



NEW YORK STATE SENATE
DEMOCRATIC MAJORITY CONFERENCE FINANCE COMMITTEE

SFY 2020-21
ECONOMIC AND REVENUE FORECAST



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FEBRUARY 2020

**NEWYORK
STATE
SENATE**

ALBANY, NEW YORK 12247



February 27, 2020

Dear Colleagues:

I am pleased to provide you with the 2020 New York State Senate Finance Committee's Economic and Revenue Report. This Report provides a general overview of the status of the national and New York State economies, and it also provides revenue projections for State Fiscal Years (SFY) 2019-20 and 2020-21.

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.

Generally, this report indicates that both the State and national economies will continue to grow over the next 15 months, albeit at lower levels than we have witnessed over the past few years.

Furthermore, the Senate Finance Committee staff projects that All Funds tax receipts will total \$178.9 billion in SFY 2019-20, which is \$647 million, or 0.36 percent, above the level estimated by the Executive. For SFY 2020-21, the Senate Finance Committee staff forecasts that All Funds tax receipts will total \$176.9 billion, which is \$500 million, or 0.28 percent, higher than the Executive 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 2020-21 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". The signature is written in a cursive, flowing style.

**Liz Krueger
Chair
Senate Finance Committee**

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Economic and Revenue Forecast SFY 2020-21

Senate Majority Conference Finance Committee

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Executive Summary



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

EXECUTIVE SUMMARY

The Senate Majority Conference Finance Committee has produced this State Fiscal Year (SFY) 2020-21 Economic and Revenue Forecast, pursuant to Chapter 309 of the Laws of 1996, which mandates a revenue and economic consensus forecasting process.

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 State Legislature in reaching the New York State Consensus Revenue Forecast.

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

In addition, on or before March 1 in each year, 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 the ensuing State Fiscal Year.

The State has a variety of dedicated tax revenues that are deposited in the General Fund as well as in special revenue funds, capital projects funds, and debt service funds. These monies are to be utilized for specific spending purposes. Additionally, certain tax revenues (e.g., Petroleum Business Taxes and Highway Use Taxes) are exclusively deposited in funds other than the General Fund.

State Revenue

The Senate Majority Conference Finance Committee staff SFY 2019-20 estimate for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$613 million over the Executive Budget estimate of \$42.9 billion. The committee staff SFY 2020-21 projection for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$448 million over the Executive Budget receipts estimate of \$45.4 billion. The committee staff two-year aggregate projection for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$1.1 billion above the Executive Budget projections.

The committee staff SFY 2019-20 estimate for All Funds receipts is \$647 million over the Executive Budget receipts estimate of \$178.3 billion. The committee staff SFY 2020-21 projection for All Funds receipts is \$500 million above the Executive Budget receipts estimate of \$176.4 billion. The committee staff two-year aggregate All Funds receipts projection is \$1.1 billion above the Executive Budget projections.

U.S. and New York State Economic Outlook

The United States is in its longest period of economic expansion. While the expansion is likely to continue, the rate of expansion is likely to slow as the growth cycle continues. The economy at the national level is measured by the Gross Domestic Product (GDP), a representation of the combination of goods and services produced and consumed.

Real U.S. GDP increased by 2.3 percent in Calendar Year (CY) 2019 and is estimated to grow at a rate of 2.0 percent in CY 2020, and by a further 2.0 percent in CY 2021. U.S. wages increased 4.9 percent in CY 2019 and are expected to increase by 4.4 percent in CY 2020, and by a further 4.0 percent in 2021.

In CY 2019, the NYS economy grew at a slower pace than the national economy. The Division of Budget's (DOB) coincident economic index, which measures aggregate State economic activity, indicates that average monthly growth was 0.1 percent in the last twelve months through October 2019, a pace that is just slightly below the 0.23 percent growth rate notched by the U.S. coincident economic index over the same period. Furthermore, the DOB Leading Index suggests slow growth for the twelve months through October 2020.

The New York State economy is growing, and the short-to-medium-term outlook for its continued expansion remains promising. In CY 2019, New York (NY) personal income increased by 3.8 percent, and total wages increased 4.3 percent. In CY 2020, NY personal income is projected to increase by 3.7 percent, and total New York wages are projected to increase by 3.8 percent. Additionally, in CY 2021, NY personal income is projected to increase by 4.1 percent, and total NY wages are projected to increase by 4.1 percent. The NY unemployment rate, which was 4.0 percent at the end of CY 2019, is expected to be 4.0 percent by the end of CY 2020 and 4.1 percent by the end of CY 2021. Generally, the NY labor market appears to have experienced a moderate job growth rate in CY 2019, registering a 1.2 percent increase in total non-farm employment. Total non-farm employment is expected to grow by 1.1 percent and 0.8 percent in CY 2020 and CY 2021, respectively.

Revenue Forecast Highlights

General Fund Receipts SFY 2019-20 and SFY 2020-21

The Senate Majority Conference Finance Committee staff conclude that the:

- General Fund receipts (inclusive of miscellaneous receipts and transfers) in SFY 2019-20 will total \$43.6 billion. This estimate represents an increase of \$4.1 billion, or 10.3 percent, over SFY 2018-19.
- SFY 2019-20 estimate for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$613 million over the Executive Budget estimate of \$42.9 billion.
- SFY 2020-21 projection for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$45.9 billion. This estimate represents a growth of \$2.3 billion, or 5.3 percent, over the committee staff SFY 2019-20 estimate.
- SFY 2020-21 projection for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$448 million over the Executive Budget receipts estimate of \$45.4 billion.
- Two-year aggregate projection for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$1.1 billion above the Executive Budget projections.

All Funds Receipts SFY 2019-20 and SFY 2020-21

The committee staff conclude that the:

- SFY 2019-20 estimate for All Funds receipts is \$178.9 billion. This estimate represents an increase of \$10.8 billion, or 6.4 percent over SFY 2018-19.
- SFY 2019-20 estimate for All Funds receipts is \$647 million over the Executive Budget receipts estimate of \$178.3 billion.
- SFY 2020-21 projection for All Funds receipts is \$176.9 billion. This estimate represents a decline of \$2 billion or 1.1 percent from the committee staff SFY 2019-20 estimate.
- SFY 2020-21 projection for All Funds receipts is \$500 million above the Executive Budget receipts estimate of \$176.4 billion.
- Two-year aggregate All Funds receipts projection is \$1.1 billion above the Executive Budget projections.

REVENUE TABLES

All Funds Tax Collections FY 2020			
Tax Category	DOB	SFC Final	Difference with DOB
Personal Income Tax (Net)	53,016	53,513	497
Withholding	42,574	42,945	371
Estimated Payments	16,982	16,990	8
Final Payments and Other Payments	4,921	5,008	87
Gross Collections	64,477	64,943	466
Refunds	(10,312)	(10,274)	38
State/City Offset	(1,149)	(1,157)	(8)
User Taxes and Fees	18,148	18,163	15
Sales and Use	16,032	16,047	15
Cigarette/Tobacco	1,013	1,013	0
Vapor Excise Tax	10	10	0
Motor Fuel	523	523	0
Highway Use	141	141	0
Alcoholic Beverage	265	265	0
Opioid Excise Tax	50	50	0
Medical Cannabis Excise Tax	6	6	0
Taxicab Surcharge	0	0	0
Auto Rental	108	108	0
Business Taxes	8,986	9,121	135
Corporate Franchise	4,877	4,960	83
Corporation and Utilities	686	687	1
Insurance	2,244	2,291	47
Bank	1	1	0
Petroleum Business	1,178	1,182	4
Other Taxes	2,240	2,240	0
Estate Tax	1,094	1,094	0
Real Estate Transfer Tax	1,127	1,127	0
Employer Compensation	1	1	0
Pari-mutuel Tax	15	15	0
All Other Taxes	3	3	0
Miscellaneous Receipts	29,701	29,701	0
Licenses, Fees, Etc.	695	695	0
Abandoned Property	450	450	0
Motor Vehicle Fees	1,336	1,336	0
ABC License Fee	73	73	0
Reimbursements	112	112	0
Investment Income	152	152	0
Extraordinary Settlements	787	787	0
Other Transactions	26,096	26,096	0
Federal Receipts	66,162	66,162	0
Total All Funds State Taxes	82,390	83,037	647
Total All Funds State Taxes + Miscellaneous Receipts	178,253	178,900	647

Senate Finance Committee minus Executive Budget = Difference with DOB

General Fund Tax Collections FY 2020			
Tax Category	DOB	SFC Final	Difference with DOB
Personal Income Tax (Net)	24,333	24,830	496
Withholding	42,574	42,945	371
Estimated Payments	16,982	16,990	8
Final Payments and Other Payments	4,921	5,008	87
Gross Collections	64,477	64,943	466
Refunds	(10,312)	(10,274)	38
State/City Offset	(1,149)	(1,157)	(8)
STAR (Dedicated Deposits)	(2,176)	(2,176)	0
RBTF (Dedicated Transfers)	(26,507)	(26,507)	0
User Taxes and Fees	8,123	8,130	14
Sales and Use	15,010	15,024	14
Cigarette/Tobacco	303	303	0
Vapor Excise Tax	0	0	0
Motor Fuel	0	0	0
Highway Use	0	0	0
Alcoholic Beverage	265	265	0
Opioid Excise Tax	50	50	0
Medical Cannabis Excise Tax	0	0	0
Taxicab Surcharge	0	0	0
Auto Rental	0	0	0
LGAC/STBF (Dedicated Transfers)	(7,505)	(7,512)	0
Business Taxes	6,400	6,509	109
Corporate Franchise	3,906	3,973	67
Corporation and Utilities	502	503	1
Insurance	1,995	2,036	41
Bank	(3)	(3)	0
Petroleum Business	0	0	0
Other Taxes	1,112	1,112	0
Estate Tax	1,094	1,094	0
Real Estate Transfer Tax	1,127	1,127	0
Employer Compensation	1	1	0
Pari-mutuel Tax	15	15	0
All Other Taxes	3	3	0
Real Estate Transfer Tax (Dedicated)	(1,127)	(1,127)	0
RBTF (Dedicated Transfers)	(1)	(1)	0
Miscellaneous Receipts	2,979	2,979	0
Licenses, Fees, Etc.	695	695	0
Abandoned Property	450	450	0
Motor Vehicle Fees	321	321	0
ABC License Fee	73	73	0
Reimbursements	112	112	0
Investment Income	152	152	0
Extraordinary Settlements	787	787	0
Other Transactions	389	389	0
Total General Funds State Taxes	39,968	40,581	613
Total General Funds State Taxes + Misc. Receipts	42,947	43,560	613

Senate Finance Committee minus Executive Budget = Difference with DOB

All Funds Tax Collections FY 2021			
Tax Category	DOB	SFC Final	Difference with DOB
Personal Income Tax (Net)	56,810	57,193	383
Withholding	44,429	44,772	343
Estimated Payments	17,869	17,916	47
Final Payments and Other Payments	5,254	5,254	0
Gross Collections	67,552	67,943	391
Refunds	(9,468)	(9,468)	0
State/City Offset	(1,274)	(1,281)	(7)
User Taxes and Fees	18,873	18,964	91
Sales and Use	16,719	16,810	91
Cigarette/Tobacco	963	963	0
Vapor Excise Tax	14	14	0
Motor Fuel	524	524	0
Highway Use	143	143	0
Alcoholic Beverage	269	269	0
Opioid Excise Tax	100	100	0
Medical Cannabis Excise Tax	6	6	0
Adult Use Cannabis Tax	20	20	0
Taxicab Surcharge	0	0	0
Auto Rental	115	115	0
Business Taxes	9,910	9,935	25
Corporate Franchise	5,640	5,640	0
Corporation and Utilities	657	665	8
Insurance	2,364	2,383	19
Bank	90	90	0
Petroleum Business	1,159	1,158	(1)
Other Taxes	2,339	2,339	0
Estate Tax	1,174	1,174	0
Real Estate Transfer Tax	1,144	1,144	0
Employer Compensation	3	3	0
Pari-mutuel Tax	15	15	0
All Other Taxes	3	3	0
Miscellaneous Receipts	26,253	26,253	0
Licenses, Fees, Etc.	677	677	0
Abandoned Property	450	450	0
Motor Vehicle Fees	1,357	1,357	0
ABC License Fee	67	67	0
Reimbursements	124	124	0
Investment Income	79	79	0
Extraordinary Settlements	0	0	0
Other Transactions	23,499	23,499	0
Federal Receipts	62,187	62,187	0
Total All Funds State Taxes	87,932	88,432	500
Total All Funds State Taxes + Miscellaneous Receipts	176,372	176,872	500

Senate Finance Committee minus Executive Budget = Difference with DOB

General Fund Tax Collections FY 2021			
Tax Category	DOB	SFC Final	Difference with DOB
Personal Income Tax (Net)	26,405	26,788	383
Withholding	44,429	44,772	343
Estimated Payments	17,869	17,916	47
Final Payments and Other Payments	5,254	5,254	0
Gross Collections	67,552	67,943	391
Refunds	(9,468)	(9,468)	0
State/City Offset	(1,274)	(1,281)	(7)
STAR (Dedicated Deposits)	(2,000)	(2,000)	0
RBTF (Dedicated Transfers)	(28,405)	(28,405)	0
User Taxes and Fees	8,496	8,539	43
Sales and Use	15,656	15,741	85
Cigarette/Tobacco	299	299	0
Vapor Excise Tax	0	0	0
Motor Fuel	0	0	0
Highway Use	0	0	0
Alcoholic Beverage	269	269	0
Opioid Excise Tax	100	100	0
Medical Cannabis Excise Tax	0	0	0
Adult Use Cannabis Tax	0	0	0
Taxicab Surcharge	0	0	0
Auto Rental	0	0	0
LGAC/STBF (Dedicated Transfers)	(7,828)	(7,871)	(43)
Business Taxes	7,228	7,250	22
Corporate Franchise	4,578	4,578	0
Corporation and Utilities	483	489	6
Insurance	2,092	2,109	17
Bank	75	75	0
Petroleum Business	0	0	0
Other Taxes	1,193	1,193	0
Estate Tax	1,174	1,174	0
Real Estate Transfer Tax	1,144	1,144	0
Employer Compensation	3	3	0
Pari-mutuel Tax	15	15	0
All Other Taxes	3	3	0
Real Estate Transfer Tax (Dedicated)	(1,144)	(1,144)	0
RBTF (Dedicated Transfers)	(2)	(2)	0
Miscellaneous Receipts	2,106	2,106	0
Licenses, Fees, Etc.	677	677	0
Abandoned Property	450	450	0
Motor Vehicle Fees	331	331	0
ABC License Fee	67	67	0
Reimbursements	124	124	0
Investment Income	79	79	0
Extraordinary Settlements	0	0	0
Other Transactions	378	378	0
Total General Fund State Taxes	43,322	43,770	448
Total General Fund State Taxes + Miscellaneous Receipts	45,428	45,876	448

Senate Finance Committee minus Executive Budget = Difference with DOB

ECONOMIC OUTLOOK

Economic Highlights:

The Senate Majority Conference Finance Committee staff conclude that:

- the U.S. economy grew by 2.3 percent in CY 2019 and will grow by 2.0 percent and 2.0 percent in CY 2020 and CY 2021, respectively.
- the U.S. unemployment rate will fall from 3.7 percent in CY 2019 to 3.6 percent in CY 2020 but will increase to 3.7 percent in CY 2021.
- U.S. Personal Income will grow by 3.9 and 4.1 percent in CY 2020 and CY 2021, respectively, slower than the 4.5 percent growth rate in CY 2019.
- U.S. Business Fixed Investment will grow by 2.3 percent in 2019 and will grow by 1.5 percent in 2020 and by a further 3.7 percent in 2021.

U.S. GROSS DOMESTIC PRODUCT (GDP)

The national economy is measured by the Gross Domestic Product (GDP), while the Gross State Product (GSP) is the equivalent measurement 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 the government. How these sectors interact with each other and react to the ever-changing inputs of the economy form the basis by which the economy either expands or contracts. For example, the amount of personal income affects how much consumers will spend. Increases in consumer spending usually directly translate into increased corporate sales activity and potentially higher corporate profits. Commonly, corporations utilize these profits to make capital investments and hire new workers and/or increase wages for existing employees. Increases in the private sectors, in turn, result in increased tax revenues for the government sector, allowing for spending growth or tax relief.

The consumer is the major driving force for the U.S. economy specifically expenses for personal consumption. Consumption accounts for approximately 68.1 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 engenders consumer

spending. Government, via various spending and monetary policies at all levels, also plays a significant role in the US economy. While the contribution to GDP by business declined during the recession, the government's share of GDP increased. This was primarily due to various Federal stimulus programs enacted to spur economic growth. The total government contribution to GDP from all levels of government is estimated to be approximately 17.6 percent of the US GDP for the fourth quarter (Q1) of 2019.

NEW YORK AND U.S. ECONOMIC TRENDS

2019 NEW YORK REGIONAL TRENDS

Overview

According to the Federal Reserve's January 2020 Beige Book, economic activity in New York State, which is part of the Second District, grew at a modest pace in the last reporting period. The labor market has remained tight; however, hiring activity was subdued, and wage growth increased modestly. Input prices and selling prices rose modestly. Manufacturing activity picked up slightly in the last reporting period, while business remained level in the service industries. Business contacts in most sectors in the Second District were cautiously optimistic about the near-term outlook.

Employment and Wages

The Federal Reserve reports that the labor market has remained tight across the Second District, and hiring has been restrained. Employment agencies have reported ongoing difficulties finding workers in a variety of occupations, including information technology workers, project managers, paralegals, and delivery truck drivers. Businesses in most sectors continued to report flat employment. Contacts in manufacturing, education, and health, and leisure and hospitality reported modest net hiring, while firms in the transportation and finance sectors noted slight declines in staffing levels. Retailers noted little change in holiday-season hiring compared to the same period last year, although some contacts said they had trouble finding sufficient seasonal help.

Businesses in most sectors reported wage growth had been modest and little changed. Businesses and most service sectors planned on adding staff; however, the finance and transportation sectors projected flat employment, and retailers reported plans to reduce staff.

Prices

Businesses in most sectors reported that both input costs and selling prices have continued to rise at a modest pace. In contrast, the education and health and wholesale and retail trade sectors noted an escalation in the prices they pay. Retailers, wholesalers, and transportation firms reported the largest price hikes for selling prices, whereas education and health providers reported a leveling off in the prices they charge.

Businesses in all sectors plan to raise their selling prices in 2020. These increases are anticipated to focus in the transportation, retail trade, professional and business services, and real estate sectors. However, prices are not anticipated to increase as drastically in the finance, education and health, and leisure and hospitality sectors.

Consumer Spending

The Beige Book reports that retail contacts reported mixed retail sales, with overall sales mostly flat. Contacts in the retail sector were mildly pessimistic about the outlook for 2020. One major retail chain noted that holiday sales were down slightly from the prior year but were within expectations. Retailers in upstate New York were slightly more upbeat, characterizing sales as satisfactory and noting solid shopper traffic amidst heavy discounting. A growing share of sales have been online, as in-store sales lagged. Most retailers reported that inventories were in fairly good shape.

According to car dealers in upstate New York, sales of both new and used vehicles have strengthened further, buoyed by manufacturer incentives, heavy promotion, and solid credit conditions. Consumer confidence in New York, New Jersey, and Pennsylvania fell to a nearly two-year low in December, though it remained fairly elevated.

Manufacturing and Distribution

The manufacturing sector reported business activity has picked up modestly. However, distribution activity was mixed, with wholesalers reporting continued moderate growth, while transportation contacts reported a modest downturn in business. Manufacturers and wholesalers indicated that they project modest growth in the months ahead. In contrast, transportation businesses anticipate flat activity. Some contacts in these sectors continue to express concern about tariffs and trade uncertainty, as well as minimum wage increases.

Services

The leisure and hospitality sector continued to report moderate growth in activity. Contacts in all the major industries expressed optimism for the first half of 2020, particularly in the information and professional and business service sectors.

Real Estate and Construction

The housing market across the Second District has been steady. Prices on New York City's co-ops and condos have continued to weaken and were down modestly from a year earlier. The largest declines have continued to be at the high end of the market. The inventory of existing homes has risen further, reaching a fairly high level in Manhattan and moderate levels in Brooklyn and Queens. In contrast, housing markets in the suburban areas around New York have strengthened, with sales holding fairly well, prices rising moderately, and inventories steady at very low levels. Prices are running moderately ahead of last year and homes are selling fairly quickly.

Residential rents across the Second District have remained on a positive trend. In New York City, rent growth has slowed in the outer boroughs, as many newly developed properties have come on line. Rental vacancy rates remain quite low across New York City. Landlord concessions remain fairly sizable on new apartments.

Commercial real estate markets have continued to soften. Office availability rates have climbed modestly, while office rents have remained flat. Industrial markets have been mixed: rents have continued to trend up, at a decelerating pace, while availability rates have increased slightly. The

market for retail space has continued to soften, with asking rents trending down and vacancy rates rising to multi-year highs.

New multi-family construction has picked up, while ongoing multi-family construction activity has remained brisk. New office and industrial construction have weakened modestly, continuing recent trends.

Banking and Finance

Financial sector contacts have noted further weakening in activity and expressed concern about a deteriorating business climate. Small to medium-sized banks in the Second District reported increased demand for all categories of loans, excluding commercial and industrial. Refinancing activity was little changed. Banks noted narrowing loan spreads, unchanged credit standards, and stable delinquency rates across all major loan categories.

2019 National Trends

Overview

According to the Beige Book, economic activity continued to expand modestly in the final six weeks of 2019. The Dallas and Richmond Districts reported above-average growth, while Philadelphia, St. Louis, and Kansas City reported sub-par growth. Consumer spending grew at a modest to moderate pace. Holiday sales were noted to be solid, with several Federal Reserve Districts highlighting the importance of online shopping. Vehicle sales generally expanded moderately; however, a handful of Districts reported flat sales. Tourism was mixed: eastern seaboard Districts reported growth, whereas activity changed little in the Midwest and West. Most Districts indicated that manufacturing remained relatively flat. Business in non-financial services was mixed, but on balance, growing modestly. Transportation was also reported as mixed across Districts, with a majority reporting flat to weaker activity. Banks reported loan volume as steady to expanding moderately. Home sales varied widely across Districts but were flat overall, while residential rental markets strengthened. Some Districts indicated low inventories were restraining home sales. New residential construction expanded modestly across the Districts. Commercial real estate activity varied widely across Districts. Agricultural conditions and the energy changed very

little in the final six weeks of 2019. Tariffs and trade uncertainty has continued to weigh on some businesses, but expectations for the near-term outlook remained modestly favorable across the nation.

Employment and Wages

Employment was steady to rising modestly in a majority of Districts. Labor markets remained tight, and most Districts cited widespread labor shortages as a factor in constraining job growth. A few Districts reported demand for professional, technical, and managerial workers. A few Districts indicated job cuts or reduced hiring among manufacturers, and a few reports of job cuts in the transportation and energy sectors. Wages continued to grow modestly or moderately in most Districts, with some scattered reports of wage increases from year-end hikes in minimum wages. A few Districts reported the use of benefits, incentives, training programs, and automation to reduce employment vacancies.

Prices

The Beige Book noted prices and input costs continued to rise at a modest pace. Several Districts indicated that retail selling prices rose at a slightly faster, but subdued, pace. A few Districts noted some businesses were passing along tariff costs to consumers, primarily in retail but also in construction. A few Districts noted that increased expenses associated with rising food prices pressured restaurants to increase their prices. Some reports indicate declining prices in some manufacturing industries and in the energy sector. Those Districts reporting on price expectations indicated prices were expected to continue to rise in the months ahead.

ECONOMIC INDICATORS FORECAST – U.S. AND NYS

U.S and New York State Economies Calendar Year (CY)

U.S Economy	2019 (Estimate)	2020 (Forecast)	2021 (Forecast)
Real GDP	2.3%	2.0%	2.0%
Personal Income	4.5%	3.9%	4.1%
Non-Farm Employment	1.6%	1.3%	0.9%
Consumer Price Index (CPI)	1.8%	1.8%	2.5%
Wages	4.9%	4.4%	4.0%
Unemployment Rate (Percent)	3.7%	3.6%	3.7%
10-Year Treasury Yield	2.1%	2.0%	2.4%
Corporate Profits	-0.3%	4.0%	4.0%
Government Spending	2.3%	1.6%	0.6%
New York State Economy			
Non-Farm Employment (Total)	1.2%	1.1%	0.8%
Wages (Total)	4.3%	3.8%	4.1%
Personal Income	3.8%	3.7%	4.1%
Unemployment Rate (Percent)	4.0%	4.0%	4.1%
Composite CPI of New York	1.7%	2.1%	2.2%

Sources: Moody's Analytics, Senate Majority Finance Committee staff calculations

In comparison to the U.S. economy, wage growth in New York State slightly underperformed in CY 2019. Non-farm employment growth rates are projected to be slightly higher at the national level compared with NYS. In addition, the unemployment rate was slightly lower in the U.S. at the end of CY 2019 compared to NYS.

Finally, the unemployment rate is expected to remain steady in CY 2020 in NYS but decrease by 0.1 percent nationally. Non-farm employment is also expected to increase by a slightly lower amount for the U.S. (1.3 percent) in CY 2020, which is higher than is the size of the increase estimated for NYS (1.1 percent).

U.S. Labor Market and Income



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

U.S. LABOR MARKET AND INCOME

U.S. Employment

According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate was 3.5 percent in December 2019, which was unchanged from November 2019, and a decline of 0.4 percent from December 2018. The number of unemployed persons in December 2019 was 5.8 million, a decline of 500,000 from the previous 12 months.



In December 2019, the number of long-term unemployed (those jobless for 27 weeks or more) was 1.2 million and was unchanged from November 2019. The long-term unemployed represented 20.5 percent of the unemployed.

The unemployment rates for adult men (3.1 percent), adult women (3.2 percent), teenagers (12.6 percent), whites (3.2 percent), Blacks (5.9 percent), Asians (2.5 percent), and Hispanics (4.2 percent) showed little or no change in December, according to the BLS.

The employment-population ratio increased to 61.0 percent and is up by 0.6 percent over the year. According to the BLS, the number of involuntary part-time workers (persons employed part-time for economic reasons) was 4.1 million in December 2019, little changed from November 2019, but was down 507,000 over the year.

In December 2019, 1.2 million persons were marginally attached to the labor force, which declined by 310,000 from December 2018, according to the BLS (the data is not seasonally adjusted). Persons marginally attached to the labor force are individuals who were not in the labor force but wanted and were available for work. Marginally attached job seekers searched for a job sometime in the prior 12 months and were not counted as unemployed because they had not searched for employment in the four weeks prior to the survey. There were 277,000 discouraged workers among the marginally attached to the labor force in December 2019, a decrease of 98,000 from a year earlier (not seasonally adjusted). A discouraged worker is defined as a person who is not looking for work currently because they believe no jobs are available for them. The other 969,000 marginally attached individuals in December 2019 had not searched for work for a variety of reasons, including attending school or meeting family responsibilities, according to the BLS.

NEW YORK STATE WORKFORCE TRENDS

In 2019, 3.9 million of New York's labor force (42.8 percent) resided in New York City. Outside of New York City, the highest concentration of jobs was dispersed in the Hudson Valley Region (Dutchess, Putnam, Orange, Rockland, and Westchester) with 11.6 percent, in Long Island with 15.7 percent, and a further 14.3 percent in the Rochester, Buffalo-Niagara, and Syracuse regions.

Since December 2018, private educational and health services added the most jobs (+51,200) of any major industry sector in that timeframe. Sector job gains were mostly in health care and social assistance (+59,000), especially ambulatory health care (+33,700).

The second-largest employment increase since December 2018 occurred in professional and business services, which grew by 31,500. Year-over-year sector job gains in this sector were in professional, scientific, and technical services (+19,000) and administrative and support services

(+12,100). Meanwhile, the third largest employment increase over the past year occurred in leisure and hospitality (+20,800). Sector gains were largest in accommodation and food services (+14,000), especially food services and drinking places (+7,300).

Additionally, there have been sectoral job losses since December 2018. In that timeframe, manufacturing lost the most jobs (-7,200) of any major industry sector in New York. Job losses were focused in durable goods (-6,700), especially fabricated metal products (-2,200).

Financial activities and other services each lost 4,400 jobs. Year-over-year sector job losses for financial activities were concentrated in finance and insurance (-3,800), while job losses in other services were largest in personal and laundry services (-3,100).

The table that follows compares the year-over-year change in total nonfarm and private sector jobs that occurred in the United States, New York State, certain upstate and downstate regions, and metro areas in the state between December 2018 and December 2019.

Change in Total Nonfarm and Private Sector Jobs December 2018 - December 2019				
	Change in Total Nonfarm (private sector + government)		Change in Private Sector Jobs	
	Net	%	Net	%
United States	2,139,000	1.40%	1,981,000	1.50%
New York State	103,800	1.10%	97,700	1.20%
Albany-Schenectady-Troy	2,100	0.40%	2,000	0.50%
Binghamton	-100	-0.10%	-100	-0.10%
Buffalo-Niagara Falls	2,200	0.40%	1,900	0.40%
Dutchess-Putnam	1,000	0.70%	900	0.70%
Elmira	-300	-0.80%	-300	-1.00%
Glens Falls	-1,000	-1.80%	-1,000	-2.30%
Ithaca	2,200	3.30%	2,300	4.00%
Kingston	600	0.90%	600	1.20%
Nassau-Suffolk	7,600	0.60%	7,700	0.70%
New York City	78,000	1.70%	71,000	1.80%
Orange-Rockland-Westchester	-500	-0.10%	-900	-0.10%
Rochester	7,300	1.30%	6,500	1.40%
Syracuse	3,400	1.00%	3,100	1.20%
Utica-Rome	-100	-0.10%	-100	-0.10%
Watertown-Fort Drum	200	0.50%	200	0.70%
Non-metro Counties	4,000	0.80%	3,400	0.90%

Source: U.S. and NYS Departments of Labor

Job Highlights since December 2018

Eleven metro areas in New York State added private-sector jobs over the past year, with the most rapid growth occurring in Ithaca (+4.0 percent), New York City (+1.8 percent), Rochester (+1.4 percent), Kingston (+1.2 percent), and Syracuse (+1.2 percent). Additionally, non-metro counties in New York collectively added 3,400 private-sector jobs over the past year.

Meanwhile, over the past year, five metro areas in the state lost private-sector jobs, including Glens Falls (-2.3 percent), Elmira (-1.0 percent), Binghamton (-0.1 percent), Orange-Rockland-Westchester (-0.1 percent), and Utica-Roma (-0.1 percent).

Unemployment Rates

The State’s unemployment rate is calculated by the U.S. Bureau of Labor Statistics using a statistical regression model that primarily uses the results of a monthly telephone survey of 3,100 households in New York State. The statewide unemployment rate remained the same at 4.0 percent in December 2019. The number of unemployed New Yorkers decreased by .47 percent from 379,200 in November 2019 to 377,400 in December 2019.

Unemployment Rates (%)			
	December 2019	November 2019	December 2018
United States	3.5	3.5	3.9
New York State	4.0	4.0	3.9
New York City	3.9	4.0	4.0
NYS, outside NYC	4.0	3.9	3.8

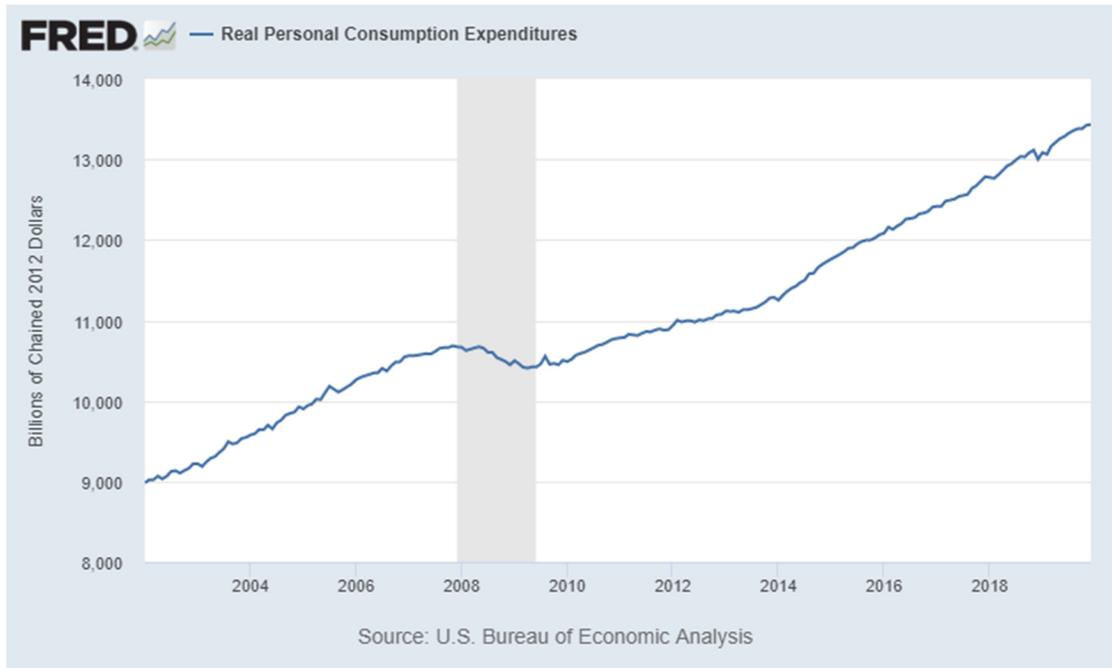
Data are preliminary and subject to change, based on standard procedures outlined by the U.S. Bureau of Labor Statistics.

Source: U.S. and NYS Departments of Labor

PERSONAL INCOME

According to the U.S. Bureau of Economic Analysis (BEA), personal income nationwide increased \$40.7 billion, or 0.2 percent, and disposable personal income (DPI) increased \$30.6 billion, or 0.2 percent, in December 2019. Personal consumption expenditures (PCE) increased \$46.6 billion, or 0.3 percent. Disposable personal income (DPI) is defined as personal income less personal current taxes paid.

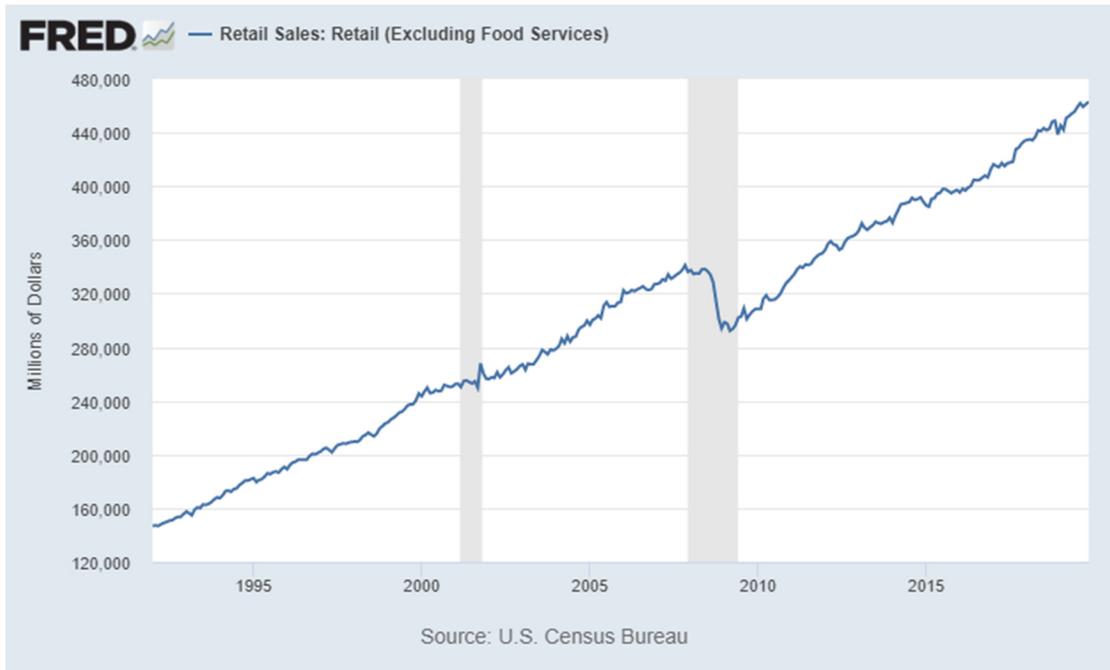




Personal outlays increased \$51.5 billion in December 2019. Personal saving was \$1.28 trillion and the personal saving rate was 7.6 percent. The personal saving rate is personal savings as a percentage of disposable personal income.

RETAIL SALES

According to the U.S. Census Bureau, the advance estimates of U.S. retail and food services sales for December 2019, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$529.6 billion, an increase of 5.5 percent over December 2018.



Federal Reserve Bank of St. Louis – FRED

Total sales for the 12 months of 2019 were up 3.6 percent compared to 2018. As of December 2019, retail trade sales were 0.4 percent higher than in November 2019, but up 6.0 percent from last year. Non-store retailers were up 19.2 percent from last year.

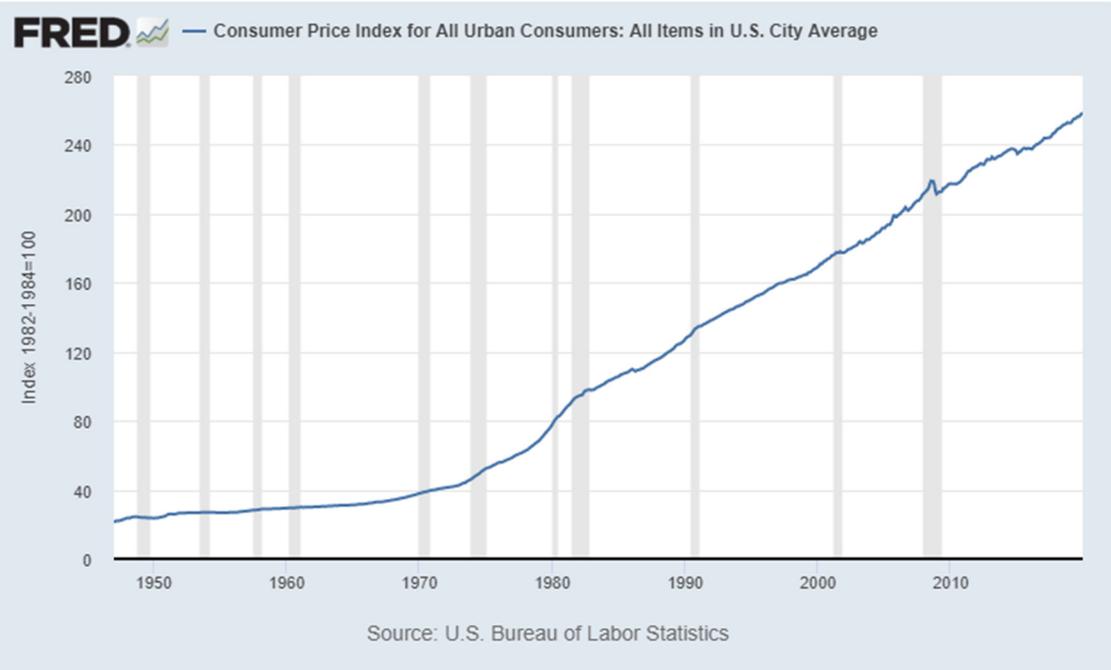
CONSUMER PRICE INDEX (CPI)

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2 percent in December 2019 over the previous month on a seasonally adjusted basis. The all items index increased 2.3 percent before seasonal adjustment over the last 12 months.

The indexes for gasoline, shelter, and medical care all rose in December 2019, accounting for most of the increase in the seasonally adjusted all items index. The gasoline index increased by 2.8 percent. Other major energy component indexes were mixed, and the energy index rose 1.4 percent. The food index rose 0.2 percent in December.

The all items index increased 2.3 percent for the 12 months ending December 2019. The index for all items less food and energy also increased 2.3 percent for the 12 months ending December 2019.

The energy index increased by 3.4 percent, and the food index rose 1.8 percent over the last 12 months, according to the BLS.



U.S. Corporate Profits



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

U.S. CORPORATE PROFITS (THIRD QUARTER RESULTS)

According to the Bureau of Economic Analysis (BEA), corporate profits¹ increased by 1.3 percent year-over-year in the second quarter of 2019, but decreased 0.3 percent year-over-year in the third quarter of 2019 as a result of a more slowly growing global economy, hindered by the US-China trade war that inflicts higher costs on companies with international supply chains.²

Profits of domestic financial corporations decreased \$4.7 billion in the third quarter of 2019, compared to an increase of \$2.5 billion in the second quarter of 2019. Profits of domestic nonfinancial corporations decreased \$5.5 billion in the third quarter of 2019, compared to an increase of \$38.7 billion in the second quarter of 2019.

The rest-of-the-world component of profits increased \$5.5 billion in the third quarter of 2019, compared with an increase of \$38.7 billion in the second quarter of 2019. The rest-of-the-world component of profits is calculated as the difference between receipts from the rest of the world and payments to the rest of the world. Receipts decreased \$10.0 billion, and payments decreased \$15.5 billion in the third quarter of 2019, according to the BEA.

¹ Corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCA)

² Damian, Troise J. "Corporate Profits Continue Yearlong Slide." *San Francisco Chronicle*, November 27, 2019. <https://www.sfchronicle.com/business/article/Corporate-profits-continue-yearlong-slide-14867855.php>.

Financial Markets



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

FINANCIAL MARKETS

The Standard & Poor’s 500 (S&P 500) finished 2019 at 3,230.78 points, which is an increase of 22.4 percent from where the S&P finished in 2018 (2,506.85). For 2019, the Dow Jones Industrial Average (DJIA) ended at 28,538.44, an increase of 18.3 percent from 2018 (23,327.46). The NASDAQ Composite finished 2019 with 8,972.60, an increase of 26.0 percent from the year prior (6,635.28).



Risks to the U.S. and NYS Forecasts



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

RISKS TO THE U.S. AND NYS FORECASTS

As with any forecast, there are unforeseen risks associated with forecasting the economy. Any sharp variation in expected performance to the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. For example, the difficulties experienced by Boeing with its 737 Max aircraft will continue to place constraints on GDP growth this year as production of the 737 Max was suspended in January 2020. The impact of the coronavirus on the U.S. manufacturing sector is another factor that could negatively affect the economy. Depending on how closely entwined any U.S. manufacturing industry's supply chain is with China, production, and shipment disruption from China related to the current virus outbreak could reduce inventories and adversely affect the U.S. manufacturing sector.

Another downside risk stems from ongoing litigation in *California v. Texas* and *House of Representatives v. Texas*. In these cases, the plaintiffs contend that the Affordable Care Act's (ACA) individual mandate is unconstitutional and, consequently, the court should strike down the entirety of the ACA because of this one allegedly "defective" provision in the legislation. The case is currently awaiting a hearing by the U.S. Supreme Court. Should the plaintiffs prevail, the impact on the State could significantly impact healthcare coverage for nearly 3 million New Yorkers as well as cutting off federal healthcare funds that flow to the State to offset most of the costs associated with the ACA's Medicaid expansion provision.

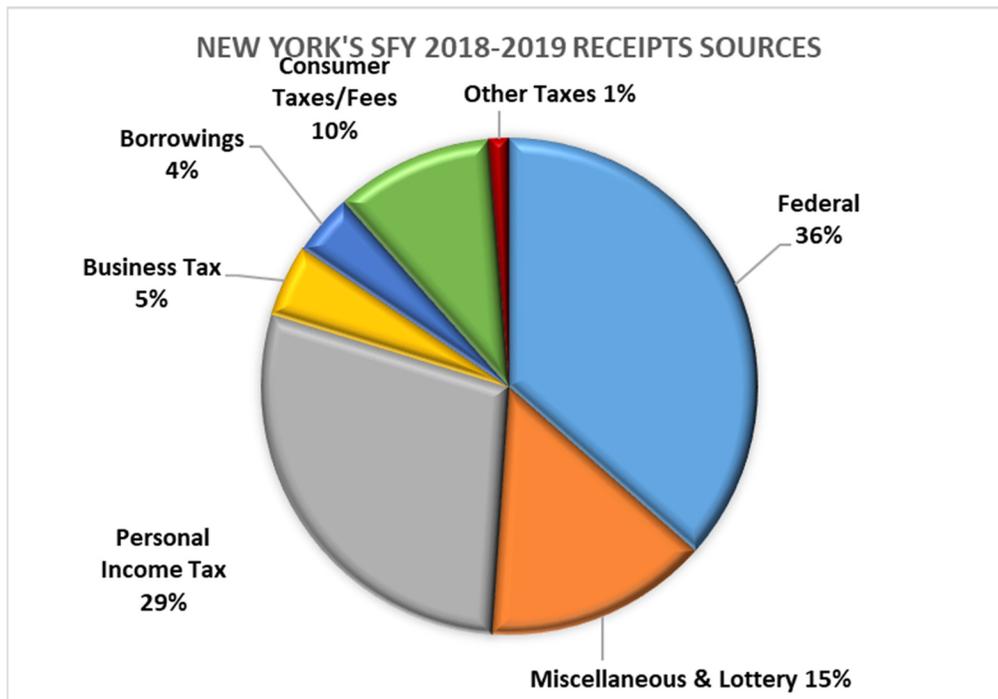
Other potential risks include actions taken by the Federal government that could reduce State receipts, either directly or as a consequence of federal actions. The outcome of the upcoming Presidential election could also affect the forecast, depending on policy decisions made by the next President of the United States.

On the upside, further easing of U.S.-China trade tensions is possible as the two countries build on the Phase 1 trade deal that was signed in January 2020. Another trade-related upside for the U.S. economy stems from Europe, where a no-deal Brexit was averted. The stage is now set for the United Kingdom and the European Union to begin work on a long-term trade deal. The contours

of any eventual agreement will have significant impacts on global trade and, accordingly, those sectors of the U.S. economy that rely on business with Europe.

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. As seen in years of a fiscal downturn, for example, a decreasing tax base may force State spending reductions and/or increased taxes to maintain Financial Plan balance.



Source: Office of New York State Comptroller - 2019 Financial Condition Report.

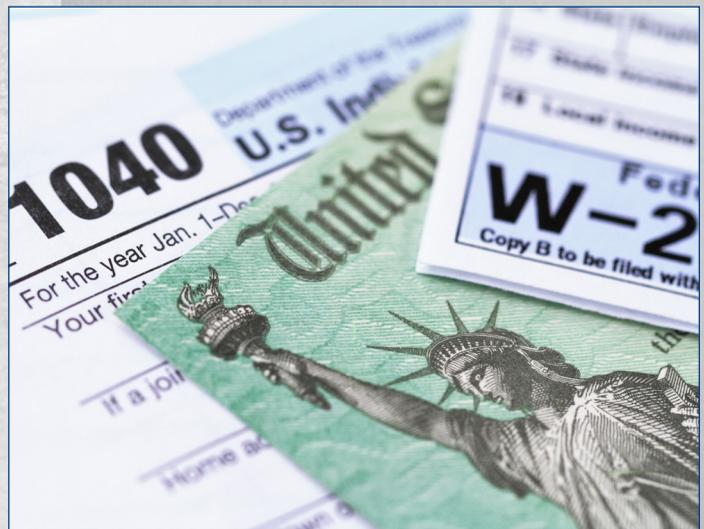
SENATE MAJORITY FINANCE COMMITTEE STAFF RECEIPTS PROJECTIONS

The committee staff SFY 2019-20 estimate for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$613 million over the Executive Budget estimate of \$42.9 billion. The committee staff SFY 2020-21 projection for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$448 million over the Executive Budget receipts estimate of \$45.4 billion.

The committee staff two-year aggregate projection for General Fund receipts (inclusive of miscellaneous receipts and transfers) is \$1.1 billion above the Executive Budget projections.

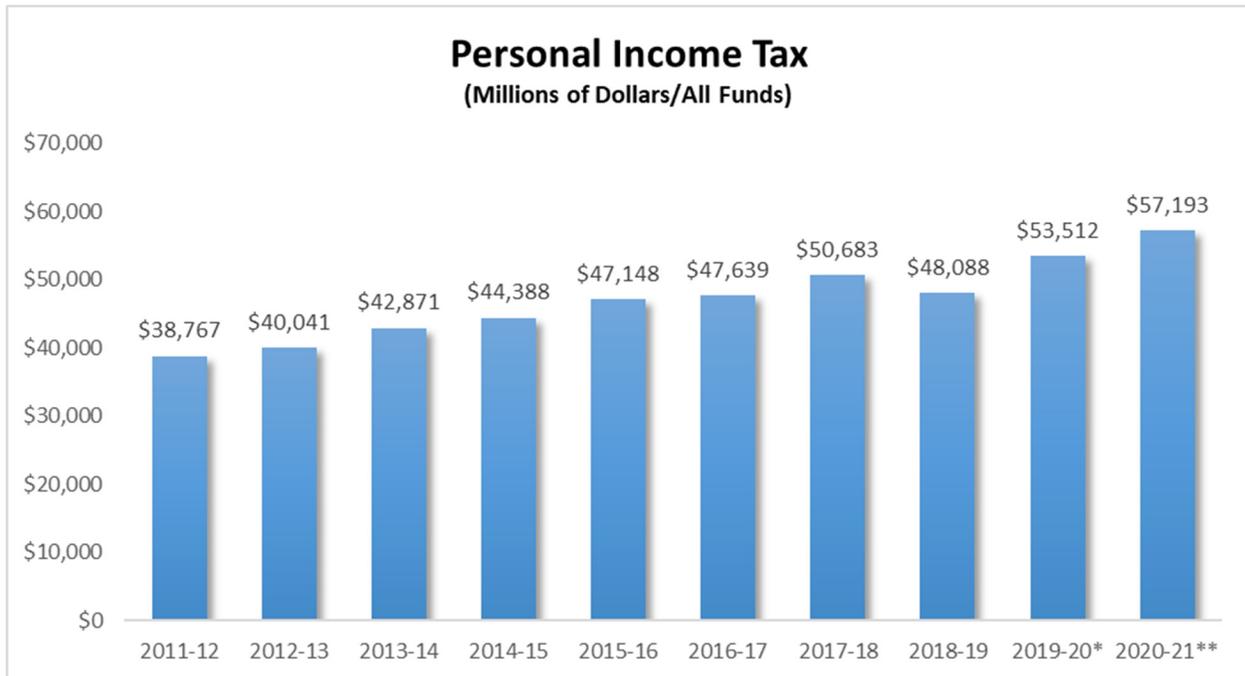
The committee staff SFY 2019-20 estimate for All Funds receipts is \$647 million over the Executive Budget receipts estimate of \$178.3 billion. The committee staff SFY 2020-21 projection for All Funds receipts is \$500 million above the Executive Budget receipts estimate of \$176.4 billion. The committee staff two-year aggregate All Funds receipts projection is \$1.1 billion above the Executive Budget projections.

Personal Income Tax



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

PERSONAL INCOME TAX



*2019-20 is estimated

**2020-21 is projected

Source: NYS Department of Taxation and Finance, 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 60 percent of all tax collections deposited into the General Fund in SFY 2018-19. 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 starting with 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.

The PIT is paid in a variety of ways: 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 the 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, 2020 wages would be reflected in 2020 withholding. However, tax payments made with the final returns are based on the prior year's income. As a result, final payments made in 2020 are a reflection of income earned in 2019. The same pattern holds true for refunds.

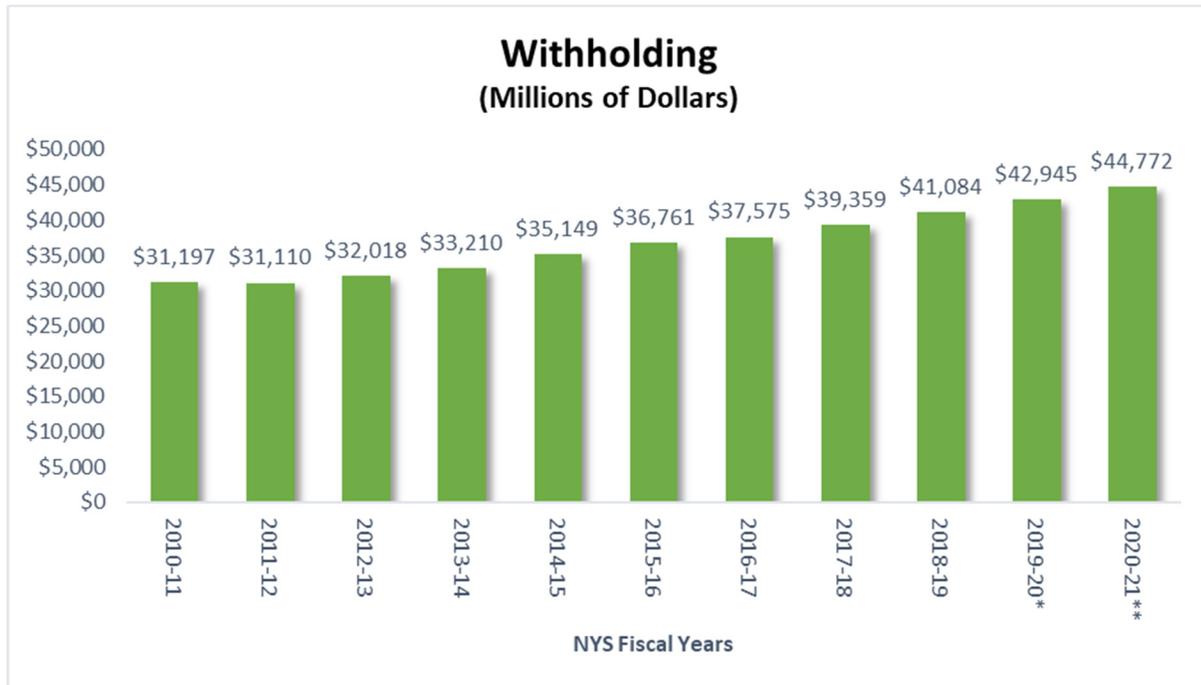
The Senate Majority Conference Finance Committee staff estimate All Funds net PIT receipts for SFY 2019-20 to total \$53.5 billion, an increase of \$5.4 billion, or 11.3 percent from SFY 2018-19. The committee staff project All Funds net PIT receipts for SFY 2020-21 to total \$57.2 billion, an increase of \$3.7 billion, or 6.9 percent from SFY 2019-20.

The committee staff projects General Fund PIT net receipts for SFY 2019-20 to be \$24.8 billion, \$3.2 billion higher than in SFY 2018-19, or a 14.8 percent increase. General Fund net PIT receipts for SFY 2020-21 are projected at \$26.8 billion, which is \$2.0 billion, or 7.9 percent above the previous year.

The Executive Budget estimates All Funds net PIT receipts for SFY 2019-20 to total \$53.0 billion, an increase of \$4.9 billion, or 10.2 percent over SFY 2018-19. Increases in 2020 primarily reflect exceptional growth in extension payments for Tax Year 2018, coupled with modest growth in withholding, partially offset by growth in total refunds. The Executive Budget projects All Funds net PIT receipts for SFY 2020-21 to total \$56.8 billion, an increase of \$3.8 billion, or 7.2 percent from its SFY 2019-20 projections.

The Executive Budget estimates General Fund PIT net receipts for SFY 2019-20 to be \$24.3 billion, \$2.7 billion higher than SFY 2018-19, or a 12.5 percent increase. General Fund net PIT receipts for SFY 2020-21 are projected at \$26.4 billion, which is \$2.1 billion, or 8.5 percent above what is projected for SFY 2019-20.

Withholding



*2019-20 is estimated

**2020-21 is projected

Source: NYS Department of Taxation and Finance, Senate Majority Conference Finance Committee staff

Employers are required to withhold a portion of the taxpayer's tax liability from the employee's earnings to spread the payment of the 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 the PIT is the most significant portion of aggregate State PIT receipts.

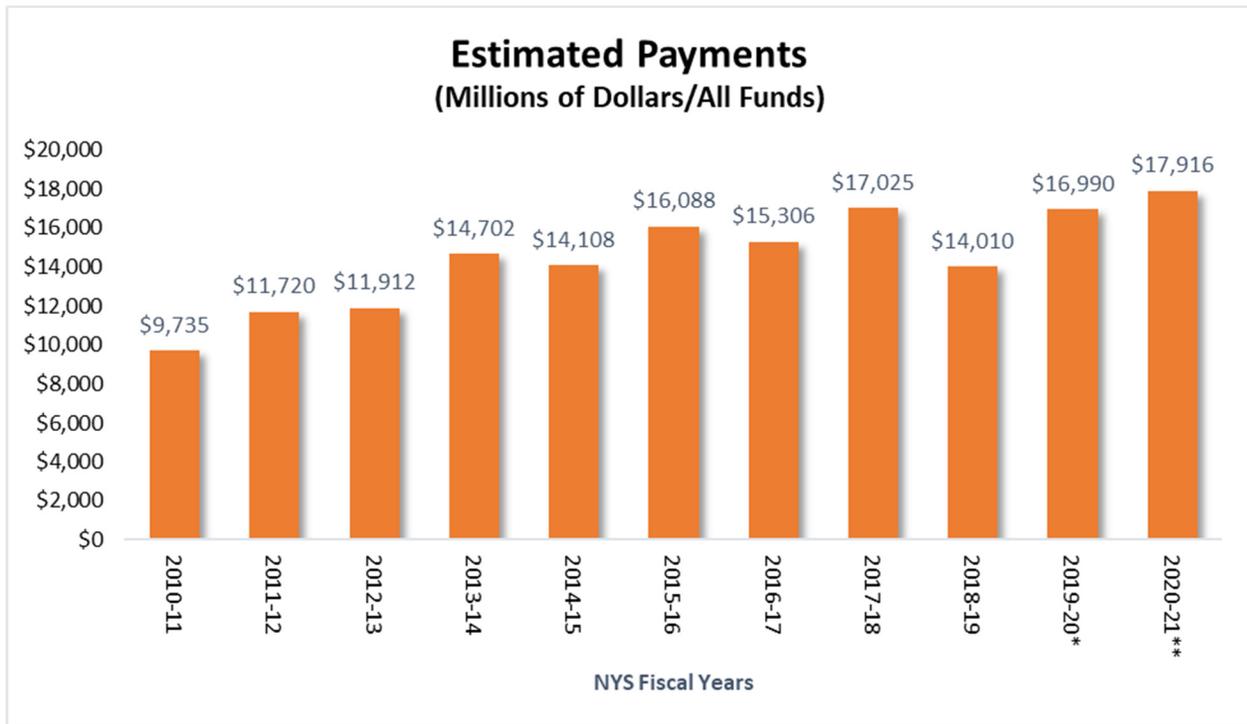
For SFY 2019-20, the Senate Majority Conference Finance Committee staff estimate New York State All Funds withholding payments to total \$42.9 billion, an increase of \$1.9 billion, or 4.5 percent from SFY 2018-19.

For SFY 2020-21, the committee staff project the All Funds withholding component of the PIT to increase to \$44.8 billion, an increase of \$1.8 billion, or 4.3 percent from SFY 2019-20.

For SFY 2019-20, the Executive Budget estimates the All Funds withholding component of PIT to total \$42.6 billion, an increase of \$1.5 billion, or 3.6 percent from SFY 2018-19.

For SFY 2020-21, the Executive Budget projects the All Funds withholding component of the PIT to increase to \$44.4 billion, an increase of \$1.9 billion, or 4.4 percent from their SFY 2019-20 projections.

Estimated Payments



*2019-20 is estimated

**2020-21 is projected

Source: NYS Department of Taxation and Finance, Senate Majority Conference Finance Committee staff

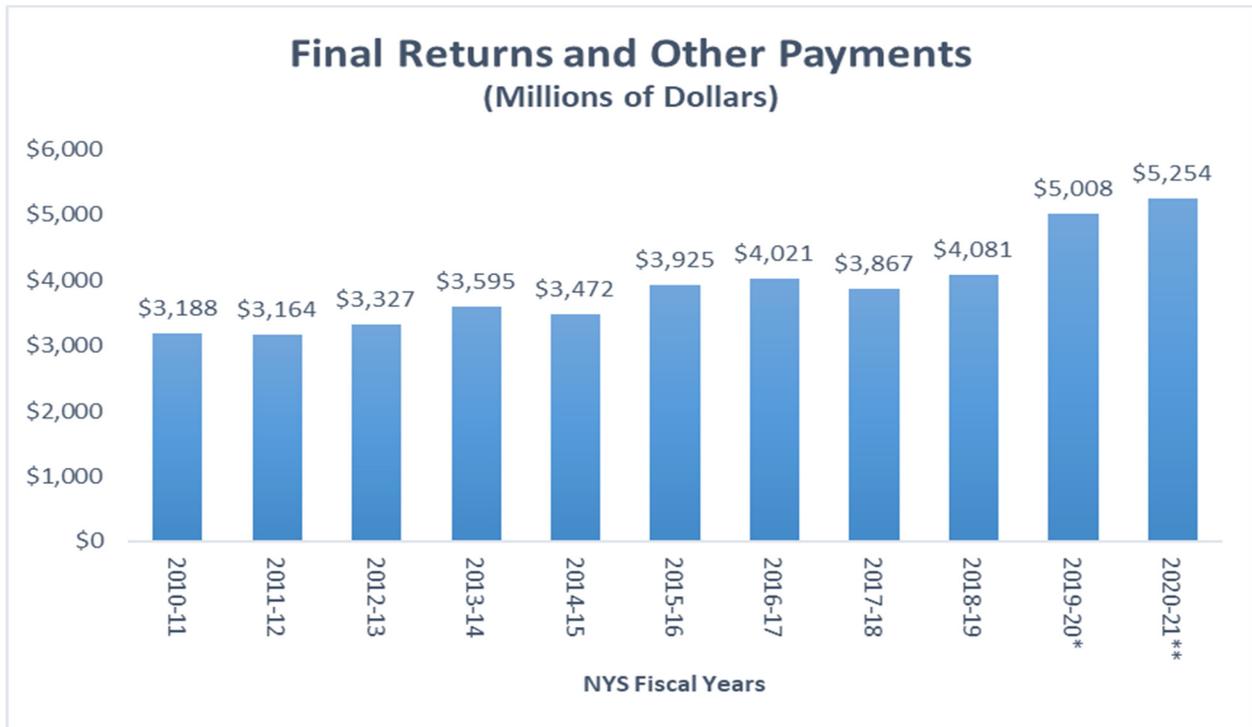
Individuals make estimated payments if the tax they will owe for the year is significantly more than the amount of tax being withheld from their wages. Individuals who have large amounts of non-wage income (*e.g.*, self-employment income, interest, dividends, or capital gains) make these quarterly payments. 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 to file their

annual return. When a taxpayer files for an extension, he or she is required to estimate their tax liability and, if a payment is due, submit it with the extension.

The Senate Majority Conference Finance Committee staff forecast All Funds estimated payments for SFY 2019-20 to be \$16.99 billion, an increase of \$2.99 billion from SFY 2018-19 or a 21.3 percent increase. For SFY 2020-21, All Funds estimated payments are projected to be \$17.9 billion, a \$0.9 billion, or a 5.5 percent increase over SFY 2019-20.

The Executive Budget forecasts All Funds estimated payments for SFY 2019-20 to be \$16.98 billion, an increase of \$2.97 billion from SFY 2018-19 or a 23.9 percent increase. For SFY 2020-21, All Funds estimated payments are projected to be \$17.9 billion, an \$887 million, or a 5.2 percent increase over their SFY 2019-20 projections.

Final Returns and Other Payments (Delinquent)



*2019-20 is estimated

**2020-21 is projected

Source: NYS Department of Taxation and Finance, Senate Majority Conference Finance Committee staff

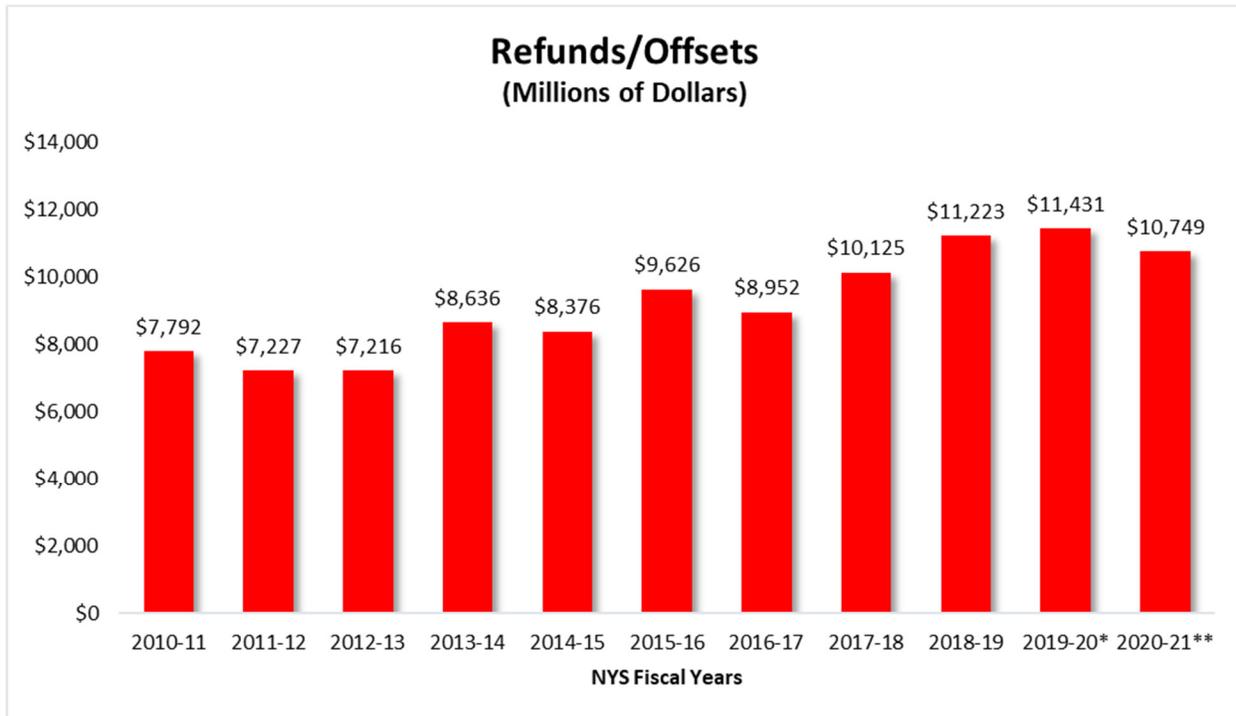
Final returns are usually due on April 15 of every year. The final return is essentially a reconciliation between a taxpayer's withholding and estimated payments and the tax liability calculated on the total personal income received throughout the tax year. Payment is due when the combination of withholding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

Other payments (delinquent) are comprised of assessments due on later or audited returns and filing fees required to be paid by the State's limited liability companies (LLCs) and limited liability partnerships (LLPs).

The Senate Majority Conference Finance Committee staff estimate All Funds final returns and other payments collections for SFY 2019-20 to total \$5.0 billion, \$0.9 billion higher than collections in SFY 2018-19, or a 22.7 percent increase. For SFY 2020-21, the committee staff project All Funds collections from final returns and other payments to be \$5.3 billion, a \$0.2 billion increase from SFY 2019-20, or a 4.9 percent increase.

The Executive Budget estimates All Funds final returns and other payments collections for SFY 2019-20 to total \$4.9 billion, \$0.8 billion higher than collections in SFY 2018-19, or a 20.6 percent increase. For SFY 2020-21, the Executive Budget projects All Funds collections from final returns and other payments to be \$5.3 billion, a \$0.3 billion increase from their SFY 2019-20 projections, or a 6.8 percent increase.

Refunds/Offsets



*2019-20 is estimated

**2020-21 is projected³

Source: NYS Department of Taxation and Finance, Senate Majority Conference Finance Committee staff

A refund occurs when a taxpayer overpays their Personal Income Tax, either through over-withholding or remitting excess estimated payments. Similar to payments made with final returns, refunds are made as a result of filing an annual return.

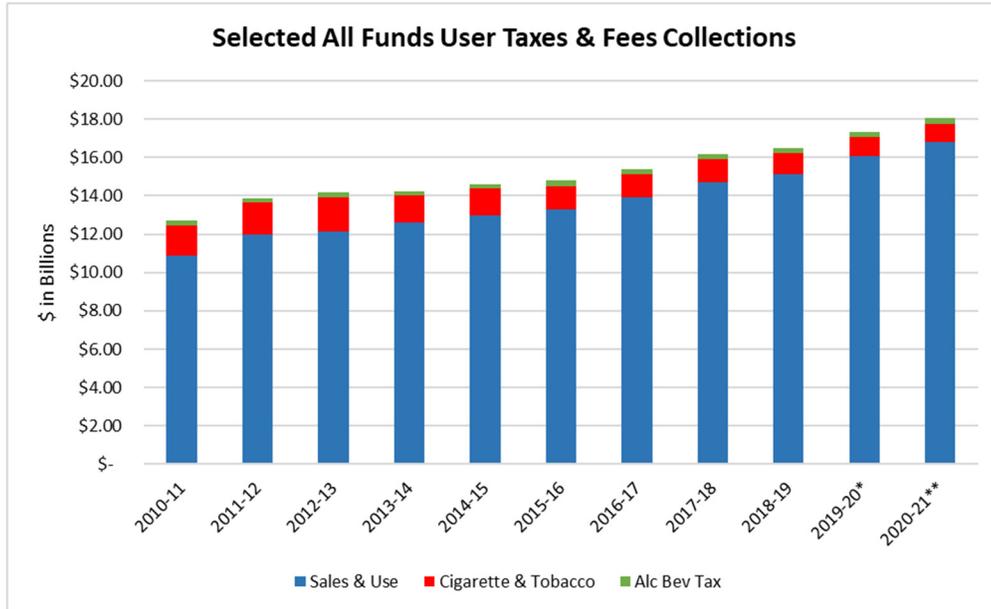
For SFY 2019-20, the Senate Majority Conference Finance Committee staff estimate that All Funds refunds totaled \$10.3 billion, a \$0.3 billion, or a 3.2 percent increase from SFY 2018-19. For SFY 2020-21, All Funds refunds are projected to be \$9.5 billion, a \$0.8 billion, or 7.8 percent, decrease.

For SFY 2019-20 the Executive Budget estimates All Funds refunds to total \$10.3 billion, a \$0.3 billion, or a 3.6 percent increase from SFY 2018-19. For SFY 2020-21, All Funds refunds are

³ Refunds and offsets were summed for purposes of graphical display. The discussion that follows, however, addresses refunds only.

projected to be \$9.5 billion, a \$0.8 billion, or 8.2 percent decrease, from its SFY 2019-20 projections.

User Taxes and Fees

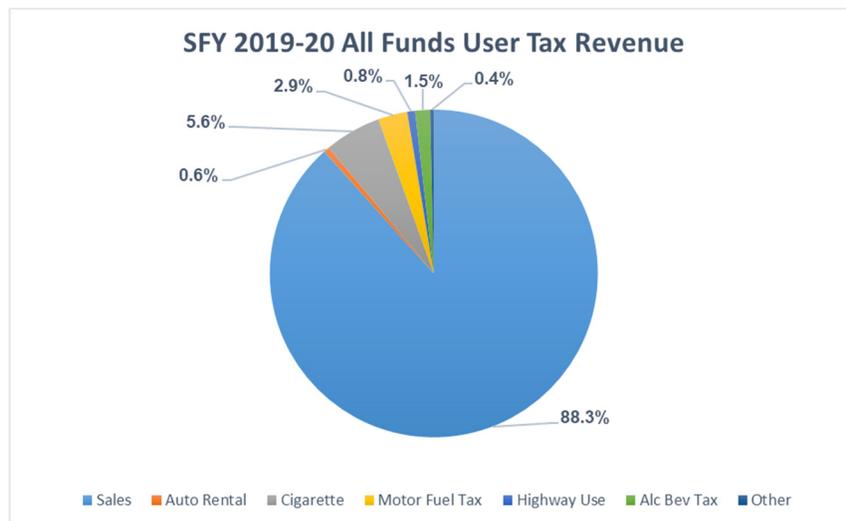


*2019-20 is estimated

**2020-21 is projected

Senate Majority Conference Finance Committee staff

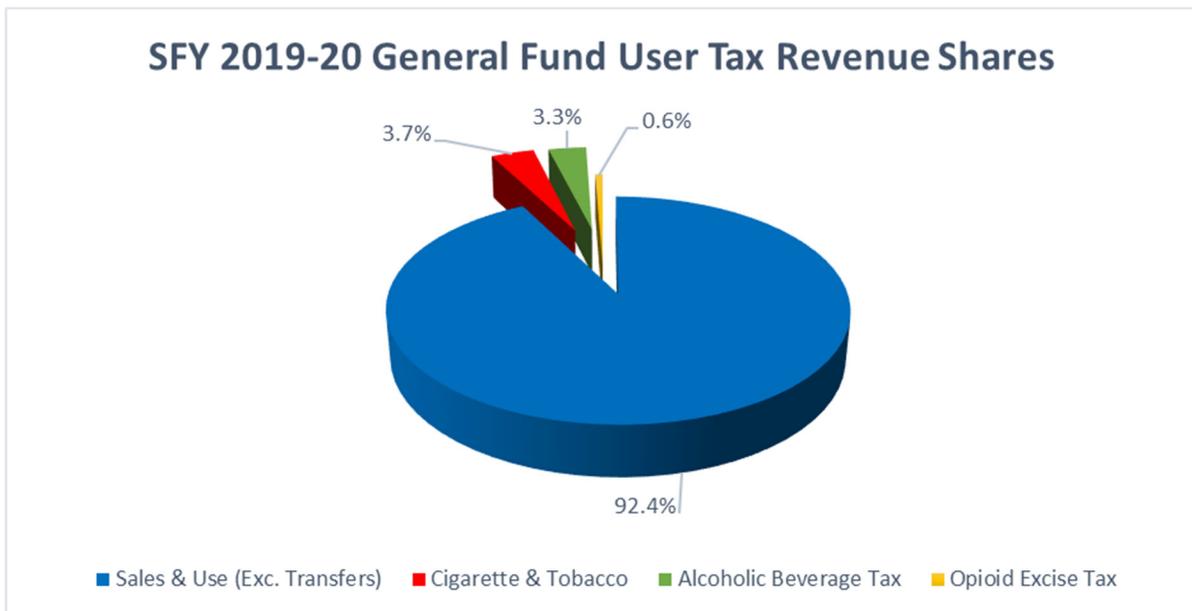
User taxes in New York are primarily comprised of six separate taxes: Sales and Use Tax, Cigarette and Tobacco Tax, Motor Fuel Tax, Alcoholic Beverage Tax, Highway Use Tax, and Auto Rental Tax.



Source: Senate Majority Conference Finance Committee staff

As shown in the previous chart, the Sales and Use Tax dominates user tax collections with 88.3 percent of total user tax collections of in SFY 2019-20.

The Senate Majority Conference Finance Committee staff estimate that All Funds user tax receipts will total \$18.2 billion in SFY 2019-20, a \$0.8 billion or 4.6 percent increase from SFY 2018-19. All Funds user tax receipts for SFY 2020-21 are projected to total \$18.96 billion, a \$0.8 billion or 4.4 percent increase from SFY 2019-20 estimates. Increases reflect projected sales tax base growth, and additional revenue related to the full-year impacts resulting from the SFY 2019-20 Enacted Budget (*e.g.*, requiring marketplace providers to collect tax on sales that they facilitate, eliminating the exemption on Energy Service Companies, etc.) is driving these increases further.



Source: Senate Majority Conference Finance Committee staff

Currently, General Fund revenue from user taxes and fees are comprised of the taxes depicted in the graph above. The Sales and Use Tax is the primary source of collections in this category, accounting for approximately 92.4 percent of such receipts.

Sales Tax

The Sales and Use tax is the second 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 4.0 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 tax.

Effective June 1, 2006, the State sales tax rate on motor fuel and diesel motor fuel was capped at 8 cents per gallon. An additional 5 percent sales tax is imposed on the receipts from the sale of telephone entertainment services that are exclusively delivered aurally.

Counties and cities are also authorized to impose general sales tax rates up to 3 percent above the 4 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 3 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.

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.

The 2018 Supreme Court decision, *South Dakota v. Wayfair, Inc.*, removed a long-standing rule that prohibited the collection of states' sales tax on any retailer that was not physically present in the state. Additionally, the SFY 2019-20 Enacted Budget required marketplace providers to collect sales tax on taxable sales of tangible personal property that they facilitate.

For SFY 2019-20 the Senate Majority Conference Finance Committee staff estimate that State All Funds Sales and Use Tax receipts to be \$16.0 billion, a \$0.9 billion or 6.1 percent increase from SFY 2018-19. General Fund sales and use tax collections are estimated to total \$15 billion in SFY 2019-20, a \$0.9 billion or 6.1 percent increase from SFY 2018-19.

The committee staff project All Funds Sales and Use Tax collections to be \$16.8 billion in SFY 2020-21, a \$0.8 billion or 4.8 percent increase from our SFY 2019-20 estimate. On a General Fund basis, Sales and Use tax collections are projected to be \$15.7 billion in SFY 2020-21, a \$0.7 billion or 4.8 percent increase from SFY 2019-20.

For SFY 2019-20, the Executive Budget estimates All Funds Sales and Use Tax receipts to be \$16.0 billion, a \$0.9 billion or 6.0 percent increase from SFY 2018-19. General Fund collections are estimated to increase to \$15.0 billion in SFY 2019-20, a \$0.8 billion or 6.0 percent increase from SFY 2018-19.

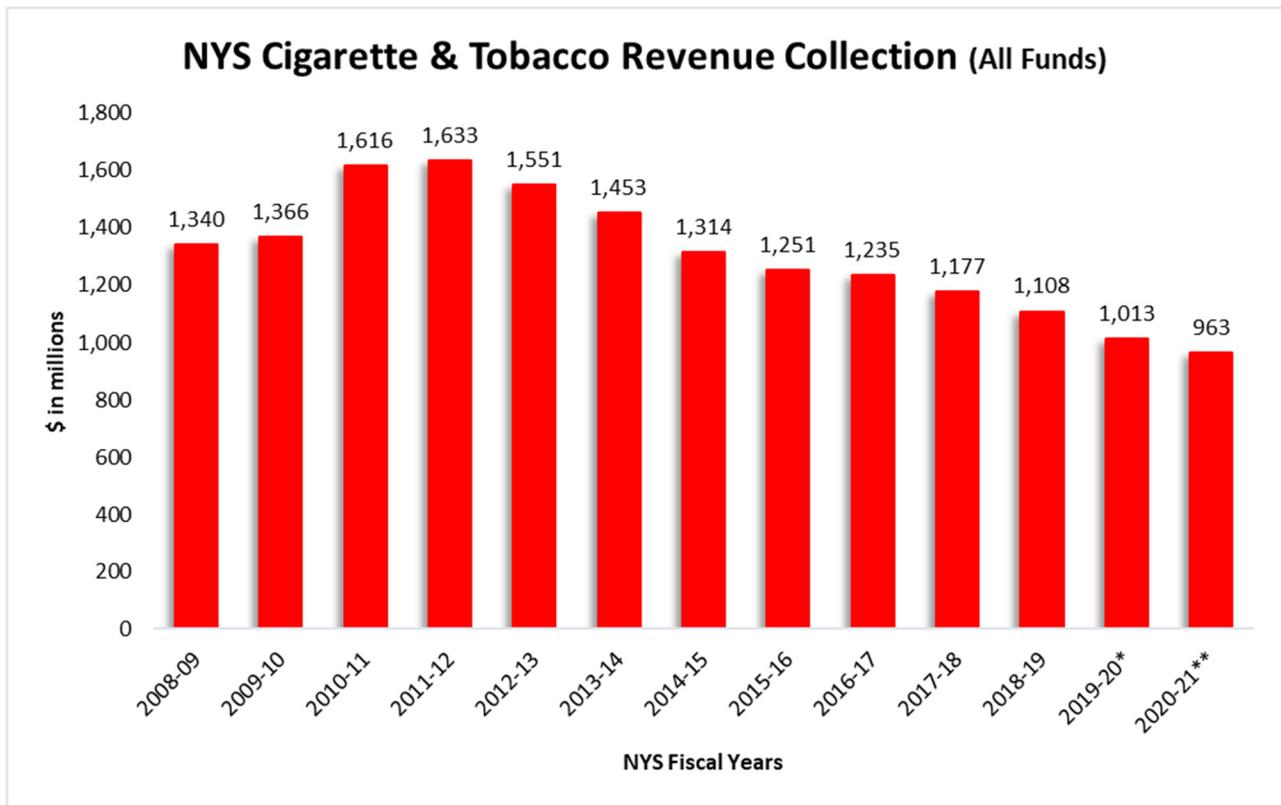
The Executive Budget projects All Funds Sales and Use Tax collections to be \$16.7 billion in SFY 2020-21, a \$0.7 billion or 4.3 percent increase from their SFY 2019-20 projections. On a General Fund basis, Sales and Use tax collections are projected to be \$15.7 billion in SFY 2020-21, a \$0.6 billion or 4.3 percent increase from their SFY 2019-20 projections.

Cigarette and Tobacco Taxes

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 adhered to the package of cigarettes. The tax rate is currently \$4.35 per package of 20 cigarettes.

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, anti-smoking education programs, and changes in consumer preferences toward other types of tobacco.

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 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 75percent of the wholesale price. However, snuff products are taxed at a rate of \$2.00 per ounce.



*2019-20 is estimated

*2020-21 is projected

Source: NYS Department of Taxation and Finance and Senate Majority Conference Finance Committee staff

The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for cigarette and tobacco taxes. All Funds receipts in SFY 2019-20 from the cigarette and tobacco taxes are estimated to be \$1.0 billion, a \$95 million or 8.6 percent decrease from SFY 2018-19 collections. SFY 2019-20 General Fund receipts are estimated to total \$303 million, a decrease of \$25 million, or 7.6 percent from SFY 2018-19.

In SFY 2020-21, All Funds collections are projected to total \$963 million, a decrease of \$50 million, or 4.9 percent from SFY 2019-20. SFY 2020-21 General Fund receipts are estimated to total \$299 million, a decrease of \$4 million or 1.3 percent from SFY 2019-20.

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, generally for highway use, of motor fuel and diesel motor fuel, respectively. The motor fuel tax is levied on fuel used in motor vehicles operating on the public highways of the State 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.

All motor fuel 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.

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.

The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for Motor Fuel Tax. All Funds receipts from the State Motor Fuel Tax are estimated to be \$523 million in SFY 2019-20, a \$5 million or 0.9 percent decrease from SFY 2018-19. For SFY 2020-21, All Funds receipts from the Motor Fuel Tax are projected to total \$524 million, an increase of \$1 million, or 0.2 percent from SFY 2019-20.

Alcoholic Beverage Tax

New York State imposes excise taxes at various rates on liquor, beer, wine, and specialty alcoholic beverages. The tax is remitted by licensed distributors and noncommercial importers of such beverages 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 concur with the Executive Budget forecasts for alcoholic beverage taxes. All Funds Alcoholic Beverage Tax collections are estimated to be \$265 million in SFY 2019-20, an increase of \$3 million, or 1.1 percent from SFY 2018-19.

In SFY 2020-21, All Funds Alcoholic Beverage Tax collections are projected to be \$269 million, a \$4 million, or 1.5 percent increase from SFY 2019-20. Increases in both years are driven by the growth in wine and liquor consumption.

Auto Rental Tax

Since June 1990, the State has imposed a 5.0 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.

In SFY 2009-10, this rate was increased to 6.0 percent. Receipts from the Auto Rental Tax are influenced by the overall health of the economy, particularly consumer and business spending on travel. Also, on June 1, 2009, a supplemental tax at the rate of 5.0 percent was imposed on the receipts from the rental of a passenger car within the Metropolitan Commuter Transportation District (MCTD). In SFY 2019-20, this supplemental tax was increased to the rate of 6.0 percent and expanded to apply statewide. 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 deposited into the General Fund.

The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for Auto Rental Tax. For SFY 2019-20, All Funds collections from the Auto Rental Tax are estimated to be \$108 million, a \$22 million or 16.9 percent decrease from SFY 2018-19. The SFY 2019-20 decline in receipts is driven by an accounting change that directs the Metropolitan Commuter Transportation District (MCTD) supplemental receipts portion of the auto rental tax to the Metropolitan Transit Authority.

In SFY 2020-21, All Funds Auto Rental Tax collections are projected to total \$115 million, an increase of \$7 million, or 6.5 percent from SFY 2019-20. The SFY 2020-21 increase in receipts is due to the first full year of revenue collections from the supplemental rate outside the MCTD.

Highway Use Tax

Articles 21 and 21-A of the State Tax Law established a Highway Use Tax (HUT) on commercial vehicles using the public highways of the State. There are three components of the highway use tax (HUT):

- The Truck Mileage Tax (TMT) is levied on motor carriers who operate commercial vehicles on NYS public highways.
- The fuel use tax ensures that motor carriers who purchase fuel out-of-State but operate a vehicle on NYS 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 deposited in the Dedicated Highway and Bridge Trust Fund (DHBTF) as well as the HUT Administration Account (HUTAA). The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for highway use taxes. For SFY 2019-20, All Funds collections from the HUT are estimated to be \$141 million, a \$4 million, or a 2.8 percent decrease from SFY 2018-19. All Funds collections in SFY 2020-21 are projected to total \$143 million, a \$2 million or 1.4 percent increase from SFY 2019-20.

Taxicab Surcharge

A tax of 50 cents is imposed on all NYC taxicab and hail vehicle trips that originate in NYC and end in the MCTD. The SFY 2019-20 Budget changed the process of distributing taxicab/hail vehicle trip tax revenues so that the MTA would receive these proceeds, approximately \$50 million, directly without appropriation. As a result of these changes, no taxicab and hail vehicle trip tax revenues are expected to be received by the State going forward.

Medical Cannabis Excise 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 Alcoholism and Substance Abuse Services, 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 concur with the Executive Budget projections for the Medical Cannabis Excise tax. All Funds receipts from the Medical Cannabis Excise Tax are estimated to total \$6 million in SFY 2019-20, an increase of \$2 million or 50 percent from SFY 2018-19. For SFY 2020-21, All Funds Medical Cannabis Excise Tax collections are projected to total \$6 million, unchanged from SFY 2019-20.

Opioid Excise Tax

Effective July 1, 2020, an excise tax on the first sale of opioids within the State will be imposed. The tax is imposed at the manufacturer and distributor level. The tax rate varies based on the per-unit wholesale cost of an opioid, a quarter of a cent per morphine milligram equivalent if the wholesale cost is less than fifty cents and one and one-half cents per morphine milligram equivalent if the wholesale cost is fifty cents or more.

The Senate Majority Conference Finance Committee staff concur with the Executive Budget projections for the Opioid Excise tax. All Funds receipts from the Opioid Excise Tax are estimated to total \$50 million in SFY 2019-20, which is the first year of collections. For SFY 2020-21, All Funds collections are projected to total \$100 million, a \$50 million or 50 percent increase.

Vapor Excise Tax

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

The Senate Majority Conference Finance Committee staff concur with the Executive Budget projections for the Vapor Excise tax. All Funds receipts from the Vapor Excise Tax are estimated to be \$10 million in SFY 2019-20, which is the first year of collections. For SFY 2020-21, All Funds Vapor Excise Tax collections are projected to total \$14 million, an increase of \$4 million, or 40 percent.

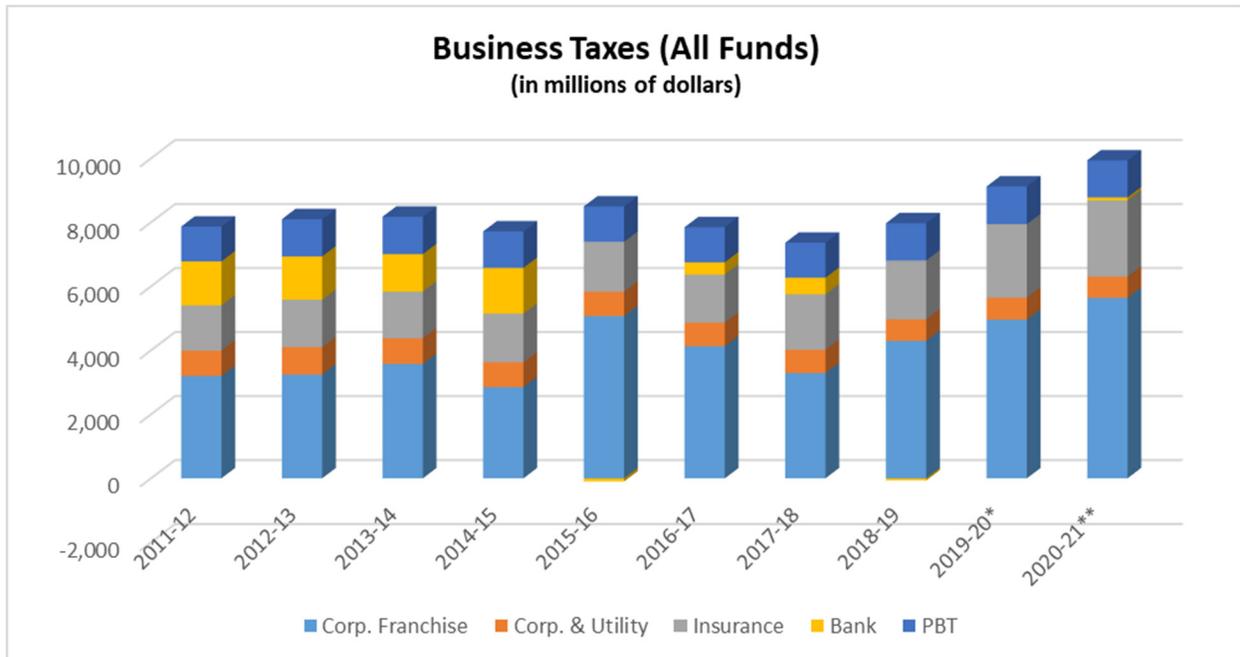
The increase in proceeds from the Vapor Excise Tax in SFY 2020-21, the first full year of collections, is dampened by legislation proposed in the SFY 2020-21 Executive Budget proposal to ban all flavored vapor products.

Business Taxes



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

BUSINESS TAXES



*2019-20 is estimated

**2020-21 is projected

Source: NYS Department of Taxation and Finance, and Senate Majority Conference Finance Committee staff

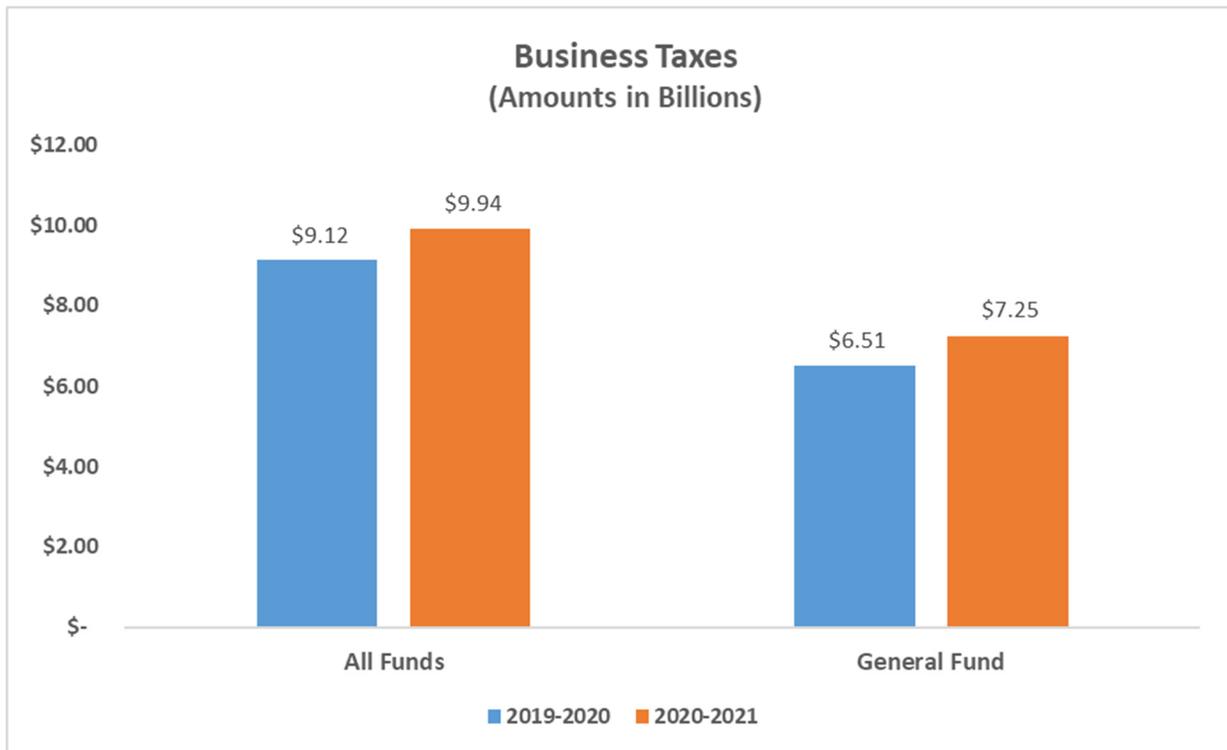
The Senate Majority Conference Finance Committee staff estimate All Funds aggregate business tax receipts to total \$9.1 billion for SFY 2019-20, an increase of \$1.2 billion or 15.3 percent from SFY 2018-19. For SFY 2019-20, General Fund aggregate business tax receipts are estimated to total \$6.5 billion, an increase of \$1 billion, or 18.3 percent from SFY 2018-19.

For SFY 2020-21, the Committee staff project All Funds aggregate business tax receipts to total \$9.9 billion, an increase of \$0.8 billion, or 8.9 percent from SFY 2019-20. General Fund aggregate business tax receipts for SFY 2020-21 are projected to total \$7.3 billion, an increase of \$0.7 billion, or 11.4 percent from SFY 2019-20.

The Executive Budget estimates All Funds aggregate business tax receipts to total \$8.99 billion for SFY 2019-20, a \$1.1 billion or 13.6 percent increase from SFY 2018-19. The growth is primarily due to new for-profit insurance providers subject to premium insurance tax, partially

offset by a large refund. SFY 2019-20 General Fund aggregate business tax collections are estimated to total \$6.4 billion, an increase of \$0.9 billion, or 16.3 percent from SFY 2018-19.

For SFY 2020-21, the Executive Budget projects aggregate All Funds business tax receipts to total \$9.9 billion, an increase of \$0.9 billion, or 10.3 percent from SFY 2019-20. General Fund aggregate business tax receipts for SFY 2020-21 are projected to total \$7.2 billion, an increase of \$0.8 billion, or 12.9 percent from SFY 2019-20.



Source: Senate Majority Conference Finance Committee staff

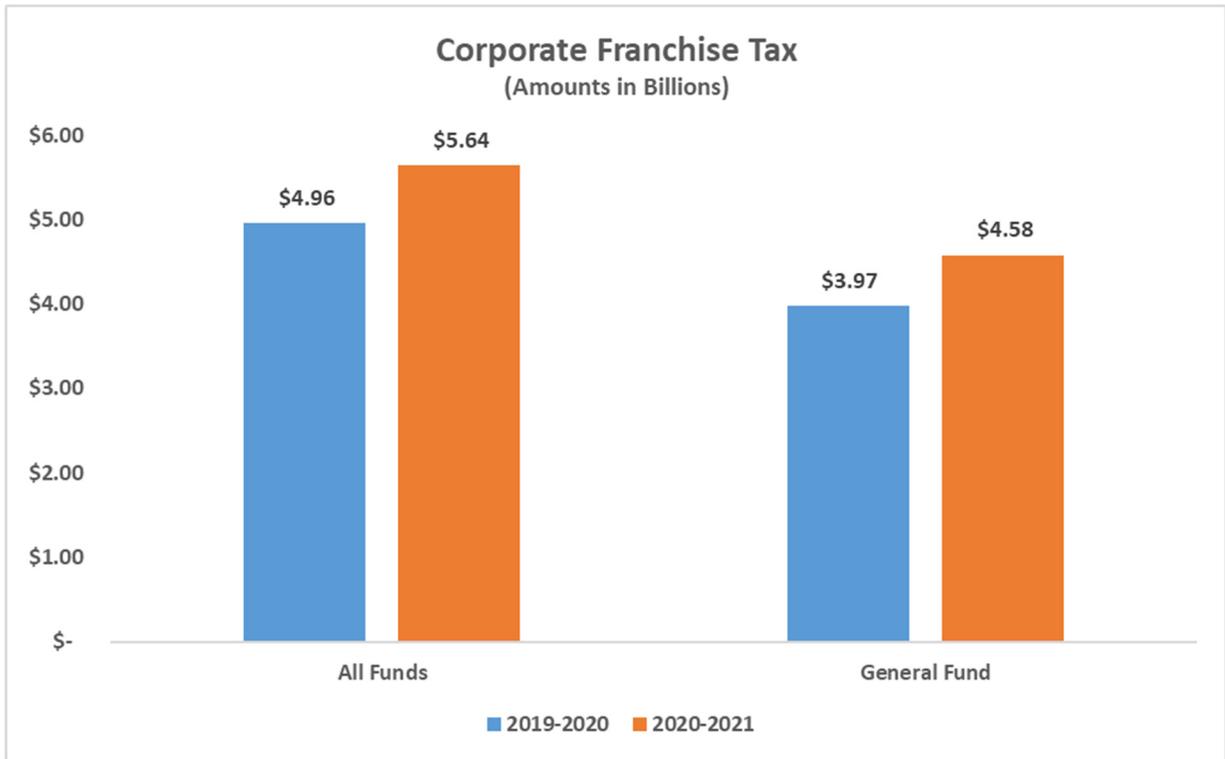
Corporation Franchise Tax

Chapter 59 of the Laws of 2014 enacted NYS corporate tax reform that 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. 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. 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 9.0 percent tax on certain not-for-profit entities on business income earned from activities not related to their exempt purpose.

For C corporations, current NYS tax law requires corporation franchise tax liability 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. The tax year 2019 surcharge tax rate is 28.9 percent. Additionally, the MCTD surcharge is now permanent. All collections from this surcharge are deposited into the Mass Transportation Operating Assistance Fund.



Source: Senate Majority Conference Finance Committee staff

For SFY 2019-20, the Senate Majority Conference Finance Committee staff estimate All Funds corporation franchise tax receipts to total \$4.96 billion, a \$0.7 billion or 15.4 percent increase from SFY 2018-19. These increases reflect significant growth in gross receipts partially offset by a substantial increase in refunds.

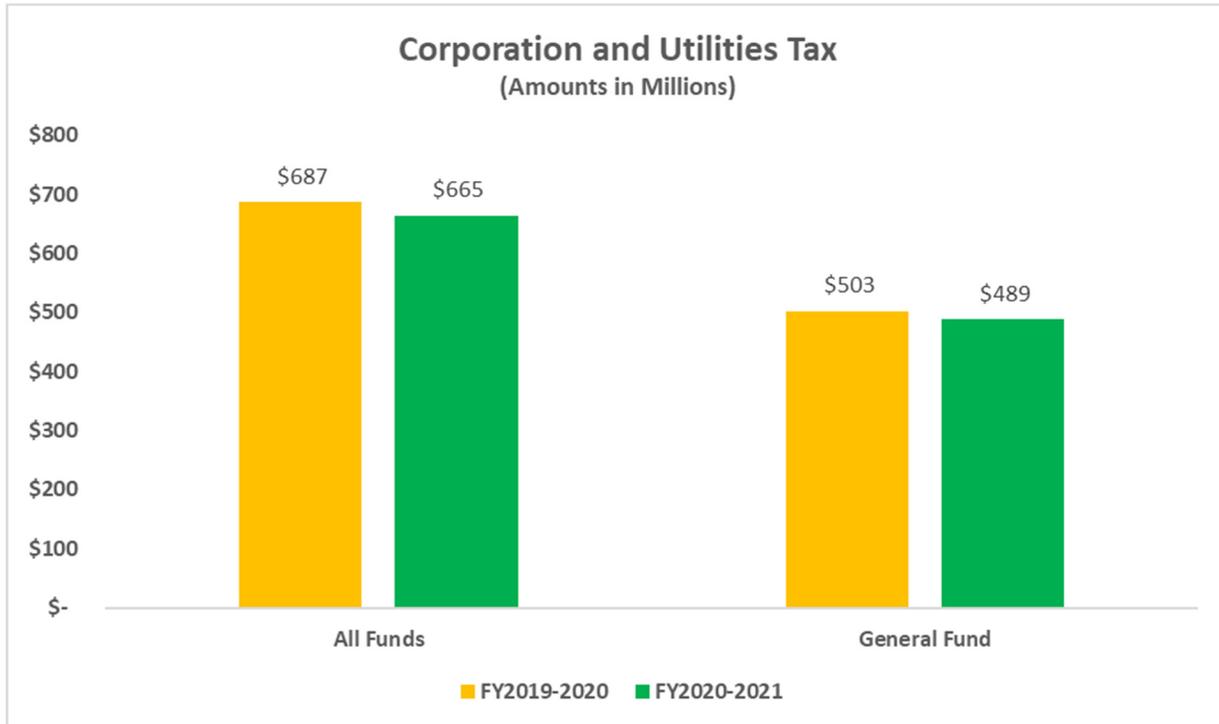
For SFY 2020-21, the committee staff projects All Funds corporation franchise tax receipts to total \$5.6 billion, an increase of \$0.7 billion, or 13.7 percent from SFY 2019-20. This increase reflects higher gross receipts and lower refunds.

For SFY 2019-20, the Executive Budget estimates All Funds corporation franchise tax receipts to total \$4.9 billion, an increase of \$0.6 billion, or 13.5 percent from SFY 2018-19.

For SFY 2020-21, the Executive Budget projects All Funds corporation franchise tax receipts to total \$5.6 billion, an increase of \$0.8 billion, or 15.6 percent from SFY 2019-20.

Corporation and Utilities Tax

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



Source: Senate Majority Conference Finance Committee staff

Section 183 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 outlined tax rates.

Section 184 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 are excluded from the tax.

Railroad and trucking companies that elected to remain subject to Article 9 taxes (rather than to become subject to the corporate 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 transportation-related transactions.

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

Section 186-a 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 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 2019-20, Senate Majority Conference Finance Committee staff estimate All Funds Corporation and Utilities Tax receipts to total \$687 million, an increase of \$15 million, or 2.3 percent from SFY 2018-19. For SFY 2020-21, the committee staff projects All Funds Corporation and Utilities Tax receipts to total \$665 million, a decrease of \$22 million, or 3.3 percent.

For SFY 2019-20, the Executive Budget estimates All Funds Corporation and Utilities Tax receipts to total \$686 million, an increase of \$14 million or 2.1 percent from SFY 2018-19. For SFY 2020-21, the Executive Budget projects All Funds Corporation and Utilities Tax receipts to total \$657 million, a decrease of \$29 million or 4.2 percent decrease from its SFY 2019-20 projections.

Insurance Tax

Under Article 33 of the Tax Law and 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 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.

Tax Rate on Non-Life Insurers

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, and all other premiums received by non-life insurers are taxed at the rate of 2 percent. A \$250 minimum tax applies to all non-life insurers.

Tax Rate on 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 0.8 of one mill (\$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; the tax rate on premiums is 0.7 percent and applies to premiums written on risks located or resident in New York.

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 estimate All Funds Insurance Tax receipts to total \$2.3 billion in SFY 2019-20, an increase of \$454 million, or 24.7 percent from SFY 2018-19. All Funds Insurance Tax receipts are projected to be \$2.4 billion in SFY 2020-21, a \$92 million or 4.0 percent increase from SFY 2019-20.

The Executive Budget estimates All Funds Insurance Tax receipts to total \$2.2 billion in SFY 2019-20, an increase of \$407 million, or 22.2 percent. The estimated increase is primarily due to the conversion of a not-for-profit health insurer to a for-profit health insurer, and growing insurance tax premiums.

The Executive Budget projects All Funds Insurance Tax receipts to total \$2.4 billion in SFY 2020-21, an increase of \$0.1 billion, or 5.3 percent from their SFY 2019-20 projections.

Bank Tax

The bank tax (Article 32) was merged with the corporation franchise tax (Article 9-A), effective with tax years beginning on and after January 1, 2015. However, the State still receives revenue from this tax due to continuing audit and reconciliation efforts.

The Senate Majority Conference Finance Committee staff concur with the Executive Budget estimate that All Funds Bank Tax collections will total \$1 million in SFY 2019-20. The Executive Budget projects that All Funds Bank Tax revenue for SFY 2020-21 will total \$90 million, an increase of \$89 million from SFY 2019-20. The committee staff concur with this forecast.

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, the rates of which 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.

Based on changes in the petroleum PPI, the PBT rate index increased by 5.0 percent on January 1, 2019, and decreased by 2.0 percent on January 1, 2020.

There are no General Fund receipts for this tax. 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 estimate All Funds Petroleum Business Tax receipts for SFY 2019-20 to total \$1.182 billion, an increase of \$16 million or 1.3 percent. This increase is driven by the increase in the PBT rate index on January 1, 2019, discussed earlier. In SFY 2020-21, All Funds Petroleum Business Tax receipts are projected to total \$1.158 billion, a decrease of \$24 million or 2.0 percent. This decrease is driven by the decrease in the PBT rate index on January 1, 2020, discussed earlier.

The Executive Budget estimates All Funds Petroleum Business Tax receipts for SFY 2019-20 to total \$1.178 billion, an increase of \$12 million, or 1 percent from SFY 2018-19. In SFY 2020-21, All Funds Petroleum Business Tax receipts are projected to total \$1.159 billion, a decrease of \$19 million or 1.6 percent from SFY 2019-20.

Other Taxes



SFY 2020-21
ECONOMIC AND REVENUE FORECAST

OTHER TAXES

The “Other Taxes” category is primarily comprised of the Estate Tax, the Real Estate Transfer Tax, the Employer Compensation Expense Program, and pari-mutuel taxes. Prior to SFY 2018-19 collections of the Metropolitan Commuter Transportation Mobility Tax were recorded under Other 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. NYS 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.

Since 2010, changes have been infrequent, with the only significant statutory change being the creation of a “stand-alone” NYS estate tax in 2014, which saw a four-year increase in the basic threshold amount to equal what would have been the Federal basic exemption amount (pursuant to Federal law as it existed on December 1, 2017) beginning January 1, 2019. The basic threshold amount is indexed to inflation on an annual basis. The basic exemption amount is \$5.85 million for decedents dying on or after January 1, 2020.

The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for Estate Taxes. The entirety of the proceeds from the Estate Tax is deposited into the General Fund.

All Funds Estate Tax collections are estimated to total \$1.1 billion in SFY 2019-20, an increase of \$26 million or 2.4 percent from SFY 2018-19. In SFY 2020-21, All Funds Estate Tax collections are projected to total \$1.2 billion, an increase of \$80 million, or 7.3 percent from SFY 2019-20.

Real Estate Transfer Tax

Article 31 of the State Tax Law imposes a real estate transfer tax 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 only when the consideration is \$1 million and above. The tax rate for conveyances of real property to existing real estate investment trusts (REIT) is 0.2 percent.

In 2019, a 0.25 percent real estate transfer tax was imposed on commercial properties \$2 million and above and residential properties \$3 million and above in New York City. Also, a progressive mansion tax was imposed on residential properties in NYC ranging from 0.25 percent on properties that are \$2 million to \$3 million, up to 2.9 percent on properties that are \$25 million and above.

The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for Real Estate Transfer Tax (RETT) collections. All Funds RETT collections for SFY 2019-20 are estimated to total \$1.127 billion, an \$8 million or 0.7 percent decrease from SFY 2018-19. In SFY 2020-21, All Funds RETT collections are projected to total \$1.144 billion, an increase of \$17 million or 1.5 percent from SFY 2019-20.

The General Fund receives no direct deposit of real estate transfer tax receipts.

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 as 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 (TCJA) 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 would be subject to a 5 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 percent in 2020, and 5 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 Bond 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 concur with the Executive Budget projections for the Employer Compensation Expense Program. All Funds receipts from the Employer Compensation Expense Program are estimated to total \$1 million in SFY 2019-20, which is the first year of collections. For SFY 2020-21, All Funds collections from the Employee Compensation Expense Program are projected to total \$3 million, an increase of \$2 million, or 200 percent from SFY 2019-20.

Pari-Mutuel Tax

The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for Pari-Mutuel Tax collections. All Funds Pari-Mutuel Tax collections for SFY 2019-20 and SFY 2020-21 are estimated to total \$15 million for each of both years, which is unchanged from SFY 2018-19.

Other Taxes

The Senate Majority Conference Finance Committee staff concur with the Executive Budget forecasts for Other Taxes collections. All Funds Other Taxes collections for SFY 2019-20 and SFY 2020-21 are estimated to total \$3 million for each of both years, which is unchanged from SFY 2018-19.

Metropolitan Commuter Transportation Mobility Tax

Because of the mobility tax revenue distribution change, the State has not received any revenue generated by the mobility tax after SFY 2017-18. The mobility tax was moved off-budget in the SFY 2018-19 Enacted Budget. This policy eliminates a natural payment processing and provides credit enhancement for the MTA to lower capital financing costs as the revenues will flow more frequently and will not be subject to legislative appropriation.

In SFY 2018-19, the PMT receipts and disbursements that have been excluded are estimated at approximately \$1.5 billion and \$1.6 billion, respectively. In SFY 2019-20, MTA resources attributable to the PMT and supplemental taxes and fees detailed above are estimated at \$1.9 billion.

GENERAL FUND MISCELLANEOUS RECEIPTS

Miscellaneous receipts cover a broad range of independent revenue sources with significant recurring income derived from 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 nonrecurring transactions.

Historically, General Fund license and fee revenues have grown modestly and fairly consistently, aside from minimal peaks and troughs usually associated with law changes.

General Fund Receipts (\$ Millions)	SFY 2018-19 Actual	SFY 2019-20 Estimated	SFY 2020-21 Projected
Licenses, Fines, and Fees	744	695	677
Abandoned Property	494	450	450
Motor Vehicle Fees	317	321	331
Alcoholic Beverage License Fees	74	73	67
Reimbursements	161	112	124
Investment Income	134	152	79
Extraordinary Settlements	1,106	787	0
Other Transactions	556	389	378
Total	3,586	2,979	2,106

Source: NYS Division of Budget

The trends in investment income are directly related to the General Fund account balances and interest rates.

The Senate Majority Conference Finance Committee staff concur with the Executive Budget projections for General Fund Miscellaneous Receipts in all categories for all years.

In SFY 2019-20, General Fund miscellaneous receipts are estimated to total \$2.979 billion, a decrease of \$607 million, or 16.9 percent from SFY 2018-19. This large decrease is primarily due to the loss of one-time Extraordinary Monetary Settlements in the General Fund. In SFY 2020-21, General Fund miscellaneous receipts are estimated to total \$2.1 billion, a decrease of \$873 million, or 29.3 percent from SFY 2019-20.