



November 5, 2020

# **NEW YORK STATE SENATE DEMOCRATIC MAJORITY CONFERENCE FINANCE COMMITTEE**

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Majority Leader

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Chair, Senate Finance Committee

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# **2020 Midyear Report on Receipts and Disbursements**

## **Senate Majority Conference Finance Committee**

**Senator Liz Krueger  
Chair**

*Prepared by Senate Majority Finance Committee Staff*

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## **EXECUTIVE SUMMARY**

The Senate Majority Conference Finance Committee has produced this mid-year report (known as “Quickstart”) pursuant to Chapter 1 of the Laws of 2007, which requires representatives of the Executive, Senate, Assembly, and Comptroller to meet on or before November 15 to review State financial and economic information and projections for the current and next State Fiscal Year (SFY). The goal of this process is to facilitate the timely adoption of the upcoming State budget. As part of Quickstart, each party is annually required to prepare a forecast of receipts and disbursements for the current and ensuing fiscal years and to make that report available to the public on November 5.

### **STATE REVENUE**

The Senate Majority Conference Finance Committee staff’s SFY 2020-21 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$167 million over the Executive Mid-Year estimate of \$43.4 billion. The committee staff’s SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$139 million over the Executive Mid-Year receipts estimate of \$38.5 billion. The committee staff two-year aggregate projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$306 million above the Executive Mid-Year projections.

The committee staff’s SFY 2020-21 estimate for All Funds receipts is \$502 million over the Executive Mid-Year receipts estimate of \$188.3 billion. The committee staff’s SFY 2021-22 projection for All Funds receipts is \$27 million above the Executive Mid-Year receipts estimate of \$171.4 billion. The committee staff’s two-year aggregate All Funds receipts projection is \$529 million above the Executive Mid-Year projections.

## U.S. AND NEW YORK STATE ECONOMIC OUTLOOK

The economic outlook for the United States and New York are hazy because of the COVID-19 pandemic. 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, and most indications pointed toward a continuation of the expansion. In January 2020, for example, the average forecast of the Blue Chip Economic Indicators panel for the U.S. economy was 1.9 percent growth for 2020. The COVID-19 pandemic changed this forecast markedly as its economic impacts were realized, and forecasting continues to face many challenges because of the unprecedented and unpredictable nature of the COVID-19 pandemic. For example, in April 2020, the average forecast of the Blue Chip Economic Indicators panel for the second quarter of 2020 GDP (April through June) was -24.5 percent at a seasonally adjusted annual rate (and it actually was -31.4 percent). Given this high degree of uncertainty, and with developments relating to the COVID-19 pandemic continuing to unfold and affect the economy, economic outlooks remain unstable until a significant change in the COVID-19 pandemic occurs, such as the administration of an effective vaccine among a critical mass of the population.

Real U.S. GDP increased by 2.2 percent in Calendar Year (CY) 2019 and is estimated by committee staff to shrink at a rate of -3.7 percent in CY 2020, and then grow, albeit from a much-weakened position, by 3.9 percent in CY 2021. U.S. wages increased 3.3 percent in CY 2019 and are expected to decrease by 0.4 percent in CY 2020, but then increase slightly by 0.5 percent in 2021.

The Federal Reserve Bank of St. Louis's coincident economic activity index, which measures aggregate State economic activity, decreased by 13.7 percent from September 2019 to September 2020. The same measurement for the United States decreased by 4.5 percent over that same period. The State's preventative actions to curb the spread of the COVID-19 pandemic, and the timing of the severity of COVID-19 in New York, are likely to be a significant factor in the disparity between the State's and U.S.'s indices. The New York State economy has been particularly affected by the COVID-19 pandemic, but the economy is beginning to rebound.

Changes in personal income are also projected to differ between the U.S. and the State. For both 2020 and 2021, U.S. personal income is expected to grow, at 6.0 percent and 0.1 percent, respectively; however, for New York State personal income, 2020 is estimated to grow by 2.4 percent and 2021 is estimated to grow at 0.6 percent. The effect of increased federal stimulus, direct to households, represents a large portion of the increase in the personal income numbers for 2020.

The State unemployment rate, which averaged 3.9 percent for Calendar Year (CY) 2019, is expected to average 11.3 percent by the end of CY 2020 and 8.0 percent through CY 2021. While the State's labor market has been trending in a positive direction over the past several months, the upcoming colder weather and the potential for a subsequent COVID-19 wave threatens the continuation of this trend.



## **REVENUE FORECAST HIGHLIGHTS**

### **General Fund Receipts SFY 2020-21 and SFY 2021-22**

The Senate Majority Conference Finance Committee staff conclude that the:

- General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, in SFY 2020-21 will total \$43.8 billion. This estimate represents an increase of \$280 million, or 0.6 percent, over SFY 2019-20.
- SFY 2020-21 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$167 million over the Executive Mid-Year estimate of \$43.4 billion.
- SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$38.7 billion. This estimate represents a decline of \$4.9 billion, or 11.3 percent, over the committee staff's SFY 2020-21 estimate.
- SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$139 million over the Executive Mid-Year receipts estimate of \$38.5 billion.

### **All Funds Receipts SFY 2020-21 and SFY 2021-22**

The committee staff conclude that the:

- SFY 2020-21 estimate for All Funds receipts is \$188.8 billion. This estimate represents an increase of \$11.4 billion, or 6.4 percent over SFY 2019-20 results.
- SFY 2020-21 estimate for All Funds receipts is \$502 million over the Executive Mid-Year receipts estimate of \$188.3 billion.
- SFY 2021-22 projection for All Funds receipts is \$171.4 billion. This estimate represents a decline of \$17.4 billion or 9.2 percent from the committee staff's SFY 2020-21 estimate.
- SFY 2021-22 projection for All Funds receipts is \$27 million above the Executive Mid-Year receipts estimate of \$171.4 billion.

## REVENUE TABLES

SFY 2020-21 All Funds Taxes and Miscellaneous Receipts (amounts in millions of dollars)			
	Senate Majority Conference Estimate	Executive Mid-Year Estimate	Difference with Executive
<b>Taxes</b>			
<b>Personal Income Tax</b>	<b>49,570</b>	<b>49,046</b>	<b>524</b>
Withholdings	40,958	39,752	1,206
Estimated Payments	14,788	14,669	119
Final and Other Payments	4,458	5,219	(761)
<b>Gross Collections</b>	<b>60,204</b>	<b>59,640</b>	<b>564</b>
State/City Offset	(1,286)	(1,274)	(12)
Refunds	(9,348)	(9,320)	(28)
<b>Consumption/Use Taxes</b>	<b>14,583</b>	<b>14,404</b>	<b>179</b>
Sales and Use Tax	12,645	12,482	163
Cigarette and Tobacco Taxes	985	971	14
Vapor Excise Tax	14	14	0
Motor Fuel Tax	447	447	0
Alcoholic Beverage Taxes	270	266	4
Opioid Excise Tax	34	34	0
Medical Cannabis Excise Tax	7	7	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	131	131	0
Auto Rental Tax	50	52	(2)
Taxicab Surcharge	0	0	0
<b>Business Taxes</b>	<b>8,744</b>	<b>8,945</b>	<b>(201)</b>
Corporaton Franchise Tax	5,000	4,868	132
Corporation and Utilities Tax	539	640	(101)
Insurance Taxes	2,009	2,165	(156)
Bank Tax	270	270	0
Petroleum Business Tax	927	1,002	(75)
<b>Other Taxes</b>	<b>2,066</b>	<b>2,066</b>	<b>0</b>
Estate Tax	1,100	1,100	0
Real Estate Transfer Tax	949	949	0
Employer Compensation Expense Program	4	4	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	11	11	0
Other Taxes	2	2	0
<b>Total Taxes</b>	<b>74,963</b>	<b>74,461</b>	<b>502</b>
<b>Miscellaneous Receipts</b>	<b>30,784</b>	<b>30,784</b>	<b>0</b>
<b>Total Taxes and Miscellaneous Receipts</b>	<b>105,747</b>	<b>105,245</b>	<b>502</b>
<b>Federal Receipts</b>	<b>83,058</b>	<b>83,058</b>	<b>0</b>
<b>Total Receipts</b>	<b>188,805</b>	<b>188,303</b>	<b>502</b>

Senate Majority Conference Estimate minus Executive Mid-Year Estimate = Difference with Executive

<b>SFY 2020-21 General Fund Taxes and Miscellaneous Receipts</b> (amounts in millions of dollars)			
	Senate Majority Conference Estimate	Executive Mid-Year Estimate	Difference with Executive
<b>Taxes</b>			
<b>Personal Income Tax</b>	<b>22,974</b>	<b>22,450</b>	<b>524</b>
Withholdings	40,958	39,752	1,206
Estimated Payments	14,788	14,669	119
Final and Other Payments	4,458	5,219	(761)
<b>Gross Collections</b>	<b>60,204</b>	<b>59,640</b>	<b>564</b>
State/City Offset	(1,286)	(1,274)	(12)
Refunds	(9,348)	(9,320)	(28)
STAR (Dedicated Deposits)	(2,073)	(2,073)	0
RBTF (Dedicated Transfers)	(24,523)	(24,523)	0
<b>Consumption/Use Taxes</b>	<b>6,554</b>	<b>6,446</b>	<b>108</b>
Sales and Use Tax	11,799	11,700	99
Cigarette and Tobacco Taxes	300	296	4
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage Taxes	270	266	4
Opioid Excise Tax	34	34	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
Taxicab Surcharge	0	0	0
<b>Gross Consumption/Use Taxes</b>	<b>12,404</b>	<b>12,296</b>	<b>108</b>
LGAC/STBF (Dedicated Transfers)	(5,850)	(5,850)	0
<b>Business Taxes</b>	<b>6,042</b>	<b>6,506</b>	<b>(464)</b>
Corporaton Franchise Tax	3,987	3,882	105
Corporation and Utilities Tax	40	470	(430)
Insurance Taxes	1,790	1,929	(139)
Bank Tax	225	225	(0)
Petroleum Business Tax	0	0	0
<b>Other Taxes</b>	<b>1,114.934</b>	<b>1,115</b>	<b>(0)</b>
Estate Tax	1,100	1,100	0
Real Estate Transfer Tax	949	949	0
Employer Compensation Expense Program	4	4	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	11	11	0
Other Taxes	2	2	0
<b>Gross Other Taxes</b>	<b>2,066</b>	<b>2,066</b>	<b>0</b>
Real Estate Transfer Tax (Dedicated)	(949)	(949)	0
RBTF (Dedicated Transfers)	(2)	(2)	0
<b>Total Taxes</b>	<b>36,684</b>	<b>36,517</b>	<b>167</b>
<b>Miscellaneous Receipts</b>	<b>6,896</b>	<b>6,896</b>	<b>0</b>
<b>Total Taxes and Miscellaneous Receipts</b>	<b>43,580</b>	<b>43,413</b>	<b>167</b>

Senate Majority Conference Estimate minus Executive Mid-Year Estimate = Difference with Executive

<b>SFY 2021-22 All Funds Taxes and Miscellaneous Receipts</b> (amounts in millions of dollars)			
	<b>Senate Majority Conference Forecast</b>	<b>Executive Mid-Year Forecast</b>	<b>Difference with Executive</b>
<b>Taxes</b>			
<b>Personal Income Tax</b>	<b>48,022</b>	<b>47,975</b>	<b>47</b>
Withholdings	42,912	42,570	342
Estimated Payments	13,356	12,951	405
Final and Other Payments	3,898	4,563	(665)
<b>Gross Collections</b>	<b>60,166</b>	<b>60,084</b>	<b>82</b>
State/City Offset	(1,401)	(1,399)	(2)
Refunds	(10,743)	(10,710)	(33)
<b>Consumption/Use Taxes</b>	<b>16,632</b>	<b>16,439</b>	<b>193</b>
Sales and Use Tax	14,644	14,456	188
Cigarette and Tobacco Taxes	952	946	6
Vapor Excise Tax	6	6	0
Motor Fuel Tax	509	509	0
Alcoholic Beverage Taxes	269	264	5
Opioid Excise Tax	34	34	0
Medical Cannabis Excise Tax	7	7	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	139	139	0
Auto Rental Tax	72	78	(6)
Taxicab Surcharge	0	0	0
<b>Business Taxes</b>	<b>8,661</b>	<b>8,874</b>	<b>(213)</b>
Corporaton Franchise Tax	5,015	4,883	132
Corporation and Utilities Tax	537	637	(100)
Insurance Taxes	2,106	2,269	(163)
Bank Tax	0	0	0
Petroleum Business Tax	1,003	1,085	(82)
<b>Other Taxes</b>	<b>2,054</b>	<b>2,054</b>	<b>0</b>
Estate Tax	1,028	1,028	0
Real Estate Transfer Tax	1,004	1,004	0
Employer Compensation Expense Program	6	6	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	14	14	0
Other Taxes	2	2	0
<b>Total Taxes</b>	<b>75,369</b>	<b>75,342</b>	<b>27</b>
<b>Miscellaneous Receipts</b>	<b>25,461</b>	<b>25,461</b>	<b>0</b>
<b>Total Taxes and Miscellaneous Receipts</b>	<b>100,830</b>	<b>100,803</b>	<b>27</b>
<b>Federal Receipts</b>	<b>70,567</b>	<b>70,567</b>	<b>0</b>
<b>Total Receipts</b>	<b>171,397</b>	<b>171,370</b>	<b>27</b>

Senate Majority Conference Forecast minus Executive Mid-Year Forecast = Difference with Executive

SFY 2021-22 General Fund Taxes and Miscellaneous Receipts (amounts in millions of dollars)			
	Senate Majority Conference Forecast	Executive Mid-Year Forecast	Difference with Executive
<b>Taxes</b>			
<b>Personal Income Tax</b>	<b>22,055</b>	<b>22,008</b>	<b>47</b>
Withholdings	42,912	42,570	342
Estimated Payments	13,356	12,951	405
Final and Other Payments	3,898	4,563	(665)
<b>Gross Collections</b>	<b>60,166</b>	<b>60,084</b>	<b>82</b>
State/City Offset	(1,401)	(1,399)	(2)
Refunds	(10,743)	(10,710)	(33)
STAR (Dedicated Deposits)	(1,979)	(1,979)	0
RBTF (Dedicated Transfers)	(23,988)	(23,988)	0
<b>Consumption/Use Taxes</b>	<b>7,564</b>	<b>7,380</b>	<b>184</b>
Sales and Use Tax	13,731	13,554	177
Cigarette and Tobacco Taxes	307	305	2
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage Taxes	269	264	5
Opioid Excise Tax	34	34	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
Taxicab Surcharge	0	0	0
<b>Gross Consumption/Use Taxes</b>	<b>14,341</b>	<b>14,157</b>	<b>184</b>
LGAC/STBF (Dedicated Transfers)	(6,777)	(6,777)	0
<b>Business Taxes</b>	<b>6,245</b>	<b>6,337</b>	<b>(92)</b>
Corporaton Franchise Tax	3,956	3,852	104
Corporation and Utilities Tax	412	463	(51)
Insurance Taxes	1,876	2,022	(146)
Bank Tax	0	0	0
Petroleum Business Tax	0	0	0
<b>Other Taxes</b>	<b>1,047</b>	<b>1,047</b>	<b>0</b>
Estate Tax	1,028	1,028	0
Real Estate Transfer Tax	1,004	1,004	0
Employer Compensation Expense Program	6	6	0
Gift Tax	0	0	0
Real Property Gains Tax	0	0	0
Pari-Mutuel Taxes	14	14	0
Other Taxes	2	2	0
<b>Gross Other Taxes</b>	<b>2,054</b>	<b>2,054</b>	<b>0</b>
Real estate Transfer Tax (Dedicated)	(1,004)	(1,004)	0
RBTF (Dedicated Transfers)	(3)	(3)	0
<b>Total Taxes</b>	<b>36,911</b>	<b>36,772</b>	<b>139</b>
<b>Miscellaneous Receipts</b>	<b>1,753</b>	<b>1,753</b>	<b>0</b>
<b>Total Taxes and Miscellaneous Receipts</b>	<b>38,664</b>	<b>38,525</b>	<b>139</b>

Senate Majority Conference Forecast minus Executive Mid-Year Forecast = Difference with Executive

## **ECONOMIC OUTLOOK**

### **Economic Highlights:**

The Senate Majority Conference Finance Committee staff believe that:

- the U.S. economy grew by 2.2 percent in CY 2019, but will shrink by 3.7 percent in CY 2020 before rebounding by 3.9 percent in CY 2021, albeit from a weakened position.
- the U.S. unemployment rate will dramatically increase from its 3.7 percent average in CY 2019 to 9.1 percent in CY 2020 before dropping somewhat to 6.5 percent in CY 2021.
- U.S. Personal Income will grow by 6.0 and 0.1 percent in CY 2020 and CY 2021. CY 2019's rate was 3.9 percent growth.

### **U.S. GROSS DOMESTIC PRODUCT (GDP)**

The national economy is measured by the Gross Domestic Product (GDP), while the Gross State Product (GSP) is the equivalent measurement at the State level. GDP and GSP are a combination of all the goods and services produced and consumed by the three major sectors of the economy – consumers, business, and the government. How these sectors interact with each other and react to the ever-changing inputs of the economy form the basis by which the economy either expands or contracts. For example, the amount of personal income affects how much consumers will spend. Increases in consumer spending usually directly translate into increased corporate sales activity and potentially higher corporate profits. Commonly, corporations utilize these profits to make capital investments, 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 is the major driving force for the U.S. economy, specifically expenses for personal consumption. Consumption accounts for approximately 67-68 percent of U.S. GDP. Although business accounts for a relatively small share of GDP, it is still an important contributor to the economy as it directly supports aggregate employment and wages, which engenders consumer spending. Government, via various spending and monetary policies at all levels, also plays a significant role in the US economy. In the second quarter of 2020, private goods-producing industries decreased 34.4 percent, private services-producing industries decreased 33.1 percent, and government decreased 16.6 percent. Among the leading contributors to the decrease in private services-producing industries were accommodation and food services, health care and social assistance, and arts, entertainment, and recreation – all of which were greatly affected by the COVID-19 pandemic. Offsetting these decreases, though, was an increase in finance and insurance (led by the securities and banking industries). The decrease in government was more than accounted for by a decrease in state and local government that was partly offset by an increase in federal government.

## NEW YORK AND U.S. ECONOMIC TRENDS

### 2020 NEW YORK REGIONAL TRENDS

#### **Overview**

According to the Federal Reserve's October 2020 Beige Book, economic activity in New York State grew slightly in the past several weeks because the re-opening of certain sectors of the economy has continued and COVID-19 has remained relatively stable. Employment has been steady across industries, with some sectors adding jobs and others reducing or eliminating jobs. Manufacturing, housing markets, and tourism have all picked up somewhat, while consumer spending has leveled off. However, much of these activities are well-below pre-pandemic levels. Business contacts, overall, have become somewhat less optimistic about their near-term outlook.

#### **Employment and Wages**

The Federal Reserve reports that the labor market has been steady, on balance, in recent weeks. Manufacturers, wholesalers, and leisure and hospitality firms have reported some net hiring, whereas contacts in the information, transportation, and construction sectors have reported modest layoffs. Business contacts in most sectors said they plan to increase staffing levels in the months ahead, with the most widespread gains anticipated among manufacturers. Wages have edged up overall, except in the information sector where contacts reported flat to declining wages.

#### **Prices**

Business contacts reported that input costs continued to rise moderately. In particular, contacts involved in construction noted sharply increasing prices for lumber and other construction materials. A number of contacts have noted incurring additional costs in adapting to new safety concerns and complying with regulations. Retailers and wholesalers reported some increases in selling prices, but businesses in other sectors indicated that selling prices were little changed. Looking ahead, somewhat more contacts said in the recent months they plan to raise their selling prices, most notably in the retail sector.

#### **Consumer Spending**

The Beige Book reports that consumer spending showed signs of leveling off since the last report in early September. Retailers reported that sales grew at a subdued pace in recent weeks, as restrictions continued to be gradually eased, though business remained well below pre-pandemic levels. Stores in upstate New York tended to outperform those in other areas. Consumer confidence among New York State residents rose notably in September, reaching its highest level since the beginning of the pandemic.

#### **Manufacturing and Distribution**

The manufacturing sector reported that business activity has picked up in the past several weeks, growing at a moderate pace. Wholesale trade firms noted a brisk rebound in activity, which had been flat or declining since the onset of the pandemic. In contrast, contacts in the transportation and warehousing sectors continued to report weakening business activity, with some noting difficulties in replenishing inventories.

## **Services**

Service industry contacts generally reported that business activity has been steady to slightly lower, after weakening during the late summer. The leisure and hospitality sector reported a slight decline, for example, while contacts in the professional and business services, education, and health sectors reported steady activity. Service firms generally indicated that they did not expect activity to change significantly in the months ahead.

Tourism has shown scattered signs of a pickup. The more rural tourist destinations across the Second District have fared reasonably well. On the other hand, New York City's tourism sector has been depressed, though there have been signs of modest improvement. New York City hotels have seen some pickup in occupancy, but a sizeable proportion remain closed, and those that are open are still at somewhat below half capacity – with about half of that reflecting arrangements with the City to house the homeless. Business travel has remained moribund, but a pickup in weekend occupancies signals some return of leisure visitors.

New York City restaurants, which benefited from a broad expansion in outdoor dining during the summer, have more recently been allowed to restart indoor dining with limited capacity – a change that occurred earlier on in the rest of the District. As the onset of cold weather inevitably reduces outdoor dining, many are concerned that demand for indoor dining will be limited by safety concerns.

## **Real Estate and Construction**

Housing markets have improved somewhat across much of the district (especially for single-family houses outside of New York City), but in New York City, sales and rental markets have continued to weaken. New York City's rental vacancy rate has surged to a multi-decade high, and rents have fallen by roughly 10 percent from pre-pandemic levels, as landlord concessions have become more common. Rents and rental vacancy rates across the rest of the Second District have generally been more stable.

The residential sales market has been mixed. Sales of Manhattan condos and co-ops are running nearly 50 percent lower than the prior year, while the listing inventory has risen sharply; however, the prices have so far remained reasonably steady. In other parts of New York City, the metro areas, and upstate, inventories have fallen to low levels and prices have climbed. Sales volume has risen but continues to be constrained by a limited supply.

Commercial real estate markets have further weakened. Office availability and vacancy rates have risen sharply in New York City and moderately across the rest of the Second District. Similarly, office rents have declined noticeably in New York City, running about 8 percent lower than a year ago. Retail vacancies have continued to increase, and asking rents have declined further.

New construction activity has remained sluggish and well below year-earlier levels. Contacts in real estate and construction expressed increasing concern about the near-term future.



## **Banking and Finance**

Small to medium-sized banks in the Second District have reported increased demand for residential and commercial mortgages, but little change in demand for other categories of loans. Refinancing activity has increased. Delinquency rates declined for residential and commercial mortgages but remained stable for consumer, commercial, and industrial loans. Bankers reported increasingly lenient policies for delinquent accounts across all categories.

## **2020 National Trends**

### **Overview**

According to the Beige Book, economic activity continued to increase across all Districts, with the pace of growth characterized as slight to modest in most Districts. Changes in activity varied greatly by sector, with manufacturing activity generally increasing at a moderate pace. Commercial real estate conditions continued to deteriorate in many Districts, with the exception being warehouse and industrial space where construction and leasing capacity remained steady. Consumer spending growth remained positive, but some Districts reported a leveling off of retail sales and a slight uptick in tourism activity. Demand for autos remained steady, but low inventories have constrained sales to varying degrees. Restaurateurs in many Districts expressed concern that cooler weather would slow sales, as they have relied on outdoor dining. Banking contacts in many Districts expressed concern that delinquency rates may rise in the coming months, citing various reasons.

### **Employment and Wages**

Employment increased in almost all Districts, though growth remained slow. Employment gains were most consistently for manufacturing firms, although firms continued to report new furloughs and layoffs. Most Districts continued reporting tight labor markets, attributing it to workers' health and childcare concerns, with many firms consequently offering increased schedule flexibility. Wages increased slightly in most Districts, often tied to firms' difficulty in finding workers, especially in low-wage or high-demand jobs.

### **Prices**

The Beige Book noted prices rose modestly across Districts since the report in early September. Input costs have generally increased faster than consumer prices; however, some sectors, including construction, manufacturing, retail, and wholesale, passed along the higher costs to consumers. Overall, consumer prices across Districts rose modestly, with the notable exceptions of food, automobiles, and appliances, which increased significantly. Retail gasoline prices have declined. Multiple Districts reported continued additional costs for firms due to COVID-19, including personal protective equipment, sanitation equipment, testing equipment, and technology needed for remote work.

## ECONOMIC INDICATORS FORECAST – U.S. AND NYS

<b>U.S and New York State Economies</b>			
<b>U.S Economy</b>			
	<b>SFC CY 2019</b>	<b>SFC CY 2020</b>	<b>SFC CY 2021</b>
Real GDP	2.2%	-3.7%	3.9%
Personal Income	3.9%	6.0%	0.1%
Non-Farm Employment	1.4%	-5.1%	3.4%
Consumer Price Index (CPI)	1.8%	1.3%	2.1%
Wages	3.3%	-0.4%	0.5%
Unemployment Rate (Percent)	3.7%	9.1%	6.5%
10-Year Treasury Yield	2.2%	0.9%	1.1%
Corporate Profits	0.3%	-13.3%	17.0%
Government Spending	5.8%	49.1%	-6.3%
<b>New York State Economy*</b>			
Non-Farm Employment (Total)	0.1%	-8.4%	6.7%
Wages (Total)	4.5%	-5.2%	7.3%
Personal Income	2.5%	2.4%	0.6%
Unemployment Rate (Percent)	3.9%	11.3%	8.0%

Sources: Moody's Analytics, NYS Division of Budget, Senate Majority Finance Committee staff calculations

The COVID-19 pandemic has quite rapidly and dramatically 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. U.S. Real GDP for 2020, originally projected to grow at around 1.7 to 1.9 percent (throughout the January 2019 to March 2020 period), has instead gone to minus 3.7 percent.

In comparison to the U.S. economy, wage growth in New York State over performed somewhat in CY 2019, which is not projected to occur in CY 2020 but is in CY 2021. Non-farm employment has changed significantly and negatively for CY 2020 as a result of the COVID-19 pandemic, but is expected to rebound somewhat in CY 2021. Finally, the unemployment rate, which increased almost threefold because of the COVID-19 pandemic, is expected to remain high even through CY 2021.

## U.S. LABOR MARKET AND INCOME

### U.S. Employment

According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate was 7.9 percent in September 2020, which was a 0.5 percent decrease from August 2020, primarily the result of the continued resumption of economic activity that had otherwise been curtailed because of the COVID-19 pandemic. The number of unemployed persons in September 2020 was 12.6 million, a decline of 1.0 million from the prior month. Both measures have declined for 5 consecutive months, but are higher than they were in February, by 4.4 percentage points and 6.8 million persons, respectively.



Source: Federal Reserve of St. Louis

U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

Among the unemployed, the number of persons on temporary layoff decreased by 1.5 million in September to 4.6 million. This measure is down considerably from the high of 18.1 million in April, but is still 3.8 million higher than it was in February.

In September, the number of unemployed persons who were:

- jobless less than 5 weeks increased by 271,000 to 2.6 million
- jobless 5 to 14 weeks decreased by 402,000 to 2.7 million
- jobless 15 to 26 weeks decreased by 1.6 million to 4.9 million
- jobless 27 weeks or more increased by 781,000 to 2.4 million

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

- 7.4 percent for adult men, which declined from August
- 7.7 percent for adult women, which declined from August
- 7.0 percent for White persons, which declined from August
- 8.9 percent for Asian persons, which declined from August
- 10.3 percent for Hispanics, which showed little change over the month
- 12.1 percent for Black persons, which showed little change over the month
- 15.9 percent for teenagers, which showed little change over the month

The labor force participation rate decreased by 0.3 percentage points to 61.4 percent in September, and is 2.0 percentage points lower than it was in February 2020. The employment-

population ratio, at 56.6 percent, changed little over the month, but is 4.5 percentage points lower than in February 2020.

In September 2020, the number of persons employed part-time for economic reasons declined by 1.3 million to 6.3 million. The number of involuntary part-time workers is 2.0 million higher than it was in February.

The number of persons not in the labor force who currently want a job, at 7.2 million, changed little in September; this measure is 2.3 million higher than in February. These individuals were 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 1.9 million and changed little in September. 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 581,000 in September, also little 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 October 2019 and October 2020.

**Change in Total Nonfarm and Private Sector Jobs by Area\***  
**September 2019 – September 2020**

	Change in Total Nonfarm Jobs: (private sector + government)		Change in Private Sector Jobs:	
	Net	%	Net	%
United States	-9,701,000	-6.4	-8,858,000	-6.9
New York State	-1,073,200	-11.0	-1,005,700	-12.1
Albany-Schenectady-Troy	-40,000	-8.5	-36,600	-9.9
Binghamton	-6,400	-6.2	-5,900	-7.2
Buffalo-Niagara Falls	-48,800	-8.6	-46,000	-9.6
Dutchess-Putnam	-12,900	-8.7	-11,700	-9.6
Elmira	-1,600	-4.3	-1,300	-4.3
Glens Falls	-5,400	-9.7	-6,100	-13.5
Ithaca	-2,300	-3.6	-2,900	-5.3
Kingston	-3,100	-4.9	-2,800	-5.8
Nassau-Suffolk	-115,000	-8.6	-113,000	-9.8
New York City	-620,300	-13.3	-583,800	-14.4
Orange-Rockland-Westchester	-76,900	-10.6	-70,100	-11.3
Rochester	-55,600	-10.3	-49,200	-10.7
Syracuse	-32,900	-10.2	-31,300	-11.8
Utica-Rome	-9,800	-7.7	-8,000	-8.3
Watertown-Fort Drum	-3,700	-8.9	-4,200	-14.0
Non-metro counties	-39,700	-7.7	-36,700	-9.5

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.

v

Source: NYS Department of Labor

**Change in Jobs by Major Industry Sector: September 2019 to September 2020**

While relatively few industry sectors have been unaffected by the COVID-19 pandemic, certain sectors have been particularly hard hit. The table below compares the change in jobs by major industry sector in New York State occurring between September 2019 and September 2020.

**Change in Jobs by Major Industry Sector  
September 2019 – September 2020**

<b>Sectors With Job Losses:</b>	
Leisure & Hospitality	-357,100
Trade, Transportation & Utilities	-177,500
Professional & Business Services	-148,400
Educational & Health Services*	-140,100
Government*	-67,500
Other Services	-52,700
Manufacturing	-42,300
Construction	-38,200
Financial Activities	-35,400
Information	-13,000
Natural Resources & Mining	-1,000
<small>*Educational and health services is in the private sector. Government includes public education and public health services.</small>	

Source: NYS Department of Labor

**Unemployment Rates**

The State's unemployment rate is calculated by the U.S. Bureau of Labor Statistics using a statistical regression model that primarily uses the results of a monthly telephone survey of 3,100 households in New York State. In September 2020, the statewide seasonally adjusted unemployment rate decreased from 12.5 percent to 9.7 percent. New York City's unemployment rate decreased over the month from 16.0 percent to 14.1 percent. Outside of New York City, the unemployment rate decreased from 10.0 percent to 6.5 percent. The number of unemployed New Yorkers decreased over the month by 302,000, from 1,186,700 in August 2020 to 884,700 in September 2020.

**Unemployment Rates (%)\***

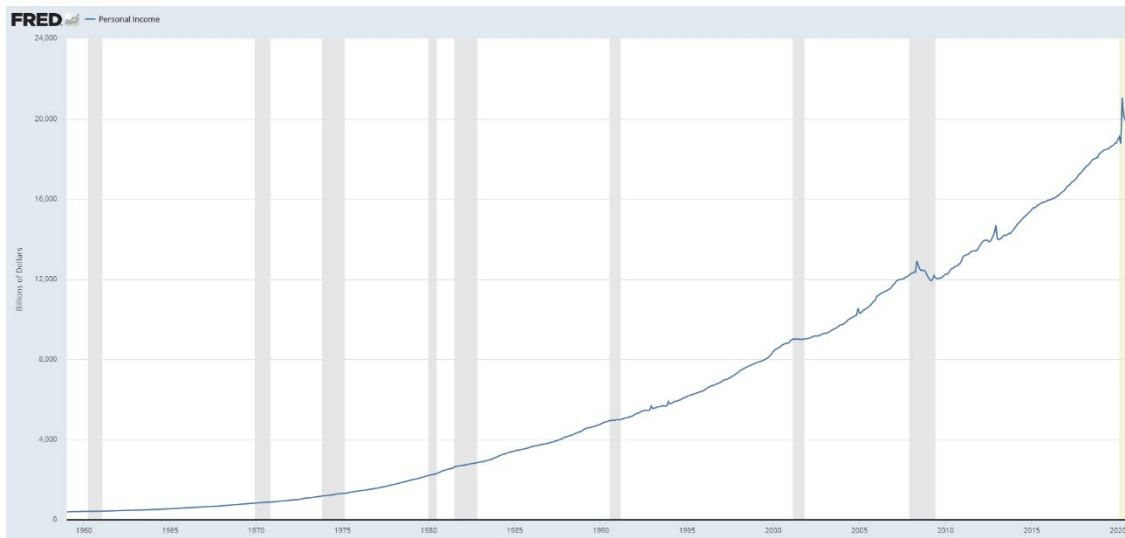
	September 2020*	August 2020	September 2019
United States	<b>7.9</b>	8.4	3.5
New York State	<b>9.7</b>	12.5	3.9
New York City	<b>14.1</b>	16.0	3.7
NYS, outside NYC	<b>6.5</b>	10.0**	4.1
*Data are preliminary and subject to change. **Revised data.			

Source: NYS Department of Labor

## PERSONAL INCOME

According to the U.S. Bureau of Economic Analysis (BEA), in September 2020, personal income nationwide increased \$170.3 billion, or 0.9 percent, and disposable personal income (DPI) increased \$150.3 billion, or 0.9 percent. Personal consumption expenditures (PCE) increased \$201.4 billion, or 1.4 percent in that same period.

The increase in personal income in September reflected increases in proprietors' income, compensation of employees, and rental income of persons that were partly offset by a decrease in governmental social benefits. Temporary and intermittent Census decennial workers boosted government wages and salaries by \$9.3 billion in September after adding \$10.8 billion in August.



Source: Federal Reserve Bank of St. Louis

U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided



Source: Federal Reserve Bank of St. Louis

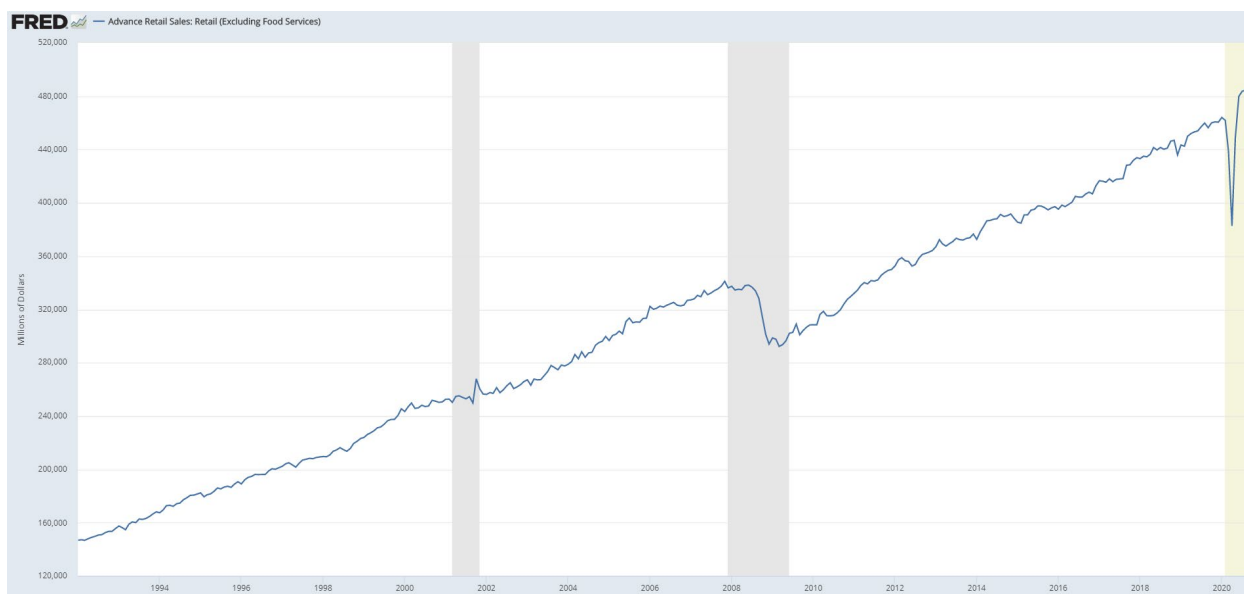
U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided



Personal outlays increased \$217.5 billion in September 2020. Personal saving was \$2.51 trillion and the personal saving rate was 14.3 percent. The personal saving rate is personal savings as a percentage of disposable personal income.

## **RETAIL SALES**

According to the U.S. Census Bureau, the advance estimates of U.S. retail and food services sales for September 2020, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were \$549.3 billion, an increase of 1.9 percent over August 2020.



Source: Federal Reserve Bank of St. Louis

U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

Total sales for the July 2020 through September 2020 period were up 3.6 percent from the same period a year ago. Retail trade sales were up 1.9 percent from August 2020, and 8.2 percent above last year. Non-store retailers were up 23.8 percent from September 2019, while building material, garden equipment, and supplies dealers were up 19.1 percent from last year.

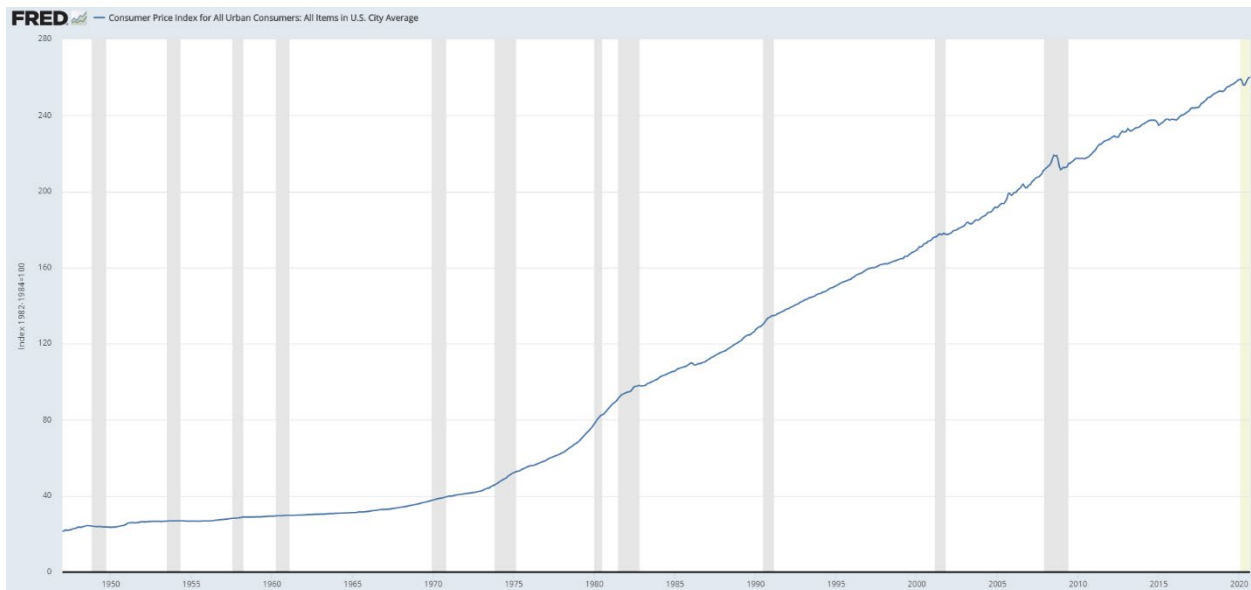
## **CONSUMER PRICE INDEX (CPI)**

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.2 percent in September 2020 over the previous month on a seasonally adjusted basis. The all items index increased 1.4 percent before seasonal adjustment over the last 12 months.

The index for used cars and trucks continued to rise sharply and accounted for most of the monthly increase in the seasonally adjusted all items index. The food index was unchanged, with an increase in the food away from home index offsetting a decline in the food at home index. The energy index rose 0.8 percent in September as the index for natural gas increased 4.2 percent.

The index for all items less food and energy rose 0.2 percent in September after larger increases in July and August. The index for used cars and trucks rose 6.7 percent in September, its largest monthly increase since February 1969. The indexes for shelter, new vehicles, and recreation also increased in September. The indexes for motor vehicle insurance, airline fares, and apparel were among those to decline over the month.

The all items index increased 1.4 percent for the 12 months ending September 2020, a slightly larger increase than the 1.3 percent right for the 12-month period ending August. The index for all items less food and energy increased 1.7 percent over the last 12 months. The food index increased by 3.9 percent, and the energy index declined 7.7 percent over the last 12 months, according to the BLS.



Source: Federal Reserve Bank of St. Louis

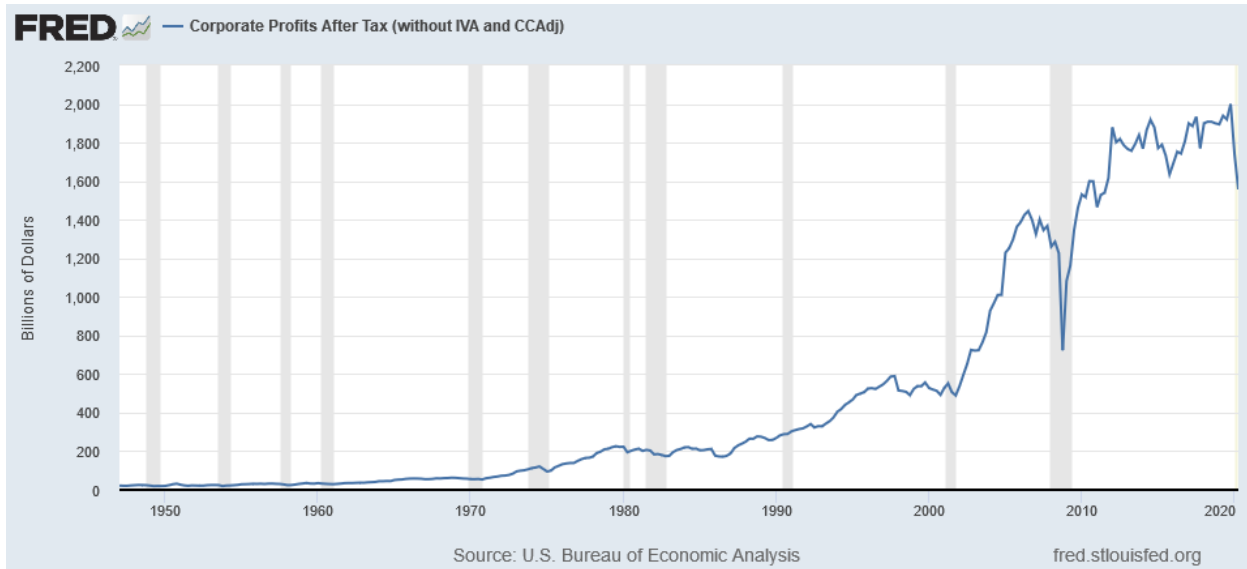
U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

## U.S. CORPORATE PROFITS, THIRD QUARTER 2020 (ADVANCED ESTIMATE)

According to the U.S. Bureau of Economic Analysis (BEA), real gross domestic product (GDP) is anticipated to increase at an annual rate of 33.1 percent in the third quarter of 2020; however, this is following a 31.4 percent decrease in real GDP in the second quarter of 2020. The anticipated increase in third quarter GDP reflected continued efforts to reopen businesses and resume activities that were postponed or restricted due to COVID-19.

The BEA indicates that the full economic effects of the COVID-19 pandemic cannot be quantified in the GDP estimate for the third quarter of 2020 because the impacts are inherent in the source data and cannot be separately analyzed.

The current dollar increase in the GDP is 38.0 percent, or \$1.64 trillion, in the third quarter to a level of \$21.16 trillion. In the second quarter, GDP decreased 32.8 percent, or \$2.04 trillion.



Source: Federal Reserve Bank of St. Louis

U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

## FINANCIAL MARKETS

The Standard & Poor's 500 (S&P 500) finished 2019 at 3,230.78 points, which is an increase of 22.4 percent from where the S&P finished in 2018 (2,506.85). On February 19, 2020, the S&P 500 index closed at 3,386.15, which was the peak and the beginning of a short bear market. From that date to March 23, 2020, the S&P 500 dropped 1,148.75 points, or 33.9 percent. The S&P 500 has, since then, rallied back to a close of 3335.47, or an increase of 49.1 percent, as of September 29, 2020.



Source: Federal Reserve Bank of St. Louis

U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

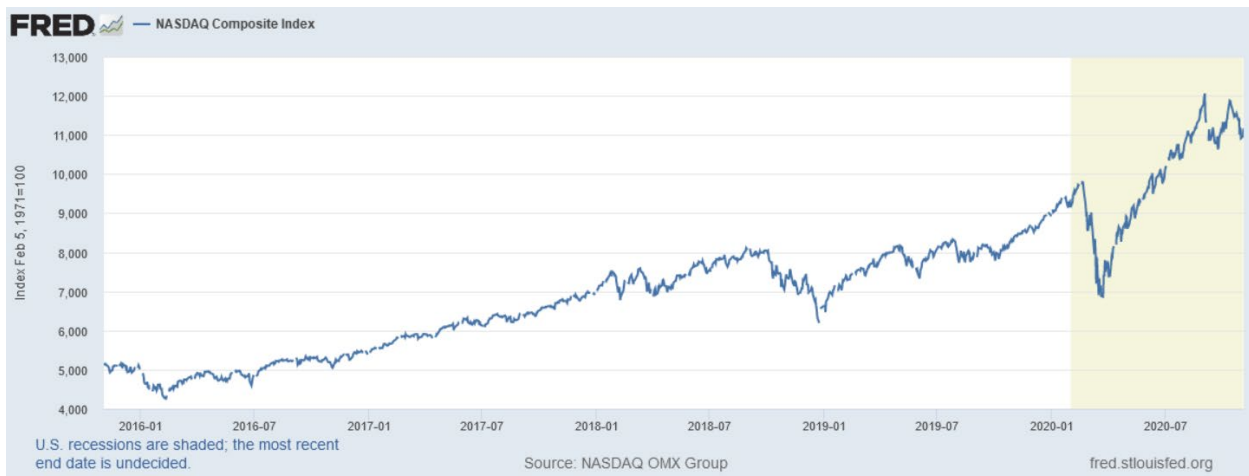
For 2019, the Dow Jones Industrial Average (DJIA) ended at 28,538.44, an increase of 18.3 percent from 2018 (23,327.46). On February 12, 2020, the DJIA closed at 29,551.42, which was the peak and the beginning of its short bear market. From that date to March 23, 2020, the DJIA dropped 10,959.49 points, or 37.1 percent. The DJIA has, since then, rallied back to a close of 27,452.66, or an increase of 47.7 percent, as of September 29, 2020.



Source: Federal Reserve Bank of St. Louis

U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

The NASDAQ Composite finished 2019 with 8,972.60, an increase of 26.0 percent from the year prior (6,635.28). On February 19, 2020, the NASDAQ Composite closed at 9817.18, which was the peak and the beginning of a short bear market. From that date to March 23, 2020, the NASDAQ Composite dropped 2,956.51 points, or 43.1 percent. The NASDAQ Composite has, since then, rallied back to a close of 11,085.25, or 61.9 percent, as of September 29, 2020.



Source: Federal Reserve Bank of St. Louis

U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

## 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 to the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. This is

most obviously evidenced by the COVID-19 pandemic that has markedly affected all sectors of the economy in unprecedented ways.

The final results of the U.S. Presidential and U.S. Congressional elections may not be known upon publication of this report. These elections are likely to influence both the national and State economies. The timing and size of any additional federal legislation, including possible financial assistance to state and local governments, will heavily influence the economic and revenue outlook. The prospects of divided government at the federal level increases the uncertainty surrounding any additional federal legislation, including additional federal stimulus.

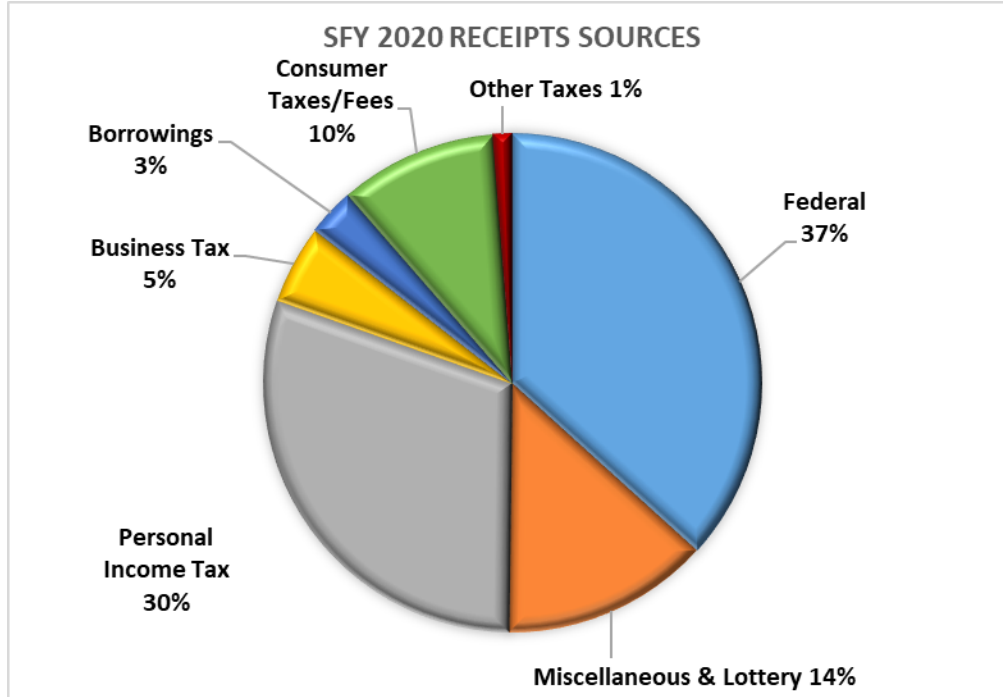
The daily number of recorded COVID-19 cases in the U.S. has been increasing since mid-September. The total number of COVID-19 cases in the U.S. has doubled in three months, including one million new cases since mid-October. On Friday, October 30 the U.S. recorded 99,300 new cases—the highest daily level since the onset of the pandemic—and confirmed cases surpassed 9 million. The increase in cases has led to a corresponding increase in hospitalizations with many states reporting records in the number of people in hospitals for COVID-19.

The extent that COVID-19 continues to affect the economy, including whether any additional social distancing measures are required, will impact these forecasts. Even in the beginning of the year, revenue forecasts for the upcoming SFY 2020-21 fiscal year were rendered moot by the sudden imposition of severe, but necessary actions taken to curb the spread of COVID-19.

On the upside, any positive developments relating to any of these risks would be beneficial, such as additional federal stimulus or the successful development and administration of a COVID-19 vaccine.

## **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. Among taxes, personal income tax receipts make up the largest share of total receipts (30%), followed by consumer taxes/fees (10%), business taxes (5%), and other taxes (1%). Of the non-tax categories of receipts, federal receipts make up the largest share of total receipts (37%), followed by miscellaneous and lottery receipts (14%) and borrowings (3%).



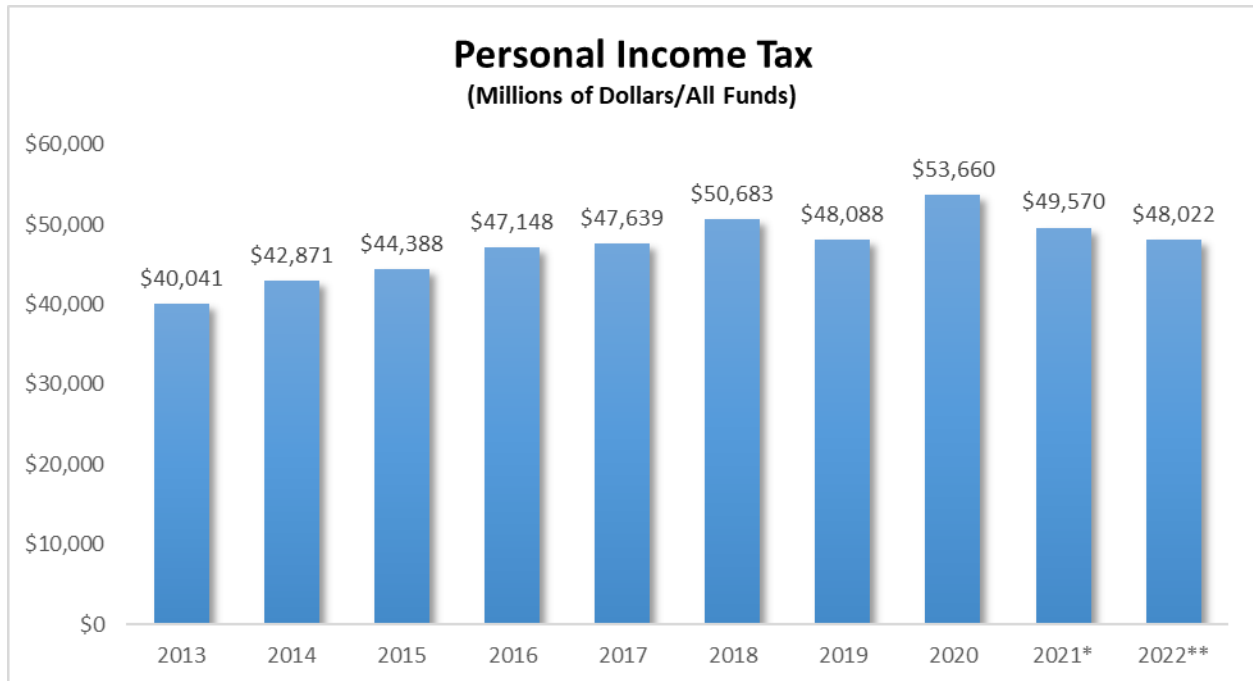
Source: Office of New York State Comptroller - 2020 Financial Condition Report.

### **SENATE MAJORITY FINANCE COMMITTEE STAFF RECEIPTS PROJECTIONS**

The committee staff SFY 2020-21 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$167 million over the Executive Mid-Year estimate of \$43.4 billion. The committee staff's SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$139 million over the Executive Mid-Year receipts estimate of \$38.5 billion.

The committee staff's SFY 2020-21 estimate for All Funds receipts is \$502 million over the Executive Mid-Year receipts estimate of \$188.3 billion. The committee staff's SFY 2021-22 projection for All Funds receipts is \$27 million above the Executive Mid-Year receipts estimate of \$171.4 billion.

## PERSONAL INCOME TAX



\*2021 is estimated

\*\*2022 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 63.8 percent of all tax collections deposited into the General Fund in SFY 2019-20. New York's definition of income closely follows federal law, which includes wages, salaries, capital gains, unemployment compensation, and interest and dividend income. Those components comprise the Federal Adjusted Gross Income (FAGI). The New York State adjusted gross income (NYSAGI) is calculated starting with FAGI, from which certain income items are then added or subtracted. The New York standard deduction or itemized deductions are subtracted from NYSAGI to arrive at New York State taxable income. Finally, certain credits are then subtracted from the calculated tax to determine total personal income tax liability.

The PIT is paid in a variety of ways: the withholding of wages and other income payments, the payment of estimated taxes, the payment of unpaid taxes through final returns, and the payment of overdue taxes known as delinquencies through assessments. Any overpayment of the PIT is refunded to the taxpayer. The manner of payment determines the income year to which the tax applies. For example, withholding is paid when the income is earned. Therefore, 2020 wages would be reflected in 2020 withholding. However, tax payments made with the final returns are based on the prior year's income. As a result, final payments made in 2020 are a reflection of income earned in 2019. The same pattern holds true for refunds.

The Senate Majority Conference Finance Committee staff estimate All Funds net PIT receipts for SFY 2020-21 to total \$49.6 billion, a decrease of \$4.1 billion, or 7.6 percent from SFY 2019-



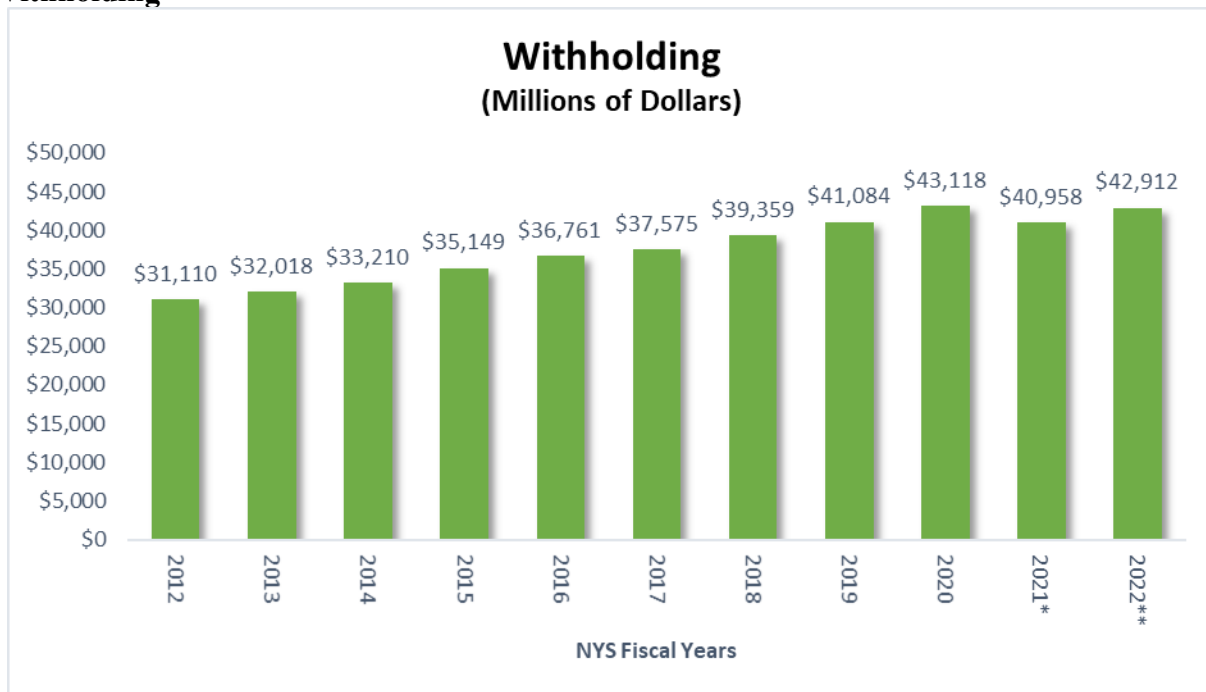
20. The committee staff project All Funds net PIT receipts for SFY 2021-22 to total \$48.0 billion, a decrease of \$1.5 billion, or 3.1 percent from SFY 2020-21.

The committee staff projects General Fund PIT net receipts for SFY 2020-21 to be \$23.0 billion, \$1.7 billion lower than in SFY 2019-20, or a 6.8 percent decrease. General Fund net PIT receipts for SFY 2021-22 are projected at \$22.1 billion, which is \$918 million, or 4.0 percent below the previous year.

The Executive Mid-Year estimates All Funds net PIT receipts for SFY 2020-21 to total \$49.0 billion, a decrease of \$4.6 billion, or 8.6 percent over SFY 2019-20. The Executive Mid-Year projects All Funds net PIT receipts for SFY 2021-22 to total \$48.0 billion, a decrease of \$1.1 billion, or 2.2 percent from its SFY 2020-21 projections.

The Executive Mid-Year estimates General Fund PIT net receipts for SFY 2020-21 to be \$22.5 billion, \$2.2 billion lower than SFY 2019-20, or an 8.9 percent decrease. General Fund net PIT receipts for SFY 2021-22 are projected at \$22.0 billion, which is \$442 million, or 2.0 percent below what is projected for SFY 2020-21.

## Withholding



\*2021 is estimated. \*\*2022 is projected

Source: Senate Majority Conference Finance Committee staff

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

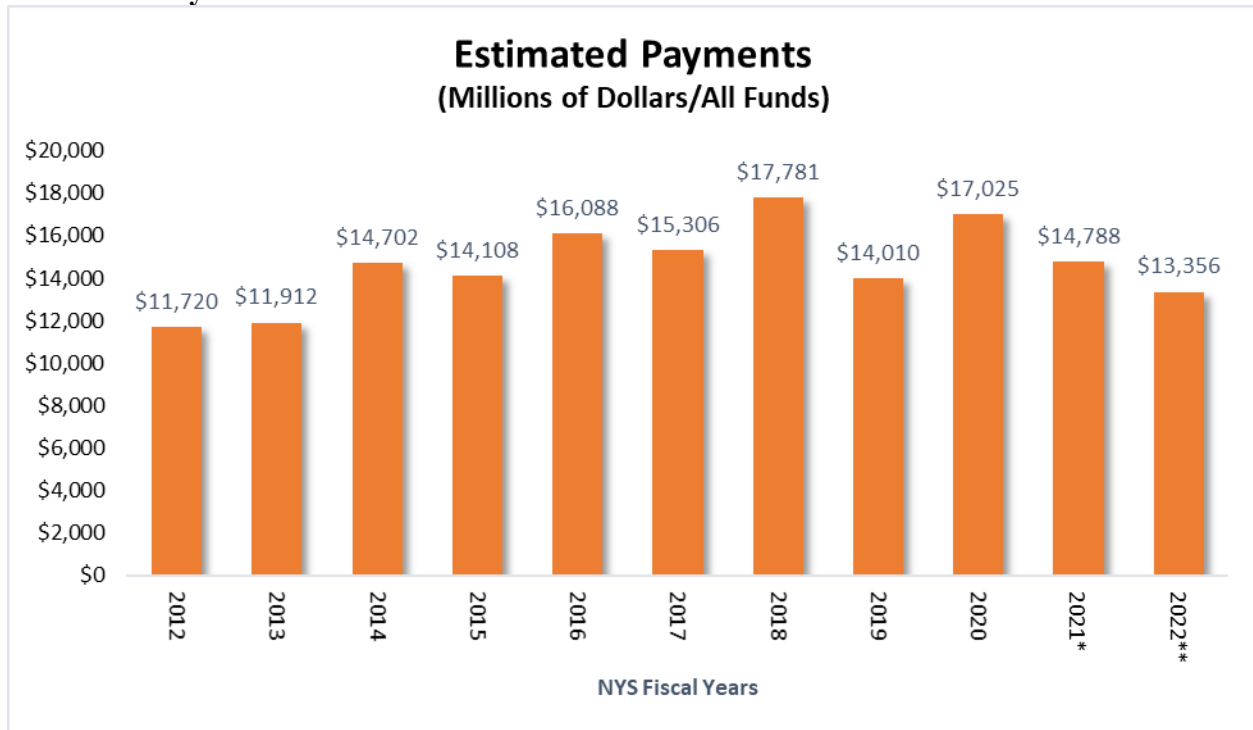
For SFY 2020-21, the Senate Majority Conference Finance Committee staff estimate New York State All Funds withholding payments to total \$40.1 billion, a decrease of \$2.2 billion, or 5.0 percent from SFY 2019-20.

For SFY 2021-22, the committee staff project the All Funds withholding component of the PIT to increase to \$42.9 billion, an increase of \$2.0 billion, or 4.8 percent from SFY 2020-21.

For SFY 2020-21, the Executive Mid-Year estimates the All Funds withholding component of PIT to total \$39.8 billion, a decrease of \$3.4 billion, or 7.8 percent from SFY 2019-20.

For SFY 2021-22, the Executive Mid-Year projects the All Funds withholding component of the PIT to increase to \$42.6 billion, an increase of \$2.8 billion, or 7.1 percent from their SFY 2020-21 projections.

## Estimated Payments



\*2020-21 is estimated. \*\*2022 is projected

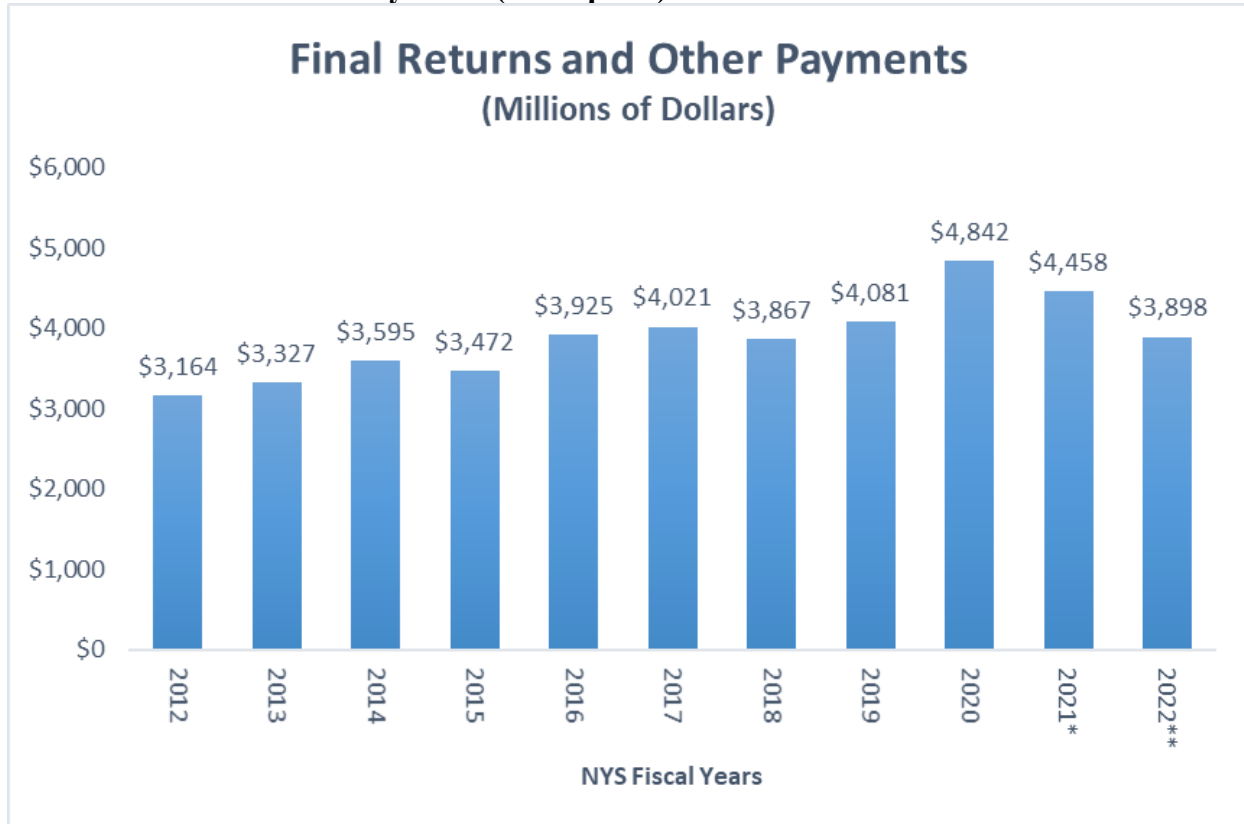
Source: Senate Majority Conference Finance Committee staff

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 (e.g., self-employment income, interest, dividends, or capital gains) make these quarterly payments. Estimated tax payments are due on the fifteenth of April, June, September, and January. Estimated payments are also made when a taxpayer files for an extension to file their annual return. When a taxpayer files for an extension, he or she is required to estimate their tax liability and, if a payment is due, submit it with the extension.

The Senate Majority Conference Finance Committee staff forecast All Funds estimated payments for SFY 2020-21 to be \$14.8 billion, a decrease of \$2.2 billion from SFY 2019-20 or a 13.1 percent decrease. For SFY 2021-22, All Funds estimated payments are projected to be \$13.4 billion, a \$560 million, or a 12.6 percent decrease over SFY 2020-21.

The Executive Mid-Year forecasts All Funds estimated payments for SFY 2020-21 to be \$14.7 billion, a decrease of \$2.4 billion from SFY 2019-20 or a 13.8 percent decrease. For SFY 2021-22, All Funds estimated payments are projected to be \$13.0 billion, a \$1.7 billion, or a 11.7 percent decrease over their SFY 2020-21 projections.

## Final Returns and Other Payments (Delinquent)



\*2020-21 is estimated. \*\*2022 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.

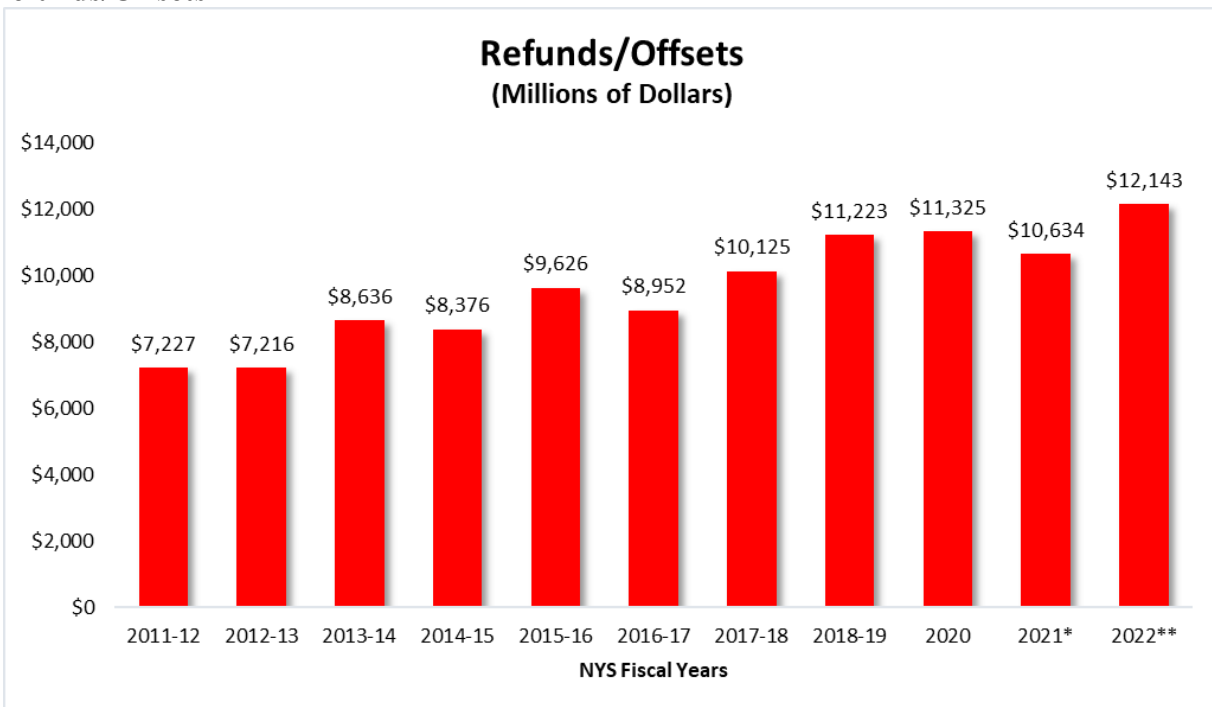
Other payments (delinquent) are comprised of assessments due on later or audited returns and filing fees required to be paid by the State's limited liability companies (LLCs) and limited liability partnerships (LLPs).

The Senate Majority Conference Finance Committee staff estimate All Funds final returns and other payments collections for SFY 2020-21 to total \$4.5 billion, \$384 million lower than collections in SFY 2019-20, or a 13.1 percent decrease. For SFY 2021-22, the committee staff project All Funds collections from final returns and other payments to be \$3.9 billion, a \$560 million decrease from SFY 2020-21, or a 12.6 percent decrease.

The Executive Mid-Year estimates All Funds final returns and other payments collections for SFY 2020-21 to total \$5.2 billion, \$377 million higher than collections in SFY 2019-20, or a 7.8 percent increase. For SFY 2021-20, the Executive Mid-Year projects All Funds collections from

final returns and other payments to be \$4.6 billion, a \$656 million decrease from their SFY 2020-21 projections, or a 12.6 percent decrease.

### Refunds/Offsets



\*2021 is estimated. \*\*2022 is projected<sup>1</sup>

Source: Senate Majority Conference Finance Committee staff

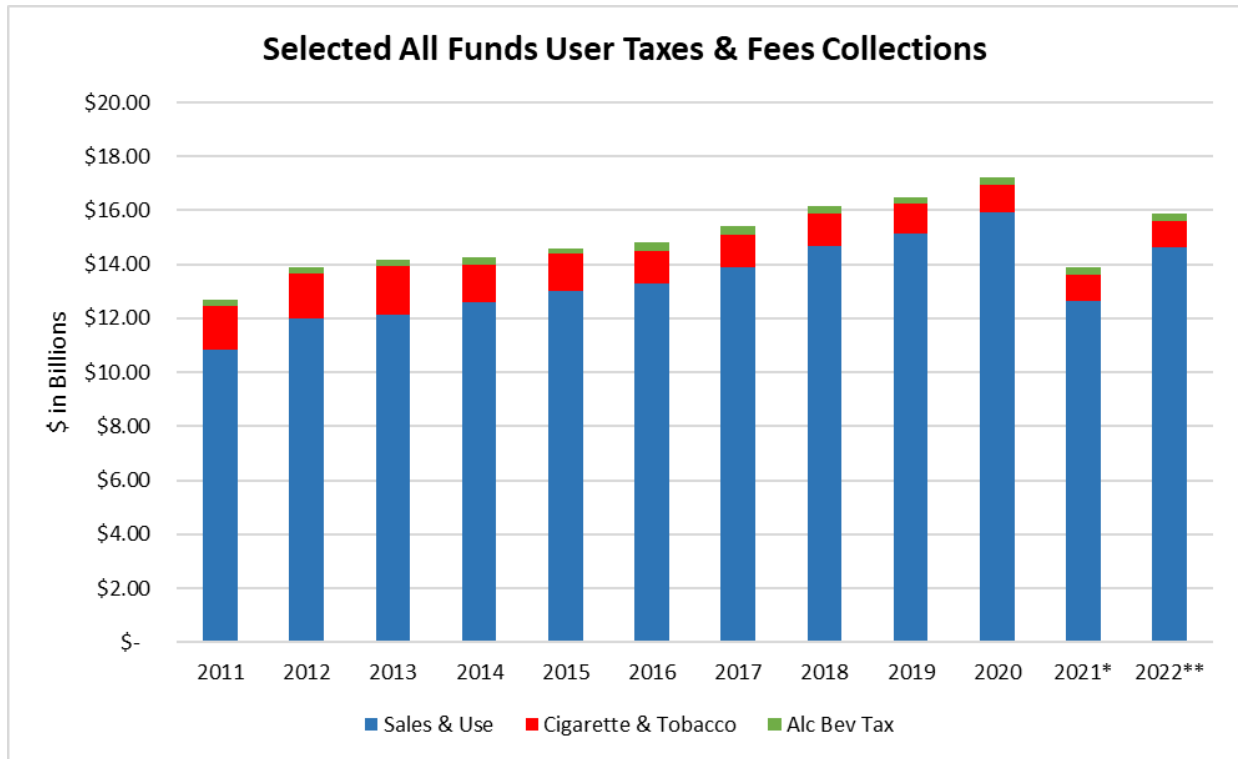
A refund occurs when a taxpayer overpays their Personal Income Tax, either through over-withholding or remitting excess estimated payments. Similar to payments made with final returns, refunds are made as a result of filing an annual return.

For SFY 2020-21, the Senate Majority Conference Finance Committee staff estimate that All Funds refunds totaled \$9.3 billion, an \$860 million, or an 8.4 percent, decrease from SFY 2019-20. For SFY 2021-22, All Funds refunds are projected to be \$10.7 billion, a \$1.4 billion, or 14.9 percent increase.

For SFY 2020-21 the Executive Mid-Year estimates All Funds refunds to total \$9.3 billion, an \$888 million, or an 8.7 percent, decrease from SFY 2019-20. For SFY 2021-22, All Funds refunds are projected to be \$10.7 billion, a \$1.4 billion, or 14.9 percent increase, from its SFY 2020-21 projections.

<sup>1</sup> Refunds and offsets were summed for purposes of graphical display. The discussion that follows, however, addresses refunds only.

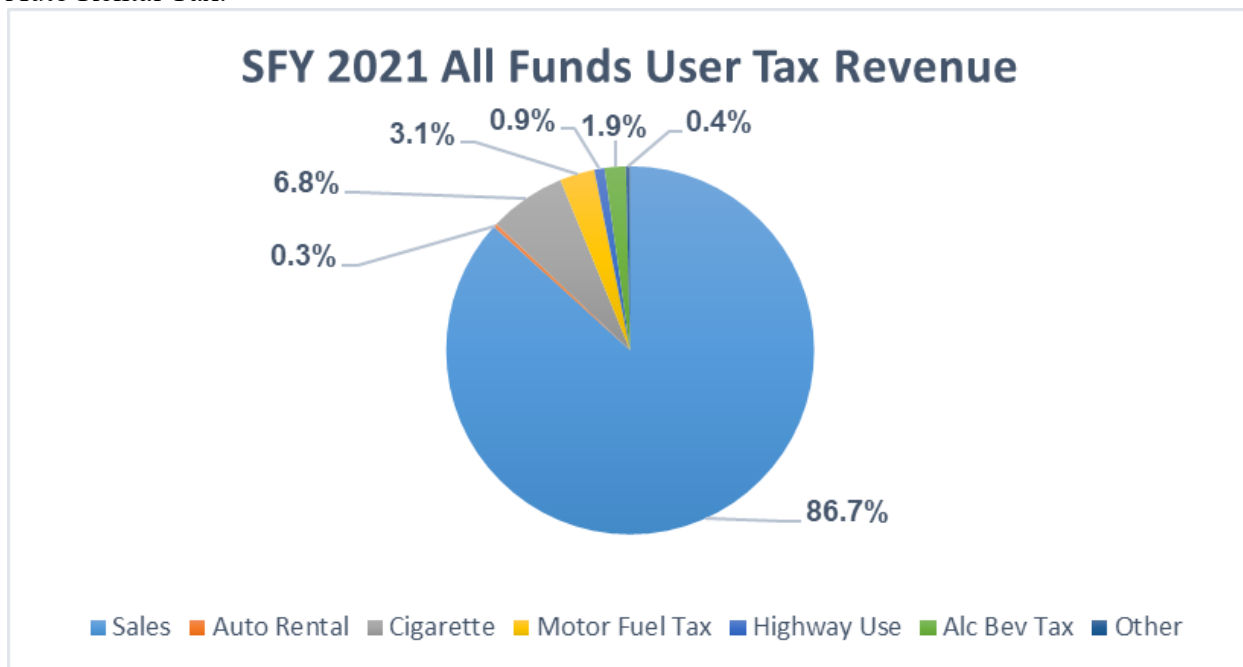
## User Taxes and Fees



\*2021 is estimated. \*\*2022 is projected

Senate Majority Conference Finance Committee staff

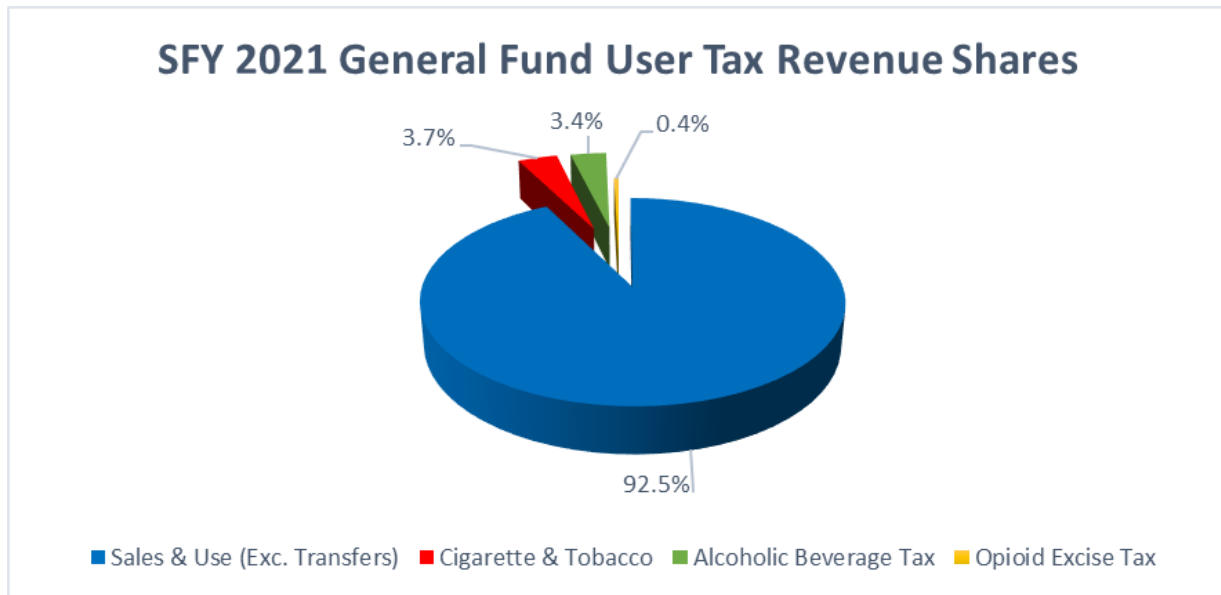
User taxes in New York are primarily comprised of six separate taxes: Sales and Use Tax, Cigarette and Tobacco Tax, Motor Fuel Tax, Alcoholic Beverage Tax, Highway Use Tax, and Auto Rental Tax.



Source: Senate Majority Conference Finance Committee staff estimates

As shown in the previous chart, the Sales and Use Tax dominates user tax collections with 86.7 percent of total user tax collections of in SFY 2020-21.

The Senate Majority Conference Finance Committee staff estimate that All Funds user tax receipts will total \$14.6 billion in SFY 2020-21, a \$3.4 billion or 19.1 percent decrease from SFY 2019-20. All Funds user tax receipts for SFY 2021-22 are projected to total \$16.6 billion, a \$2.1 billion or 14.1 percent increase from SFY 2020-21 estimates.



Source: Senate Majority Conference Finance Committee staff

Currently, General Fund revenue from user taxes and fees are comprised of the taxes depicted in the graph above. The Sales and Use Tax is the primary source of collections in this category, accounting for approximately 92.5 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 4.0 percent. Counties and cities are also authorized to impose general sales tax rates up to 3.0 percent above the 4.0 percent state rate. Of the 20 cities that impose the general sales tax, only three cities (New York City, Oswego, and Yonkers) received legislative authority to impose additional rates of tax above the statutory 3 percent general sales tax rate. Over 95 percent of the State's population resides in an area where the tax rate equals or exceeds 8.0 percent. A compensating use tax complements the sales tax and is imposed on the use of taxable property or services in-state if the transaction has not already been subject to tax.

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

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

For SFY 2020-21 the Senate Majority Conference Finance Committee staff estimate that All Funds Sales and Use Tax receipts to be \$12.7 billion, a \$3.3 billion or 20.6 percent decrease from SFY 2019-20. General Fund sales and use tax collections are estimated to total \$11.8 billion in SFY 2020-21, a \$3.1 billion or 20.7 percent decrease from SFY 2019-20.

The committee staff project All Funds Sales and Use Tax collections to be \$14.6 billion in SFY 2021-22, a \$2.0 billion or 15.8 percent increase from our SFY 2020-21 estimate. On a General Fund basis, Sales and Use tax collections are projected to be \$13.7 billion in SFY 2021-22, a \$1.9 billion or 16.4 percent increase from SFY 2020-21.

For SFY 2020-21, the Executive Mid-Year estimates All Funds Sales and Use Tax receipts to be \$12.5 billion, a \$3.5 billion or 21.7 percent decrease from SFY 2019-20. General Fund collections are estimated to decrease to \$11.7 billion in SFY 2020-21, a \$3.2 billion or 21.4 percent decrease from SFY 2019-20.

The Executive Mid-Year projects All Funds Sales and Use Tax collections to be \$14.5 billion in SFY 2021-22, a \$2.0 billion or 15.8 percent increase from their SFY 2020-21 projections. On a General Fund basis, Sales and Use tax collections are projected to be \$13.6 billion in SFY 2021-22, a \$1.9 billion or 15.8 percent increase from their SFY 2020-21 projections.

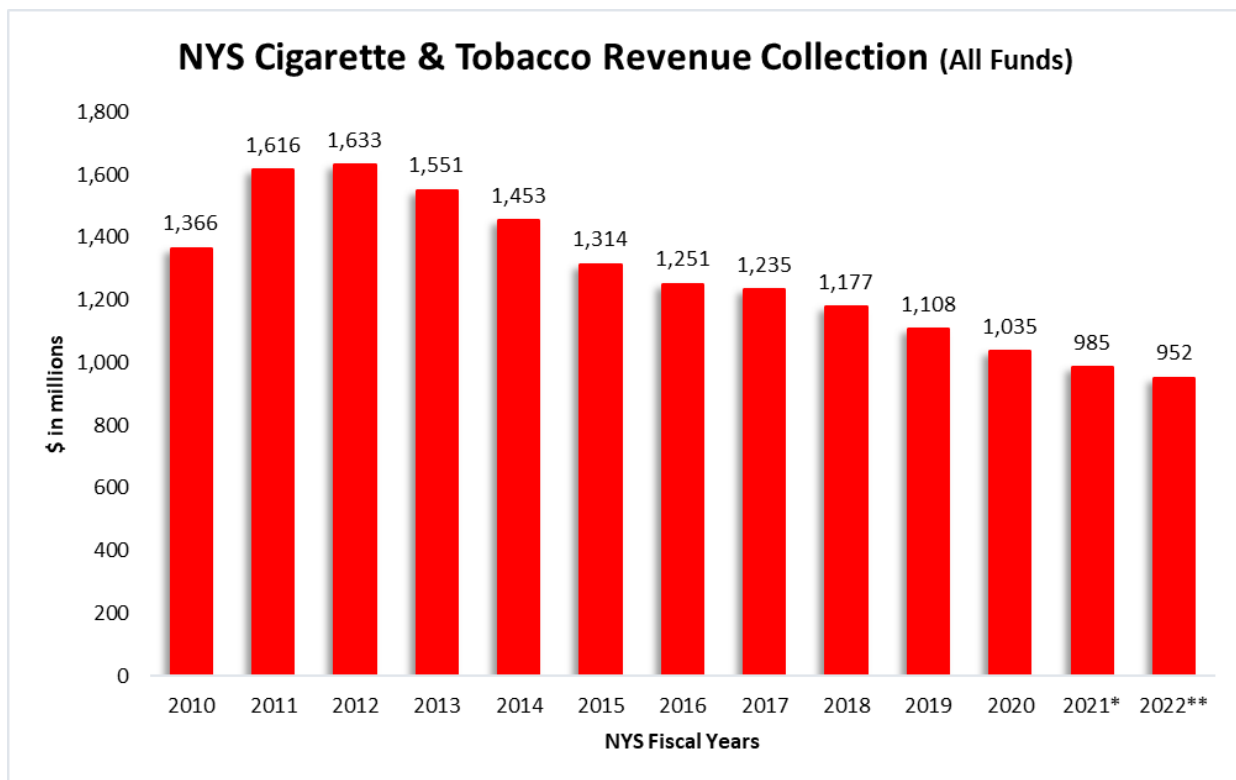


## Cigarette and Tobacco Taxes

The New York State Cigarette Excise Tax is imposed by Article 20 of the State Tax Law on the import or use of cigarettes within the State. The tax is paid through the purchase of a tax stamp, which is adhered to the package of cigarettes. The tax rate is currently \$4.35 per package of 20 cigarettes.

Taxable cigarette consumption is partly a function of retail cigarette prices, tax evasion, as well as a long-term downward trend in consumption. The decline in consumption also reflects the impact of increased public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, anti-smoking education programs, and changes in consumer preferences toward other types of tobacco.

The Federal government imposes a cigarette excise tax at a rate of \$1.01 per pack on manufacturers and first importers of cigarettes. New York City levies a separate cigarette excise tax equal to \$1.50 per pack. In addition to the excise tax on cigarettes, the state imposes a tax on other tobacco products, such as chewing tobacco, snuff, and cigars. These products are taxed at a rate of 75 percent of the wholesale price. However, snuff products are taxed at a rate of \$2.00 per ounce.



\*2021 is estimated. \*\*2022 is projected

Source: Senate Majority Conference Finance Committee staff

The Senate Majority Conference Finance Committee staff estimate All Funds receipts in SFY 2020-21 from the cigarette and tobacco taxes to be \$985 million, a \$50 million or 4.8 percent

decrease from SFY 2019-20 collections. SFY 2020-21 General Fund receipts are estimated to total \$300 million, a decrease of \$13 million, or 4.1 percent from SFY 2019-20.

The committee staff project SFY 2021-22 All Funds cigarette and tobacco tax collections to total \$952 million, a decrease of \$33 million, or 3.4 percent from SFY 2020-21 estimates. SFY 2021-22 General Fund receipts are estimated to total \$307 million, a decrease of \$7 million or 2.2 percent from SFY 2020-21.

For SFY 2020-21, the Executive Mid-Year estimates All Funds cigarette and tobacco tax receipts to be \$971 million, a \$64 million or 6.2 percent decrease from SFY 2019-20. General Fund collections are estimated to decrease to \$296 million in SFY 2020-21, a \$17 million or 5.4 percent decrease from SFY 2019-20.

The Executive Mid-Year projects All Funds cigarette and tobacco tax receipts to be \$946 million in SFY 2021-22, a \$25 million or 2.6 percent decrease from their SFY 2020-21 projections. On a General Fund basis, cigarette and tobacco tax receipts are projected to be \$305 million in SFY 2021-22, a \$9 million or 3.0 percent increase from their SFY 2020-21 projections.

### **Motor Fuel Tax**

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

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

Motor fuel tax collections are a function of the number of gallons of fuel imported into the State by distributors. Gallonage is determined in large part by fuel prices, the amount of fuel held in inventories, the fuel efficiency of motor vehicles, and overall state economic performance.

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year forecasts for Motor Fuel Tax. All Funds receipts from the State Motor Fuel Tax are estimated to be \$447 million in SFY 2020-21, a \$65 million or 12.7 percent decrease from SFY 2019-20. For SFY 2021-22, All Funds receipts from the Motor Fuel Tax are projected to total \$509 million, an increase of \$62 million, or 13.9 percent from SFY 2020-21.

### **Alcoholic Beverage Tax**

New York State imposes excise taxes at various rates on liquor, beer, wine, and specialty alcoholic beverages. The tax is remitted by licensed distributors and noncommercial importers of such beverages in the month following the month of delivery. All receipts from the alcoholic beverage tax are deposited in the General Fund.

The Senate Majority Conference Finance Committee estimate All Funds Alcoholic Beverage Tax collections to be \$270 million in SFY 2020-21, an increase of \$11 million, or 4.2 percent from SFY 2019-20.

In SFY 2021-22, All Funds Alcoholic Beverage Tax collections are projected to be \$269 million, a \$1 million, or 0.4 percent decrease from SFY 2020-21 estimates. Increases in both years are driven by the growth in wine and liquor consumption.

For SFY 2020-21, the Executive Mid-Year estimates Alcoholic Beverage Tax collections to be \$266 million, a \$7 million or 2.7 percent increase from SFY 2019-20.

The Executive Mid-Year projects All Funds Alcoholic Beverage Tax collections to be \$264 million in SFY 2021-22, a \$2 million or 0.8 percent decrease from their SFY 2020-21 projections.

### **Auto Rental Tax**

Since June 1990, the State has imposed a 5.0 percent tax on charges for the rental or use in New York State of a passenger car with a gross vehicle weight of 9,000 pounds or less. The tax does not apply to a car lease covering one year or more. The Auto Rental Tax applies to a vehicle rented by a resident or a non-resident, regardless of where the vehicle is registered.

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

The Senate Majority Conference Finance Committee staff estimate All Funds collections from the Auto Rental Tax to be \$50 million, a \$56 million or 52.8 percent decrease from SFY 2019-20. In SFY 2021-22, committee staff project All Funds Auto Rental Tax collections to total \$72 million, an increase of \$22 million, or 44.0 percent from SFY 2020-21.

For SFY 2020-21, the Executive Mid-Year estimates All Funds Auto Rental Tax collections to be \$52 million, a \$54 million or 50.9 percent decrease from SFY 2019-20.

The Executive Mid-Year projects All Funds Auto Rental Tax collections to be \$72 million in SFY 2021-22, a \$22 million or 44.0 percent increase from their SFY 2020-21 projections.

### **Highway Use Tax**

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

- The Truck Mileage Tax (TMT) is levied on motor carriers who operate commercial vehicles on NYS public highways.

- The fuel use tax ensures that motor carriers who purchase fuel out-of-State but operate a vehicle on NYS public highways are subject to the same taxes as fuel purchased in-State. The current fuel use tax rate is \$0.24 per gallon.
- A HUT or automotive fuel carrier (AFC) decal is required to be affixed to each vehicle. The cost of the certification and decal fee is \$1.50.

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

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year forecasts for Highway Use Taxes. For SFY 2020-21, All Funds collections from the HUT are estimated to be \$131 million, an \$11 million, or a 7.7 percent decrease from SFY 2019-20. All Funds HUT collections in SFY 2021-22 are projected to total \$139 million, an \$8 million or 6.1 percent increase from SFY 2020-21.

### **Medical Cannabis Excise Tax**

A 7.0 percent excise tax is imposed when a New York dispensary sells medical cannabis to a patient or designated caregiver and is remitted by the dispensary. The tax amount cannot be added as a separate charge on a receipt given to the retail customer.

Revenues from the State excise tax are directed to the Medical Marijuana Trust Fund. Of the monies in the Fund, 45 percent is transferred to individual counties where medical cannabis is manufactured and dispensed, while 5 percent goes to the Office of Alcoholism and Substance Abuse Services, and another 5 percent goes to the Division of Criminal Justice Services. The law is silent on the distribution of the remaining amount.

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year projections for the Medical Cannabis Excise tax. All Funds receipts from the Medical Cannabis Excise Tax are estimated to total \$7 million in SFY 2020-21, an increase of \$1 million or 16.7 percent from SFY 2019-20. For SFY 2021-22, All Funds Medical Cannabis Excise Tax collections are projected to total \$7 million, unchanged from SFY 2020-21.

### **Opioid Excise Tax**

Beginning July 1, 2019, an excise tax on the first sale of opioids within the State was imposed. The tax is imposed at the manufacturer and distributor level. The tax rate varies based on the per-unit wholesale cost of an opioid, a quarter of a cent per morphine milligram equivalent if the wholesale cost is less than fifty cents and one and one-half cents per morphine milligram equivalent if the wholesale cost is fifty cents or more.

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year projections for the Opioid Excise tax. All Funds receipts from the Opioid Excise Tax resulted in \$19 million in collections in SFY 2019-20, which was the first year of collections. For SFY 2020-21, All Funds collections are estimated to total \$34 million, a \$15 million or 78.9 percent increase. For SFY 2021-22, All Funds collections from the Opioid Excise Tax are projected to be 34 million, which is unchanged from the prior year.

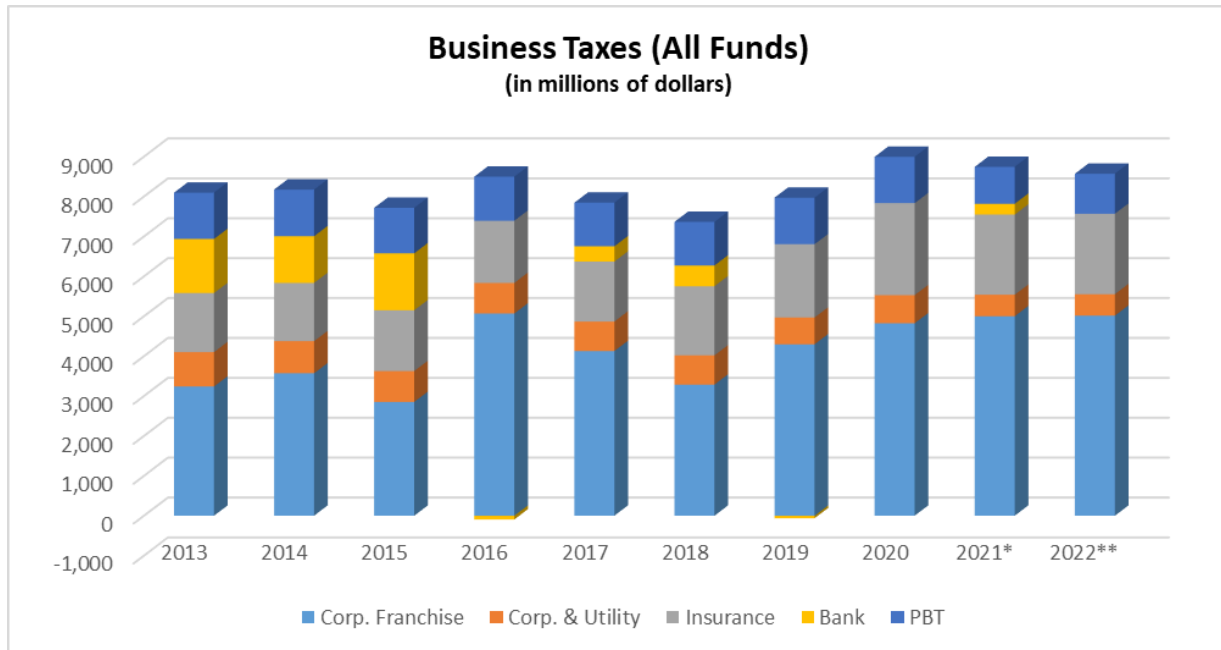
**Vapor Excise Tax**

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 in the Health Care Reform Act (HCRA) account.

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year projections for the Vapor Excise tax. All Funds receipts from the Vapor Excise Tax are estimated to be \$14 million in SFY 2020-21, which is an increase of \$4 million or 40.0 percent from the first year of collections. For SFY 2021-22, All Funds Vapor Excise Tax collections are projected to total \$6 million, a decrease of \$8 million, or 57.1 percent.

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

## BUSINESS TAXES



\*2021 is estimated. \*\*2022 is projected

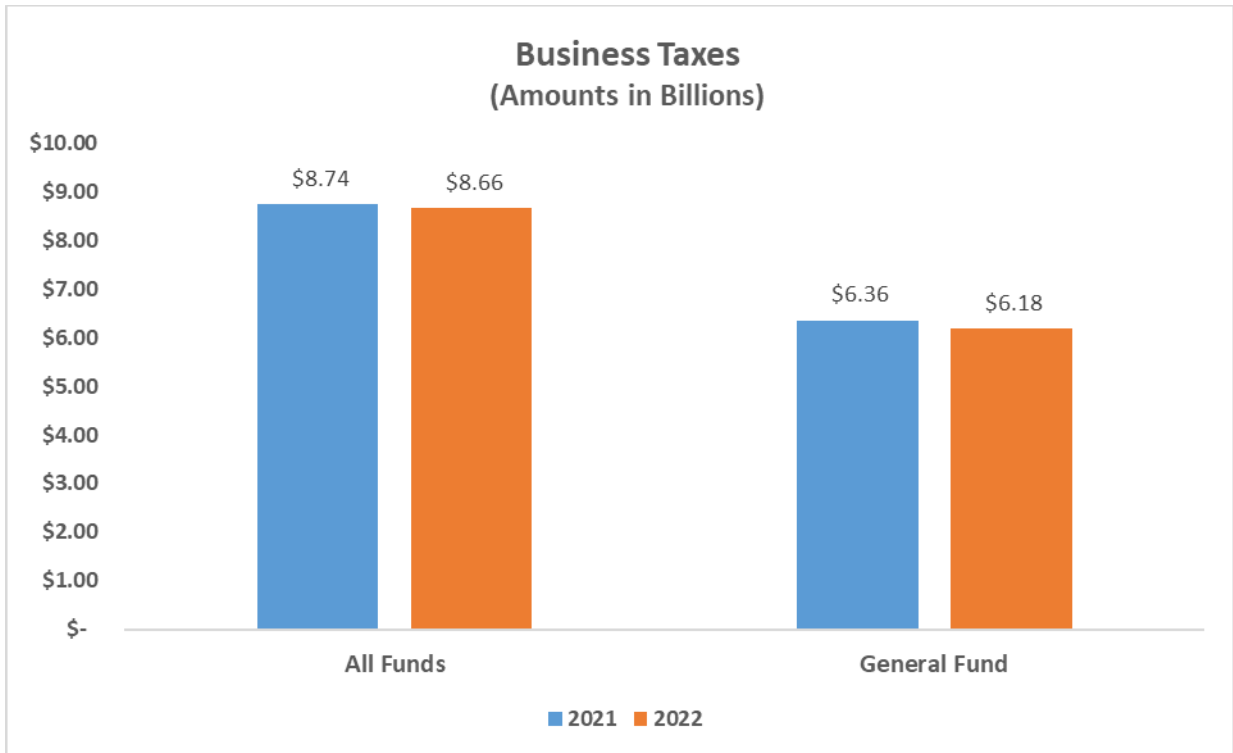
Source: Senate Majority Conference Finance Committee staff

The Senate Majority Conference Finance Committee staff estimate All Funds aggregate business tax receipts to total \$8.7 billion for SFY 2020-21, a decrease of \$252 million or 2.8 percent from SFY 2019-20. For SFY 2020-21, General Fund aggregate business tax receipts are estimated to total \$6.0 billion, a decrease of \$328 million, or 5.2 percent, from SFY 2019-20.

For SFY 2021-22, the committee staff project All Funds aggregate business tax receipts to total \$8.7 billion, a decrease of \$84 million, or 1.0 percent from SFY 2020-21 estimates. General Fund aggregate business tax receipts for SFY 2021-22 are projected to total \$6.2 billion, an increase of \$203 million, or 3.4 percent from SFY 2020-21.

The Executive Mid-Year estimates All Funds aggregate business tax receipts to total \$8.9 billion for SFY 2020-21, a \$51 million or 0.6 percent decrease from SFY 2019-20. SFY 2020-21 General Fund aggregate business tax collections are estimated to total \$6.5 billion, an increase of \$136 million, or 2.1 percent from SFY 2020-21 estimates.

For SFY 2021-22, the Executive Mid-Year projects aggregate All Funds business tax receipts to total \$8.9 billion, a decrease of \$71 million, or 0.8 percent from SFY 2020-21. General Fund aggregate business tax receipts for SFY 2021-22 are projected to total \$6.3 billion, a decrease of \$169 million, or 2.6 percent from SFY 2020-21 estimates.



Source: Senate Majority Conference Finance Committee staff

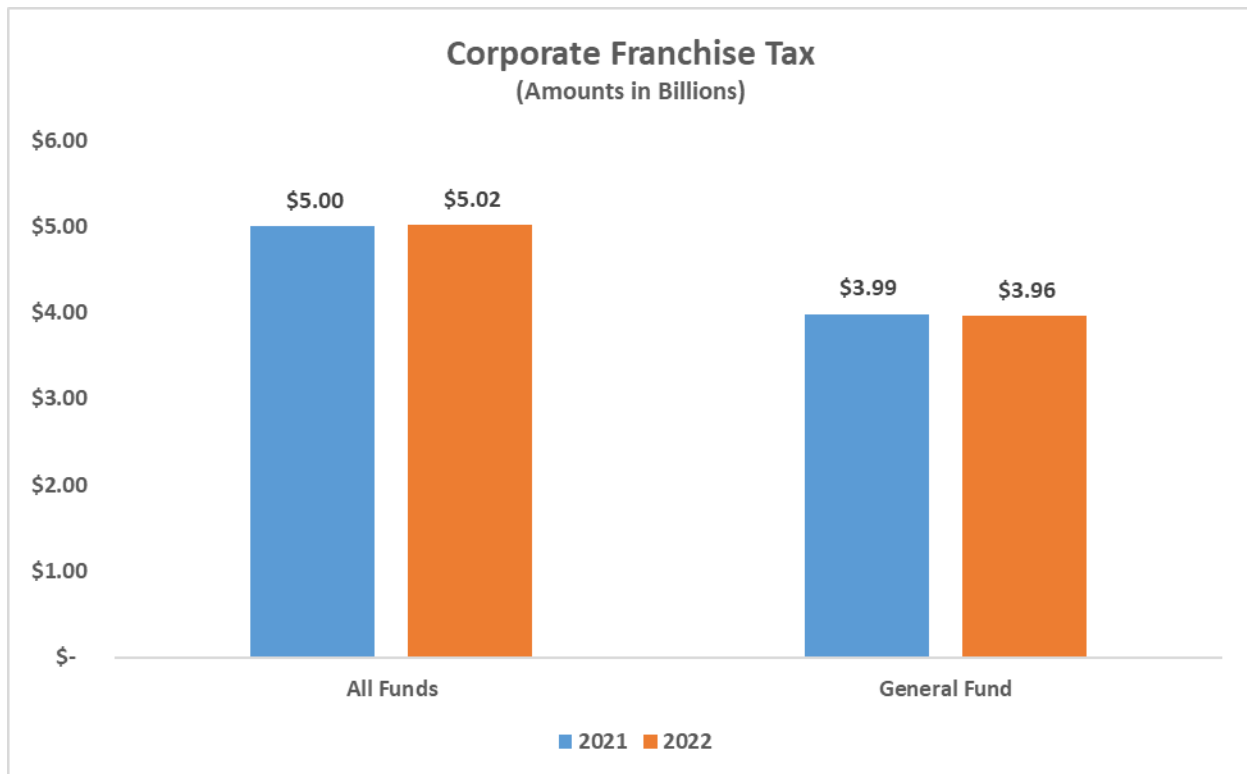
### Corporation Franchise Tax

Chapter 59 of the Laws of 2014 enacted NYS corporate tax reform that established a single system of taxation for general business corporations and banking corporations. As of January 1, 2015, the entire net income base was replaced with a similar business income base subject to a 6.5 percent tax rate that took effect on January 1, 2016. In addition, since 2016 another corporate tax rate, the capital stock base rate, has been gradually reduced automatically each year and is set to be repealed in 2021. The corporation franchise tax is levied by Articles 9-A and 13 of the Tax Law. Article 9-A imposes a franchise tax on domestic and foreign corporations for the privilege of exercising their corporate franchise or doing business, employing capital, owning or leasing property, or maintaining an office in New York. The Article 9-A tax is imposed on business entities classified as either C corporations or S corporations.

Article 13 of the State Tax Law imposes a 9.0 percent tax on certain not-for-profit entities on business income earned from activities not related to their exempt purpose.

For C corporations, current NYS tax law requires corporation franchise tax liability to be computed under three alternative bases, with tax due based on the highest tax calculated under three alternative bases.

Finally, corporations conducting business in the Metropolitan Commuter Transportation District (MCTD) are subject to a surcharge on the portion of the total State tax liability allocated to the MCTD region. Additionally, the MCTD surcharge is now permanent. All collections from this surcharge are deposited into the Mass Transportation Operating Assistance Fund.



Source: Senate Majority Conference Finance Committee staff

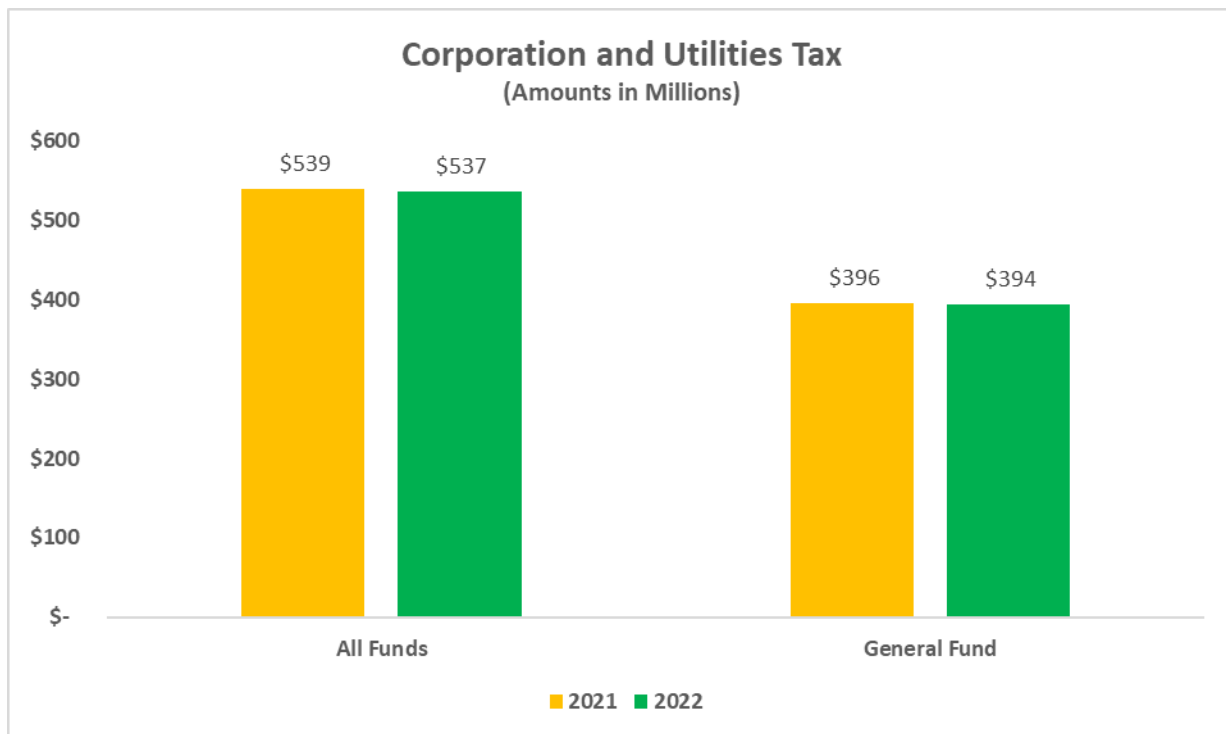


For SFY 2020-21, the Senate Majority Conference Finance Committee staff estimate All Funds Corporation Franchise Tax receipts to total \$5.0 billion, a \$176 million or 3.6 percent increase from SFY 2019-20. For SFY 2021-22, the committee staff project All Funds Corporation Franchise Tax receipts to total \$5.0 billion, an increase of \$15 million, or 0.3 percent from SFY 2020-21 estimates.

For SFY 2020-21, the Executive Mid-Year estimates All Funds Corporation Franchise Tax receipts to total \$4.9 billion, an increase of \$44 million, or 0.9 percent from SFY 2019-20. For SFY 2021-22, the Executive Mid-Year projects All Funds Corporation Franchise Tax receipts to total \$4.9 billion, an increase of \$15 million, or 0.3 percent from SFY 2020-21 estimates.

### Corporation and Utilities Tax

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



Source: Senate Majority Conference Finance Committee staff

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

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

Railroad and trucking companies that elected to remain subject to Article 9 taxes (rather than to become subject to the corporate franchise tax imposed under Article 9-A) pay the tax at a rate of 0.375 percent of gross earnings, including an allocated portion of receipts from interstate transportation-related transactions.

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

Section 186-a imposes a 2 percent gross receipts tax on charges for the transportation, transmission, distribution, or delivery of electric and gas utility services for residential consumers. Section 186-e imposes a 2.5 percent gross receipts tax on charges for telecommunications services.

Article 9 taxpayers conducting business in the Metropolitan Commuter Transportation District (MCTD) are also subject to a 17 percent surcharge on their liability attributable to the MCTD. The collections from the surcharge are deposited into the Mass Transportation Operating Assistance Fund.

For SFY 2020-21, Senate Majority Conference Finance Committee staff estimate All Funds Corporation and Utilities Tax receipts to total \$539 million, a decrease of \$166 million, or 23.5 percent from SFY 2019-20. For SFY 2021-22 the committee staff project All Funds Corporation and Utilities Tax receipts to total \$537 million, a decrease of \$2 million, or 0.5 percent.

For SFY 2020-21, the Executive Mid-Year estimates All Funds Corporation and Utilities Tax receipts to total \$640 million, a decrease of \$65 million or 9.2 percent from SFY 2019-20. For SFY 2021-22, the Executive Mid-Year projects All Funds Corporation and Utilities Tax receipts to total \$637 million, a decrease of \$3 million or 0.5 percent decrease from its SFY 2020-21 estimates.

### **Insurance Tax**

Under Article 33 of the Tax Law and the Insurance Law, the State imposes taxes on insurance corporations, insurance brokers, and certain insured for the privilege of conducting business or otherwise exercising a corporate franchise in New York.

Article 33 taxpayers conducting business in the MCTD are subject to a 17 percent surcharge on the portion of their tax liability, which is attributable to the MCTD area. The collections from the surcharge are deposited into the Mass Transportation Operating Assistance Fund.

#### Tax Rate on Non-Life Insurers

Non-life insurers are subject to a premiums-based tax. Accident and health premiums received by non-life insurers are taxed at the rate of 1.75 percent, and all other premiums received by non-life insurers are taxed at the rate of 2 percent. A \$250 minimum tax applies to all non-life insurers.

#### Tax Rate on Life Insurers

The franchise tax on life insurers has two components. The first component is a franchise tax computed under four alternative bases, with tax due based on the highest tax calculated under the

four alternative bases. In addition, a \$0.0008 tax rate applies to each dollar of subsidiary capital allocated to New York. The second component is an additional franchise tax on gross premiums, less returned premiums; the tax rate on premiums is 0.7 percent and applies to premiums written on risks located or resident in New York.

#### Other Taxes on Insurers

There are other taxes imposed on insurers, including taxes imposed on independently procured insurance, a premiums tax on a licensed excess line (i.e., covering unique or very large risks), as well as retaliatory insurance taxes on foreign insurance corporations.

The Senate Majority Conference Finance Committee staff estimate All Funds Insurance Tax receipts to total \$2.0 billion in SFY 2020-21, a decrease of \$297 million, or 12.9 percent from SFY 2019-20. All Funds Insurance Tax receipts are projected to be \$2.1 billion in SFY 2021-22, a \$97 million or 4.8 percent increase from SFY 2020-21 estimates.

The Executive Mid-Year estimates All Funds Insurance Tax receipts to total \$2.2 billion in SFY 2020-21, a decrease of \$141 million, or 6.1 percent. The Executive Mid-Year projects All Funds Insurance Tax receipts to total \$2.3 billion in SFY 2021-22, an increase of \$104 million, or 4.8 percent from their SFY 2020-21 estimates.

#### **Bank Tax**

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

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year estimate that All Funds Bank Tax collections will total \$270 million in SFY 2020-21. The Executive Mid-Year projects no All Funds Bank Tax revenue for SFY 2021-22. The committee staff concur with this forecast.

#### **Petroleum Business Tax**

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

Tax rates are indexed with annual adjustments made on January 1 of each year to the base and supplemental tax rates to reflect the percent change in the producer price index (PPI) for refined petroleum products for 12 months ending August 31 of the preceding year. Tax rates cannot increase or decrease by more than 5 percent per year. This is done to prevent significant changes in tax rates resulting from large changes in the petroleum PPI. Based on changes in the petroleum PPI, the PBT rate index for refined petroleum products is 17.4 cents per gallon effective January 1, 2020.

There are no General Fund receipts for this tax. PBT base tax receipts are distributed to the Mass Transportation Operating Assistance Fund (19.7 percent) and the Dedicated Funds Pool (80.3 percent). All of the receipts collected from the supplemental tax are directed to the Dedicated Pools Fund. Funds from the Dedicated Pools Fund are then distributed to the Dedicated Highway and Bridge Trust Fund (63 percent) and the Dedicated Mass Transportation Trust Fund (37 percent). Funds from the Mass Transportation Operating Assistance Fund are split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.

The Senate Majority Conference Finance Committee staff estimate All Funds Petroleum Business Tax receipts for SFY 2020-21 to total \$927 million, a decrease of \$234 million or 20.2 percent as compared to SFY 2019-20. In SFY 2021-22, All Funds Petroleum Business Tax receipts are projected to total \$1.0 billion, an increase of \$77 million or 8.3 percent relative to SFY 2020-21 estimates.

The Executive Mid-Year estimates All Funds Petroleum Business Tax receipts for SFY 2020-21 to total \$1.0 billion, a decrease of \$159 million, or 13.7 percent from SFY 2019-20. In SFY 2021-22, All Funds Petroleum Business Tax receipts are projected to total \$1.1 billion, an increase of \$83 million or 8.3 percent from SFY 2020-21 estimates.

## **OTHER TAXES**

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

### **Estate Tax**

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

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

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year forecasts for Estate Taxes. The entirety of the proceeds from the Estate Tax is deposited into the General Fund. All Funds Estate Tax collections are estimated to total \$1.1 billion in SFY 2020-21, an increase of \$30 million or 2.8 percent from SFY 2019-20. In SFY 2021-22, All Funds Estate Tax collections are projected to total \$1.0 billion, a decrease of \$72 million, or 6.5 percent from SFY 2020-21.

### **Real Estate Transfer Tax**

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

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

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year forecasts for Real Estate Transfer Tax (RETT) collections. All Funds RETT collections for SFY 2020-21 are estimated to total \$949 million, a \$175 million or 15.6 percent decrease from SFY 2019-20. In SFY 2021-22, All Funds RETT collections are projected to total \$1.0 billion, an increase of \$55 million or 5.8 percent from SFY 2020-21.

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

### **Employer Compensation Expense Program**

Article 24 of the Tax Law establishes the Employer Compensation Expense Program (ECEP) and imposes an optional tax on employers. Established in 2018, with Tax Year 2019 as the first year of participation eligibility, participating employers pay an optional tax intended to mitigate the tax burden for employees affected by the State and Local Tax (SALT) deduction limit. While the Tax Cuts and Jobs Act (TCJA) limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business.

Employers that elect to participate in the ECEP would be subject to a 5.0 percent State tax on all annual payroll expenses in excess of \$40,000 per employee. The tax rate is 1.5 percent in tax year 2019, 3 percent in 2020, and 5 percent thereafter. The State Comptroller is directed to deposit an amount equal to 50 percent of estimated monthly ECEP tax receipts (after payment of refunds) into the Revenue Bond Tax Fund (RBTF) to support payments for debt service. RBTF deposits in excess of debt service requirements are transferred to the General Fund.

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year projections for the Employer Compensation Expense Program. All Funds receipts from the Employer Compensation Expense Program are estimated to total \$4 million in SFY 2020-21, or an increase of \$2 million or 100 percent from SFY 2019-20. For SFY 2021-22, All Funds collections from the Employee Compensation Expense Program are projected to total \$4 million, remaining unchanged from SFY 2020-21 estimates.

### **Pari-Mutuel Tax**

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year forecasts for Pari-Mutuel Tax collections. All Funds Pari-Mutuel Tax collections for SFY 2020-21 are estimated to be \$11 million, a \$3 million or 21.4 percent decrease. Projections for SFY 2021-22 are estimated to total \$14 million, an increase of \$3 million or 27.3 percent from SFY 2020-21 estimates.

### **Other Taxes**

The Senate Majority Conference Finance Committee staff concur with the Executive Mid-Year forecasts for Other Taxes collections. All Funds Other Taxes collections for SFY 2020-21 and SFY 2021-22 are estimated to total \$2 million for each of both years, which are unchanged from SFY 2019-20.

## **GENERAL FUND MISCELLANEOUS RECEIPTS**

Miscellaneous receipts cover a broad range of independent revenue sources with significant recurring income derived from abandoned property, investment earnings, fees, licenses, fines, and various reimbursements to the State's General Fund. Each year, the reported receipts may be significantly impacted by various nonrecurring transactions. Historically, General Fund license and fee revenues have grown modestly and fairly consistently, aside from minimal peaks and troughs usually associated with law changes. The trends in investment income are directly related to the General Fund account balances and interest rates.

General Fund Miscellaneous Receipts	SFY 2020 Results	SFY 2021 Estimate	SFY 2022 Forecast
Licenses, Fines, and Fees	697	378	478
Abandoned Property	450	450	450
Motor Vehicle Fees	342	331	246
Alcoholic Beverage License Fees	73	60	68
Reimbursements	214	124	70
Investment Income	174	79	43
Extraordinary Settlements	787	600	0
Other Transactions	422	4,874	398
<b>Total Miscellaneous Receipts</b>	<b>3,159</b>	<b>6,896</b>	<b>1,753</b>

Source: NYS Division of Budget

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

In SFY 2020-21, General Fund miscellaneous receipts are estimated to total \$6.9 billion, an increase of \$3.7 billion, or 218.3 percent from SFY 2019-20. This large decrease is primarily due to the receipt of short-term personal income tax revenue anticipation notes, which were issued as a result of the delayed federal tax filing date and how that could impact the State's cash position. In SFY 2021-22, General Fund miscellaneous receipts are estimated to total \$1.8 billion, a decrease of \$5.1 billion, or 393.4 percent from SFY 2020-21.

## DISBURSEMENT OUTLOOK

### EDUCATION

#### Lottery Receipts and VLTs

The State finances School Aid from General Fund revenues and from Lottery Fund receipts, including Video Lottery Terminals (VLTs), which are accounted for and disbursed from a dedicated revenue account. Because the State fiscal year (SFY) begins on April 1, the State pays approximately 70 percent of the annual school year commitment during the State fiscal year in which it is enacted and pays the remaining 30 percent in the first three months of the following State fiscal year.

State Operating Funds spending for School Aid is projected to total approximately \$26.9 billion in SFY 2020-21. In future years, receipts available to finance School Aid from core lottery sales are projected to decline while VLT receipts are anticipated to decrease by -42.8 percent this year. This decrease can be attributed to the impact of the COVID-19 pandemic on economic activity. The Division of Budget's Financial Plan assumes that if gaming revenues drop further below current projected levels, then the General Fund is expected to transfer the value of the shortfall to the appropriate State Special Revenue Fund. In addition to State aid, it should be noted that NYS school districts receive more than \$3 billion annually in Federal categorical aid. School districts also received \$1.1 billion in Federal CARES Act funds.

### **Traditional (Core) Lottery Education Aid**

For SFY 2020-21 it is estimated that traditional lottery sales will contribute \$2.2 billion for Aid to Education for New York State, a decrease of 18.6 percent from SFY 2019-20.

### **Video Gaming (VLT) Lottery Education Aid**

Video lottery terminals for SFY 2020-21 are estimated to contribute \$558 million in Aid to Education for New York State, a decrease of 42.8 percent less than the \$975 million collected in SFY 2019-20.

### **Education Assistance**

The State Education Department (SED) provides updates to the State Aid projections for school districts several times a year. These numbers are based on school district spending, as reported to SED, along with changes in funding and formulas approved by the Legislature and Governor. Through the release of updated State Aid projections, districts are better equipped to predict future increases or decreases in funding, and plan their school budgets based on these updates.

The State Education Department's State Aid claims updates – released in February, May, and November – allow the legislative bodies to forecast future costs to the State based on changes in the Foundation Aid formula and changes in school district spending that result in fluctuations in the expense based aids categories.

The 2020-21 Enacted Budget increased State Aid to school districts by \$104.2 million (0.4 percent) over the 2019-20 school year. This is comprised of a \$93.2 million increase in expense-based aids, an \$11 million increase in competitive grants, and flat Foundation Aid funding. The Enacted Budget included \$1.1 billion to school districts from the Federal CARES Act, which offset the Pandemic Adjustment on a dollar-for-dollar basis.

The Financial Plan projections for the out years generally assume that School Aid growth will remain within the School Aid Growth Cap of the 10-year average increase in personal income. The personal income growth index is projected to be 4.3% this year, allowing a State-funded school aid increase of approximately \$1.13 billion.

## **MEDICAID**

### **SFY 2020-21 Midyear Projections**

In SFY 2019-20, Medicaid spending subject to the Global Cap was projected to grow at the indexed rate of 3 percent (\$568 million), to \$19.4 billion while total Department of Health Medicaid spending was expected to increase to \$21.4 billion. However, the Medicaid spend exceeded the Global Cap by \$4.0 billion, inclusive of a \$1.7 billion payment deferral from the prior year. The Division of Budget (DOB) developed a savings plan intended to avoid exceeding the Global Cap. In addition, the Executive called for a reconvening of the Medicaid Redesign Team (MRT II) within the SFY 2020-21 budget process. The MRT II was charged with creating a Medicaid savings plan of \$2.5 billion by April 1, 2020. MRT II was instructed to have no



impact on local governments, no impact on beneficiaries, and to focus on identifying industry efficiencies and areas for improved program integrity. The MRT II target was established before the COVID-19 pandemic which has created significant disruption to the health care system and the broader economy. Through a combination of MRT II recommended actions, continued payment restructuring and use of General Fund resources, the Medicaid program is expected to stay within statutorily allowable levels in SFY 2020-21 and beyond.

## **SFY 2021-22 Forecast for Medicaid Spending**

Implementation of approved MRT II recommendations is moving forward as scheduled and as permitted by Federal requirements. These actions, when combined with enhanced Federal Medical Assistance Percentage (eFMAP) rates that have been extended through the end of calendar year 2020, will determine the State's ability to remain within the Global Cap.

### **Risks to the Forecast**

The spike in unemployment caused by the COVID-19 pandemic is expected to drive increased enrollment in public health insurance programs. Current projections estimate that approximately 1,000,000 people will become eligible for Medicaid, Child Health Plus or Essential Plan coverage.

Similarly, there are inherent risks with the financial condition of health care providers driven directly or indirectly by the COVID-19 pandemic.

Provisions within the Federal Medical statute allow for a capped amount of payments to hospitals that treat a disproportionate number of Medicaid recipients, known as Disproportionate Share Hospitals, or DSH payments. Changes made initially in the Affordable Care Act to reduce the aggregate amount of Federal DSH payments are scheduled to take effect beginning December 1, 2020, reflecting recent provisions included in the CARES Act. The State estimates that if the changes take effect as scheduled, NY hospitals will lose \$5.9 billion when fully phased in. This would be the largest reduction amongst all states.

The CMS and the State have an existing agreement authorizing up to \$8 billion in Federal funding through March 31, 2021 to transform NY's health care system and ensure access to quality care for all Medicaid beneficiaries. This funding was provided through an amendment to the State's Partnership Plan 1115 Medicaid waiver. The State has submitted an additional 1115 Medicaid waiver request that aligns with the expiration of the MRT Waiver on March 31, 2021, which would provide the State with \$1.9 billion and new flexibilities to respond to the public health emergency.

## **PUBLIC ASSISTANCE**

The Office of Temporary and Disability Assistance (OTDA) posts public assistance caseload data on a monthly basis. Comparisons of caseload data often reflect upward and downward trends, largely based on certain events that have occurred over time such as the Great Recession, the opioid epidemic, and substantial changes in unemployment rates. The pattern of enrollee movement between case types and closed status is also very complex, with enrollees constantly

exiting and entering the various case types to and from closed status, and moving back and forth across case types.

Although welfare caseload is volatile and difficult to predict, there is a strong relationship between the number of welfare enrollees and certain economic factors, such as employment and low wage work, unemployment rate, and entry-level employment. The average public assistance caseload is projected to total 466,934 enrollees in State Fiscal Year (SFY) 2021-22. This would be a 80,095 fewer enrollees or 14.6 percent under Senate Finance Committee projections, which are determined by analyzing a ten-year trend in actual monthly caseload as indicated in OTDA's monthly reports. Public Assistance disbursements are projected to reach \$1.42 billion in SFY 2020-2021 and decrease to \$1.35 billion in SFY 2021-2022, a decrease of \$70 million or 4.9 percent.

Senate Finance Committee projections are used to approximate the resources needed for the upcoming fiscal year to understand and analyze the Executive Budget Proposal. While these projections utilize the ten-year trend, this data may not be representative of the upcoming fiscal year (largely because the ten-year trend includes the Great Recession and its after effects and the COVID-19 pandemic). Utilizing the ten-year trend provides one means of comparing the projected caseload for SFY 2021-22, and the Senate Finance Committee may utilize other trends, derived from actual data reported monthly from OTDA, to make projected cost calculations.