



Department of Taxation and Finance

**Opening Statement
Amanda Hiller, Acting Commissioner
New York State Department of Taxation and Finance
Joint Senate & Assembly Budget Hearing
February 9, 2023**

Good afternoon Senator Krueger, Assembly Member Weinstein and members of the fiscal committees.

I'm Amanda Hiller, Acting Commissioner and General Counsel of the Department of Taxation and Finance. Thank you for this opportunity to discuss the Department and Governor Hochul's 2024 Executive Budget.

As we move forward to FY 2024, there are plenty of risks on the horizon. U.S. real GDP fell two consecutive quarters in the first half of 2022, prompting concerns that the U.S. economy might already be in a recession. Real GDP rebounded by 3.2 percent in the third quarter, but recession fears persisted throughout the year. To address inflation, the Federal Reserve tightened monetary policy at the fastest pace on record. The Division of Budget expects the national economy to enter a downturn in 2023, constraining U.S. real GDP growth to 0.5 percent this year.

Fortunately, Governor Hochul has positioned the State well. We have an \$8.7 billion surplus, which is primarily due to continued strength in tax receipts. In October 2021, the Governor committed to building the State's reserves to ensure that it could honor current commitments through good times and bad. The extraordinary gains in tax receipts have been directed to accomplish that goal: by the end of FY 2023, the State will have boosted its reserves by over \$20 billion since FY 2020.

Even as tax receipts continue to show strength in the current year, DOB has downgraded its expectations for the economic outlook twice since the FY 2023 Enacted Budget Financial Plan was published just nine months ago. DOB is now

forecasting a mild national recession in calendar year 2023, with U.S. real output projected to decline in the first half of the year, followed by a recovery in the latter half of the year. At the State level, key economic drivers of tax receipts have been revised sharply downward. Total wage growth is now expected to slow to 2.4 percent through FY 2023 and 2.3 percent in FY 2024, significantly lower than the May 2022 forecast. In particular, bonus income is expected to decline by 27 percent from the FY 2022 peak.

Governor Hochul recognizes these economic trends and has proposed a responsible budget that makes targeted investments in housing, crime prevention, and energy affordability, while also addressing the MTA 'Fiscal Cliff' and maintaining other crucial funding and support for New Yorkers. The Governor's \$24 Billion commitment to education remains intact: the budget fully phases in Foundation Aid and includes \$125 million for Pre-K and \$250 million for Learning Loss tutoring programs. There is also a \$1 billion investment to provide health care, shelter and other critical services to asylum seekers, and \$1.3 billion in economic development investments to grow our economy and provide opportunity for all New Yorkers.

Importantly, the Executive Budget accomplishes all of this while remaining true to Governor Hochul's pledge to not increase income taxes on New Yorkers. Many of the tax proposals in this budget address issues of equity and fairness, including ensuring that homeowners receive any excess proceeds from tax foreclosure auctions. This budget will also incentivize employers to help reduce the cost of daycare for working parents, and it will improve the effectiveness of tax credits for working farmers, who often struggle with liquidity due to the capital-intensive nature of their business. We will also continue the current tax rate on those corporations making the most money, which even at this level remains competitive relative to rates in other states and, in particular, to our neighbors. Other proposals in the budget conform us to federal tax treatment or clarify the intent of initiatives that the Governor and Legislature previously enacted together.

This time last year I spoke of the scale of Tax Department operations, a scale that never ceases to impress me. Last year the 3,800 members of Team Tax processed

29 million tax filings and closed 825,000 audit cases as we worked to collect nearly 160 billion dollars in state and local tax revenue. These volumes are only possible because we have sophisticated information technology platforms. These systems were world class when they came on-line, but that was over 30 years ago. Worse, the underlying technology is closer to 40 years old.

That's why I am grateful to the Governor and the Legislature for continuing to support the State's efforts to stabilize and modernize the Tax Department's information technology. This critical IT modernization effort will also significantly improve the flexibility and interoperability of our systems, helping to ensure tax revenues are effectively collected and processed with fair and equitable outcomes for all the Department's current and future customers. We're working closely with our Office of Information Technology Services partners to fully leverage this opportunity and ensure its success. As we enter the second year of our five-year implementation plan, I'm pleased to report that we are on-track and on-budget.

We are also pursuing parallel projects that leverage technology to improve the taxpayer experience. Although we are a technology-driven agency, many of our day-to-day operations are surprisingly old-school. For example, each year we ask hundreds of thousands of taxpayers to mail us documents confirming their eligibility for various tax benefits, which is why I'm excited that we are currently testing a new tool that will allow taxpayers to upload documents to us using their phones. This year we also expect to begin a pilot project delivering STAR credits by direct deposit, which will shave several days off the time it takes to get this critical property tax relief into the hands of eligible homeowners – while avoiding costly check production and mailing expenses. We will continue to keep the taxpayer experience front of mind as we explore other opportunities to bring our operations further into the digital age.

To conclude, I am incredibly proud of the work we are doing at the Department. And I'm excited about Governor Hochul's Executive Budget, which will make a real difference in the lives of New York taxpayers. I look forward to working with you to move these initiatives forward and will now take your questions.