



Department of Taxation and Finance

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Department of Taxation and Finance
Joint Senate & Assembly Budget Hearing
Hearing Room B - Legislative Office Building
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Good morning Chairwoman Young and Chairwoman Weinstein. My name is Nonie Manion, Executive Deputy Commissioner at the Department of Taxation and Finance. I am pleased to appear before you today to discuss Governor Cuomo's 2019 Executive Budget.

The current budget environment is the most challenging the State has faced since the Governor first assumed office in 2011. Weak revenue growth, coupled with substantial cuts in Federal aid, have combined to create a \$4.4 billion shortfall. The new federal tax law only compounds these challenges.

Governor Cuomo's fiscal policies—most notably his adherence to a 2 percent spending cap—have ended the era of high spending growth and tax increases. Today, every New Yorker pays a lower tax rate than they did before the Governor took office. Thanks to historic middle-class tax cuts enacted by the Governor and the Legislature, taxpayers will save \$26.3 billion over the Governor's first two terms in office alone.

The Governor has also transformed the business climate—laying the groundwork for a more robust, competitive New York State. New York now has the lowest corporate tax rate since 1968 and the lowest manufacturers' tax rate since 1917. Over the course of the Governor's two terms, these tax cuts will save businesses over \$7 billion.

In partnership with the Legislature, the Governor has also taken landmark steps to combat the growth in property taxes. The State's 2% property tax cap, enacted in the Governor's first year in office, is estimated to have lowered property taxes by an average of \$2,100. This was followed by the enactment of real property tax relief credits that will provide an additional \$1.3 billion in property tax relief, with an average credit of \$530 by 2019.

The Federal tax legislation raises taxes on millions of New Yorkers and uses that money to pay for tax cuts for the nation's largest corporations and billionaires. At the Governor's direction, the Department of Taxation and Finance issued a preliminary report outlining options for state tax reform with the potential to mitigate adverse impacts of the federal legislation on New York State. The report lays out options for policymakers to consider in response to the loss of the deductibility of State and Local taxes. The report also identifies the many "flow-through" impacts to the State's tax system due to the changes to the

federal tax code where New York is currently conformed. We hope this report can serve as a framework for discussion of ways the State can adjust our tax code to mitigate the impacts of the federal legislation.

The Governor is committed to protecting New Yorkers from the negative impacts of the federal tax changes. For example, we anticipate that the Governor's 30-Day amendments will propose that the State decouple from the limitation on state and local tax deductions, allowing the full amount of local real property taxes to be deducted from State income taxes. Congress has taken actions that, absent changes to state tax law, will result in tax increases for New York taxpayers. The Governor will take action to protect New Yorkers in response.

Thank you again for the opportunity to speak with you this morning, and for your ongoing partnership on these critical issues. I am happy to answer any questions that you may have.