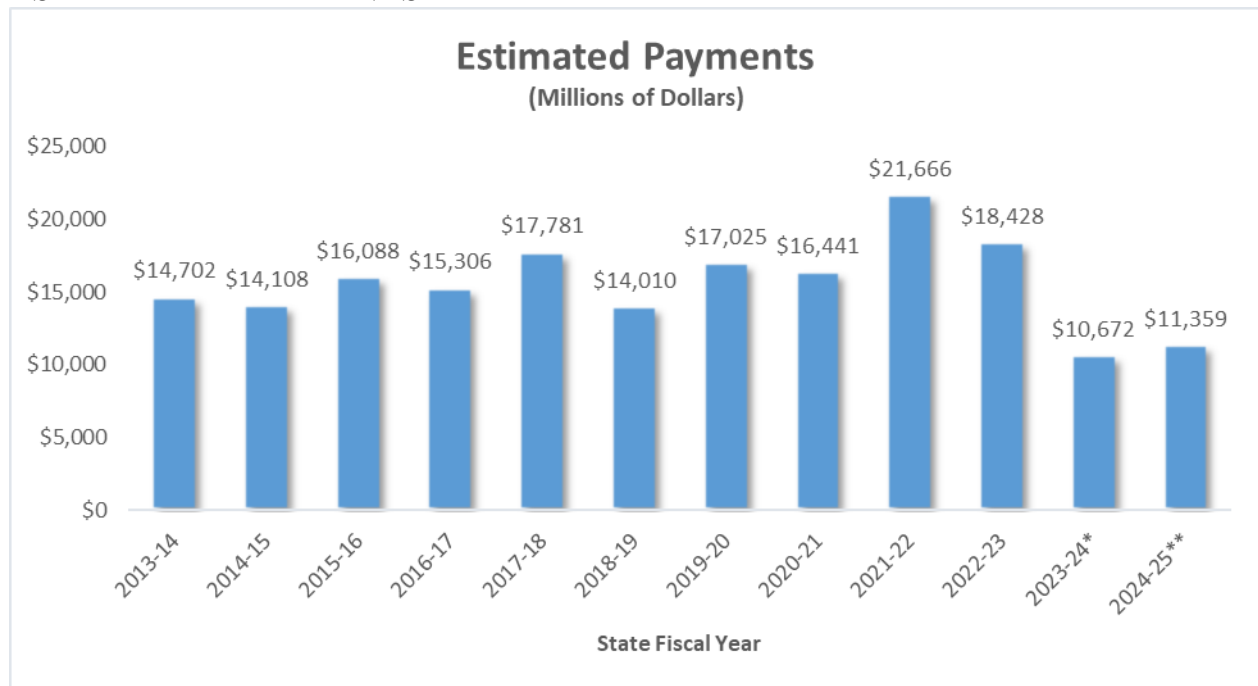
Employers are required to withhold a portion of employees' tax liability from their earnings to spread the payment of PIT over the tax year. Withholding has a slight lag from the period in which it is withheld to the time the State receives the payment from the employer. Withholding is closely correlated to wages and salaries earned during any given quarter. The withholding component of PIT is the most significant portion of aggregate State PIT receipts.

The SFY 2020-21 Enacted Budget contained a high-income personal income tax surcharge. The high-income surcharge added \$1.3 billion in new receipts impacting withholding in SFY 2023-24 and will add approximately \$2.2 billion in new receipts impacting withholding in SFY 2024-25.

For SFY 2023-24, committee staff estimates All Funds withholding payments to total \$54.1 billion, which is an increase of \$1.6 billion or 3.1 percent from SFY 2022-23. This projection is \$286 million or 0.5 percent higher than the Executive estimate of \$53.8 billion.

For SFY 2024-25, committee staff projects the All Funds withholding component of PIT to increase to \$56.7 billion, which is an increase of \$2.6 billion or 4.8 percent from SFY 2023-24. This projection is \$300 million or 0.5 percent above the Executive estimate of \$56.4 billion.

ESTIMATED PAYMENTS



*2023-24 is estimated **2024-25 is projected.

Source: Senate Majority Conference Finance Committee staff

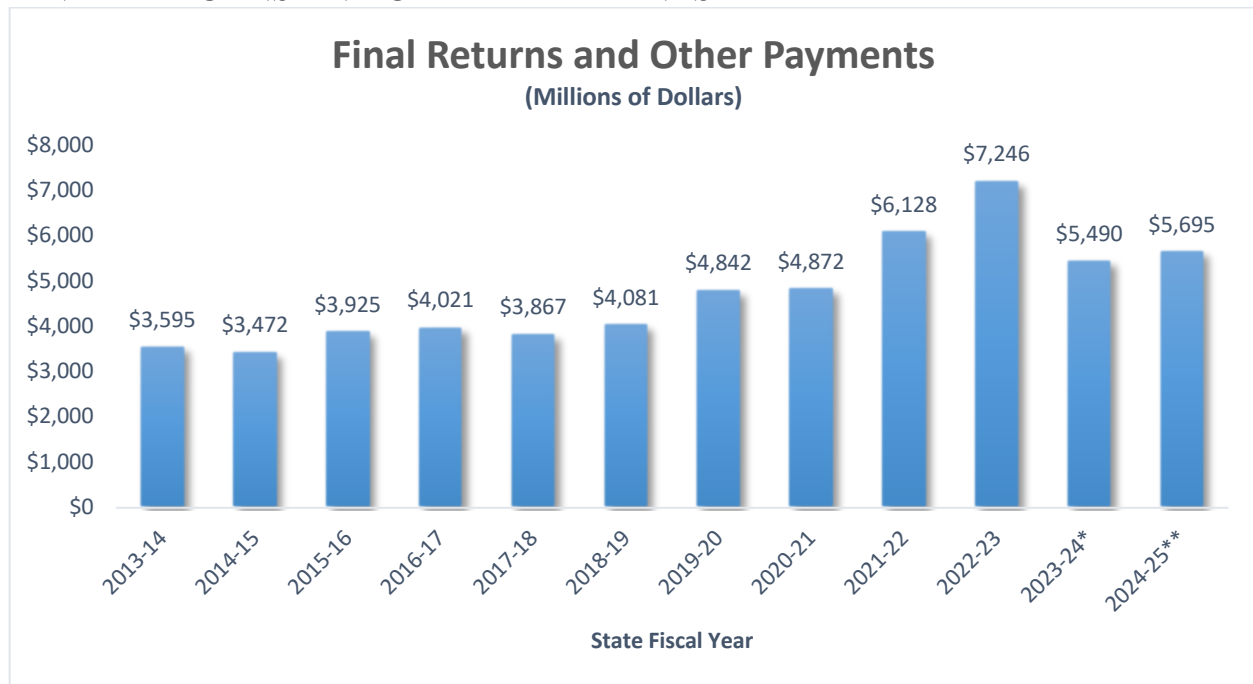
Individuals typically make estimated payments if the tax they will owe for the year is significantly more than the amount of tax being withheld from their wages. Individuals who have large amounts of non-wage income (*e.g.*, self-employment income, interest, dividends or capital gains) make these as quarterly payments. Estimated tax payments are due on the fifteenth of April, June, September, and January. Estimated payments are also made when a taxpayer files for an extension. When a taxpayer files for an extension, they are required to estimate their tax liability. If a payment is due, it is submitted with the extension.

For SFY 2023-24, committee staff project All Funds estimated payments to total \$10.7 billion, which is a decrease of \$7.8 billion or 42.1 percent from SFY 2022-23. This estimate is \$408 million or 4 percent above the Executive estimate of \$10.3 billion.

For SFY 2024-25, committee staff project All Funds estimated payments to be \$11.4 billion, which is an increase of \$687 million or 6.4 percent from SFY 2023-24. This estimate is \$202 million or 1.8 percent above the Executive estimate of \$11.2 billion.

The high-income surcharge added \$1.2 billion to estimated payments new receipts in SFY 2023-24 and will add approximately \$1.3 billion to estimated payments new receipts in SFY 2024-25.

FINAL RETURNS AND OTHER PAYMENTS



*2023-24 is estimated **2024-25 is projected.

Source: Senate Majority Conference Finance Committee staff

Final returns are usually due on April 15 of every year. The final return is a reconciliation between a taxpayer's withholding and estimated payments, and the tax liability calculated on the total personal income received throughout the tax year. Payment is due when the combination of withholding and estimated payments result in an underpayment of the total tax liability.

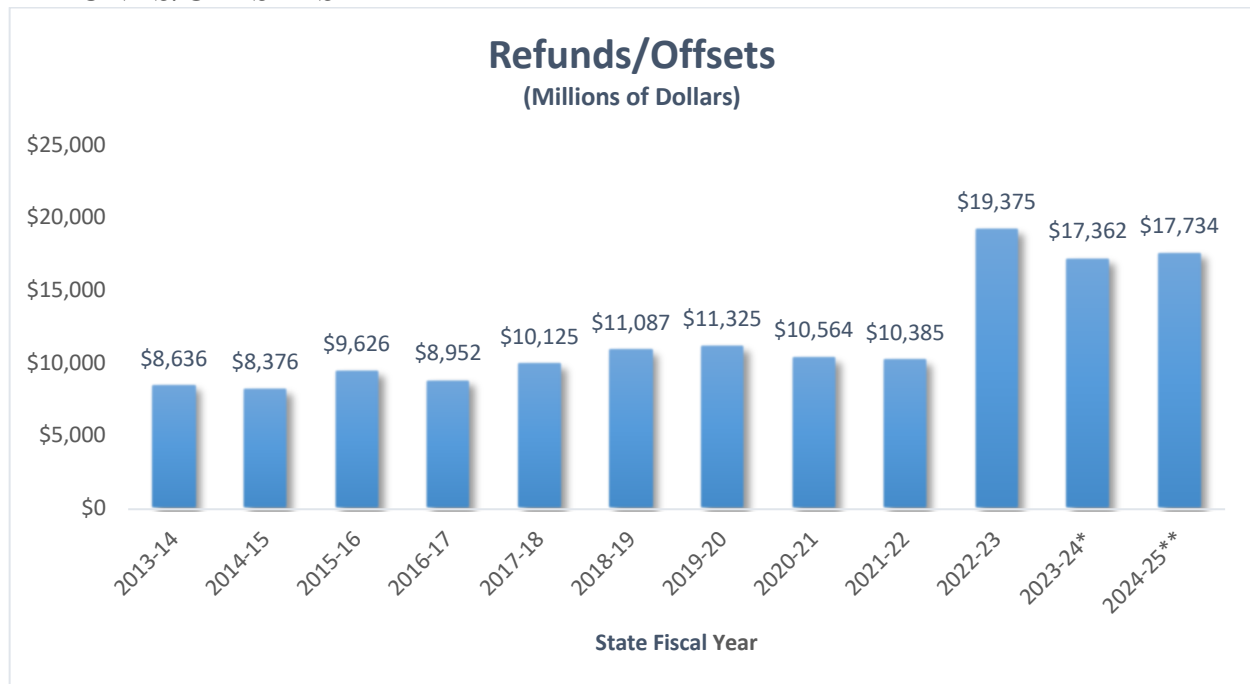
Other payments consist of: assessments due on late or audited returns, and filing fees paid by the State's limited liability companies (LLCs) and limited liability partnerships (LLPs).

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for final returns and other payments.

For SFY 2023-24, the Executive Budget Financial Plan estimates All Funds final returns and other payments collections to total \$5.5 billion. This projection reflects a decrease of \$1.8 billion or 24.2 percent from SFY 2022-23.

For SFY 2024-25, the Executive Budget Financial Plan projects All Funds collections from final returns and other payments to be \$5.7 billion. This projection reflects an increase of \$205 million or 3.7 percent from SFY 2023-24.

REFUNDS/OFFSETS



*2023-24 is estimated **2024-25 is projected.

Source: Senate Majority Conference Finance Committee staff

A refund occurs when a taxpayer overpays their personal income tax. This happens by either over-withholding or remitting excess estimated payments. Similar to payments made with final returns, refunds are a result of filing an annual return.

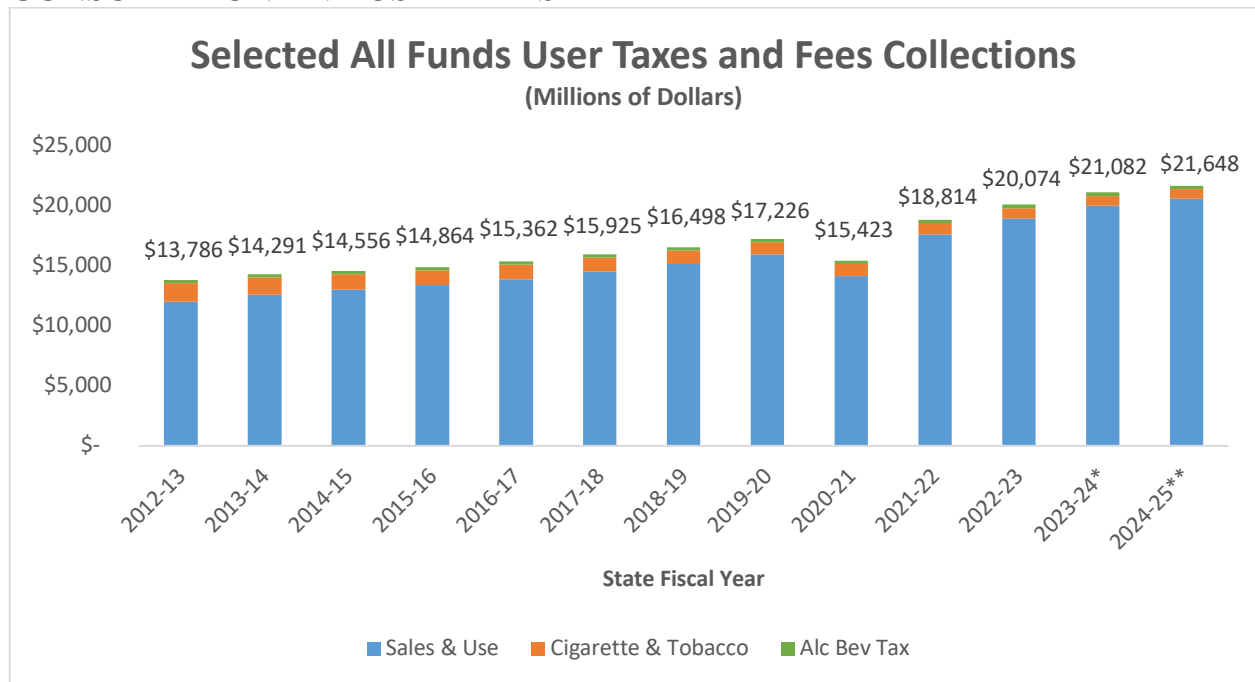
The Pass-Through Entity Tax (PTET) has a significant impact on refunds. Previous tax data has suggested that unclaimed PTET credits from prior years can be higher than anticipated. This could cause refunds to appear higher than expected. The impact would be offset by the use of monies held in the General Fund for the timing of PTET/PIT credits.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for final returns and other payments.

For SFY 2023-24, committee staff estimates that All Funds refunds and offsets will total \$17.4 billion, a decrease of \$2 billion or 10.4 percent from SFY 2022-23.

For SFY 2024-25, the committee staff project All Funds refunds and offsets to be \$17.7 billion, this reflects an increase of \$372 million or 2.1 percent from SFY 2023-24.

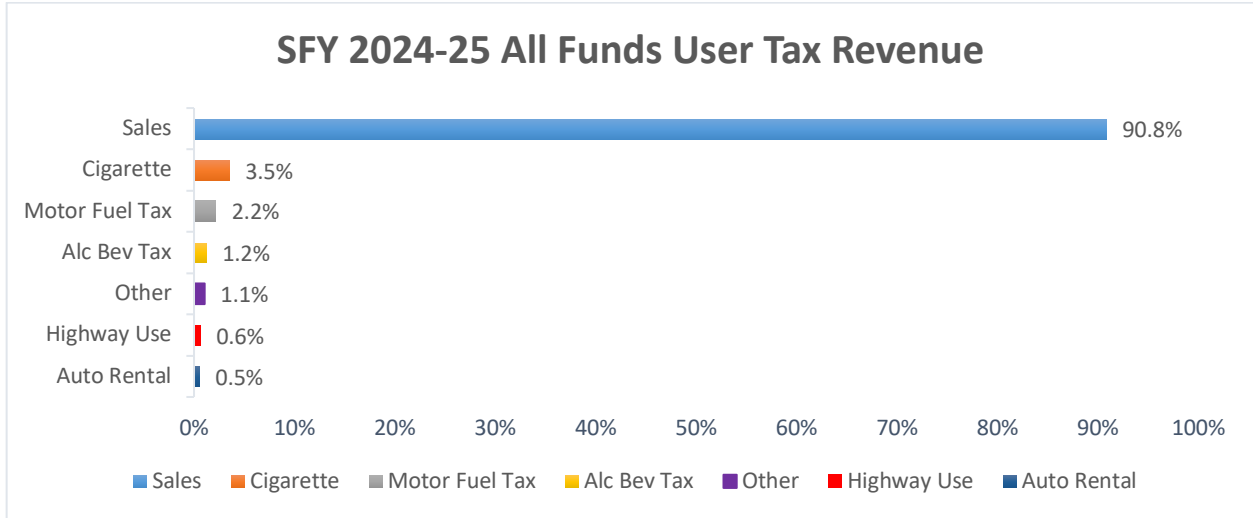
CONSUMPTION AND USE TAXES



*2023-24 is estimated **2024-25 is projected.

Senate Majority Conference Finance Committee Staff

Consumption and use taxes in New York are primarily comprised of six separate taxes: Sales and Use Tax, Cigarette and Tobacco Tax, Motor Fuel Tax, Alcoholic Beverage Tax, Highway Use Tax, and Auto Rental Tax. Other taxes in total account for 0.4 percent of Consumption and Use Tax revenue.

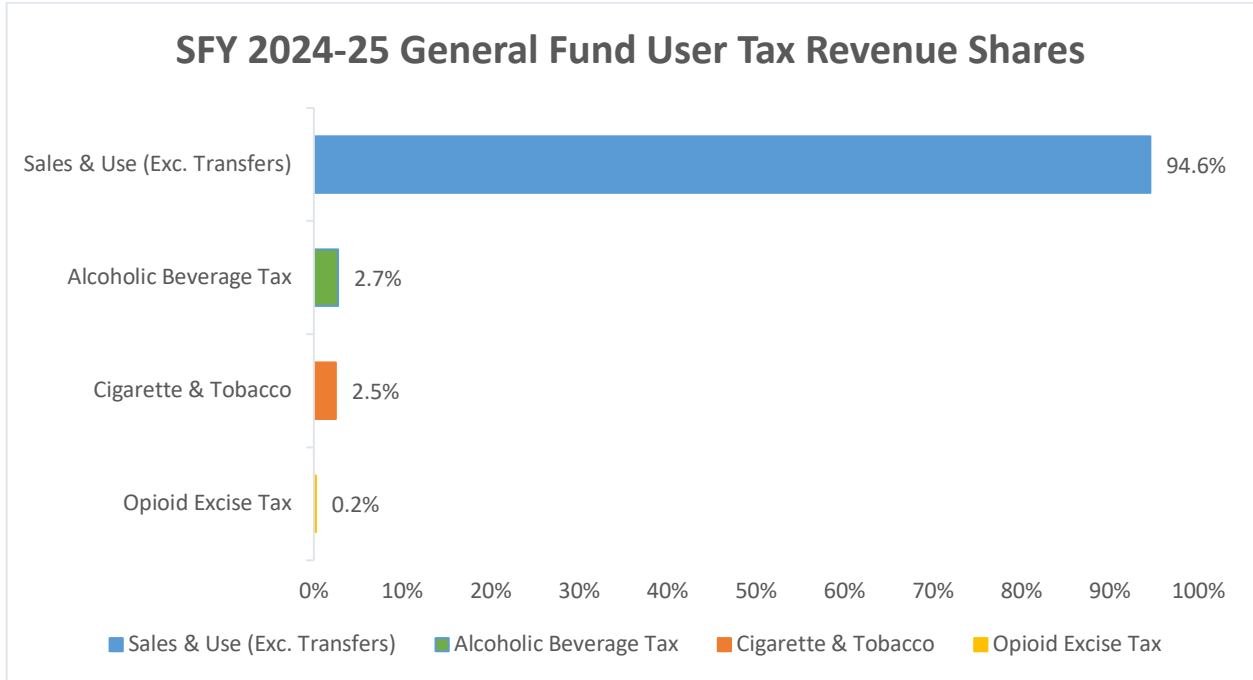


Source: Senate Majority Conference Finance Committee Staff Estimates

Sales and Use Tax dominates consumption and use tax collections with 90.8 percent of total user tax collections in SFY 2024-25.

For SFY 2023-24, committee staff estimate that All Funds consumption and use tax receipts will total \$22 billion, which is an increase of \$1.4 billion or 6.8 percent from SFY 2022-23. This estimate is \$39 million above the Executive estimate of \$21.9 billion.

For SFY 2024-25, the committee staff project All Funds consumption and use tax receipts to total \$22.6 billion, which is an increase of \$647.7 million or 3 percent from the staff's SFY 2023-24 estimate. This projection is \$192 million above the Executive estimate of \$22.4 billion.



Source: Senate Majority Conference Finance Committee Staff

General Fund revenue from user taxes and fees are composed of Sales and Use Tax, Cigarette and Tobacco taxes, Alcoholic Beverage Tax, and Opioid Excise Tax. The Sales and Use Tax is the primary source of collections in this category, accounting for approximately 94.6 percent of such receipts.

The Executive Budget Financial Plan estimates net General Fund consumption and use tax receipts for SFY 2023-24 to be \$9.9 billion, this is an increase of \$2.6 billion or 36.6 percent from SFY 2022-23.

The Executive Budget Financial Plan projects net General Fund consumption and use tax receipts for SFY 2024-25 to be \$10.1 billion, which is an increase of \$209 million or 2.1 percent from the estimate for SFY 2023-24.

SALES AND USE TAX

The Sales and Use tax is the third largest tax revenue source for the State. In general, the sales of all tangible personal property are taxable unless statutorily exempt, but services are taxed only if they are enumerated in the Tax Law. The current State Sales Tax rate is four percent. Counties and cities are also authorized to impose general Sales Tax rates up to three percent in addition to the four percent State rate. Of the 20 cities that impose the general Sales Tax, only three cities (New York City, Oswego, and Yonkers) received legislative authority to impose additional rates of tax above the statutory three percent general Sales Tax rate. Over 95 percent of the State’s population resides in an area where the tax rate equals or exceeds 8 percent. A compensating use tax complements the sales tax and is imposed on the use of taxable property or services in- state, if the transaction has not already been subject to sales tax.

An additional 0.375 percent Sales and Use Tax is imposed in the Metropolitan Commuter Transportation District (MCTD). All proceeds from the additional MCTD tax are earmarked for the Mass Transportation Operating Assistance Fund for the benefit of the Metropolitan Transportation Authority (MTA).

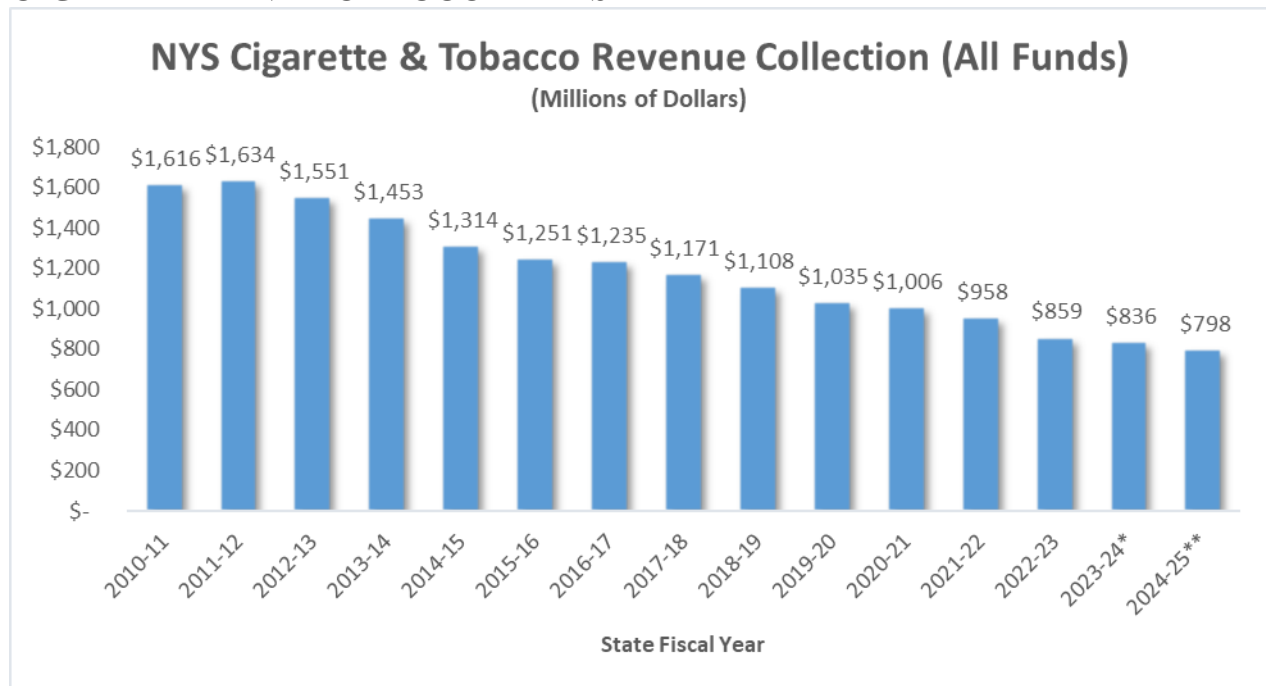
For SFY 2023-24, committee staff estimates All Funds Sales and Use Tax receipts at \$20 billion, which is an increase of \$1 billion or 5.5 percent from SFY 2022-23. This is \$39.2 million or 0.2 percent over the Executive's estimate of \$19.9 billion.

For SFY 2024-25, the committee staff projects All Funds Sales and Use Tax collections will be \$20.6 billion which is an increase of \$ 601.7 million or 3.0 percent from the staff's SFY 2023-24 estimate. This projection is \$191.8 million or 0.9 percent over the Executive's estimate of \$20.4 billion.

For SFY 2023-24, the committee staff estimates General Fund Sales and Use Tax collections to total \$18.7 billion, which is an increase of \$972.7 million or 5.5 percent from SFY 2022-23. This is \$36.7 million or 0.2 percent over the Executive estimate of \$18.7 billion.

For SFY 2024-25, the committee staff projects General Fund Sales and Use Tax collections at \$19.3 billion, which is an increase of \$567.9 million or 3 percent from the staff's SFY 2023-24. This projection is \$179.6 million or 0.9 percent over the Executive's estimate of \$19.1 billion.

CIGARETTE AND TOBACCO TAXES



*2023-24 is estimated. **2024-25 is projected

Source: Senate Majority Conference Finance Committee Staff

The New York State Cigarette Excise Tax is imposed by Article 20 of the State Tax Law on the import or use of cigarettes within the State. The tax is paid through the purchase of a tax stamp, which is attached to the package of cigarettes. The tax rate is currently \$5.35 per package of 20 cigarettes.

The Federal government imposes a Cigarette Excise Tax at a rate of \$1.01 per pack on manufacturers and first importers of cigarettes. New York City levies a separate Cigarette Excise Tax that is equal to \$1.50 per pack. In addition to the excise tax on cigarettes, the State imposes a tax on other tobacco products, such as chewing tobacco, snuff, and cigars. These products are taxed at a rate of 75 percent of the wholesale price. However, snuff products are taxed at a rate of \$2.00 per ounce.

Taxable cigarette consumption is partly a function of retail cigarette prices, tax evasion, as well as a long-term downward trend in consumption. The decline in consumption also reflects the impact of increased public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, cessation programs, and changes in consumer preferences toward other types of tobacco.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for cigarette and tobacco tax collections.

For SFY 2023-24, the Executive estimates All Funds cigarette and tobacco tax receipts to be \$836 million, which is a decrease of \$23 million or 2.7 percent from SFY 2022-23. The Financial Plan

estimates General Fund collections at \$260 million in SFY 2023-24, which is a decrease of \$5 million or 1.9 percent from SFY 2022-23

For SFY 2024-25, the Executive projects All Funds cigarette and tobacco tax receipts to be \$798 million, which is a decrease of \$38 million or 4.6 percent from the SFY 2023-24 estimate. The Financial Plan projects SFY 2024-25 General Fund cigarette and tobacco tax receipts at \$253 million, a decrease of \$7 million or 2.7 percent from the Executive's SFY 2023-24 estimate.

MOTOR FUEL TAX

Gasoline Motor Fuel and Diesel Motor Fuel Taxes are enacted by Article 12-A of the State Tax Law upon the sale of motor fuel and diesel motor fuel, respectively. The Motor Fuel Tax is levied on fuel used in motor vehicles operating on State public highways or fuel used in recreational motorboats operating on the State's waterways. Currently, the tax is imposed at a rate of \$0.08 per gallon on both gasoline and diesel motor fuel.

Motor Fuel Tax collections are a function of the number of gallons of fuel imported into the State by distributors. Gallonage is determined in large part by fuel prices, the amount of fuel held in inventories, the fuel efficiency of motor vehicles and overall state economic performance.

All Motor Fuel Tax receipts are deposited into the Dedicated Highway and Bridge Trust Fund and Dedicated Mass Transportation Trust Fund. There are no General Fund receipts for this tax.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Motor Fuel Tax.

For SFY 2023-24 the Executive Budget Financial Plan estimates All Funds receipts from the State Motor Fuel Tax at \$491 million, an increase of \$312 million or 174.3 percent from SFY 2022-23. This increase is due to the expiration of temporary tax "holiday" that was included in the SFY 2022-23 Enacted Budget.

For SFY 2024-25, the Executive Budget Financial Plan projects All Funds receipts from the Motor Fuel Tax will remain unchanged at \$491 million.

ALCOHOLIC BEVERAGE TAX

New York State imposes excise taxes at various rates on liquor, beer, wine and specialty alcoholic beverages. Licensed distributors and non-commercial importers of such beverages remit the tax in the month following the month of delivery. All receipts from the alcoholic beverage tax are deposited in the General Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Alcoholic Beverage Tax.

For SFY 2023-24, the Executive Budget Financial Plan estimates All Funds Alcoholic Beverage Tax collections to be \$276 million, which is a decrease of \$6 million or 2.1 percent from SFY 2022-23.

For SFY 2024-25, the Executive Budget Financial Plan projects All Funds Alcoholic Beverage Tax collections to be \$278 million, which is an increase of \$2 million or 0.7 percent from the SFY 2023-24 estimate.

AUTO RENTAL TAX

New York State imposes a 6.0 percent tax on charges for the rental or use in New York State of a passenger car with a gross vehicle weight of 9,000 pounds or less. The tax does not apply to a car lease covering one year or more. The Auto Rental Tax applies to a vehicle rented by a resident or a non-resident, regardless of where the vehicle is registered.

The Auto Rental Tax supports mass transit and the Dedicated Highway and Bridge Trust Fund. All receipts from the supplemental tax on passenger cars in the MCTD are deposited to the MTA Aid Trust Account of the MTA Financial Assistance Fund. No revenue from this tax is directed to the General Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Auto Rental tax receipts.

For SFY 2023-24, the Executive Budget Financial Plan estimate for All Funds Auto Rental tax receipts to total \$131 million, an increase of \$9 million or 7.4 percent over SFY 2022-23.

For SFY 2024-25, the Executive projection for All Funds Auto Rental tax receipts to total \$124 million, which reflects a decrease of \$7 million or 5.3 percent from SFY 2023-24.

HIGHWAY USE TAX

Articles 21 and 21-A of the Tax Law establish a Highway Use Tax (HUT) on commercial vehicles using State public highways. HUT is made up of three components: the Truck Mileage Tax, which is levied on motor carriers who operate commercial vehicles on New York State public highways; the Fuel Use Tax, which ensures that motor carriers who purchase fuel out-of-State but operate a vehicle on New York State public highways are subject to the same taxes as fuel purchased in-State. The current Fuel Use Tax rate is \$0.24 per gallon. A HUT or Automotive Fuel Carrier (AFC) decal is required to be affixed to each vehicle. The cost of the certification and decal fee is \$1.50.

HUT receipts are generally a function of the demand for trucking, which fluctuates with national and State economic conditions. All proceeds from the HUT are directed to the Dedicated Highway and Bridge Trust Fund, as well as the HUT Administration Account.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Highway Use Taxes.

For SFY 2023-24, the Executive Budget Financial Plan estimates All Funds collections from the HUT at \$144 million, which is an increase of \$1 million or 0.7 percent from SFY 2022-23.

For SFY 2024-25, the Financial Plan projects All Funds HUT collections at \$143 million, which is a decrease of \$1 million or 0.7 percent from the prior year.

MEDICAL CANNABIS TAX

A 7 percent excise tax is imposed when a New York dispensary sells medical cannabis to a patient or designated caregiver and is remitted by the dispensary. The tax amount cannot be added as a separate charge on a receipt given to the retail customer.

Revenues from the State excise tax are directed to the Medical Marijuana Trust Fund. Of the monies in the fund, 45 percent is transferred to individual counties where medical cannabis is manufactured and dispensed, while 5 percent goes to the Office of Addiction Services and Supports, and another 5 percent goes to the Division of Criminal Justice Services. The law is silent on the distribution of the remaining amount.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Medical Cannabis Excise tax.

For SFY 2023-24, the Financial Plan estimates All Funds receipts from the Medical Cannabis Excise Tax to total \$9 million, a decrease of \$4 million or 30.8 percent from SFY 2022-23.

For SFY 2024-25, the Financial Plan projects All Funds Medical Cannabis Excise Tax collections will remain unchanged at \$9 million.

ADULT-USE CANNABIS TAX

Chapter 92 of the Laws of 2021 legalized the production, sale, and use of adult-use cannabis. It also shifted oversight of existing hemp and medical marijuana programs to a new Office of Cannabis Management. The legislation included in the SFY 2021-22 Enacted Budget established taxes on the distribution and sale of adult-use cannabis and imposed State and local sales taxes on retail purchases made on and after March 1, 2022. Revenues from this excise tax are directed to the Cannabis Revenue Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Adult-Use Cannabis Tax.

The Executive Budget Financial Plan projects All Funds receipts from the Adult-Use Cannabis Tax to total \$70 million for SFY 2023-24. This is the second year of Adult-Use Cannabis Tax receipts being collected.

The Executive Budget Financial Plan projects All Funds receipts from the Adult-Use Cannabis Tax to total \$158 million for SFY 2024-25, which is \$88 million or 125.7 percent above SFY 2023-24.

OPIOID EXCISE TAX

Beginning July 1, 2019, the State imposed an excise tax on the first sale of opioids within its borders. The tax is imposed at the manufacturer and distributor level. The tax rate varies based on the per-unit wholesale cost of an opioid. It is taxed at a quarter of a cent per morphine milligram

equivalent if the wholesale cost is less than 50 cents and one and one-half cents per morphine milligram equivalent if the wholesale cost is 50 cents or more.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Opioid Excise Tax.

For SFY 2023-24, the Financial Plan estimates All Funds receipts from the Opioid Excise Tax to total \$23 million, which reflects a decrease of \$4 million or 14.8 percent from SFY 2022-23.

For SFY 2024-25, Financial Plan projections for Opioid Excise Tax receipts to total \$23 million, which remains unchanged from SFY 2023-24.

VAPOR EXCISE TAX

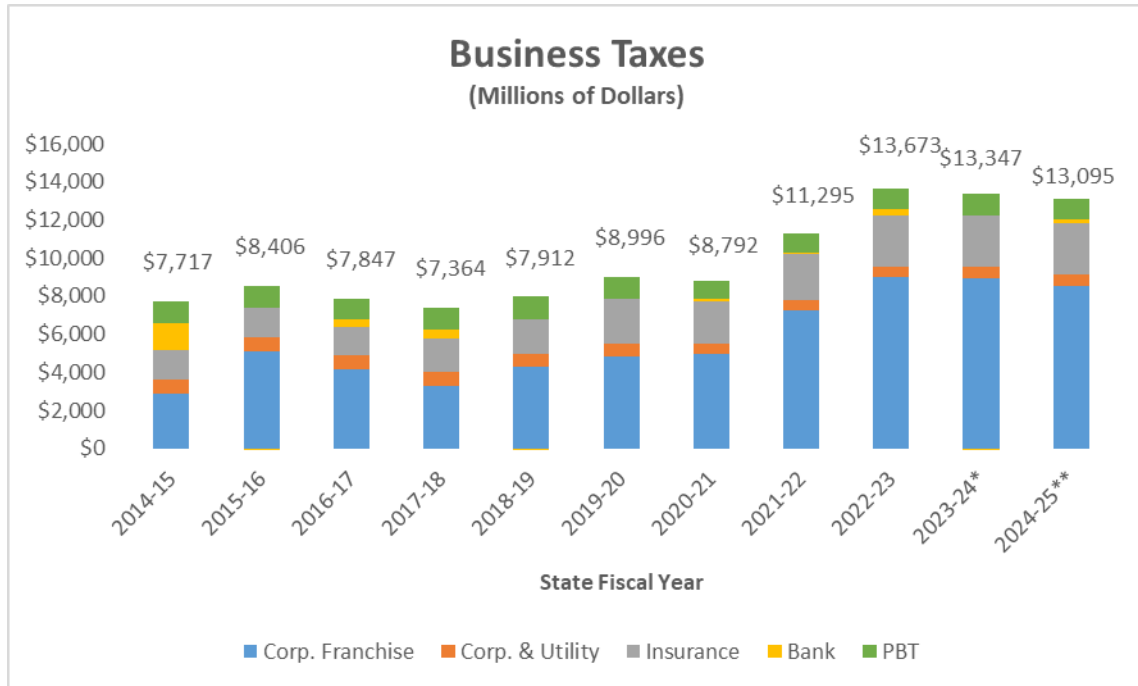
The SFY 2019-20 Enacted Budget imposed an excise tax of 20 percent on the retail sales of vapor products. Revenues from this excise tax are deposited into the Health Care Reform Act account.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Vapor Excise tax.

For SFY 2023-24, the Executive Financial Plan estimates All Funds receipts from the Vapor Products Tax at \$25 million, which is the same for the prior year of collections.

For SFY 2024-25, the Executive Financial Plan projects All Funds Vapor Products Tax collections at \$25 million, which remains unchanged from SFY 2023-24.

BUSINESS TAXES



*2023-24 is estimated **2024-25 is projected

Source: Senate Majority Conference Finance Committee staff

For SFY 2023-24, committee staff estimates All Funds aggregate business tax receipts to total \$13.3 billion, which reflects a decrease of \$326.4 million or 2.4 percent from SFY 2022-23. For SFY 2023-24, the committee staff estimates General Fund aggregate business tax receipts to total \$10.1 billion, which reflects a decrease of \$240 million or 2.3 percent from SFY 2022-23.

For SFY 2024-25, the committee staff projects All Funds aggregate business tax receipts to total \$13.1 billion which is a decrease of \$251.7 million or 1.9 percent from SFY 2023-24 estimates. The committee staff projects General Fund aggregate business tax receipts for SFY 2024-25 at \$9.8 billion, which reflects a decrease \$299 million or 2.9 percent from SFY 2023-24.

The Executive Budget Financial Plan estimates All Funds aggregate business tax receipts, excluding the PTET impact to total \$13.3 billion for SFY 2023-24, reflecting a decrease of \$388 million or 2.8 percent from SFY 2022-23. With the PTET impact, All Funds aggregate business tax receipts are estimated at \$27.2 billion, reflecting a decrease of \$1.5 billion or 5.1 percent from SFY 2022-23.

The Financial Plan estimates SFY 2023-24 General Fund aggregate business tax collections, excluding the PTET impact to total \$10.1 billion, representing a decrease of \$286 million or 2.8 percent from SFY 2022-23.

The Financial Plan estimates SFY 2024-25 All Funds aggregate business tax receipts, excluding the PTET impact to total \$13.1 billion, reflecting a decrease of \$221 million or 1.7 percent from SFY 2023-24. With the PTET impact, All Funds aggregate business tax receipts are estimated at \$27.5 billion, reflecting an increase of \$377 million or 1.4 percent from SFY 2023-24.

The Financial Plan estimates SFY 2024-25 General Fund aggregate business tax collections, excluding the PTET impact to total \$9.8 billion, a decrease of \$277 million or 2.7 percent from SFY 2023-24. With the PTET impact, General Fund aggregate business tax collections are estimated at \$17 billion which is an increase of \$22 million or 0.1 percent from SFY 2023-24.

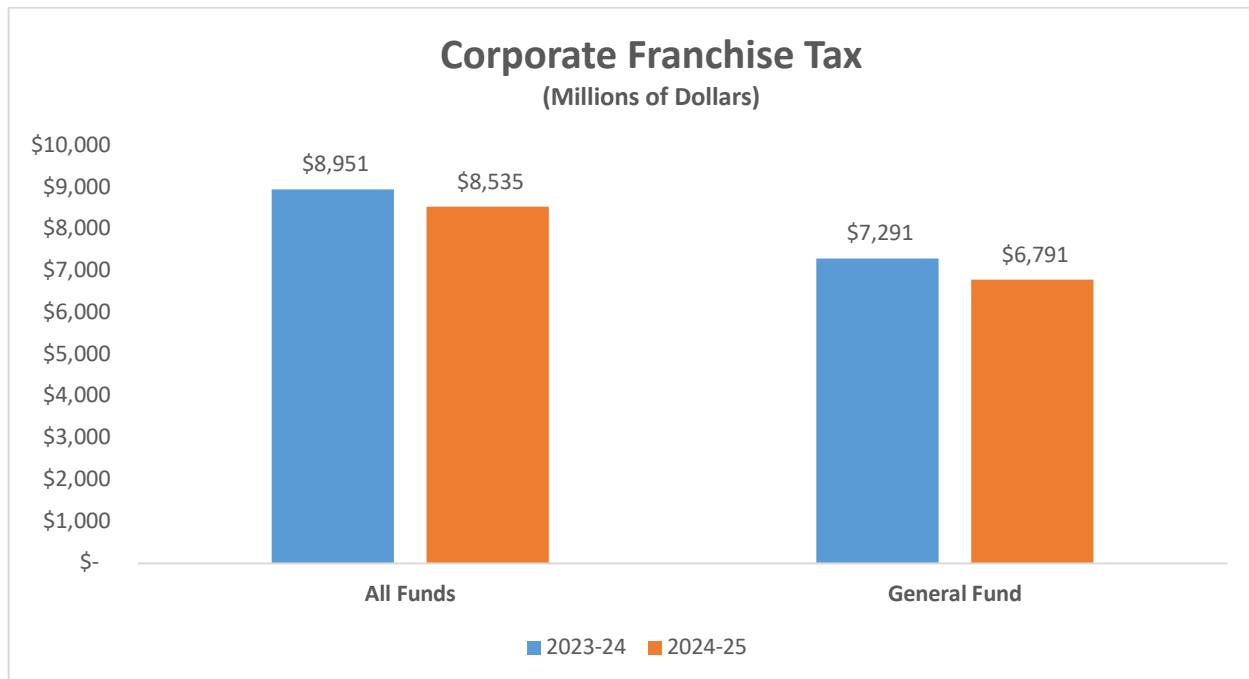
CORPORATION FRANCHISE TAX

In 2014, New York State enacted corporate tax reform. It established a single system of taxation for general business corporations and banking corporations. As of January 1, 2015, the entire net income base was replaced with a similar business income base subject to a 6.5 percent tax rate that took effect on January 1, 2016. Since 2016, another corporate tax rate, the capital stock base rate, has been gradually reduced each year, eventually being repealed in 2021. Effective in tax year 2021 through tax year 2027, taxpayers with business income above \$5 million are subject to a tax rate of 7.25 percent and taxpayers with business income of \$5 million or less are subject to a tax rate of 6.5 percent. The tax rates will revert to 6.5 percent in 2028 after this temporary increase expires. The corporation franchise tax is levied by Articles 9-A and 13 of the Tax Law. Article 9-A imposes a franchise tax on domestic and foreign corporations for the privilege of exercising their corporate franchise or doing business, employing capital, owning or leasing property or maintaining an office in New York State. The Article 9-A tax is imposed on business entities classified as either C-Corporations or S-Corporations.

Article 13 of the State Tax Law imposes a 9 percent tax on certain not-for-profit entities for business income earned from activities that are non-related to their exempt purpose.

Current State Tax Law requires corporation franchise tax liability for C-Corporations to be computed under three alternative bases, with tax due based on the highest tax calculated under three alternative bases.

Finally, corporations conducting business in the Metropolitan Commuter Transportation District (MCTD) are subject to a surcharge on the portion of the total State tax liability allocated to the MCTD region. All collections from this surcharge are deposited into the Mass Transportation Operating Assistance Fund.



Source: Senate Majority Conference Finance Committee staff

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Corporation Franchise tax.

The Executive Budget Financial Plan estimates All Funds Corporation Franchise Tax receipts to total \$9 billion, reflecting a decrease of \$66 million or 0.7 percent from SFY 2022-23. The Financial Plan estimates SFY 2023-24 General Fund Corporate Franchise Tax receipts to total \$7.3 billion, unchanged from SFY 2022-23.

The Executive Budget Financial Plan estimates All Funds Corporation Franchise Tax receipts to total \$8.5 billion, which reflects a decrease of \$416 million or 4.7 percent from the SFY 2023-24 estimate. The Financial Plan estimates SFY 2024-24 General Fund Corporate Franchise Tax receipts to total \$6.8 billion, which is a decrease of \$500 million or 6.9 percent from the SFY 2023-24 estimate.

CORPORATION AND UTILITIES TAX

Article 9 of the State Tax Law imposes taxes and fees on a number of specialized industries, including public utilities, transportation, transmission companies, and agricultural cooperatives. The telecommunications industry and regulated utilities are the primary collection sources.

Section 183 of the Tax Law provides for a franchise tax on the capital stock of transportation and transmission companies, including telecommunications, trucking, railroad, and other transportation companies. The tax is imposed at the highest of three statutorily defined calculations.

Section 184 of the Tax Law imposes an additional franchise tax of 0.375 percent on the gross receipts of transportation and transmission companies. As of July 1, 2000, gross receipts from international, interstate, and Inter-Local Access Transport Areas (LATAs) services and 30 percent of intra-LATA gross receipts were excluded from the tax.

Railroad and trucking companies that elected to remain subject to Article 9 taxes (rather than to become subject to the corporation franchise tax imposed under Article 9-A) pay the tax at a rate of 0.375 percent of gross earnings, including an allocated portion of receipts from interstate-related transportation transactions.

Section 185 of the Tax Law imposes a franchise tax on farmers, fruit-growers and other agricultural cooperatives. The tax is imposed at the highest of three statutorily defined calculations.

Section 186-a of the Tax Law imposes a 2 percent gross receipts tax on charges for the transportation, transmission, distribution or delivery of electric and gas utility services for residential consumers. Section 186-e of the Tax Law imposes a 2.5 percent gross receipts tax on charges for telecommunications services. Article 9 taxpayers conducting business in the Metropolitan Commuter Transportation District (MCTD) are also subject to a 17 percent surcharge on their liability attributable to the MCTD. The collections from the surcharge are deposited into the Mass Transportation Operating Assistance Fund.

For SFY 2023-24, the committee staff estimates All Funds Corporation and Utilities Tax receipts to total \$579.6 million, which is an increase of \$54.6 million or 10.4 percent from SFY 2022-23. This estimate is \$61.6 million or 11.9 percent above the Executive's estimate. Committee staff estimates SFY 2023-24 General Fund Corporation and Utilities Tax receipts at \$431.9 million, reflecting an increase of \$23.9 million or 5.9 percent from SFY 2022-23.

For SFY 2024-25, the committee staff estimates All Funds Corporation and Utilities Tax receipts to total \$569.9 million, which is a decrease of \$9.7 million or 1.7 percent from the SFY 2023-24 estimate. This estimate is \$30.9 million or 5.7 percent above the Executive's estimate. Committee staff estimates SFY 2024-25 General Fund Corporation and Utilities Tax receipts at \$437.7 million, reflecting an increase of \$5.8 million or 1.3 percent from SFY 2023-24.

INSURANCE TAX

Under Article 33 of the Tax Law and under the Insurance Law, the State imposes taxes on insurance corporations, insurance brokers and certain insured for the privilege of conducting business or otherwise exercising a corporate franchise in New York.

Article 33 taxpayers conducting business in the Metropolitan Commuter Transportation District (MCTD) are subject to a 17 percent surcharge on the portion of their tax liability, which is attributable to the MCTD area. The collections from the surcharge are deposited into the Mass Transportation Operating Assistance Fund.

Insurance Brokers

Non-life insurers are subject to a premiums-based tax. Accident and health premiums received by non-life insurers are taxed at the rate of 1.75 percent. All other premiums received by non-life insurers are taxed at the rate of two percent. A \$250 minimum tax applies to all non-life insurers.

The franchise tax on life insurers has two components. The first component is a franchise tax computed under four alternative bases, with tax due based on the highest tax calculated under the four alternative bases. In addition, a \$0.0008 tax rate applies to each dollar of subsidiary capital allocated to New York. The second component is an additional franchise tax on gross premiums, less returned premiums.

Other Taxes on Insurers

There are other taxes imposed on insurers, including taxes imposed on independently procured insurance, a premiums tax on a licensed excess line (i.e. covering unique or very large risks) as well as, retaliatory insurance taxes on foreign insurance corporations.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Insurance Tax receipts.

For SFY 2023-24, the Financial Plan estimates All Funds Insurance Tax receipts to total \$2.7 billion, reflecting an increase of \$29 million or 1.1 percent from SFY 2022-23. The Financial Plan estimates SFY 2023-24 General Fund Insurance Tax receipts to total \$2.4 billion, which is an increase of \$47 million or 2 percent from SFY 2022-23.

For SFY 2024-25, the Financial Plan projects All Funds Insurance Tax receipts to total \$2.7 billion, unchanged from the Executive's SFY 2023-24 estimate. The Financial Plan projects General Fund Insurance Tax receipts at \$2.4 billion in SFY 2024-25, which is an increase of \$8 million or 0.3 percent from SFY 2023-24.

BANK TAX

The Bank Tax (Article 32) was merged with the Corporation Franchise Tax (Article 9-A), applying to tax years beginning on and after January 1, 2015. However, the State still received revenue from this tax due to audit and reconciliation efforts. The last of these receipts were received in SFY 2022-23.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Bank Tax receipts.

For SFY 2023-24 the Executive Budget Financial Plan expects to issue \$9 million in All Funds refunds for Bank Tax.

For SFY 2024-25 and thereafter, the Financial Plan no longer projects Bank Tax collections.

PETROLEUM BUSINESS TAX

The Petroleum Business Tax (PBT), established by Article 13-A of the State Tax Law, is imposed on petroleum businesses. The tax is based on the quantity of various petroleum products imported for sale or use in the State. PBT rates have two components: the base tax, in which the rates vary by product type and the supplemental tax, which is imposed at a mostly uniform rate.

Tax rates are indexed with annual adjustments made on January 1 of each year to the base and supplemental tax rates to reflect the percent change in the producer price index (PPI) for refined petroleum products for 12 months ending August 31 of the preceding year. Tax rates cannot increase or decrease by more than 5 percent per year. This is done to prevent significant changes in tax rates resulting from large changes in the petroleum PPI.

PBT base tax receipts are distributed to the Mass Transportation Operating Assistance Fund (19.7 percent) and the Dedicated Funds Pool (80.3 percent). All of the receipts collected from the supplemental tax are directed to the Dedicated Pools Fund. Funds from the Dedicated Pools Fund are then distributed to the Dedicated Highway and Bridge Trust Fund (63 percent) and the Dedicated Mass Transportation Trust Fund (37 percent). Funds from the Mass Transportation Operating Assistance Fund are split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Petroleum Business Tax receipts.

For SFY 2023-24, the Executive Budget Financial Plan estimates All Funds Petroleum Business Tax receipts to total \$1.1 billion, which is an increase of \$20 million or 1.8 percent from SFY 2022-23.

For SFY 2024-25, the Executive Budget Financial Plan projects All Funds Petroleum Business Tax receipts at \$1.1 billion, which is a decrease of \$47 million or 4.2 percent from the SFY 2023-24 estimate.

PASS-THROUGH ENTITY TAX

The SFY 2022-23 Enacted Budget created an optional pass-through entity tax for partnerships, LLCs, and S-Corporations to pay a new State tax at 6.85 percent at the entity level in exchange for a personal income tax credit for the partners, members, and shareholders equal to 92 percent of the tax paid. The new pass-through entity tax authorizes partners, members, and shareholders of electing entities to deduct this State tax paid from their Federal returns, as a means to circumnavigate the current State and Local Tax (SALT) cap, resulting in savings on their Federal taxes. This applies to tax years beginning on or after January 1, 2022.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Pass-Through Entity Tax.

The Financial Plan projects the PTET to be revenue neutral for the State over the duration of the authorized tax period but not within each fiscal year.

For the SFY 2023-24 Financial Plan estimates All Funds Pass-Through Entity Tax (PTET) receipts to total \$13.9 billion, which represents is a decrease of \$1.1 billion or 7.1 percent from the SFY 2022-23 estimate.

For the SFY 2024-25 Financial Plan estimates All Funds Pass-Through Entity Tax (PTET) receipts to total \$14.5 billion, which represents is a decrease of \$598 million or 4.3 percent from the SFY 2023-24 estimate.

OTHER TAXES

The “Other Taxes” category consists primarily of the Estate Tax, the Real Estate Transfer Tax, the Employer Compensation Expense Program, gaming, wagering, and pari-mutuel taxes.

ESTATE TAX

New York State imposes a tax on the estates of deceased New York State residents as well as on the part of a non-resident’s estate made up of real and tangible personal property located within New York State, less applicable deductions. New York State estate taxes are based on the Federal Internal Revenue Code estate tax provisions, with minor State-level modifications and are levied on a graduated scale with rates ranging from 3.06 to 16 percent of adjusted taxable estates.

In 2014, a “stand alone” New York State Estate Tax was created, with a basic threshold amount that increased over four years, which equaled the Federal basic exemption amount (pursuant to Federal Law as it existed on December 1, 2017) beginning January 1, 2019. The basic threshold amount, which is indexed to inflation on an annual basis, is \$6.11 million for the deceased dying on or after January 1, 2022. The entirety of the proceeds from the Estate Tax is deposited into the General Fund.

Estate tax is historically volatile and is heavily influenced by extra-large and super-large estates and the value of the equity market and corporate stocks.

For SFY 2023-24, committee staff estimate All Funds Estate Tax receipts to total \$2.0 billion, which is a decrease of \$175.7 million or 8 percent from SFY 2022-23. This estimate is an increase of \$127.3 million or 6.8 percent over the Executive’s estimate of \$1.9 billion.

In SFY 2024-25, committee staff projects All Funds Estate Tax receipts at \$1.6 billion, which is a decrease of \$414.1 million or 20.6 percent from the SFY 2023-24 estimate. This projection is \$270.3 million or 20.4 percent over the Executive’s estimate of \$1.3 billion.

REAL ESTATE TRANSFER TAX

Article 31 of the State Tax Law imposes a Real Estate Transfer Tax (RETT) on each conveyance of real property or interest therein, at a rate of 0.4 percent when the price is \$500 or greater. An additional one percent tax (also known as the “Mansion Tax”) is imposed on conveyances of residential real property when the consideration is \$1 million and above. The tax rate for conveyance of real property to existing real estate investment trusts is 0.2 percent.

In 2019, a 0.25 percent Real Estate Transfer Tax was imposed on commercial properties that were \$2 million and above and residential properties that were \$3 million and above in New York City. Additionally, a progressive mansion tax was imposed on residential properties in New York City, which ranged from 0.25 percent for properties that were \$2 million to \$3 million and, 2.9 percent for properties that were \$25 million and above. Revenues from this tax benefit the MTA.

For SFY 2023-24, committee staff estimate All Funds RETT receipts to total, \$1.2 billion, which is a decrease of \$292.4 million or 19.9 percent from the SFY 2022-23. This projection is an increase of \$13.6 million or 1.2 percent over the Executive’s estimate of \$1.2 billion.

For SFY 2024-25, the committee staff projects All Funds RETT receipts to total \$1.2 billion, which reflects a decrease of \$13.8 million or 1.2 percent from the SFY 2023-24 estimate. This projection is \$18.8 million or 1.7 percent above the Executive’s estimate of \$1.1 billion.

EMPLOYER COMPENSATION EXPENSE PROGRAM

Article 24 of the Tax Law establishes the Employer Compensation Expense Program (ECEP) and imposes an optional tax on employers. Established in 2018, with tax year 2019 being the first year of participation eligibility, participating employers pay an optional tax intended to mitigate the tax burden for employees affected by the State and Local Tax (SALT) deduction limit. While the Tax Cuts and Jobs Act limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business.

Employers that elect to participate in the ECEP are subject to a 5.0 percent State tax on all annual payroll expenses in excess of \$40,000 per employee. The tax rate is 1.5 percent in tax year 2019, 3.0 percent in 2020, and 5.0 percent thereafter. The State Comptroller is directed to deposit an amount equal to 50 percent of estimated monthly ECEP tax receipts (after payment of refunds) into the Revenue Bone Tax Fund (RBTF) to support payments for debt service. RBTF deposits in excess of debt service requirements are transferred to the General Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Employer Compensation Expense Program.

For SFY 2023-24, the Financial Plan estimates All Funds receipts from the ECEP to total \$14 million, which reflects an increase of \$7 million or 100 percent from SFY 2022-23.

For SFY 2024-25, the Financial Plan projects All Funds receipts from the ECEP at \$15 million, which reflects an increase of \$1 million or 7.1 percent from the SFY 2022-23 estimate.

PARI-MUTUEL TAX

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Pari-Mutuel Tax collections.

The Financial Plan estimates All Funds Pari-Mutuel Tax collections for SFY 2023-24 to be \$12 million, which reflects a decrease of \$1 million or 7.7 from SFY 2022-23.

In SFY 2024-25, the Financial Plan projects All Funds Pari-Mutuel Tax collections at \$12 million, which is consistent with the SFY 2023-24 estimate.

OTHER TAXES

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan Projections for Other Taxes collections.

For SFY 2023-24, the Financial Plan projects All Funds Other Taxes collections, including transfers after payment of debt service on Clean Water/Clean Air Bonds to total \$2.8 billion. This reflects a decrease of \$603 million or 17.7 percent from SFY 2022-23.

For SFY 2024-25, the Financial Plan projects All Funds Other Taxes collections, including transfers after payment of debt service on Clean Water/Clean Air Bonds to total \$2.2 billion. This reflects a decrease of \$577 million or 20.6 percent from SFY 2023-24.

GAMING AND WAGERING TAXES

Gaming and Wagering receipts are comprised of Tradition Lottery Games, Video Lottery Terminals (VLTs), Commercial Gaming (Casinos), Interactive Fantasy Sports (IFS), Tribal State Compact (TSC) and Mobile Sports Wagering.

GAMING RECEIPTS (\$ in millions)									
	FY 2023	DOB	SFC		Percent	DOB	SFC		Percent
	Actuals	FY 2024	FY 2024	Difference	Difference	FY 2025	FY 2025	Difference	Difference
		Estimated	Estimated			Projected	Projected		
TOTAL RECEIPTS	\$4,636	\$4,951	\$5,033	82	1.66%	\$4,710	\$4,858	148	3.14%
EDUCATION	\$4,389	\$4,674	\$4,756	82	1.72%	\$4,401	\$4,548	147	3.23%
Traditional Lottery	\$2,513	\$2,630	\$2,668	38	1.41%	\$2,373	\$2,427	54	2.22%
VLT Gaming	\$1,000	\$1,076	\$1,059	(17)	-1.62%	\$1,043	\$1,054	11	1.06%
Mobile Sports Wagering	\$729	\$833	\$893	60	6.72%	\$849	\$929	80	8.59%
Commercial Gaming (School Aid)	\$141	\$128	\$130	2	1.25%	\$130	\$132	2	1.53%
Interactive Fantasy Sports	\$6	\$7	\$7	0	0.00%	\$6	\$6	0	
All Other	\$247	\$277	\$277	0	0.14%	\$309	\$310	1	0.32%
Tribal State Compact	\$201	\$234	\$234	0		\$266	\$266	0	0.00%
Commercial Gaming (Local)	\$35	\$32	\$32	0	1.19%	\$32	\$33	1	2.99%
Mobile Sports Wagering (Youth Sports)	\$5	\$5	\$5	0		\$5	\$5	0	
Mobile Sports Wagering (Problem Gambling)	\$6	\$6	\$6	0		\$6	\$6	0	

For SFY 2023-24, committee staff estimates All Funds receipts from Gaming to total \$5.0 billion, reflecting an increase of \$397.4 million or 8.6 percent from SFY 2022-23. This estimate is \$82.4 million, or 1.7 above the Executive’s estimate of \$5.0 billion for SFY 2023-24.

For SFY 2024-25, committee staff projects All Funds receipts for Gaming to total \$4.9 billion, which is a decrease of \$175.5 million or 3.5 percent from the SFY 2023-24 estimate. This projection is \$147.9 million, or 3.1 above the Executive’s projection of \$4.7 billion.

GENERAL FUND MISCELLANEOUS RECEIPTS

Miscellaneous receipts cover a broad range of independent revenue sources with significant recurring income. These sources include abandoned property, investment earnings, fees, licenses, fines, and various reimbursements to the State’s General Fund. Each year, the reported receipts may be significantly impacted by various non-recurring transactions. Historically, General Fund license and fee revenues have grown modestly and consistently, aside from minimal peaks and troughs usually associated with law changes.

General Fund miscellaneous receipts in FY 2024 are projected to increase from FY 2023 results, largely due to the combination of rising interest rates and larger state fund balances, leading to much higher investment income receipts.

Miscellaneous Receipts General Fund (\$ in millions)			
	SFY 2022-23 (Actuals)	SFY 2023-24 (Estimate)	SFY 2024-25 (Projected)
Licenses, Fines, and Fees	\$574	\$730	\$630
Abandoned Property	\$714	\$450	\$550
Moter Vehicle Fees	\$280	\$225	\$233
Alcoholic Beverage License Fees	\$70	\$65	\$72
Reimbursements	\$323	\$66	\$66
Investment Income	\$1,085	\$2,350	\$1,750
Extraordinary Settlements	\$160	\$33	\$0
Other Transactions	\$403	\$376	\$333
Total Miscellaneous Receipts	\$3,609	\$4,295	\$3,634
Source: Executive Budget Financial Plan			

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Miscellaneous receipts.

For SFY 2023-24, the Executive estimates for General Fund miscellaneous receipts are \$4.3 billion, which is an increase of \$686 million or 19 percent from SFY 2022-23.

For SFY 2024-25, the Executive projects General Fund miscellaneous receipts to total \$3.6 billion, which is a decrease of \$661 million or 15.4 percent from SFY 2023-24.



New York State Senate Democratic Majority

2024 ECONOMIC AND REVENUE REPORT