



New York State Senate Democratic Majority

2022 ECONOMIC AND REVENUE REPORT

Senate Majority Conference Finance Committee

Prepared by Senate Majority Finance Committee Staff

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Dear Colleagues:

I am pleased to provide you with the 2022 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) 2021-22 and 2022-23.

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 the State is still recovering from the COVID-19 pandemic, and that it will take many years for things to return to a pre-pandemic level. While revenues are seemingly improving, particularly as the economy opens back up, the recovery is affecting certain industries differently, with those hardest hit still struggling. The State must keep this in mind over the next several weeks and the months and years ahead.

The Senate Finance Committee staff projects that All Funds receipts, including federal sources, will total \$228.8 billion in SFY 2021-22, which is \$1.6 billion or 0.7 percent above the level estimated by the Executive Budget Financial Plan. For SFY 2022-23, the Senate Finance Committee staff forecasts that All Funds receipts, including federal sources, will total \$221.7 billion which is \$1.0 billion or 0.5 percent higher than the Executive Budget Financial Plan forecast.

This analysis, prepared by the Senate Finance Committee staff, will support our careful deliberation of the revenue and economic projections contained in the SFY 2022-23 Executive Budget. I look forward to working with you to construct an enacted State Budget that serves the needs of all New Yorkers.

Sincerely,

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

Liz Krueger
Chair
Senate Finance Committee

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Senator Liz Krueger, Chair

Senator Jamaal T. Bailey

Senator Neil D. Breslin

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Senator Julia Salazar

Senator Diane J. Savino

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2022 Economic and Revenue Report

Senate Majority Conference Finance Committee

**Senator Liz Krueger
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Prepared by Senate Majority Finance Committee Staff

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EXECUTIVE SUMMARY

The Senate Majority Conference Finance Committee has produced this State Fiscal Year (SFY) 2022-23 Economic and Revenue Forecast as part of the revenue and economic consensus process mandated in Chapter 309 of the Laws of 1996.

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

The conveners of the Conference also invite the New York State Comptroller and other participants to the Conference, to provide guidance on 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 ensuing State Fiscal Years.

State Revenue

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

The Senate Majority Conference Finance Committee staff SFY 2021-22 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.5 billion more than the Executive Budget Financial Plan estimate of \$48.0 billion. The committee staff's SFY 2022-23 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.1 billion more than the Executive Budget Financial Plan estimate of \$42.3 billion. The committee staff's two-year aggregate projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$2.6 billion more than the Executive Budget Financial Plan projections.

The committee staff's SFY 2021-22 estimate for All Funds receipts, excluding Federal funding is \$1.6 billion more than the Executive Budget Financial Plan receipts estimate of \$127.2 billion. The committee staff's SFY 2022-23 projection for All Funds receipts is \$1.0 billion above the Executive Budget Financial Plan receipts estimate, excluding Federal funding of \$136.2 billion. The committee staff's two-year aggregate All Funds receipts projection is \$2.6 billion more than the Executive Budget Financial Plan projections.

U.S and New York State Economic Outlook

The economic outlook for the United States and New York is on the upswing, despite slower growth in 2021, due mostly to the impact of the Omicron variant, ongoing supply chain and labor shortage issues, and the expiration of Federal pandemic assistance programs. 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. Prior to the COVID-19 pandemic, the U.S. was in its longest period of economic expansion. However, in 2020 the impact of COVID-19, and the policies enacted to curb its spread caused a widespread economic downturn. In 2021 the economy began showing signs of significant recovery. For example, in January 2021, the average forecast of Moody's analytics for the U.S. economy was 5.0 percent growth for 2021. By January 2022, Moody's analytics estimate for 2021 was 5.7 percent, reflecting an increase of 0.7 percent over prior forecasts.

Real U.S. GDP is estimated to have increased by 5.7 percent in Calendar Year (CY) 2021 but is projected to grow at a slower rate of 3.7 percent in CY 2022, reflecting the impact of the Omicron variant and ongoing supply chain and labor shortage issues. Committee staff estimate a continuation of growth in CY 2023 of 3.0 percent, 0.4 percent above the Executive estimate of 2.6 percent. U.S. wages are estimated to have increased by 9.1 percent in CY 2021. Committee staff expects U.S. wages to continue to increase by 8.5 percent and 5.3 percent in CY 2022 and CY 2023, compared to the Executive estimates of 8.1 percent and 5.0 percent respectively. This is attributable to businesses working to attract new workers and maintain existing workforces amid labor shortages.

The Federal Reserve Bank of St. Louis's coincident economic activity index for the United States, which includes the indicators of nonfarm payroll employment, unemployment rate, average hours worked in manufacturing, and wages and salaries, increased by 6.91 points or 5.5 percent, to end the year at 131.85. (This index's benchmark score of 100 points reflects the state of these economic indicators in 2007.) The same measurement for New York State increased by 10.02 points or 8.7 percent over that same period.

Changes in personal income are projected to differ between the U.S. and the State. For CY 2022 and 2023, U.S. personal income is expected to grow at 2.2 percent and 5.2 percent, respectively. For CY 2022, New York State personal income is estimated to experience moderate growth of 2.2 percent, followed by more substantial growth of 4.9 percent in CY 2023.

For Calendar Year 2021, the U.S. unemployment rate is expected to average 5.4 percent, before dropping to 3.6 percent in CY 2022 and 3.4 percent in CY 2023. The State metric is worse than the comparable U.S. metric. The State unemployment rate, which averaged 7.6 percent for Calendar Year (CY) 2021, is expected to average 4.7 percent by the end of CY 2022 and 3.6 percent through CY 2023.

REVENUE FORECAST HIGHLIGHTS

General Fund Receipts SFY 2021-22 and SFY 2022-23

The Senate Majority Conference Finance Committee staff conclude that:

- General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, in SFY 2021-22 will total \$49.5 billion. This estimate represents an increase of \$1.3 billion or 2.7 percent over SFY 2020-21.
- The SFY 2021-22 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.5 billion more than the Executive Budget Financial Plan estimate of \$48.0 billion.
- The SFY 2022-23 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$43.4 billion. This estimate represents a decline of \$6.1 billion or 12.3 percent from the committee staff's SFY 2021-22 estimate.
- The SFY 2022-23 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers is \$1.1 billion more than the Executive Budget Financial Plan receipts estimate of \$42.3 billion.

All Funds Receipts SFY 2021-22 and SFY 2022-23

The committee staff conclude that:

- The SFY 2021-22 estimate for All Funds receipts, excluding federal receipts, is \$128.8 billion. This estimate represents an increase of \$15.6 billion or 13.8 percent more than the SFY 2020-21 results of \$113.1 billion.
- The SFY 2021-22 estimate for All Funds receipts is \$1.6 billion more than the Executive Budget Financial Plan receipts estimate of \$127.2 billion, excluding federal receipts.
- The SFY 2022-23 projection for All Funds receipts is \$137.3 billion. This estimate represents an increase of \$8.5 billion or 6.6 percent from the committee staff's SFY 2021-22 estimate.
- The SFY 2022-23 projection for All Funds receipts, excluding federal receipts, is \$1.0 billion more than the Executive Budget Financial Plan receipts estimate of \$136.2 billion.

REVENUE TABLES

General Fund Receipts (amounts in millions of dollars)			
Receipts	SFY 2021-22 Estimate		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	51,495	52,891	1,396
Estimated Payments	21,995	21,525	(470)
Final Payments	4,382	4,490	108
Other Payments	1,483	1,583	100
Gross Collections	79,355	80,490	1,135
Refunds/Offsets	(11,233)	(11,222)	11
Reported Collections	68,122	69,268	1,146
STAR (Dedicated Deposits)	(1,939)	(1,939)	0
RBTF (Dedicated Transfers)	(34,058)	(34,058)	0
Total	32,125	33,271	1,146
User Taxes and Fees			
Sales and Use	16,137	16,131	(6)
Cigarette/Tobacco	293	293	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage	274	274	0
Opioid Excise Tax	26	30	4
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Gross Collections	16,730	16,727	(3)
LGAC/STBF (Dedicated Transfers)	(12,103)	(12,103)	0
Total	4,627	4,624	(3)
Business Taxes			
Corporation Franchise Tax	5,577	5,843	266
Corporation and Utilities Tax	401	401	0
Insurance Taxes	2,056	2,056	0
Bank Tax	125	125	0
Petroleum Business Tax	0	0	0
Total	8,159	8,425	266
Other Taxes			
Estate Tax	1,271	1,321	50
Real Estate Transfer Tax	1,473	1,613	140
Emp. Comp. Expense Program	13	13	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
Gross Collections	2,772	2,962	190
Real Estate Transfer Tax (Dedicated)	(1,472)	(1,613)	(141)
RBTF (Dedicated Transfers)	(7)	(7)	0
Total	1,293	1,342	49
Total Tax Receipts	46,204	47,662	1,458
Miscellaneous Receipts	1,839	1,839	0
Total	48,043	49,501	1,458

General Fund Receipts (amounts in millions of dollars)			
Receipts	SFY 2022-23 Forecast		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	51,638	53,732	2,094
Estimated Payments	10,402	9,980	(422)
Final Payments	4,664	4,814	150
Other Payments	1,533	1,651	118
Gross Collections	68,237	70,177	1,940
Refunds/Offsets	(19,211)	(19,907)	(696)
Reported Collections	49,026	50,270	1,244
STAR (Dedicated Deposits)	(1,831)	(1,831)	0
RBTF (Dedicated Transfers)	(24,512)	(24,512)	0
Total	22,683	23,927	1,244
User Taxes and Fees			
Sales and Use	16,986	16,608	(378)
Cigarette/Tobacco	303	303	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage	277	277	0
Opioid Excise Tax	26	26	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Gross Collections	17,592	17,214	(378)
LGAC/STBF (Dedicated Transfers)	(10,644)	(10,644)	0
Total	6,948	6,570	(378)
Business Taxes			
Corporation Franchise Tax	6,954	7,178	224
Corporation and Utilities Tax	420	420	0
Insurance Taxes	2,128	2,128	0
Bank Tax	70	70	0
Petroleum Business Tax	0	0	0
Total	9,572	9,796	224
Other Taxes			
Estate Tax	1,266	1,316	50
Real Estate Transfer Tax	1,282	1,404	122
Emp. Comp. Expense Program	14	14	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
Gross Collections	2,577	2,749	172
Real Estate Transfer Tax (Dedicated)	(1,282)	(1,404)	(122)
RBTF (Dedicated Transfers)	(7)	(7)	0
Total	1,288	1,338	50
Total Tax Receipts	40,491	41,630	1,139
Miscellaneous Receipts	1,789	1,789	0
Total	42,280	43,419	1,139

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2021-22 Estimate		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	51,495.0	52,891.4	1,396.4
Estimated Payments	21,995.0	21,524.9	(470.1)
Final Payments	4,382.0	4,490.3	108.3
Other Payments	1,483.0	1,583.0	100.0
Gross Collections	79,355.0	80,489.7	1,134.7
Refunds/Offsets	(11,233.0)	(11,221.6)	11.4
Net Collections	68,122.0	69,268.0	1,146.0
User Taxes and Fees			
Sales and Use	17,226.0	17,219.1	(6.9)
Cigarette/Tobacco	964.0	964.0	0.0
Vapor Excise Tax	27.0	27.0	0.0
Motor Fuel Tax	485.0	485.0	0.0
Alcoholic Beverage	274.0	274.0	0.0
Opioid Excise Tax	26.0	29.5	3.5
Medical Cannabis Excise Tax	13.0	13.0	0.0
Adult-Use Cannabis Tax	0.0	0.0	0.0
Highway Use Tax	144.0	144.0	0.0
Auto Rental Tax	99.0	104.0	5.0
Total	19,258.0	19,259.6	1.6
Business Taxes			
Corporation Franchise Tax	7,013.0	7,347.7	334.7
Corporation and Utilities Tax	529.0	529.0	0.0
Insurance Taxes	2,281.0	2,281.0	0.0
Bank Tax	151.0	151.0	0.0
Petroleum Business Tax	1,035.0	1,035.0	0.0
Total	11,009.0	11,343.7	334.7
Other Taxes			
Estate Tax	1,271.0	1,321.0	50.0
Real Estate Transfer Tax	1,473.0	1,613.3	140.3
Emp. Comp. Expense Program	13.0	13.0	0.0
Pari-Mutuel	13.0	13.0	0.0
Other (Racing and Combative Sports)	2.0	2.0	0.0
Total	2,772.0	2,962.3	190.3
Total Tax Receipts	101,161.0	102,833.7	1,672.7
Miscellaneous Receipts	26,017.0	25,938.5	(78.5)
Total	127,178.0	128,772.2	1,594.2

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2022-23 Forecast		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	51,638.0	53,732.3	2,094.3
Estimated Payments	28,032.0	26,894.1	(1,137.9)
Final Payments	4,664.0	4,813.8	149.8
Other Payments	1,533.0	1,651.0	118.0
Gross Collections	85,867.0	87,091.2	1,224.2
Refunds/Offsets	(12,711.0)	(13,171.6)	(460.6)
Net Collections	73,156.0	73,919.5	763.5
User Taxes and Fees			
Sales and Use	18,137.0	17,733.2	(403.8)
Cigarette/Tobacco	944.0	944.0	0.0
Vapor Excise Tax	27.0	27.0	0.0
Motor Fuel Tax	485.0	485.0	0.0
Alcoholic Beverage	277.0	277.0	0.0
Opioid Excise Tax	26.0	26.0	0.0
Medical Cannabis Excise Tax	13.0	13.0	0.0
Adult-Use Cannabis Tax	56.0	56.0	0.0
Highway Use Tax	144.0	144.0	0.0
Auto Rental Tax	98.0	98.0	0.0
Total	20,207.0	19,803.2	(403.8)
Business Taxes			
Corporation Franchise Tax	8,697.0	8,977.3	280.3
Corporation and Utilities Tax	570.0	570.0	0.0
Insurance Taxes	2,358.0	2,358.0	0.0
Bank Tax	84.0	84.0	0.0
Petroleum Business Tax	1,081.0	1,081.0	0.0
Total	12,790.0	13,070.3	280.3
Other Taxes			
Estate Tax	1,266.0	1,315.8	49.8
Real Estate Transfer Tax	1,282.0	1,404.1	122.1
Emp. Comp. Expense Program	14.0	14.0	0.0
Pari-Mutuel	13.0	13.0	0.0
Other (Racing and Combative Sports)	2.0	2.0	0.0
Total	2,577.0	2,748.9	171.9
Total Tax Receipts	108,730.0	109,541.9	811.9
Miscellaneous Receipts	27,514.0	27,723.3	209.3
Total	136,244.0	137,265.1	1,021.1

ECONOMIC OUTLOOK

Economic Highlights:

The Senate Majority Conference Finance Committee staff believes that:

- The U.S. economy expanded by an estimated 5.7 percent in CY 2021 and will continue to grow, albeit at a slower rate, by 3.7 percent in CY 2022 and by 3.0 percent in CY 2023.
- The U.S. unemployment rate, which averaged 8.1 percent in CY 2020, declined significantly to an estimated 5.4 percent in CY 2021. The rate is expected to reduce gradually to 3.6 percent in CY 2022 and to 3.4 percent in CY 2023.
- U.S. Personal Income grew by 7.3 percent in CY 2021 but will slow to 2.2 percent growth in CY 2022 and then rise to 5.2 percent growth in CY 2023.

U.S Gross Domestic Product

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, hire new workers, 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, through personal consumption, is the major driving force for the U.S. economy. Consumption accounts for approximately 69-70 percent of U.S. GDP. Although business accounts for a relatively small share of GDP, it is still an important contributor to the economy as it directly supports aggregate employment and wages, which engender consumer spending. Government, through various spending and monetary policy, also plays a significant role in the U.S. economy. In the fourth quarter of 2021, U.S. GDP increased at an annual rate of 6.9 percent, according to the advance estimate released by the Bureau of Economic Analysis. The increase in real GDP reflected increases in exports, private inventory investment, personal consumption expenditures (PCE), and nonresidential fixed investments. The increase in exports includes increases in both goods, comprised of consumer goods, industrial supplies and materials, food, feeds, and beverages; and services, primarily attributed to travel. The primary drivers behind the increase in private inventory investments are retail, with motor vehicle dealers being the leading contributor, and wholesale trade industries. The increase in a PCE reflects an increase in services, led by health care, recreation, and transportation. The increase in nonresidential fixed investment primarily reflects an increase in intellectual property products, offset by a decrease in structure. While the overall real GDP increased, an offset to such increase was the result of decreases in federal, state, and local government spending.

NEW YORK AND U.S. ECONOMIC TRENDS

2021 NEW YORK STATE TRENDS

Overview

According to the Federal Reserve's January 2022 Beige Book, New York's economy grew at a subdued pace in late 2021, restrained by supply chain disruptions, labor shortages, and the Omicron outbreak. Reported holiday sales were solid, employment and wages increased, and businesses noted ongoing widespread escalation in both input costs and selling prices. There is continued optimism about the near-term business outlook.

Employment and Wages

The Federal Reserve reports that the labor market has continued to increase modestly. Despite this increase, the job market remains tight. Staffing agencies in both New York City and upstate New York report that hiring remains strong, particularly for technology, sales, and human resources. However, businesses continue to have trouble hiring and retaining workers. Labor shortages persist across many industries and businesses in most sectors plan to add workers going forward.

Wages have continued to increase, with most sectors reporting rising wages. Minimum wages across most of New York State are up as of January. Going forward businesses across all major sectors foresee annual wage increases averaging around 6 percent. Despite these increases a New York City employment agency reports there are large gaps between candidates' salary requirements and prospective employers' offers.

Prices

Business input prices overall have continued to rise, notably due to shortages and exceptionally high costs of a wide range of supplies, including metals, chemicals, construction materials, glass bottles, and paper. Businesses in most sectors expect further increases in the price they pay in the months ahead.

Selling prices have also increased, led by widespread hikes among retailers, wholesale distributors, and manufacturers. Notably, one business observed that selling prices, based on acquisition costs, have not yet risen significantly but are likely to in the first half of 2022. Looking ahead, a majority of businesses indicated plans to raise their selling prices in the next few months.

Consumer Spending

The Beige Book reports that consumer spending has been steady overall since the last report, which had indicated mixed consumer spending. Retail holiday spending was solid. Sales in November were robust but tapered off a bit in December, largely caused by the Omicron outbreak. Supply disruptions caused scattered inventory shortages but were not too disruptive overall. New York City continues to lag behind, hampered by fewer commuters and visitors. Interestingly, while in-store sales remain moderately below 2019 levels on-line sales have helped boost total sales above pre-pandemic levels.

Ongoing supply issues have caused new vehicle sales to continue to weaken below late 2020 levels, which were already well below pre-pandemic levels. Many dealers report having little or no inventory and a 6-month lag to fill customer orders. However, sales of used vehicles have picked up. Although inventories are limited, they are not as severe as for new autos. Consumer confidence among New York State residents rose to a 5-month high in early December.

Manufacturing and Distribution

Manufacturing activity expanded at a subdued pace in December, while wholesale trade contacts, transportation, and warehousing continued to expand briskly. Looking forward businesses continue to express optimism despite further deterioration in the availability of supplies and escalating prices.

Services

Service industry contacts reported weakening in business activity in the final weeks of the year while having generally reported that business activity had been expanding at a modest pace in the previous reporting period. Specifically, businesses in information, leisure and hospitality, education and health sectors noted a drop-off in activity. However, businesses in professional and business services reported moderate growth and remain optimistic about the near-term outlook.

Tourism and other service-sector activity in New York City has remained weak, further dampened by the Omicron outbreak. Subway ridership, which had been trending upward through November, took a noticeable downturn in December and was still more than 50 percent below pre-pandemic levels. New York City scaled back its New Year's Eve celebration sharply, as evidenced by a crowd capacity limit of 15,000 which is a fraction of normal, pre-pandemic turnout.

Real Estate and Construction

Housing markets have remained mixed in the latest reporting period. Sales markets in New York remained strong in the final weeks of 2021. New York City's co-op and condo market remained high and inventories fell to more normal levels. Lean inventories of unsold homes have restrained sales, pushing up prices and causing bidding wars.

The residential rental market was slightly stronger in New York City. This reflects declining vacancy rates, slightly increasing rents, and diminished concessions. Rents on larger apartments, and those in door attendant buildings are now above pre-pandemic levels.

Commercial real estate markets have strengthened slightly, on balance, and the retail leasing market has shown signs of picking up. In New York City availability rates remained relatively unchanged, rent showed signs of leveling off, and leasing activity has been steady. Across the metropolitan region, office vacancy rates declined and rents were steady to slightly weaker. In upstate New York, markets were steady to slightly weaker. The market for industrial space continued to strengthen with vacancies near record lows and rents continuing to increase.

New construction has reported a slight uptick in activity, though ongoing supply chain shortages and soaring prices have continued to restrain activity. Both multi-family residential and non-residential construction starts weakened. However, there is ongoing construction in the pipeline.

Banking and Finance

Finance sector contacts reported ongoing improvement in business conditions. Still, small- to medium-sized banks reported little change in overall loan demand. Increases observed in the demand for commercial mortgages were offset by weaker demand for consumer loans and residential mortgages. Refinancing activity declined and both credit standards and delinquency rates were unchanged across all categories.

2021 NATIONAL TRENDS

Overview

According to the Beige Book, most Federal Reserve Districts reported that economic activity expanded at a modest pace in the final weeks of 2021, constrained by ongoing supply chain disruptions and labor shortages. Despite the modest growth, demand for materials and input, and demand for workers remained elevated among businesses. Lending activity picked up slightly towards the end of the year, led by commercial real estate borrowers. Consumer spending continued to grow at a steady pace, however, most districts noted a sudden pull back in leisure travel, hotel occupancy, and patronage at restaurants as the number of new COVID-19 cases spiked. The manufacturing sector continued to expand nationally and overall activity in the transportation sector expanded at a moderate pace. Farm incomes were elevated through 2021. Agricultural conditions were marred by drought conditions across several Districts. Optimism remained generally high, however, several Districts cited reports from businesses that expectations for growth through the beginning of 2022 cooled somewhat.

Employment and Wages

A majority of Districts reported that employment rose, although the pace was slow. However, a growing number of Districts reported that demand for additional workers remains strong. Job openings were up but overall payroll growth was constrained by persistent labor shortages. Tightness in labor markets drove wage growth nationwide, with some businesses highlighting additional growth in labor costs associated with non-wage benefits. Wage gains among low-skill workers were strong and compensation growth remained well above historical averages across industries, work demographics, and geographies. In addition to wage gains, many businesses reported adjustments to job demands, such as accommodating part-time work or adjusting qualification requirements to attract more applicants and retain existing workforces.

Prices

Almost all Districts saw solid increases in prices since the last report. However, some also noted that price increases had slowed a bit from the robust pace experienced in recent months. Notably, wholesale and materials prices contribute to pricing pressures across a wide range of industries, from service providers to producers. Many businesses attributed the high cost of inputs to ongoing supply chain disruptions, although some businesses suggested that transportation bottlenecks had stabilized in recent weeks. Ongoing labor shortages and associated wage growth, in addition to elevated procurement costs added cost pressure to businesses.

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

U.S. and New York State Economies Calendar Year (CY)			
U.S. Economy	2021 Estimate	2022 Forecast	2023 Forecast
Real GDP	5.7	3.7	3.0
Personal Income	7.3	2.2	5.2
Non-Farm Employment	2.8	4.0	1.6
Consumer Price Index (CPI)	4.7	5.1	2.4
Wages	9.1	8.5	5.3
Unemployment Rate (Percent)	5.4	3.6	3.4
10-Year Treasury Yield	1.4	2.1	2.8
Corporate Profits	24.4	5.9	5.9
Government Spending	0.6	1.2	1.4
New York State Economy			
Non-Farm Employment (Total)	1.7	4.1	2.0
Wages (Total)	7.5	7.1	4.3
Personal Income	5.5	2.2	4.9
Unemployment Rate (Percent)	7.6	4.7	3.6
Composite CPI of New York	1.5	2.0	2.1

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

The COVID-19 pandemic has rapidly and drastically shifted the economic landscape in both the U.S. and State. Prior to the economic downturn, the U.S. was in its longest period of economic expansion with some signs of slowing down. However, the actions taken to abate the spread of COVID-19, including the shuttering of entire industries, resulted in a changed economic picture. As the economy in 2021 began to recover, U.S. Real GDP for 2021, originally projected to grow at around 4.5 percent (throughout the January 2020 to March 2021 period), has instead grown at 5.7 percent.

Wage growth in New York State was slightly weaker than the U.S., with CY 2021 estimates at 7.5 percent in the State compared to 9.1 percent for the U.S. on a national level. Non-farm employment has seen moderate growth in CY 2021 for both the U.S. and the State. CY 2022 is forecast to have more significant growth, this is largely the result of the higher rates of unemployment in the State in CY 2021, decreases in government spending as Federal pandemic assistance expires, and the economic impact of the Omicron variant. Finally, the unemployment rate, which increased almost threefold because of the COVID-19 pandemic, is expected to approach pre-pandemic levels for the U.S. The unemployment rate remains above pre-pandemic levels for New York State.

U.S. LABOR MARKET AND INCOME

U.S. Employment

According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate declined by 0.3 percent to 3.9 percent in December 2021. Total nonfarm payroll employment increased by 199,000 in December, as the economy continues to recover from the impact of COVID-19. In December 2021, employment continued to trend upward in leisure and hospitality, professional and business services, manufacturing, construction, and transportation and warehousing. The number of unemployed persons in December 2021 was 6.3 million, a decrease of 483,000 from the prior month. As the economic recovery continues, unemployment is approaching its pre-pandemic levels of 3.5 percent and 5.7 million unemployed persons.



Source: Federal Reserve Bank of St. Louis

Among the unemployed, the number of persons on temporary layoff remained relatively unchanged in December 2021 at 812,000. However, this measure is down 2.3 million over the course of the year and has essentially returned to February 2020 levels.

In December, the number of unemployed persons who were:

- Jobless less than 5 weeks increased by 93,000 to 1.9 million
- Jobless 5 to 14 weeks decreased by 122,000 to 1.5 million
- Jobless 15 to 26 weeks decreased by 83,000 to 722,000
- Jobless 27 weeks or more decreased by 266,000 to 1.9 million

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

- 3.2 percent for white persons, which declined in December
- 3.6 percent for adult women, which declined in December
- 3.6 percent for adult men, which declined in December
- 3.8 percent for Asian persons, which represented little change over the month
- 4.9 percent for Hispanics, which represented little change over the month
- 7.1 percent for Black persons, which represented little change over the month

- 10.9 percent for teenagers, which represented little change over the month

The labor force participation rate was unchanged during December 2021 at 61.9 percent, still down 1.5 percent from February 2020 pre-pandemic levels. The employment to population ratio increased by 0.2 percent to 59.5 percent in December 2021.

In December 2021, the number of persons employed part-time for economic reasons declined by 337,000 from the prior month to 3.9 million. The number of involuntary part-time workers is 460,000 less than it was in February 2020.

The number of persons not in the labor force but who are seeking employment increased slightly in December 2021 to 5.7 million, which is 717,000 higher than in February 2020. These individuals are not counted as unemployed because they were not actively looking for work during the last four weeks or were unavailable to take a job.

Among those not in the labor force who currently want a job - the number of persons marginally attached to the labor force - is at 1.6 million and changed little in December. These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months but have not looked for work in the 4 weeks preceding the survey. The number of discouraged workers, a subset of the marginally attached who believe that no jobs were available to them, was 463,000 in December, also slightly changed from the previous month.

New York State Workforce Trends

The COVID-19 pandemic has had a significant effect on the number of private sector jobs in New York State. The following table compares the year-over-year change in total nonfarm and private sector jobs that occurred in the United States, New York State, certain metropolitan areas, and non-metro areas in the State between December 2020 and December 2021.

Change in Total Nonfarm and Private Sector Jobs by Area¹				
December 2020 - December 2021				
	Total Nonfarm Jobs: (private sector + government)		Private Sector Jobs:	
	Net	Percent	Net	Percent
United States	6,305,100	4.4	5,996,000	5.0
New York State	378,200	4.3	373,300	5.1
Albany-Schenectady-Troy	11,500	2.6	12,300	3.6
Binghamton	2,000	2.1	2,700	3.7
Buffalo-Niagara Falls	22,200	4.3	25,000	5.8
Dutchess-Putnma	1,500	1.1	1,000	0.9
Elmira	1,400	4.1	700	2.5
Glens Falls	1,000	2.0	1,100	2.7
Ithaca	1,400	2.4	600	1.2
Kingston	1,700	3.0	1,400	3.3
Nassau-Suffolk	30,800	2.5	28,900	2.8
New York City	245,200	6.0	242,100	6.9
Orange-Rockland-Westchester	22,200	3.3	26,900	4.8
Rochester	32,100	6.5	30,700	7.3
Syracuse	7,000	2.4	8,200	3.4
Utica-Rome	2,700	2.3	3,000	3.4
Watertown-Fort Drum	1,800	4.6	1,300	4.7
Non-metropolitan counties	-7,500	-1.6	-7,610	-2.2
Note: The sum of sub-state area job estimates will usually differ from the New York State total. This is because the State total is calculated separately from the sub-state areas and is estimated based on an independent sample.				
¹ Data is not seasonally adjusted and is preliminary and subject to change				

Source: New York State Department of Labor

Change in Jobs by Major Industry Sector: December 2020 to December 2021

While relatively few industry sectors have been unaffected by the COVID-19 pandemic, certain sectors have been hit particularly hard. The table below compares the change in jobs by major industry sector in New York State occurring between December 2020 and December 2021.

Change in Jobs by Major Industry Sector in New York State December 2020 - December 2021	
Sectors:	
Leisure and Hospitality	160,100
Professional and Business Services	79,700
Educational and Health Services ¹	52,600
Trade, Transportation, and Utilities	22,300
Information	20,500
Manufacturing	15,300
Government ²	4,900
Natural Resources and Mining	200
Financial Activities	-8,300
Construction	-15,900
Other Services	14,700
¹ Educational and health services is in the private sector.	
² Government includes public education and public health services.	
Note: The data is not seasonally adjusted.	

Source: New York State Department of Labor

Unemployment Rates

The U.S. Bureau of Labor Statistics utilizes a statistical regression model that primarily uses the results of a monthly telephone survey of households in New York State to calculate the State's unemployment rate. In December 2021, the statewide seasonally adjusted unemployment rate decreased to 6.2 percent from 6.6 percent from the month prior. New York City's unemployment rate decreased over the month to 8.8 percent from 9.0 percent. Outside of New York City, the unemployment rate decreased to 4.3 percent from 4.8 percent. The number of unemployed New Yorkers decreased over the month by 41,821, from 614,447 in November 2021 to 572,626 in December 2021.

Unemployment Rates (%)¹			
	December 2021	November 2021	December 2020
United States	3.9	4.2	6.7
New York State	6.2	6.6	8.7
New York City	8.8	9.0	12.0
NYS, outside of NYC	4.3	4.8	6.3
¹ Data is seasonally adjusted and are preliminary and subject to change			

Source: New York State Department of Labor

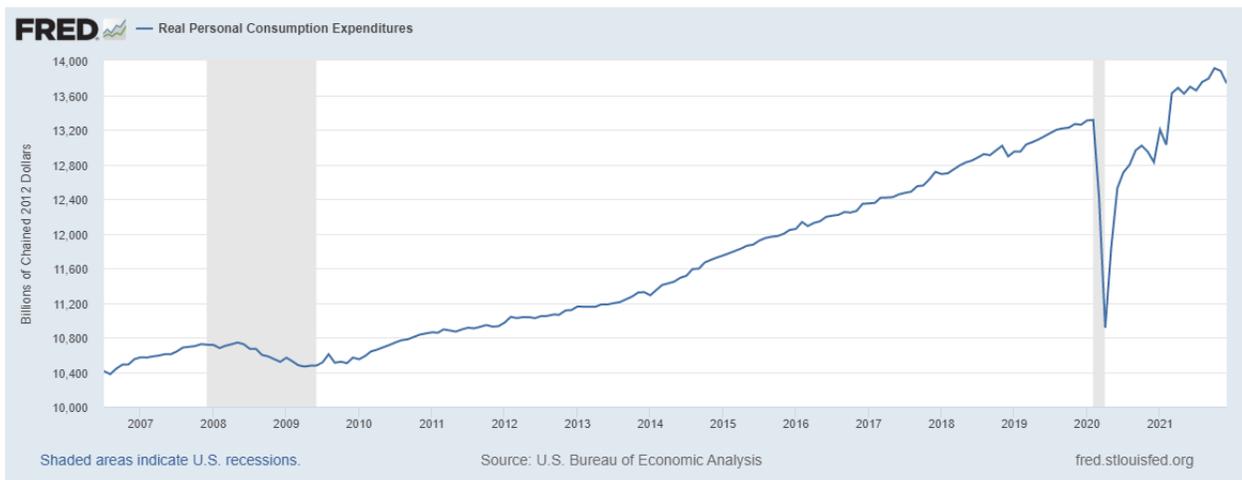
Personal Income

According to the U.S. Bureau of Economic Analysis (BEA), personal income increased by \$70.7 billion or 0.3 percent, and disposable personal income (DPI) increased by \$39.9 billion or 0.2 percent in December 2021. Personal consumption expenditures (PCE) decreased \$95.2 billion or 0.6 percent in December 2021.

The increase in personal income in December reflects increases in compensation, offset by decreases in proprietors' income. Within compensation, the change includes increases in both private and government wages and salaries. Within proprietors' income, both farm and nonfarm income declined. Furthermore, Government social benefits decreased slightly, as pandemic assistance programs are winding down.



Source: Federal Reserve Bank of St. Louis

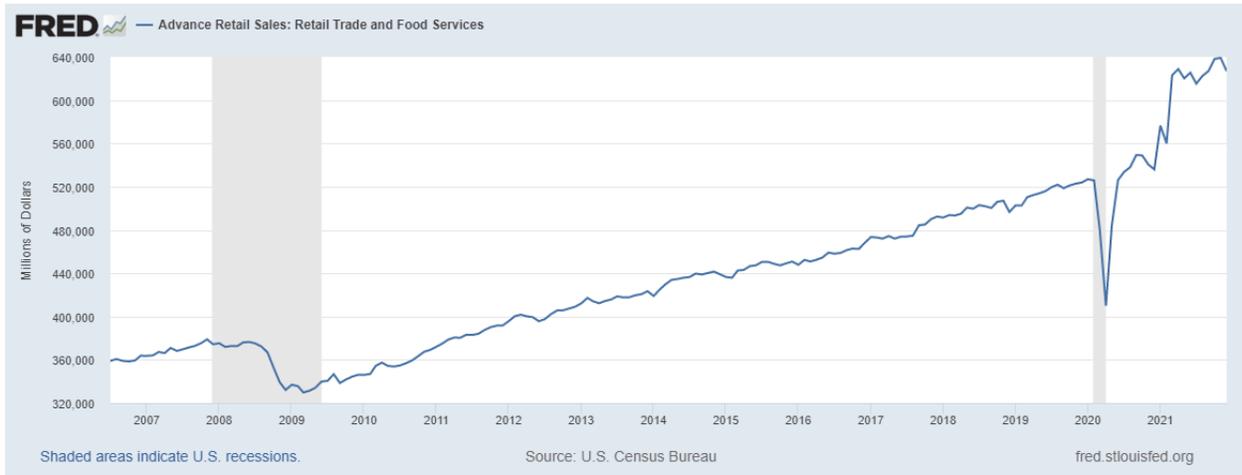


Source: Federal Reserve Bank of St. Louis

Personal outlays decreased \$93.5 billion in December 2021. Personal saving was \$1.44 trillion and the personal saving rate was 7.9 percent, compared to 7.3 percent in December 2019. The personal saving rate is personal savings as a percentage of disposable personal income.

Retail Sales

According to the U.S. Census Bureau, the advance estimate of U.S. retail and food services sales for December 2021 was \$626.8 billion, a decrease of 1.9 percent from November 2021, but an increase of 16.9 percent from December 2020. This figure adjusts for seasonal variation and holiday and trading-day differences, but not for price changes.



Source: Federal Reserve Bank of St. Louis

Total sales for 2021 were up 19.3 percent from 2020. Total sales for October 2021 through December 2021 were up 17.1 percent from the same period last year. Retail trade sales in December were down 2.1 percent from November 2021, but 14.4 percent above the previous year. Gasoline retailers in December were up 41.0 percent from December 2020, while food service and drinking places were also up 41.3 percent from last year.

Consumer Price Index (CPI)

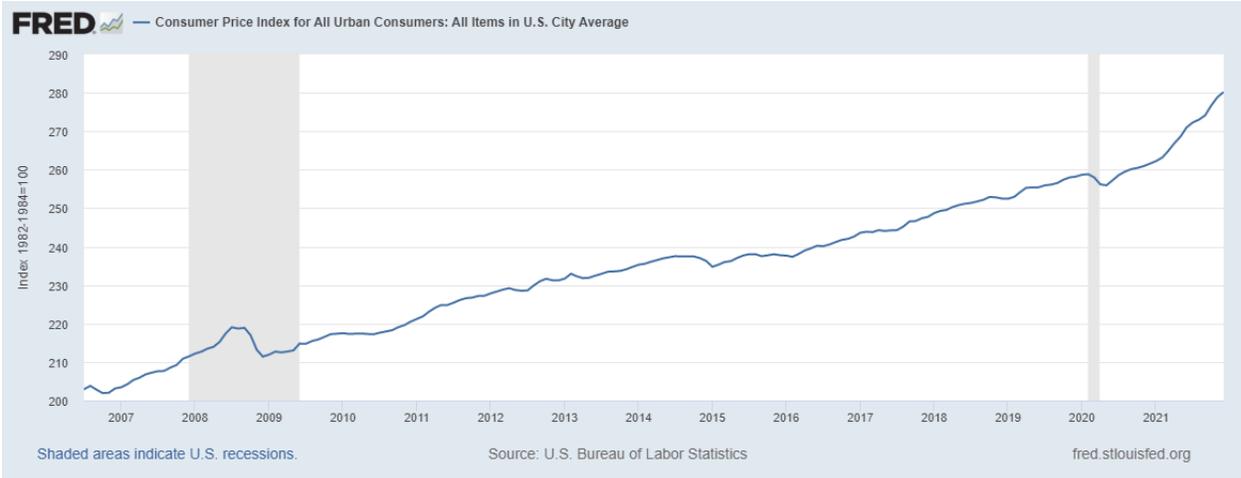
According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.5 percent in December 2021 over the previous month on a seasonally adjusted basis. Over the last 12 months, the all items index, increased 7.0 percent before seasonal adjustment.

The driving force behind the increase of the all items index was the 37.3 percent increase in the used car and truck index as well as a 4.1 percent increase in the shelter index. The energy index decreased in December by 0.4 percent because of decreases in both gasoline and natural gas. The food index rose in December, as the food at home and the food away from home indices increased by 0.4 percent and 0.6 percent respectively.

The index for all items other than food and energy increased 0.6 percent in December after rising 0.5 percent in November. The indices for apparel, new vehicles, healthcare, household furnishings and operations all rose in December. The indices for motor vehicle insurance and recreation were among those to decline over the month.

The all items index rose 7.0 percent for the 12 months ending in December, which represented the largest increase since the period ending June 1982. The index for all items less food and energy

rose 5.5 percent over the last 12 months, which also was the largest change since the period ending February 1991. The food index rose 6.3 percent over the last 12 months, while the energy index rose 29.3 percent.



Source: Federal Reserve Bank of St. Louis

U.S. Gross Domestic Product, Fourth Quarter and Year 2021 (Advance Estimate)

According to the U.S. Bureau of Economic Analysis (BEA) advance estimate, the real gross domestic product (GDP) increased at an annualized rate of 6.9 percent in the fourth quarter of 2021. In the third quarter, real GDP increased 3.2 percent, slightly higher than the anticipated increase of 2.0 percent from the third quarter advance estimate. The increase in real GDP reflected increases in private inventory investment, exports, personal consumption expenditure (PCE), and nonresidential fixed investments that were partly offset by decreases in federal, state, and local government spending.

The BEA indicates that the increase in fourth quarter GDP reflects the continued economic impact of the COVID-19 pandemic, including new restrictions and closures that took effect in some areas of the United States. Furthermore, the BEA notes that the full economic effects of the COVID-19 pandemic cannot be quantified in the GDP estimate for the fourth quarter of 2021 because the impacts are inherent in the source data and cannot be separately analyzed.

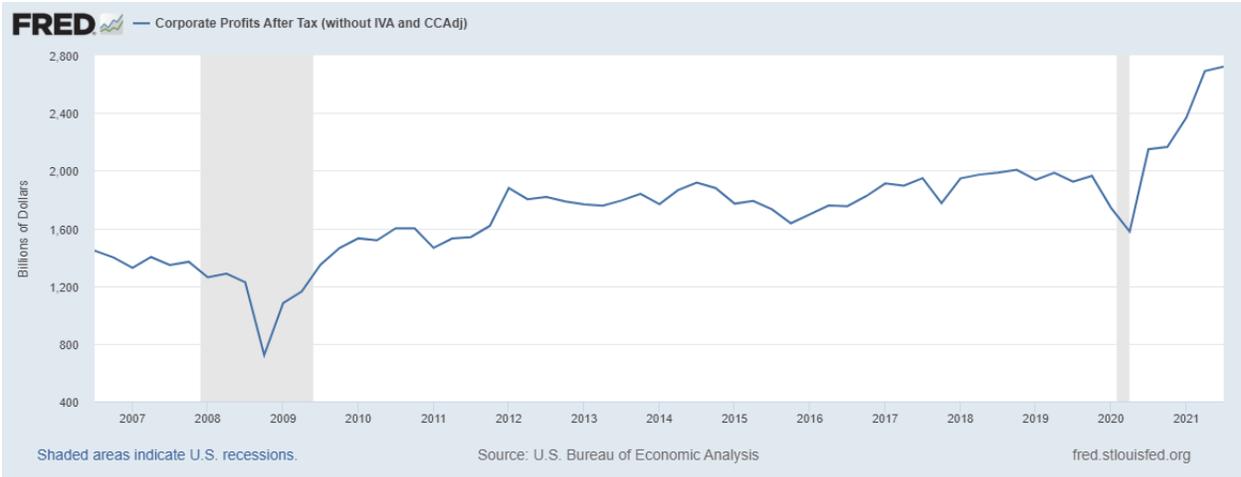
GDP rose 14.3 percent or \$790.1 billion in the fourth quarter to a level of \$23.99 trillion. In the third quarter, GDP increased 8.4 percent or \$461.3 billion.

U.S. Corporate Profits (Third Quarter Results)

According to the Bureau of Economic Analysis (BEA), profits from current production (corporate profits) with inventory valuation adjustment (IVA) and capital consumption adjustment (CCA) increased \$96.9 billion in the third quarter, in contrast to an increase of \$267.8 billion in the second quarter. The slower growth is associated with the continued economic impact of the COVID-19 pandemic. Resurgent COVID-19 cases resulted in restrictions and delays in reopening establishments.

Profits of domestic financial corporations increased \$14.2 billion in the third quarter, compared to an increase of \$52.8 billion in the second quarter. Profits of domestic nonfinancial corporations increased \$31.6 billion, compared to an increase of \$221.3 billion.

The rest-of-the-world component of profits increased \$51.1 billion, in contrast to a decrease of \$6.2 billion in the second quarter. In the third quarter, receipts increased \$65.2 billion, and payments increased \$14.1 billion. The rest-of-the-world component of profits is the difference between receipts from the rest of the world and payments to the rest of the world.



Source: Federal Reserve Bank of St. Louis

Financial Markets

The Standard & Poor's 500 stock index (S&P 500) finished 2021 at 4,766.18 points, which is an increase of 26.9 percent from where the S&P 500 finished in 2020 at 3,756.07. As the economy continues to recover, an overall upward trend was experienced in 2021 with some minor fluctuations. On January 3, 2022, the S&P 500 index closed at 4,796.53, which was the peak of a short bear market. From that date to January 27, 2022, the S&P 500 dropped to 4,326.51 or 11 percent. Since then, the S&P 500 has rallied back.



Source: Federal Reserve Bank of St. Louis

For 2021, the Dow Jones Industrial Average (DJIA) ended at 36,338.30, an increase of 18.7 percent from its 2020 close of 30,606.48. On January 4, 2022, the DJIA closed at 36,799.65, which was the peak and beginning of a short bear market. From that day to January 27, 2022, the DJIA dropped to 34,160.78 points, or 8 percent. Like the S&P 500, the DJIA has also rallied back.



Source: Federal Reserve Bank of St. Louis

The NASDAQ Composite finished 2021 at 15,644.97, an increase of 21.4 percent from the prior year, when it closed at 12,888.28. On January 3, 2022, the NASDAQ Composite closed at 15,832.80, which was the peak and the beginning of a short bear market. From that date to January

27, 2022, the NASDAQ Composite dropped to 13,352.78 points, or 19 percent. The NASDAQ trend also redirected upwards, consistent with the S&P 500 and DJIA.



Source: Federal Reserve Bank of St. Louis

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

There are numerous unforeseen risks associated with forecasting the economy. Any sharp variation in expected performance of the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. This is evidenced by the COVID-19 pandemic that has markedly affected all sectors of the economy in unprecedented ways. Because the strength of the economic recovery will continue to depend on the success in navigating the next phase of the COVID-19 pandemic, the economic outlook remains highly uncertain.

As more of the public receives vaccinations and vaccination boosters, the restrictions put in place to curb the spread of the omicron variant may lessen, which would improve the economy. On the other hand, surges in cases brought on by new COVID-19 variants could slow down the pace of economic improvement, largely a result of whether these variants are resistant to the existing vaccines.

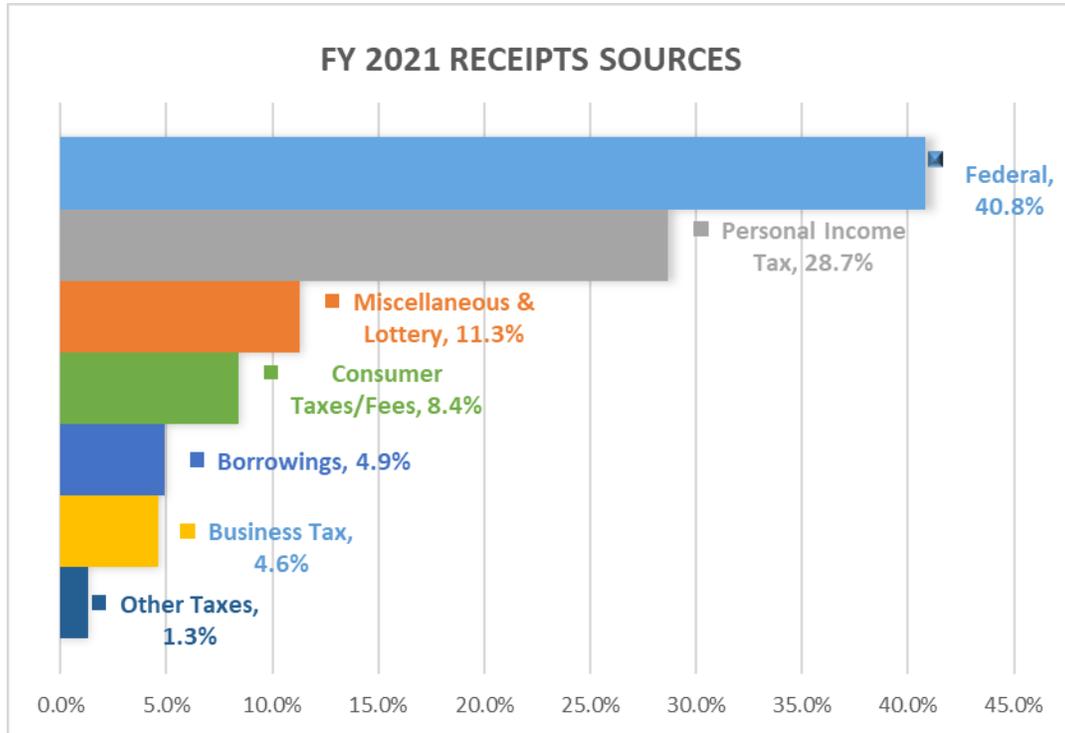
Furthermore, higher than anticipated inflation is a risk to these forecasts. Higher inflation could impel the Federal Reserve to act sooner to combat inflation and more drastically. This could result in higher interest rates and slower growth than what is projected.

Federal policy action and spending is a major component of forecasting the economy. President Biden recently signed a new \$1.2 trillion infrastructure bill that could offer further economic aid and bolster various sectors of the economy, including state and local governments. Should control of Congress change after the 2022 mid-term elections, Federal funding and policy action may also change course.

Finally, the Russian incursion into Ukraine may have destabilizing and lasting impacts on the international economy, including rising oil and gas prices, which may undermine the U.S. and New York State economic recoveries.

REVENUE OUTLOOK

Revenues are primarily affected by economic changes and changes in Federal and State tax policies. The tax base is a measure of the State's ability to generate revenue. Personal income tax receipts make up the largest share of total tax receipts (28.7%), followed by consumer taxes/fees (8.4%), business taxes (4.6%) and other taxes (1.3%). Of the non-tax categories of receipts, federal receipts make up the largest share of total receipts (40.8%), followed by miscellaneous and lottery receipts (11.3%), and borrowings (4.9%).



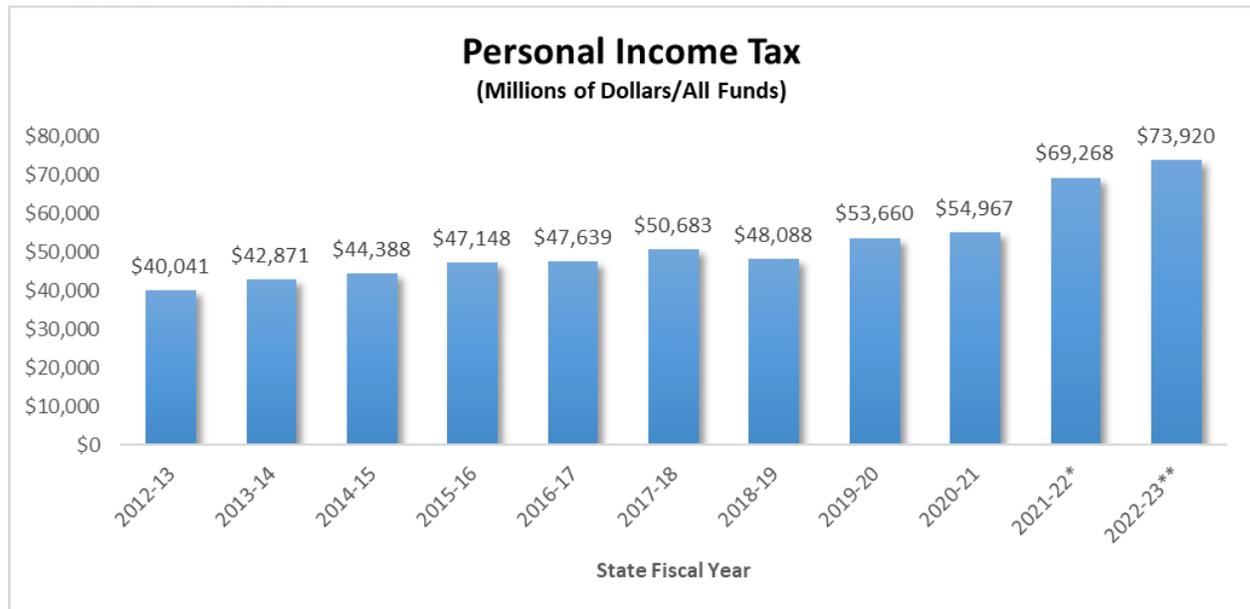
Source: Office of New York State Comptroller – 2021 Financial Condition Report

SENATE MAJORITY FINANCE COMMITTEE STAFF RECEIPTS PROJECTIONS

The committee staff SFY 2021-22 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.5 billion over the Executive Budget Financial Plan estimate of \$48.0 billion. The committee staff's SFY 2022-23 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.1 billion over the Executive Budget Financial Plan receipts estimate of \$42.3 billion.

The committee staff's SFY 2021-22 estimate for All Funds receipts, excluding federal receipts, is \$1.6 billion over the Executive Budget Financial Plan receipts estimate of \$127.2 billion. The committee staff's SFY 2022-23 projection for All Funds receipts is \$1.0 billion above the Executive Budget Financial Plan receipts estimate of \$136.2 billion (excluding federal receipts).

PERSONAL INCOME TAX



*2021-22 is estimated **2022-23 is projected.

Source: Senate Majority Conference Finance Committee staff

Article 22 of the Tax Law establishes a tax on the income of individuals, estates and trusts. Personal Income Tax (PIT) receipts contributed approximately 62.6 percent of all tax collections deposited into the General Fund in SFY 2020-21. New York's definition of income closely follows Federal law, which includes wages, salaries, capital gains, unemployment compensation, and interest and dividend income. Those components comprise the Federal Adjusted Gross Income (FAGI). The New York State adjusted gross income (NYSAGI) is calculated by FAGI, from which certain income items are then added or subtracted. The New York standard deduction or itemized deductions are subtracted from NYSAGI to arrive at New York State taxable income. Finally, certain credits are then subtracted from the calculated tax to determine total personal income tax liability.

PIT is paid 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 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, 2021 wages would be reflected in 2021 withholding. However, tax payments made with the final returns are based on the prior year's income. As a result, final payments made in 2021 reflect income earned in 2020. The same pattern holds true for refunds.

The Senate Majority Conference Finance Committee staff estimate All Funds net PIT receipts for SFY 2021-22 to total \$69.3 billion, which is an increase of \$14.3 billion or 26.0 percent from SFY 2020-21. The committee staff project All Funds net PIT receipts for SFY 2022-23 to total \$73.9 billion, which is an increase of \$4.6 billion or 6.7 percent from SFY 2021-22. The SFY 2021-22 Enacted Budget contained a high-income personal income tax surcharge. The effects of this

surcharge are included in the staff projection for SFY 2022-23. The high-income surcharge added \$2.7 billion in new receipts in SFY 2021-22 and will add approximately \$3.2 billion in new receipts in SFY 2022-23. If revenue from this proposal was not included, PIT revenues in SFY 2021-22 would be \$66.5 billion, reflecting a decrease of 4.0 percent, whereas PIT revenues in SFY 2022-23 would be \$73.9 billion, reflecting a decrease of 3.0 percent.

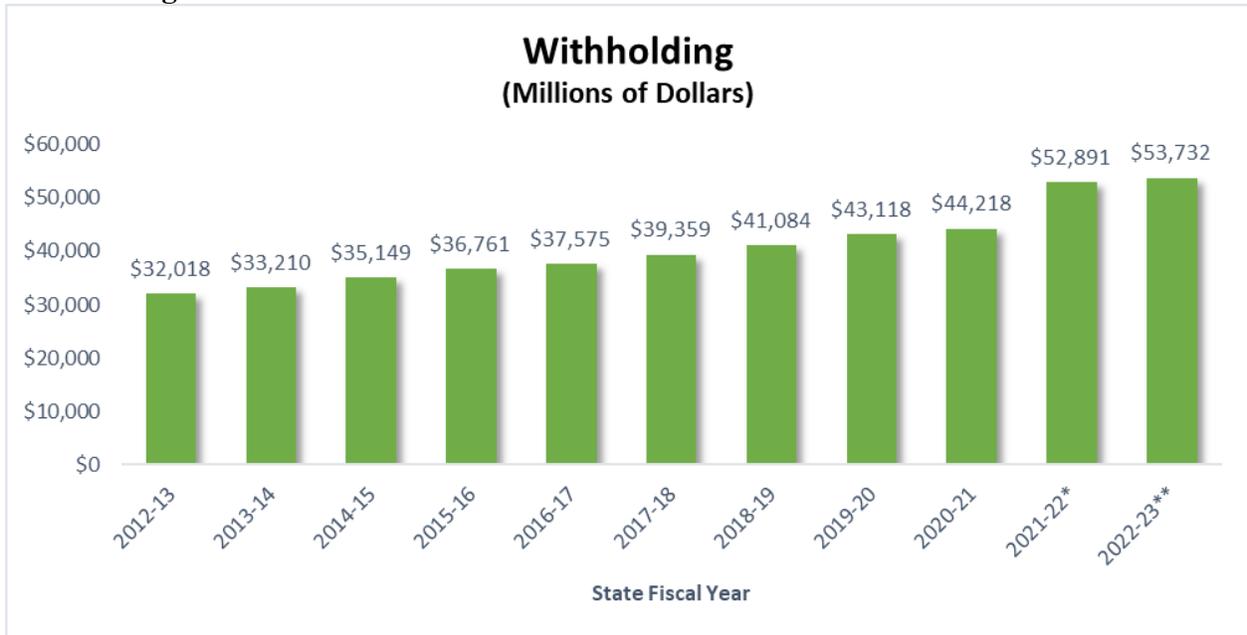
The committee staff projects General Fund net PIT receipts for SFY 2021-22 to total \$33.3 billion, reflecting an increase of \$7.8 billion or 30.7 percent from SFY 2020-21. General Fund net PIT receipts for SFY 2022-23 are projected at \$23.9 billion, which is \$9.3 billion or 28.1 percent less than the prior year.

The Executive Budget Financial Plan projects the Pass-Through Entity Tax (PTET) enacted in 2021-22 to be revenue neutral for the State over the duration of the tax but it will not appear neutral within each fiscal year. The Executive Budget Financial Plan projects PTET to reduce both All Fund PIT receipts and General Fund PIT receipts by \$24.1 billion in SFY 2022-23.

The Executive Budget Financial Plan estimates net All Funds PIT receipts for SFY 2021-22 to total \$68.1 billion, which is an increase of \$13.2 billion or 23.9 percent over SFY 2020-21. The Executive Budget Financial Plan projects All Funds net PIT receipts for SFY 2022-23, excluding the impact of PTET to total \$73.2 billion, reflecting an increase of \$5.0 billion or 7.4 percent from its SFY 2021-22 projections. If the effect of PTET was included, PIT would be \$49.1 billion, reflecting a decrease of 28.0 percent.

The Executive Budget Financial Plan estimates net General Fund PIT receipts for SFY 2021-22 to total \$32.1 billion which is \$6.7 billion more than SFY 2020-21 or an increase of 26.2 percent. Net General Fund PIT receipts for SFY 2022-23, are projected at \$22.7 billion which is \$9.4 billion or 29.4 percent higher than what is projected for SFY 2021-22.

Withholding



*2021-22 is estimated **2022-23 is projected.

Source: Senate Majority Conference Finance Committee staff

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

For SFY 2021-22, the Senate Majority Conference Finance Committee staff estimates All Funds withholding payments to a total of \$52.9 billion, which is an increase of \$8.7 billion or 19.6 percent from SFY 2020-21. This projection is \$1.4 billion or 16.5 percent higher than the Executive estimate.

For SFY 2022-23, the Senate Majority Conference Finance Committee staff projects the All Funds withholding component of PIT to increase to \$53.7 billion, which is an increase of \$840.9 million or 1.6 percent from SFY 2021-22. This projection is \$2.1 billion above the Executive estimate.

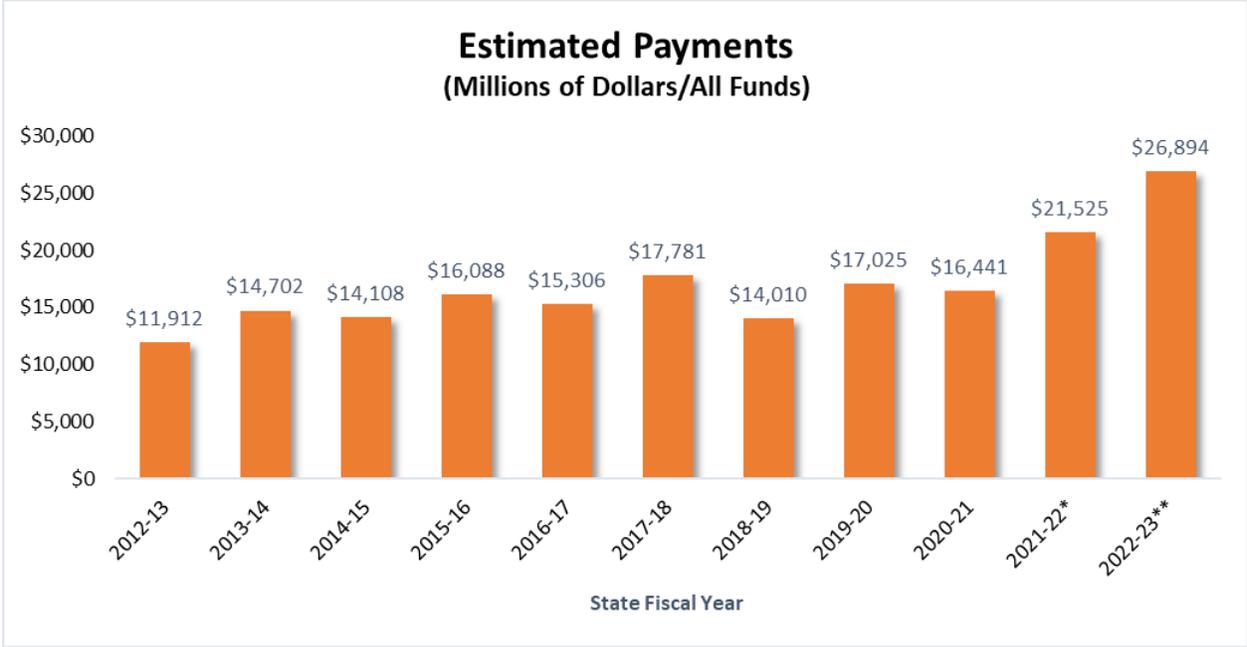
The SFY 2021-22 Enacted Budget contained a high-income personal income tax surcharge. The high-income surcharge added \$1.7 billion in new receipts impacting withholding in SFY 2021-22 and will add approximately \$1.2 billion in new receipts impacting withholding in SFY 2022-23.

For SFY 2021-22, the Executive Budget Financial Plan estimates the All Funds withholding component of PIT to total \$51.5 billion, which is an increase of \$7.3 billion or 16.5 percent from SFY 2020-21.

For SFY 2022-23, the Executive Budget Financial Plan projects the All Funds withholding component of the PIT to increase to \$51.6 billion, which is an increase of \$143 million or 0.3 percent from their SFY 2021-22 projections.

Rest-of-year growth required to realize the Senate Majority Conference Finance Committee staff withholding estimate for SFY 2021-22 is equal to 19.9 percent, whereas rest-of-year growth required to realize the Executive Financial Plan withholding estimate is 6.5 percent.

Estimated Payments



*2021-22 is estimated **2022-23 is projected.

Source: 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—such as 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, they are required to estimate their tax liability and, if a payment is due, submit it with the extension.

The Senate Majority Conference Finance Committee staff forecasts All Funds estimated payments for SFY 2021-22 to total \$21.5 billion, which is an increase of \$5.1 billion or 30.9 percent from SFY 2020-21. This estimate is \$470 million below the Executive estimate.

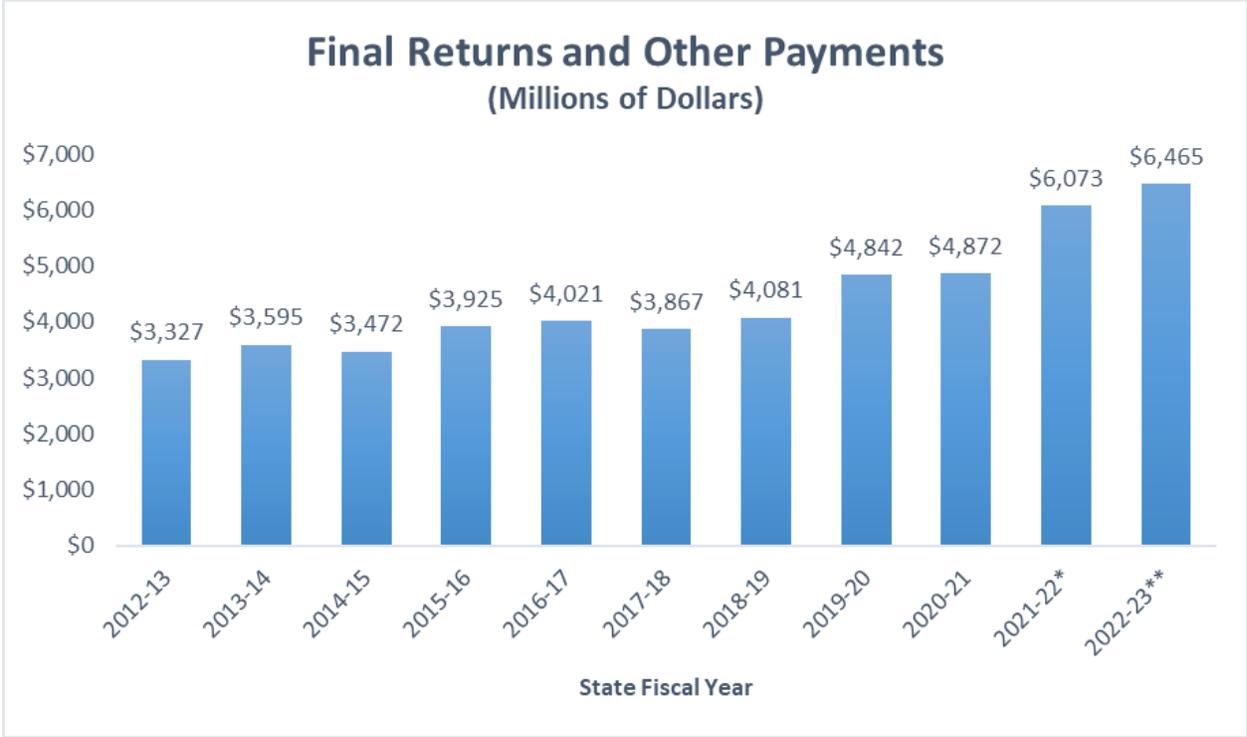
For SFY 2022-23, All Funds estimated payments are projected to be \$26.9 billion, which is an increase of \$5.4 billion or 24.9 percent from SFY 2021-22. This estimate is \$1.1 billion below the Executive estimate.

The high-income surcharge added \$1.1 billion to estimated payments new receipts in SFY 2021-22 and will add approximately \$1.1 billion to estimated payments new receipts in SFY 2022-23.

The Executive Budget Financial Plan forecasts All Funds estimated payments for SFY 2021-22 to be \$22.0 billion, which is an increase of \$5.6 billion or 33.8 percent from SFY 2020-21.

For SFY 2022-23, the Executive Budget All Funds estimated payments are projected to be \$28.0 billion, which is an increase of \$6.0 billion or 27.4 percent from SFY 2021-22 projections.

Final Returns and Other Payments



*2021-22 is estimated **2022-23 is projected.

Source: 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 consist 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).

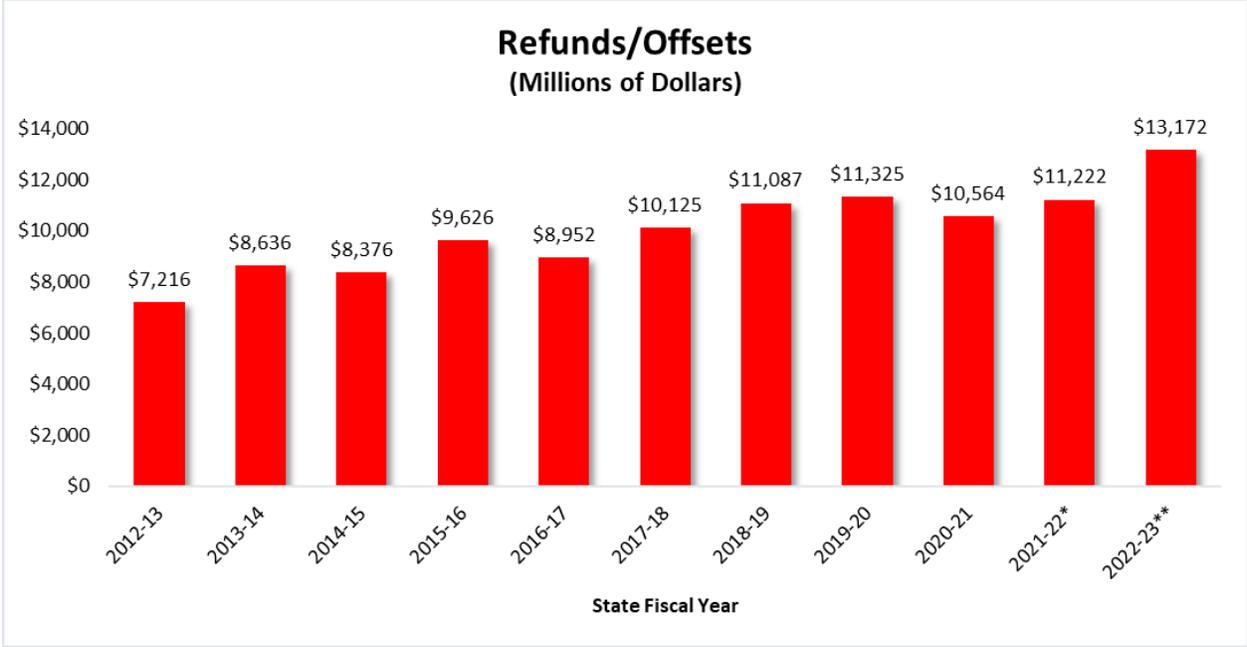
The Senate Majority Conference Finance Committee staff estimates All Funds final returns and other payments collections for SFY 2021-22 to total \$6.1 billion. This projection reflects an increase of \$1.2 billion or 24.7 percent from SFY 2020-21.

For SFY 2022-23, the committee staff projects All Funds collections from final returns and other payments to be \$6.5 billion. This projection reflects an increase of \$392 million or 6.4 percent from SFY 2021-22. The high-income surcharge has no impact on final payments in SFY 2021-22 and will add approximately \$935 million in new receipts in SFY 2022-23. If revenue from this proposal was not included, final returns and other payments in SFY 2022-23 would be \$5.5 billion, reflecting a decrease of 18 percent.

The Executive Budget Financial Plan for SFY 2021-22 estimates All Funds collections from final returns and other payments collections to total \$5.9 billion. This reflects an increase of \$993 million or 20.4 percent from collections in SFY 2020-21.

For SFY 2022-23, the Executive Budget Financial Plan projects All Funds collections from final returns and other payments to be \$6.2 billion. This is an increase of \$332 million or 5.7 percent from the Executive’s SFY 2021-22 projections.

Refunds/Offsets



*2021-22 is estimated **2022-23 is projected.

Source: Senate Majority Conference Finance Committee staff

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

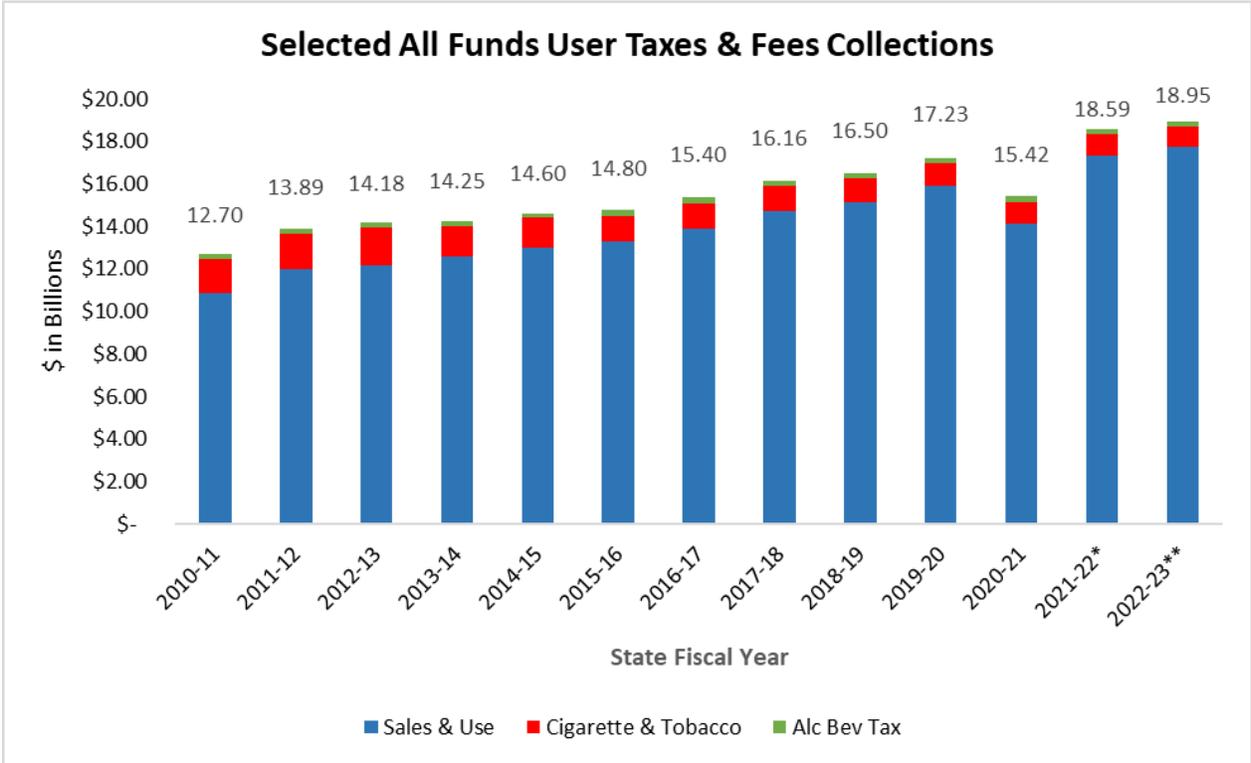
For SFY 2021-22, the Senate Majority Conference Finance Committee staff estimates that All Funds refunds and offsets will total \$11.2 billion. This is an increase of \$658 million or 6.2 percent from SFY 2020-21.

For SFY 2022-23, the Senate Majority Conference Finance Committee staff project All Funds refunds and offsets to be \$13.2 billion. This reflects an increase of \$1.9 billion or 17.4 percent from SFY 2021-22.

For SFY 2021-22 the Executive Budget Financial Plan estimates All Funds refunds and offsets to total \$11.2 billion, which is an increase of \$669 million or 6.3 percent from SFY 2020-21.

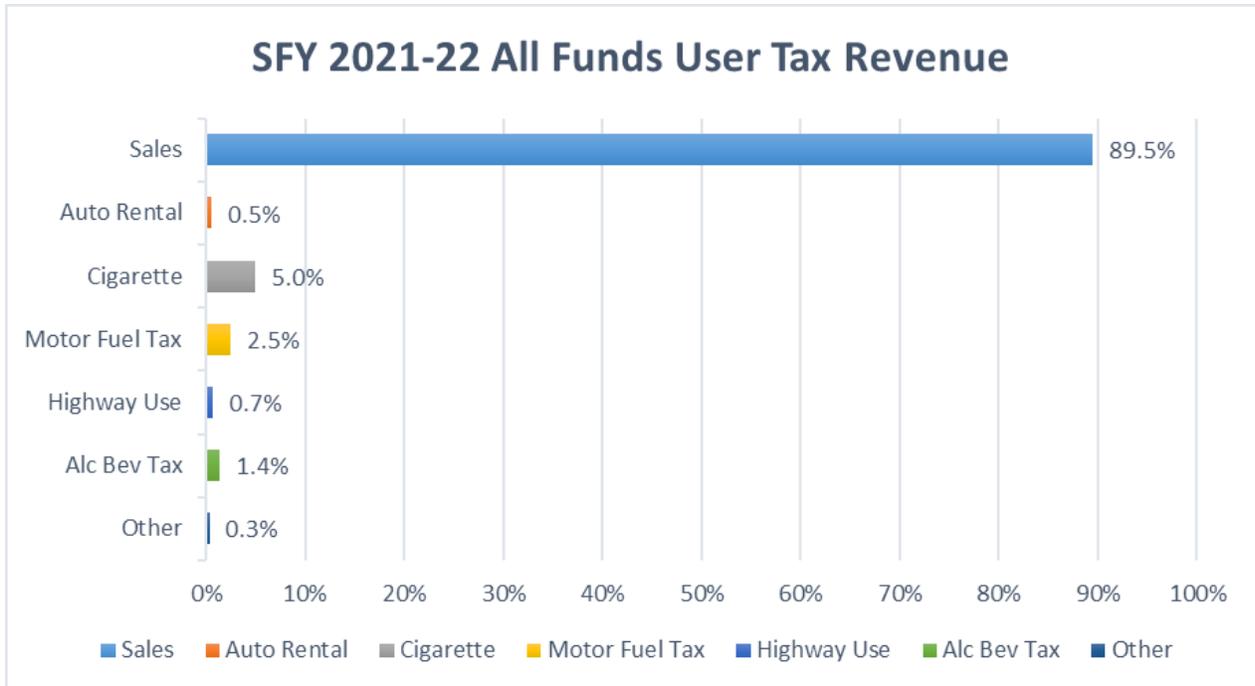
For SFY 2022-23, All Funds refunds and offsets are projected to be \$19.2 billion, an increase of \$8.0 billion, or 71.0 percent, from the Executive’s SFY 2021-22 estimate.

CONSUMPTION AND USE TAXES



*2021-22 is estimated. **2022-23 is projected
Senate Majority Conference Finance Committee Staff

Consumption and use taxes in New York are primarily comprised of six separate taxes: Sales and Use Tax, Cigarette and Tobacco Tax, Motor Fuel Tax, Alcoholic Beverage Tax, Highway Use Tax, and Auto Rental Tax. Other taxes in total account for 0.3% of Consumption and Use Tax revenue.



Source: Senate Majority Conference Finance Committee Staff Estimates

As shown in the previous chart, the Sales and Use Tax dominates consumption and use tax collections with 89.5 percent of total user tax collections in SFY 2021-22.

The Senate Majority Conference Finance Committee staff estimate that All Funds consumption and use tax receipts will total \$19.3 billion in SFY 2021-22, which is an increase of \$3.1 billion or 19.5 percent from SFY 2020-21. This estimate is \$2 billion above the Executive estimate.

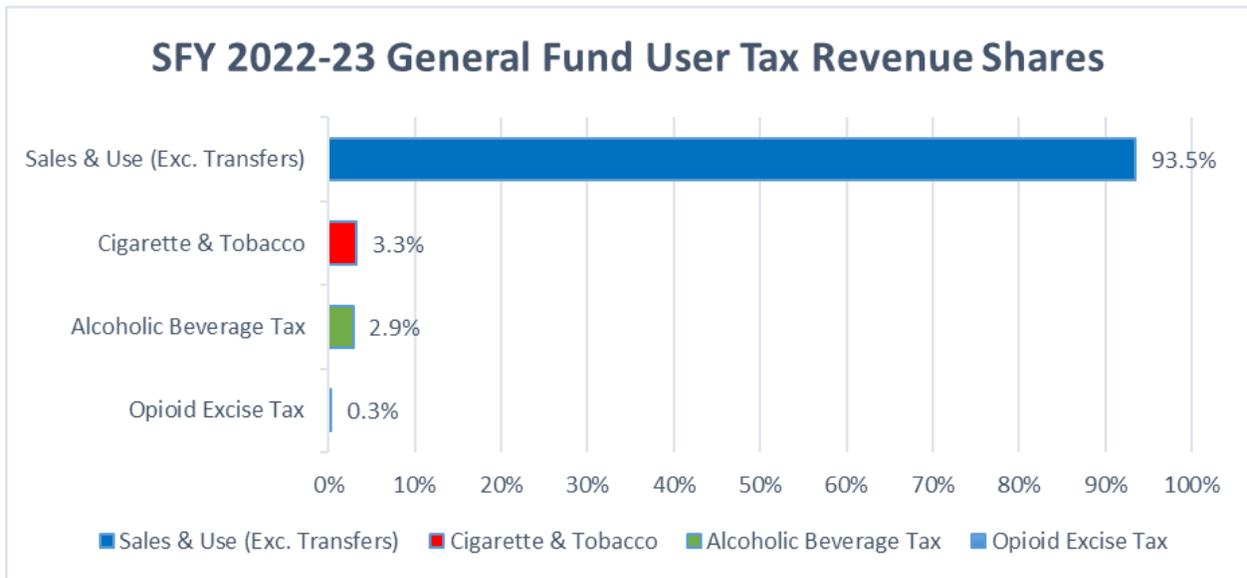
The Senate Majority Conference Finance Committee staff project All Funds consumption and use tax receipts for SFY 2022-23 to total \$19.8 billion, which is an increase of \$543.6 million or 2.8 percent from the staff's SFY 2021-22 estimate. This projection is \$403.8 million below the Executive estimate.

The Executive Budget Financial Plan estimates net All Funds consumption and use tax receipts for SFY 2021-22 to total \$19.3 billion, which is an increase of \$3.1 billion or 19.5 percent from SFY 2020-21.

The Executive Budget Financial Plan projects net All Funds consumption and use tax receipts for SFY 2022-23 to total \$20.2 billion, which is an increase of \$949 million or 4.9 percent from the Executive's SFY 2021-22 projection.

The Executive Budget Financial Plan estimates net General Fund consumption and use tax receipts for SFY 2021-22 to be \$4.6 billion, a decrease of \$2.6 billion or 36.2 percent from SFY 2020-21.

The Executive Budget Financial Plan projects net General Fund consumption and use tax receipts for SFY 2022-23 to be \$6.9 billion, which is an increase of \$2.3 billion or 50.2 percent from the Executive's estimate for SFY 2021-22.



Source: Senate Majority Conference Finance Committee Staff

Currently, General Fund revenue from user taxes and fees are composed 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 93.5 percent of such receipts.

Sales and Use 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 percent. Counties and cities are also authorized to impose general Sales Tax rates up to 3 percent in addition to 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 three percent general Sales Tax rate. Over 95 percent of the State’s population resides in an area where the tax rate equals or exceeds 8 percent. A compensating use tax complements the sales tax and is imposed on the use of taxable property or services in-State, if the transaction has not already been subject to sales tax.

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

The 2018 U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.* removed a longstanding rule that prohibited the collection of state Sales Taxes from any retailer 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.

The Senate Majority Conference Finance Committee staff estimates All Funds Sales and Use Tax receipts for SFY 2021-22 at \$17.2 billion, which is an increase of \$3.1 billion or 21.9 percent from

SFY 2020-21. General Fund sales and use tax collections are estimated to total \$16.1 billion in SFY 2021-22 which is an increase of \$2.9 billion or 21.5 percent from SFY 2020-21.

The committee staff projects All Funds Sales and Use Tax collections in SFY 2022-23 will be \$17.7 billion which is an increase of \$514.1 million or 3.0 percent from the staff's SFY 2021-22 estimate. On a General Fund basis, the committee staff projects Sales and Use tax collections at \$16.6 billion in SFY 2022-23, which is an increase of \$477 million or 3.0 percent from SFY 2021-22.

The Executive Budget Financial Plan estimates All Funds Sales and Use Tax receipts for SFY 2021-22 at \$17.2 billion, an increase of \$3.1 billion or 21.8 percent from SFY 2020-21. The Executive Financial Plan estimates General Fund collections of \$16.1 billion in SFY 2021-22, an increase of \$2.9 billion or 21.6 percent from SFY 2020-21.

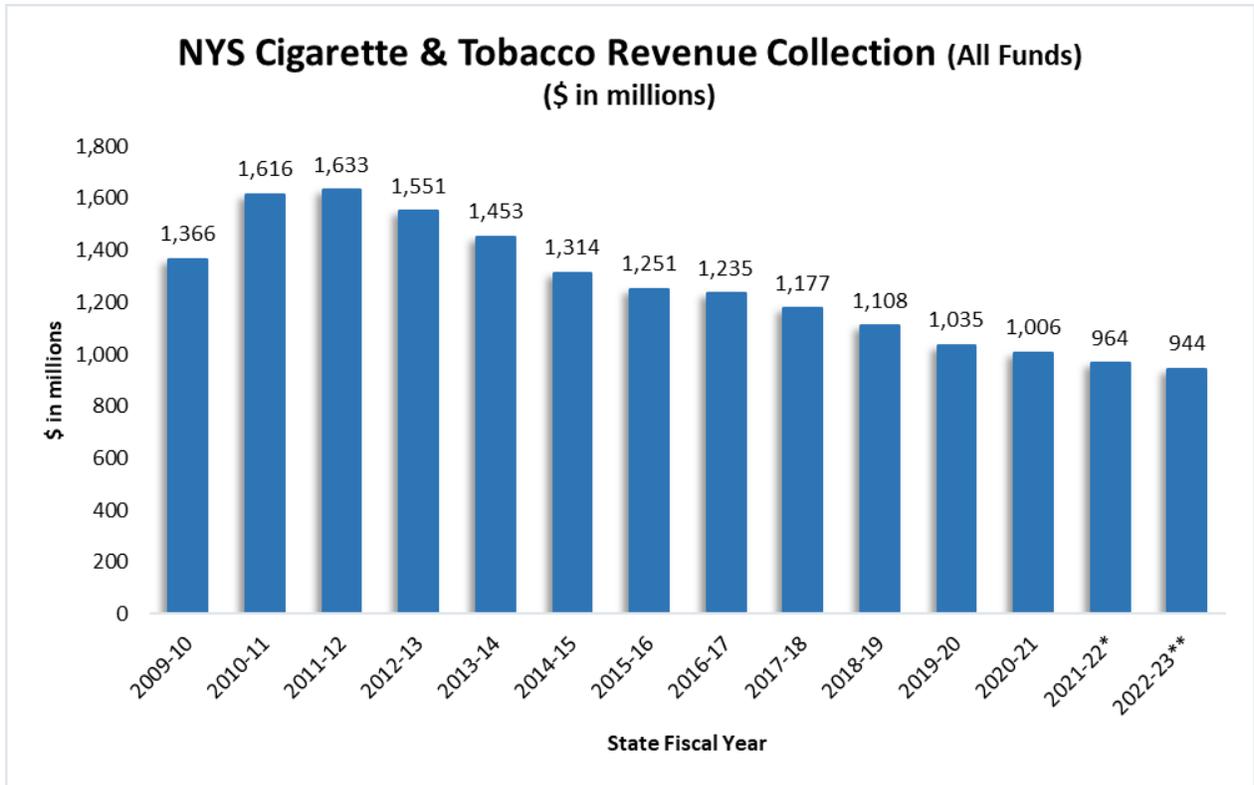
The Executive Budget Financial Plan projects All Funds Sales and Use Tax collections to be \$18.1 billion in SFY 2022-23 which is an increase of \$911 million or 5.3 percent from the Executive's SFY 2021-22 estimate. The Executive Financial Plan projects General Fund collections of \$17.0 billion in SFY 2022-23, which is an increase of \$849 million or 5.3 percent, from the Executive's SFY 2021-22 estimate.

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 attached 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, cessation 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 that is equal to \$1.50 per pack. In addition to the excise tax on cigarettes, the State imposes a tax on other tobacco products, such as chewing tobacco, snuff and cigars. These products are taxed at a rate of 75 percent of the wholesale price. However, snuff products are taxed at a rate of \$2.00 per ounce.



*2021-22 is estimated. **2022-23 is projected

Source: Senate Majority Conference Finance Committee Staff

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

For SFY 2021-22, the Executive Budget Financial Plan estimates All Funds cigarette and tobacco tax receipts to be \$964 million, which is a decrease of \$42 million or 4.2 percent from SFY 2020-21. The Financial Plan estimates General Fund collections at \$293 million in SFY 2021-22, which is a decrease of \$17 million or 5.5 percent from SFY 2020-21.

The Executive Budget Financial Plan projects All Funds cigarette and tobacco tax receipts to be \$944 million in SFY 2022-23, which is a decrease of \$20 million or 2.1 percent from the Executive’s SFY 2021-22 projections. The Financial Plan projects SFY 2022-23 General Fund cigarette and tobacco tax receipts at \$303 million, an increase of \$10 million or 3.4 percent from the Executive’s SFY 2021-22 estimate.

Motor Fuel Tax

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

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

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 concurs with the Executive Budget Financial Plan projections for Motor Fuel Tax. The Financial Plan estimates All Funds receipts from the State Motor Fuel Tax at \$485 million in SFY 2021-22, an increase of \$60 million or 12.4 percent from SFY 2020-21. For SFY 2022-23, the Financial Plan projects All Funds receipts from the Motor Fuel Tax at \$485 million, which remains unchanged from the Executive's SFY 2021-22 estimate.

Alcoholic Beverage Tax

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

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

For SFY 2021-22, the Executive Budget Financial Plan estimates All Funds Alcoholic Beverage Tax collections to be \$274 million, which is an increase of \$3 million or 1.1 percent from SFY 2020-21. The Executive Budget Financial Plan projects All Funds Alcoholic Beverage Tax collections to be \$277 million in SFY 2022-23, which is an increase of \$3 million or 1.1 percent from the Executive's SFY 2021-22 estimate.

Auto Rental Tax

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

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

The Senate Majority Conference Finance Committee staff estimates All Funds Sales and Use Tax receipts for SFY 2021-22 at \$17.2 billion, which is an increase of \$3.1 billion or 21.9 percent from SFY 2020-21. General Fund sales and use tax collections are estimated to total \$16.1 billion in SFY 2021-22 which is an increase of \$2.9 billion or 21.5 percent from SFY 2020-21.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Auto Rental tax receipts in SFY 2022-23 to total \$98 million, which reflects a decrease of \$6 million or 1.1 percent from SFY 2021-22.

Highway Use Tax

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

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

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

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

For SFY 2021-22, the Financial Plan estimates All Funds collections from the HUT at \$144 million, which is an increase of \$9 million or 6.3 percent from SFY 2020-21. The Financial Plan projects All Funds HUT collections in SFY 2022-23 at \$144 million, which remains unchanged from the prior year.

Medical Cannabis Tax

A seven 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 five percent goes to the Office of Addiction Services and Supports, and another five percent goes to the Division of Criminal Justice Services. The law is silent on the distribution of the remaining amount.

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

The Financial Plan estimates All Funds receipts from the Medical Cannabis Excise Tax to total \$13 million in SFY 2021-22, an increase of \$4 million or 30.8 percent from SFY 2020-21. For SFY 2022-23, the Financial Plan projects All Funds Medical Cannabis Excise Tax collections will remain unchanged at \$13 million.

Adult-Use Cannabis Tax

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

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

The Financial Plan projects All Funds receipts from the Adult-Use Cannabis Tax to total \$56 million for SFY 2022-23, the first State fiscal year that receipts will be realized.

Opioid Excise Tax

Beginning July 1, 2019, the State imposed an excise tax on the first sale of opioids within its borders. The tax is imposed at the manufacturer and distributor level. The tax rate varies based on the per-unit wholesale cost of an opioid, 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 estimates All Funds receipts from the Opioid Excise Tax to total \$30 million in SFY 2021-22, which reflects no change from SFY 2020-21.

For SFY 2021-22, the Executive Financial Plan estimates All Funds collections to total \$26 million, which reflects a decrease of \$4 million or 13.3 percent

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Opioid Excise Tax receipts in SFY 2022-23 to total \$26 million, which remains unchanged from SFY 2021-22.

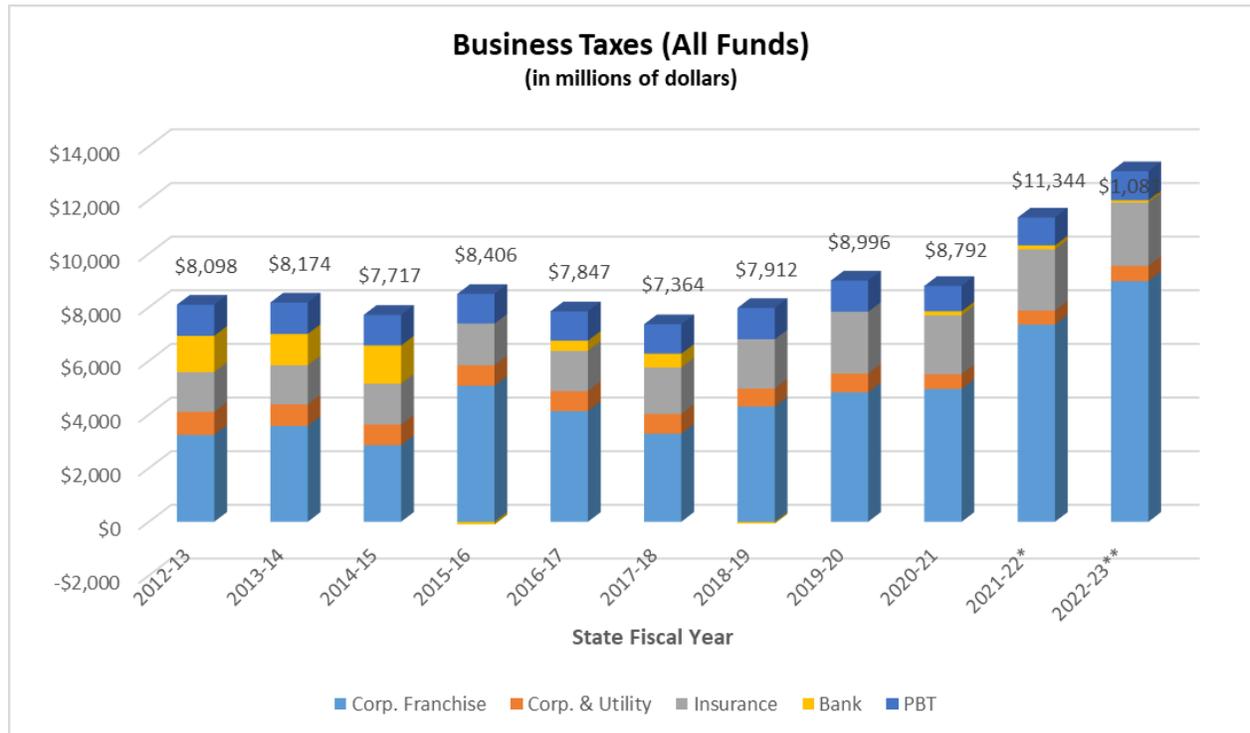
Vapor Products Tax

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

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

The Financial Plan estimates All Funds receipts from the Vapor Products Tax to be \$27 million in SFY 2021-22, which is a decrease of \$5 million or 15.6 percent from the first partial year of collections. For SFY 2022-23, the Financial Plan projects All Funds Vapor Products Tax collections at \$27.0 million.

BUSINESS TAXES



*2021-22 is estimated **2022-23 is projected

Source: Senate Majority Conference Finance Committee staff

The Senate Majority Conference Finance Committee staff estimates All Funds aggregate business tax receipts to total \$11.3 billion for SFY 2021-22, which is an increase of \$2.5 billion or 29.0 percent from SFY 2020-21. For SFY 2021-22, the committee staff estimates General Fund aggregate business tax receipts to total \$8.4 billion, which reflects an increase of \$2.0 billion or 31.2 percent from SFY 2020-21.

For SFY 2022-23, the Senate Majority Conference Finance Committee staff projects All Funds aggregate business tax receipts to total \$13.1 billion which is an increase of \$1.7 billion or 15.2 percent from SFY 2021-22 estimates. The committee staff projects General Fund aggregate business tax receipts for SFY 2022-23 at \$9.8 billion, which reflects an increase of \$1.4 billion or 16.3 percent from SFY 2021-22.

The Executive Budget Financial Plan estimates All Funds aggregate business tax receipts, excluding the PTET impact to total \$11.0 billion for SFY 2021-22, reflecting a \$2.2 billion or 25.2 percent increase from SFY 2020-21. With the PTET impact, All Funds aggregate business tax receipts are estimated at \$27.7 billion reflecting a \$18.9 billion or 215.3 percent increase from SFY 2020-21.

The Financial Plan estimates SFY 2021-22 General Fund aggregate business tax collections, excluding the PTET impact to total \$8.2 billion, an increase of \$1.7 billion, or 27.1 percent from SFY 2020-21. With the PTET impact, General Fund aggregate business tax collections are

projected at \$16.5 billion which is an increase of \$10.1 billion, or 157.2 percent, from SFY 2020-21.

The Executive Budget Financial Plan estimates SFY 2022-23 All Funds aggregate business tax receipts, excluding the PTET impact to total \$12.8 billion, reflecting a \$1.8 billion or 16.2 percent increase from SFY 2021-22. With the PTET impact, All Funds aggregate business tax receipts are estimated at \$27.9 billion reflecting a \$151 million or 0.5 percent increase from SFY 2021-22.

The Financial Plan estimates SFY 2022-23 General Fund aggregate business tax collections, excluding the PTET impact to total \$9.6 billion, an increase of \$1.4 billion, or 17.3 percent, from SFY 2021-22. With the PTET impact, General Fund aggregate business tax collections at \$17.1 billion, an increase of \$598 million or 3.6 percent from SFY 2021-22.

Rest-of-year growth required to realize the Senate Majority Conference total business tax receipts estimate for SFY 2021-22 is equal to 14.1 percent, whereas rest-of-year growth required to realize the Financial Plan total business tax receipts estimate is 0.9 percent.

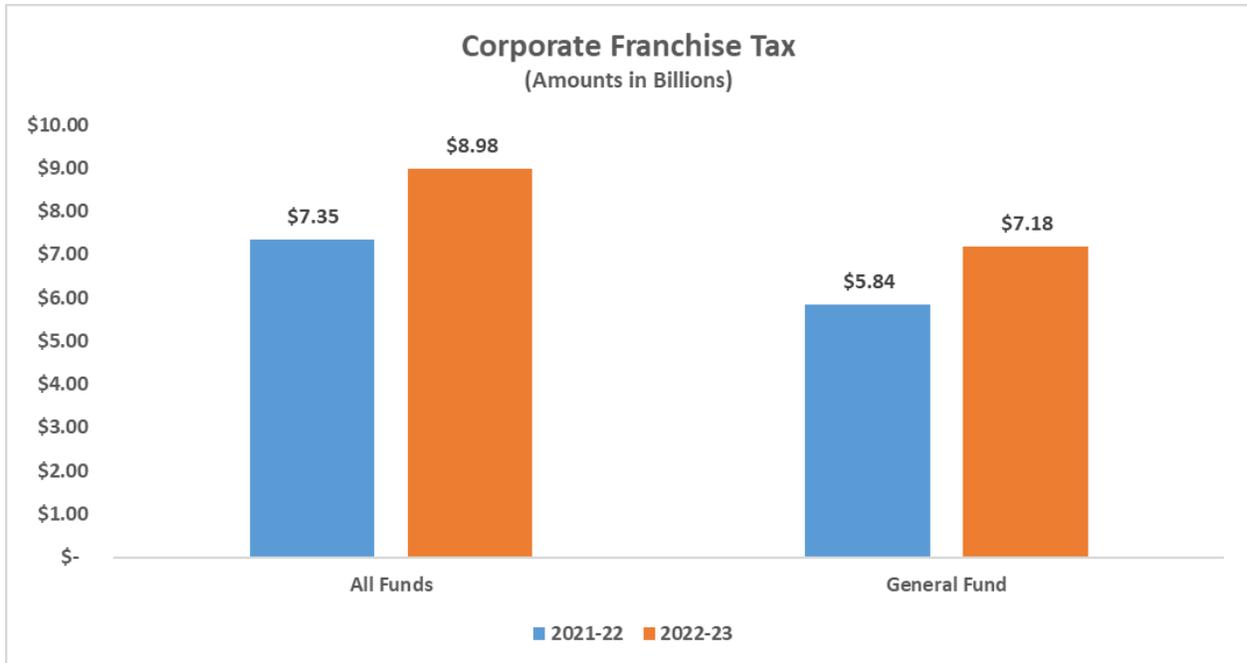
Corporation Franchise Tax

Chapter 59 of the Laws of 2014 enacted, New York State corporate tax reform, which 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. In addition, since 2016 another corporate tax rate, the capital stock base rate, has been gradually reduced automatically each year and this was repealed in 2021. Effective in tax year 2021 through tax year 2023, taxpayers with business income above \$5 million are subject to a tax rate of 7.25 percent and taxpayers with business income of \$5 million or less are subject to a tax rate of 6.5 percent. The tax rates will revert to 6.5 percent in 2024 after this temporary increase. The corporation franchise tax is levied by statute, specifically, Articles 9-A and 13 of the Tax Law. Article 9-A imposes a franchise tax on domestic and foreign corporations for the privilege of exercising their corporate franchise or doing business, employing capital, owning or leasing property or maintaining an office in New York State. The Article 9-A tax is imposed on business entities classified as either C-Corporations or S-Corporations.

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

For C-Corporations, current State 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. All collections from this surcharge are deposited into the Mass Transportation Operating Assistance Fund.



Source: Senate Majority Conference Finance Committee staff

For SFY 2021-22, the Senate Majority Conference Finance Committee staff estimates All Funds Corporation Franchise Tax receipts to total \$7.3 billion, which is an increase of \$2.4 billion or 48.3 percent from SFY 2020-21. The committee staff estimates SFY 2021-22 General Fund Corporation Franchise Tax receipts to total \$5.8 billion which is an increase of \$1.9 billion or 50.2 percent from SFY 2020-21.

For SFY 2022-23, the committee staff projects All Funds Corporation Franchise Tax receipts to total \$9.0 billion, which reflects an increase of \$1.6 billion or 22.2 percent from the SFY 2021-22 estimate. The committee staff projects SFY 2022-23 General Fund Corporation Franchise Tax receipts at \$7.2 billion, which is an increase of \$1.3 billion or 22.8 percent from the staff SFY 2021-22 estimate.

For SFY 2021-22, the Executive Budget Financial Plan estimates All Funds Corporation Franchise Tax receipts to total \$7.0 billion, an increase of \$2.1 billion, or 41.6 percent, from SFY 2020-21. The Financial Plan estimates SFY 2021-22 General Fund Corporation Franchise Tax receipts at \$5.6 billion, an increase of \$1.7 billion or 43.4 percent from SFY 2020-21.

For SFY 2022-23, the Executive Budget Financial Plan projects All Funds Corporation Franchise Tax receipts to total \$8.7 billion, an increase of \$1.7 billion, or 24.0 percent, from SFY 2021-22 estimates. The Financial Plan projects SFY 2022-23 General Fund Corporation Franchise Tax receipts at \$7.0 billion, an increase of \$1.4 million, or 24.7 percent, from SFY 2021-22 estimates.

Rest-of-year growth required to realize the Senate Majority Conference Corporation Franchise Tax receipts estimate for SFY 2021-22 is equal to 22.5 percent, whereas rest-of-year growth required to realize the Financial Plan Corporation Franchise Tax receipts estimate is -2.3 percent. Year-to-date growth has been 58.0 percent.

Corporation and Utilities Tax

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

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

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

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

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

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

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

For SFY 2021-22, the Executive Budget Financial Plan estimates All Funds Corporation and Utilities Tax receipts to total \$529 million, a decrease of \$21 million or 3.8 percent from SFY 2020-21. The Financial Plan estimates SFY 2021-22 General Fund Corporation and Utilities Tax receipts at \$401 million, a decrease of \$16 million or 3.8 percent, from SFY 2020-21.

For SFY 2022-23, the Executive Budget Financial Plan projects All Funds Corporation and Utilities Tax receipts to total \$570 million, an increase of \$41 million or 7.8 percent from its SFY 2021-22 estimate. The Financial Plan projects SFY 2022-23 General Fund Corporation and Utilities Tax receipts at \$420 million, an increase of \$19 million or 4.7 percent from its SFY 2021-22 estimate.

For SFY 2021-22, the rest-of-year growth required to realize the Financial Plan Corporation and Utilities Tax receipts estimate is 5.5 percent. Year-to-date growth has been –8.6 percent.

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

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. 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 \$0.0008 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 (ex: covering unique or very large risks) as well as, retaliatory insurance taxes on foreign insurance corporations.

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

The Executive Budget Financial Plan estimates All Funds Insurance Tax receipts to total \$2.3 billion in SFY 2021-22, reflecting an increase of \$91 million or 4.2 percent from SFY 2020-21. The Financial Plan estimates General Fund Insurance Tax receipts to total \$2.1 billion in SFY 2021-22, which is an increase of \$80 million or 4.0 percent from SFY 2020-21.

The Executive Budget Financial Plan projects All Funds Insurance Tax receipts to total \$2.4 billion in SFY 2022-23, an increase of \$77 million or 3.4 percent from the Executive's SFY 2021-22 estimate. The Financial Plan projects General Fund Insurance Tax receipts at \$2.1 billion in SFY 2022-23, which is an increase of \$72 million or 3.5 percent from the SFY 2021-22 estimate.

For SFY 2021-22, the rest-of-year growth required to realize the Financial Plan Insurance Tax receipts estimate is –12.4 percent.

Bank Tax

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

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan estimate that All Funds Bank Tax collections will total \$151 million and General Fund Bank Tax collections will total \$125 million in SFY 2021-22.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan estimate that All Funds Bank Tax collections will total \$84 million in SFY 2022-23, a decrease of \$67 million, or 44.4 percent, from the SFY 2021-22 estimate. The committee staff also concurs that General Fund Bank Tax collections will total \$70 million in SFY 2022-23, a decrease of \$55 million, or 44.0 percent, from the SFY 2021-22 estimate.

Petroleum Business Tax

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

Tax rates are indexed with annual adjustments made on January 1 of each year to the base and supplemental tax rates to reflect the percent change in the producer price index (PPI) for refined petroleum products for 12 months ending August 31 of the preceding year. Tax rates cannot increase or decrease by more than 5 percent per year. This is done to prevent significant changes in tax rates resulting from large changes in the petroleum PPI. Based on changes in the petroleum PPI, the PBT rate index declined by five percent effective January 1, 2021.

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 concurs with the Executive Budget Financial Plan projections for Petroleum Business Tax receipts.

The Executive Budget Financial Plan estimates All Funds Petroleum Business Tax receipts for SFY 2021-22 to total \$1.0 billion, which is an increase of \$93 million or 9.9 percent from SFY 2020-21.

In SFY 2022-23, the Financial Plan projects All Funds Petroleum Business Tax receipts at \$1.1 billion, which is an increase of \$46 million or 4.4 percent from the SFY 2021-22 estimate.

For SFY 2021-22, the rest-of-year growth required to realize the Financial Plan Petroleum Business Tax receipts estimate is 11.7 percent.

Pass-Through Entity Tax

The SFY 2021-22 Enacted Budget created an optional pass-through entity tax for partnerships, LLCs, and S-Corporations to pay a new State tax at 6.85 percent at the entity level in exchange for a personal income tax credit for the partners, members, and shareholders equal to 92 percent of the tax paid. The new pass-through entity tax authorizes partners, members, and shareholders of electing entities to deduct this State tax paid from their Federal returns, as a means to circumnavigate the current SALT cap, resulting in savings on their Federal taxes. This would apply to tax years beginning on or after January 1, 2022.

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

The SF 2022-23 Executive Budget Financial Plan estimates All Funds Pass-Through Entity Tax (PTET) receipts to total \$16.7 billion in SFY 2021-22. The Senate Majority Conference Finance Committee staff concur.

The SFY 2022-23 Executive Budget Financial Plan projects All Funds PTET receipts to total \$15.1 billion in SFY 2022-23 which is a decrease of \$1.6 billion or 9.8 percent from the SFY 2021-22 estimate. The Senate Majority Conference Finance Committee staff concur.

OTHER TAXES

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

Estate Tax

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

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

The Executive Budget Financial Plan estimates All Funds Estate Tax receipts for SFY 2021-22 to total \$1.27 billion, which is a decrease of \$267 million or 17.4 percent, from SFY 2020-21.

In SFY 2022-23, the Financial Plan projects All Funds Estate Tax receipts at \$1.27 billion, which is a decrease of \$5 million or 0.4 percent from the SFY 2021-22 estimate.

Real Estate Transfer Tax

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

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

For SFY 2021-22, the Senate Majority Conference Finance Committee staff estimates All Funds RETT receipts to total, \$1.6 billion, which is an increase of \$664 million or 70.0 percent from SFY 2020-21.

For SFY 2022-23, the committee staff projects All Funds RETT receipts to total \$1.4 billion, which reflects a decrease of \$209.2 million or 13.0 percent from the SFY 2021-22 estimate.

The Executive Financial Plan estimates All Funds RETT collections for SFY 2021-22 to total \$1.5 billion, which is an increase of \$524 million or 55.2 percent from SFY 2020-21.

In SFY 2022-23, the Financial Plan projects All Funds RETT collections at \$1.3 billion, a decrease of \$191 million or 13.0 percent from its SFY 2021-22 estimate.

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 being the first year of participation eligibility, participating employers pay an optional tax intended to mitigate the tax burden for employees affected by the State and Local Tax (SALT) deduction limit. While the Tax Cuts and Jobs Act limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business.

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

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

The Financial Plan estimates All Funds receipts from the ECEP to total \$13.0 million for SFY 2021-22, an increase of \$10 million or 333.3 percent from SFY 2020-21.

In SFY 2022-23, the Financial Plan projects All Funds receipts from the ECEP at \$14.0 million, which reflects an increase of \$1 million or 7.1 percent from its SFY 2021-22 estimate.

Pari-Mutuel Tax

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

The Financial Plan estimates All Funds Pari-Mutuel Tax collections for SFY 2021-22 to be \$13.0 million, which is an increase of \$3.0 million or 30.0 percent from SFY 2020-21.

In SFY 2022-23, the Financial Plan projects All Funds Pari-Mutuel Tax collections at \$13.0 million, which reflects no change from the SFY 2021-22 estimate.

Other Taxes

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

For SFY 2021-22, the Financial Plan estimates All Funds Other Taxes collections, including transfers after payment of debt service on Clean Water/Clean Air Bonds, to total \$2.6 billion in, an increase of \$268 million, or 11.5 percent from FY 2020-21.

The Financial Plan projects All Funds Other Taxes collections, including transfers after payment of debt service on Clean Water/Clean Air Bonds for SFY 2022-23 to total \$2.3 billion, a decrease of \$326 million, or 14 percent of SFY 2021-22.

GAMING AND WAGERING TAXES

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

The Executive Budget for SFY 2022-23 anticipates \$448 million from the Seneca Nation for revenue owed since 2017. Additionally, Mobile Sports Wagering launched on January 8 and the Executive Budget Financial Plan assumes \$200 million in licensing fees from the platform providers, which has been collected. The Executive Budget Financial Plan forecasts Casino receipts will have significant growth due to easing COVID-19 restrictions that had been in place in prior years.

GAMING RECEIPTS (\$ in millions)									
	FY 2021	DOB	SFC			DOB	SFC		
	Actuals	FY 2022	FY 2022	Percent	Percent	FY 2023	FY 2023	Percent	Percent
		Projected	Projected	Change	Change	Projected	Projected	Change	Change
TOTAL RECEIPTS	\$2,953	\$4,760	\$4,682	(\$78)	-1.68%	\$4,302	\$4,511	\$209	4.64%
EDUCATION	\$2,877	\$4,056	\$3,969	(\$87)	-2.20%	\$4,037	\$4,241	\$204	4.82%
Traditional Lottery	\$2,426	\$2,602	\$2,536	(\$66)	-2.61%	\$2,547	\$2,572	\$25	0.97%
VLT Gaming	\$382	\$1,002	\$949	(\$53)	-5.62%	\$990	\$993	\$3	0.34%
Mobile Sports Wagering	\$0	\$310	\$324	\$14	4.31%	\$357	\$513	\$156	30.38%
Commercial Gaming (School Aid)	\$63	\$135	\$153	\$18	11.91%	\$136	\$156	\$20	12.87%
Interactive Fantasy Sports	\$6	\$7	\$7	\$0	0.00%	\$7	\$7	\$0	0.00%
All Other	\$76	\$704	\$713	\$9	1.25%	\$265	\$270	\$5	1.86%
Tribal State Compact	\$60	\$668	\$668	\$0	0.00%	\$220	\$220	\$0	0.00%
Commercial Gaming (Local)	\$16	\$34	\$38	\$4	11.25%	\$34	\$39	\$5	12.87%
Mobile Sports (Youth Sports)	\$0	\$1	\$3	\$2		\$5	\$5	\$0	0.00%
Mobile Sports (Problem Gambling)	\$0	\$1	\$3	\$2		\$6	\$6	\$0	0.00%

The Senate Majority Finance Committee estimates All Funds receipts from Gaming to total \$4.7 billion for SFY 2021-22, reflecting an increase of \$1.7 billion or 59.0 percent from SFY 2020-21.

In SFY 2022-23, the Senate Majority Finance Committee projects All Funds receipts for Gaming to total \$4.5 billion, which is a decrease of \$171 million or 3.7 percent from the SFY 2021-22 estimate.

The Executive estimates All Funds receipts from Gaming to total \$4.8 billion for SFY 2021-22, reflecting an increase of \$1.8 billion or 62.5 percent from SFY 2020-21.

In SFY 2022-23, the Executive projects All Funds receipts \$4.3 billion, which is a decrease of \$458 million or 9.6 percent from the SFY 2021-22 estimate.

GENERAL FUND MISCELLANEOUS RECEIPTS

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

Miscellaneous Receipts General Fund (\$ in millions)			
	SFY 2020-21 (Actuals)	SFY 2021-22 (Estimate)	SFY 2022-23 (Projected)
Licenses, Fines, and Fees	\$497	\$530	\$529
Abandoned Property	\$575	\$450	\$450
Motor Vehicle Fees	\$362	\$246	\$238
Alcoholic Beverage License Fees	\$51	\$69	\$67
Reimbursements	\$423	\$70	\$70
Investment Income	\$38	\$24	\$13
Extraordinary Settlements	\$600	\$33	\$33
Other Transactions	\$4,969	\$417	\$389
Total Miscellaneous Receipts	\$7,515	\$1,839	\$1,789
Source: New York State Division of Budget			

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

The projected SFY 2021-22 General Fund miscellaneous receipts totals is \$1.84 billion, which is a decrease of \$5.7 billion or 75.5 percent from SFY 2020-21.

The projected SFY 2022-23 General Fund miscellaneous receipts total is \$1.79 billion, which is a decrease of \$50 million or 2.7 percent from SFY 2021-22.

