



Department of Taxation and Finance

Opening Statement

Michael R. Schmidt, Commissioner

New York State Department of Taxation and Finance

Joint Senate & Assembly Budget Hearing

Hearing Room B - Legislative Office Building

13 February 2020 at 1pm

Good afternoon Chairs Krueger and Weinstein, and members of the fiscal committees. I'm Michael Schmidt -- Commissioner of the Department of Taxation and Finance. Thank you for inviting me to testify regarding Governor Cuomo's 2021 Executive Budget.

This afternoon I'd like to cover three topics.

First, I want to describe my focus at the department.

Second, I want to provide an overview of some key initiatives in this year's Executive Budget.

And third, I want to highlight an ongoing effort we've been undertaking to assist taxpayers.

Just over a year ago, Governor Cuomo nominated me to lead the department. Since then I've come to appreciate the sheer scale of the department's operations. We are the engine that supports the operations of State government. We administer 45 different state and local taxes. We process over 26 million tax returns every year. We answer 5 million phone calls. We mail more than 17 million pieces of discrete correspondence. We collect one hundred and twenty billion dollars in revenue and issue ten million refunds.

I'm acutely aware, though, that there are individual taxpayers on the other side of each one of these statistics. No state agency interacts more with New York's residents than the Department of Taxation and Finance. That's why one of my top priorities, and one of the Governor's top priorities, is to improve the taxpayer experience here in New York.

I believe taxpayers have a right to expect that their government will clearly explain the rules and use 21st century mechanisms to reach them. For example, we're working to expand the use of text messages and e-mail to communicate with taxpayers. We're revamping our website to make sure our guidance is clear and our online services are

user-friendly. And, we have begun a comprehensive review of our written correspondence program with a renewed focus on clarity, consistency, and user-friendly design.

As we work at the Department to better serve New York's taxpayers, I'm pleased that Governor Cuomo's Executive Budget includes proposals to promote fairness and improve the taxpayer experience across the state. I'd like to briefly highlight several key proposals in the Budget:

First, the Executive Budget continues the phase-in of the middle-class tax cuts. In Tax Year 2020, taxpayers will save nearly two billion dollars as a result of these cuts. When fully effective, middle-class tax rates will be the lowest since 1948. The tax savings will total more than \$4 billion annually, saving six million New Yorkers an average seven hundred dollars every year.

Second, the Executive Budget expands the Empire State Child Tax credit, extending coverage to children below four years old. This is a critical program for addressing child poverty in the State, and the fact that young children are currently excluded from the program is a glaring hole in the law. Fixing it will give four hundred thousand families an average benefit of more than four hundred dollars per year.

Third, the Executive Budget would expand access to the EITC program – a critical source of wage support and poverty reduction in the State. Every year, thousands of eligible taxpayers file their returns but fail to claim the EITC—an omission that could cost them thousands of dollars. This proposal allows the Department to pay the credit to eligible taxpayers automatically. When we have enough information to verify eligibility, we will send taxpayers a check, without having to wait for taxpayers to claim the credit on an amended tax return.

Finally, the Executive Budget also provides tax relief for farmers and small businesses. The budget reduces the income tax rate for small businesses from the current 6.5 percent to 4 percent, triples the current income exclusion for farmers and sole proprietors, and makes the Investment Tax Credit refundable for farmers.

I'd like to use the remainder of my time to highlight an ongoing program to help taxpayers meet their tax filing obligations. Too many taxpayers find the experience of preparing and filing their tax returns to be expensive and daunting. Many turn to an accountant or tax professional to do their taxes, and many others spend their resources

on do-it-yourself software products. And while for some taxpayers these options make sense, others are paying out of pocket to prepare their taxes when they are eligible to file both their federal and state tax returns for free—which brings me to my final topic for today’s testimony.

Due to a longstanding arrangement between the IRS, the Department, and tax software providers, taxpayers who make less than 69 thousand dollars a year qualify for “Free File”—free tax filing software programs made available on the Department’s website. Moreover, Department staff conducts workshops across the state where we teach taxpayers how to use the free tax filing software and do their taxes themselves.

The issue is that few taxpayers are aware of the opportunity to file their taxes for free. So, this year we are expanding the number of free file assistance sites across the state and engaging in an aggressive campaign to promote the Free File program. The campaign includes direct e-mail, online advertisement, promotions through sister agencies such as the MTA and OTDA, and partnerships with labor unions and other organizations. I’ve attached to my written testimony some educational materials we are using to promote the program. I hope you will consider including them in your communications with constituents.

To conclude, I am proud of the work we are doing here at the Department; and I feel strongly that this Budget builds on what the Governor’s administration, working with the Legislature, has done and will continue to do to make a difference in the lives of all New Yorkers. I look forward to working with you to achieve this goal and will now take your questions.

###



Department of
Taxation and Finance

File your tax return online **FOR FREE!***

You can access Free File software through the Tax Department's website.

- easy to use
- secure transmission
- faster refunds

* maximum income: \$69,000

www.tax.ny.gov

