SFY 2021–22 Economic and Revenue Forecast

February 23, 2021

NEW YORK STATE SENATE DEMOCRATIC MAJORITY CONFERENCE

FINANCE COMMITTEE

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NYS Senate Majority Leader

Senator Liz Krueger
Chair, Senate Finance Committee

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Chief of Staff and Majority Counsel

David Friedfel
Secretary to the Finance Committee

February 23, 2021

Dear Colleagues:

I am pleased to provide you with the 2021 New York State Senate Finance Committee's Economic and Revenue Report. This report provides a general overview of the status of the national and New York State economies, and it also provides revenue projections for State Fiscal Years (SFY) 2020-21 and 2021-22.

Section 23 of the State Finance Law requires the issuance of an annual Consensus Economic and Revenue Report. This report serves as the basis for the joint annual New York State Consensus Report that contains the results of the consensus economic and revenue forecasting process, which is released each year on March 1.

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

The Senate Finance Committee staff projects that All Funds receipts will total $196.7 billion in SFY 2020-21, which is $1.5 billion, or 0.8 percent, above the level estimated by the Executive Budget Financial Plan. For SFY 2021-22, the Senate Finance Committee staff forecasts that All Funds receipts will total $194.7 billion, which is $1.9 billion, or 1.0 percent higher than the Executive Budget Financial Plan forecast.

This analysis, prepared by the Senate Finance Committee staff, will support our careful deliberation of the revenue and economic projections contained in the SFY 2021-22 Executive Budget. I look forward to working with you to construct an enacted State Budget that serves the needs of all New Yorkers.

Sincerely,

Liz Krueger

Liz Krueger
Chair
Senate Finance Committee

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2021 Economic and Revenue Report

Senate Majority Conference
Finance Committee

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EXECUTIVE SUMMARY

The Senate Majority Conference Finance Committee has produced this State Fiscal Year (SFY) 2021-22 Economic and Revenue Forecast as part of the revenue and economic consensus process mandated in Chapter 309 of the Laws of 1996.

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

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

In addition, on or before March 1 in each year, the Director of the Budget, the Secretary of the Senate Finance Committee, and the Secretary of the Assembly Ways and Means Committee issue a joint report containing a consensus forecast of the economy and estimates of receipts for the current and ensuing State Fiscal Years.

STATE REVENUE

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

The Senate Majority Conference Finance Committee staff's SFY 2020-21 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $1.5 billion more than the Executive Budget Financial Plan estimate of $45.7 billion. The committee staff's SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $1.6 billion more than the Executive Budget Financial Plan estimate of $44.7 billion. The committee staff's two-year aggregate projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $3.1 billion more than the Executive Budget Financial Plan projections.

The committee staff's SFY 2020-21 estimate for All Funds receipts is $1.5 billion more than the Executive Budget Financial Plan receipts estimate of $195.2 billion. The committee staff's SFY 2021-22 projection for All Funds receipts is $1.9 billion above the Executive Budget Financial Plan receipts estimate of $191.4 billion. The committee staff's two-year aggregate All Funds receipts projection is $3.4 billion more than the Executive Budget Financial Plan projections.

U.S. AND NEW YORK STATE ECONOMIC OUTLOOK

The economic outlook for the United States and New York is on the upswing, particularly as increasing numbers of the population receive vaccinations against COVID-19, the first of which was administered in the U.S. on December 15, 2020. 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. However, by year's end, the December 2020 consensus of the Blue Chip Economic Indicators panel was -3.5 percent, reflecting a negative swing of 5.4 percent. Of course, the true cost of the COVID-19 pandemic has been the loss of life. The number of deaths from COVID-19 has just surpassed half a million according to data compiled by John Hopkins University.

Real U.S. GDP is estimated to have decreased by 3.5 percent in Calendar Year (CY) 2020, but is projected to grow at a rate of 4.5 percent in CY 2021, reflecting a turnaround from the depths of the COVID-19 pandemic. Committee staff estimate a continuation of growth in CY 2022 of 3.2 percent. U.S. wages are estimated to have increased slightly by 0.6 percent in CY 2020, in large part because of the federal stimulus, and are expected to increase by 52.4 percent in CY 2021 and 4.7 percent in CY 2022.

The Federal Reserve Bank of St. Louis's coincident economic activity index for the United States, which includes the indicators of nonfarm payroll employment, unemployment rate, average hours worked in manufacturing, and wages and salaries, decreased by 5.69 points or 4.4 percent, to end the year at 124.44. (This index's benchmark score of 100 points reflects the state of these economic indicators in 2007.) The same measurement for New York State decreased by 11.01 points or 8.7 percent over that same period. The State's preventative actions to curb the spread of the COVID-19 pandemic, the severity of COVID-19 cases in New York, as well as the industries most affected by COVID-19 are likely to be significant factors in the disparity between the State's and the U.S.'s indices.

Changes in personal income are also projected to differ between the U.S. and the State. For both 2021 and 2022, U.S. personal income is expected to grow, at 4.5 percent and 2.6 percent, respectively. For CY 2021, New York State personal income is estimated to grow by 0.5 percent before seeing stronger-than-U.S. growth of 3.3 percent in CY 2022. The effect of increased federal stimulus, direct to households, represents a large portion of the increase in the personal income numbers for 2020 for both the United States and New York State.

The State unemployment rate, which averaged 3.9 percent for Calendar Year (CY) 2019, is expected to average 10.1 percent by the end of CY 2020 and 8.0 percent through CY 2021. Here, too, the State metric is worse than the comparable U.S. metric. For CY 2020, the U.S. unemployment rate is expected to average 8.1 percent, before dropping to 6.1 percent in CY 2021 and even further to 5.2 percent in CY 2022.

REVENUE FORECAST HIGHLIGHTS

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

The Senate Majority Conference Finance Committee staff conclude that:

- General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, in SFY 2020-21 will total $47.2 billion. This estimate represents an increase of $3.9 billion, or 9.1 percent, over SFY 2019-20.
- The SFY 2020-21 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $1.5 billion more than the Executive Budget Financial Plan estimate of $45.7 billion.
- The SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $46.3 billion. This estimate represents a decline of $1.4 million, or 1.9 percent, from the committee staff's SFY 2020-21 estimate.
- The SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $1.6 billion more than the Executive Budget Financial Plan receipts estimate of $44.7 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, excluding federal receipts, is $112.6 billion. This estimate represents an increase of $209 million, or 0.2 percent, more than the SFY 2019-20 results of $112.4 billion.
- The SFY 2020-21 estimate for All Funds receipts is $1.5 billion more than the Executive Budget Financial Plan receipts estimate of $111.1 billion, excluding federal receipts.
- The SFY 2021-22 projection for All Funds receipts is $114.6 billion. This estimate represents an increase of $2.0 billion or 1.8 percent from the committee staff's SFY 2020-21 estimate.
- The SFY 2021-22 projection for All Funds receipts, excluding federal receipts, is $1.9 billion more than the Executive Budget Financial Plan receipts estimate of $112.7 billion.

REVENUE TABLES

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2020-21 Estimate		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	41,881	43,080	1,199
Estimated Payments	16,349	16,376	27
Final Payments	3,483	3,513	30
Other Payments	1,411	1,237	(174)
Gross Collections	**63,124**	**64,206**	**1,082**
Refunds/Offsets	(10,082)	(10,082)	0
Net Collections	**53,042**	**54,124**	**1,082**
User Taxes and Fees			
Sales and Use	14,030	14,038	8
Cigarette/Tobacco	1,019	1,019	0
Vapor Excise Tax	27	27	0
Motor Fuel Tax	426	426	0
Highway Use Tax	131	131	0
Alcoholic Beverage	273	273	0
Opioid Excise Tax	30	30	0
Medical Cannabis Excise Tax	8	8	0
Adult-Use Cannabis Tax	0	0	0
Auto Rental Tax	57	57	0
Total	**16,001**	**16,009**	**8**
Business Taxes			
Corporation Franchise	4,303	4,726	423
Corporation and Utilities	605	590	(15)
Insurance	2,143	2,008	(135)
Bank	160	160	0
Petroleum Business Tax	967	930	(37)
Total	**8,178**	**8,414**	**236**
Other Taxes			
Estate	1,213	1,398	185
Real Estate Transfer Tax	898	898	0
Emp. Comp. Expense Program	3	3	0
Pari-Mutuel	11	11	0
Other	0	0	0
Total	**2,125**	**2,310**	**185**
Total Tax Receipts	**79,346**	**80,858**	**1,512**
Miscellaneous Receipts	**31,707**	**31,707**	**0**
Total	**111,053**	**112,565**	**1,512**

Difference equals Senate Majority Conference Estimate minus Executive Budget Financial Plan Estimate

Receipts	General Fund Receipts (amounts in millions of dollars) SFY 2020-21 Estimate		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	41,881	43,080	1,199
Estimated Payments	16,349	16,376	27
Final Payments	3,483	3,513	30
Other Payments	1,411	1,237	(174)
Gross Collections	**63,124**	**64,206**	**1,082**
Refunds/Offsets	(10,082)	(10,082)	0
Reported Collections	**53,042**	**54,124**	**1,082**
STAR (Dedicated Deposits)	(2,030)	(2,030)	0
RBTF (Dedicated Transfers)	(26,521)	(26,521)	0
Total	**24,491**	**25,573**	**1,082**
User Taxes and Fees			
Sales and Use	13,157	13,165	8
Cigarette/Tobacco	314	314	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Highway Use Tax	0	0	0
Alcoholic Beverage	273	273	0
Opioid Excise Tax	30	30	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Auto Rental Tax	0	0	0
Gross Collections	**13,774**	**13,782**	**8**
LGAC/STBF (Dedicated Transfers)	(6,578)	(6,582)	(4)
Total	**7,196**	**7,200**	**4**
Business Taxes			
Corporation Franchise	3,402	3,737	335
Corporation and Utilities	460	448	(12)
Insurance	1,919	1,798	(121)
Bank	140	140	0
Petroleum Business Tax	0	0	0
Total	**5,921**	**6,123**	**202**
Other Taxes			
Estate	1,213	1,398	185
Real Estate Transfer Tax	898	898	0
Emp. Comp. Expense Program	3	3	0
Pari-Mutuel	11	11	0
Other	0	0	0
Gross Collections	**2,125**	**2,310**	185
Real Estate Transfer Tax (Dedicated)	(898)	(898)	0
RBTF (Dedicated Transfers)	(2)	(2)	0
Total	**1,225**	**1,410**	**185**
Total Tax Receipts	**38,833**	**40,307**	**1,474**
Miscellaneous Receipts	**6,913**	**6,913**	**0**
Total	**45,746**	**47,220**	**1,474**

Difference equals Senate Majority Conference Estimate minus Executive Budget Financial Plan Estimate

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2021-22 Forecast		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	44,617	46,022	1,405
Estimated Payments	17,942	18,181	239
Final Payments	3,982	3,867	(115)
Other Payments	1,498	1,268	(230)
Gross Collections	**68,039**	**69,338**	**1,299**
Refunds/Offsets	(10,529)	(10,529)	0
Net Collections	**57,510**	**58,809**	**1,299**
User Taxes and Fees			
Sales and Use	15,037	15,161	124
Cigarette/Tobacco	982	982	0
Vapor Excise Tax	16	16	0
Motor Fuel Tax	501	501	0
Highway Use Tax	138	138	0
Alcoholic Beverage	271	271	0
Opioid Excise Tax	34	34	0
Medical Cannabis Excise Tax	8	8	0
Adult-Use Cannabis Tax	20	20	0
Auto Rental Tax	78	78	0
Total	**17,085**	**17,209**	**124**
Business Taxes			
Corporation Franchise	4,454	4,892	438
Corporation and Utilities	608	596	(12)
Insurance	2,210	2,131	(79)
Bank	107	107	0
Petroleum Business Tax	1,059	1,015	(44)
Total	**8,438**	**8,741**	**303**
Other Taxes			
Estate	1,058	1,220	162
Real Estate Transfer Tax	993	993	0
Emp. Comp. Expense Program	6	6	0
Pari-Mutuel	14	14	0
Other	2	2	0
Total	**2,073**	**2,235**	**162**
Total Tax Receipts	**85,106**	**86,994**	**1,888**
Miscellaneous Receipts	**27,581**	**27,581**	**0**
Total	**112,687**	**114,575**	**1,888**

Difference equals Senate Majority Conference Forecast minus Executive Budget Financial Plan Forecast

Receipts	General Fund Receipts (amounts in millions of dollars) SFY 2021-22 Forecast		
	DOB	SFC	Difference
Personal Income Tax			
Withholding	44,617	45,822	1,205
Estimated Payments	17,942	18,181	239
Final Payments	3,982	3,867	(115)
Other Payments	1,498	1,268	(230)
Gross Collections	**68,039**	**69,138**	**1,099**
Refunds/Offsets	(10,529)	(10,529)	0
Reported Collections	**57,510**	**58,609**	**1,099**
STAR (Dedicated Deposits)	(587)	(587)	0
RBTF (Dedicated Transfers)	(28,755)	(28,755)	0
Total	**28,168**	**29,267**	**1,099**
User Taxes and Fees			
Sales and Use	14,098	14,215	117
Cigarette/Tobacco	312	312	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Highway Use Tax	0	0	0
Alcoholic Beverage	271	271	0
Opioid Excise Tax	34	34	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Auto Rental Tax	0	0	0
Gross Collections	**14,715**	**14,832**	**117**
LGAC/STBF (Dedicated Transfers)	(7,049)	(7,105)	(56)
Total	**7,666**	**7,727**	**61**
Business Taxes			
Corporation Franchise	3,512	3,858	346
Corporation and Utilities	449	440	(9)
Insurance	1,973	1,903	(70)
Bank	85	85	0
Petroleum Business Tax	0	0	0
Total	**6,019**	**6,285**	**266**
Other Taxes			
Estate	1,058	1,220	162
Real Estate Transfer Tax	993	993	0
Emp. Comp. Expense Program	6	6	0
Pari-Mutuel	14	14	0
Other	2	2	0
Gross Collections	**2,073**	**2,235**	162
Real Estate Transfer Tax (Dedicated)	(993)	(993)	0
RBTF (Dedicated Transfers)	(3)	(3)	0
Total	**1,077**	**1,239**	**162**
Total Tax Receipts	**42,930**	**44,518**	**1,588**
Miscellaneous Receipts	**1,767**	**1,794**	**27**
Total	**44,697**	**46,311**	**1,614**

Senate Majority Conference Estimate minus Executive Budget Financial Plan Estimate = Difference with Executive

ECONOMIC OUTLOOK

Economic Highlights:

The Senate Majority Conference Finance Committee staff believes that:

- The U.S. economy shrunk an estimated 3.5 percent in CY 2020, but will rebound by 4.5 percent in CY 2021 and by 3.2 percent in CY 2022, albeit from a weakened position.
- The U.S. unemployment rate, which averaged 3.7 percent in CY 2019, rose significantly to an estimated 8.1 percent in CY 2020. The rate is expected to reduce gradually to 6.1 percent in CY 2021 and to 5.2 percent in CY 2022.
- U.S. Personal Income grew by 6.3 percent in CY 2020, largely the result of federal action and stimulus, but will cool down to a 4.5 percent growth in CY 2021 and then rise somewhat to 2.6 percent growth in CY 2022.

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, through personal consumption, is the major driving force for the U.S. economy. 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 engender consumer spending. Government, through various spending and monetary policy, also plays a significant role in the U.S. economy. In the fourth quarter of 2020, U.S. GDP increased at an annual rate of 4.0 percent, according to the advance estimate released by the Bureau of Economic Analysis. The increase in real GDP reflected increases in exports, primarily by industrial supplies and materials goods. Non-residential fixed investment reflected increases in all components, led by equipment. Personal consumption expenditures increased because of spending on services, particularly health care, which was modestly offset by a decreased spending on goods, primarily by a decrease in food and beverage consumption. Residential fixed investment increased in large part due to an increased investment in new single-family housing. Lastly, the increase in private inventory investment primarily reflected increases in manufacturing and in wholesale trade that were partly offset by a decrease in retail trade. While the overall real GDP increased, an offset to such increase was the result of decreases in federal, state, and local government spending.

NEW YORK AND U.S. ECONOMIC TRENDS

2020 NEW YORK REGIONAL TRENDS

Overview

According to the Federal Reserve's January 2021 Beige Book, the regional economy weakened moderately in late 2020, and the labor market has deteriorated somewhat. The weakness is concentrated in the service sector, where activity has been further constrained by a rise in COVID-19 cases, increased restrictions, and cold weather. Consumer spending declined, with holiday sales down from last year and auto sales weakening. Businesses reported some acceleration in wages and selling prices.

Employment and Wages

The Federal Reserve reports that the labor market softened somewhat in the final weeks of 2020 after having been steady in the fall. No significant pickup in hiring activity is expected until the spring at the earliest. Businesses in almost all sectors, most notably construction and leisure and hospitality, reported weakening employment. The only exceptions were manufacturing and finance, where employment reportedly changed little. Looking ahead, however, businesses expect that they would add staff—especially in the manufacturing, wholesale trade, and information sectors.

Wages have accelerated moderately, with more businesses indicating rising wages than at any point since the start of the pandemic. The most widespread increases were reported in the retail trade sector. Wages were also increased as a result of the increase in the minimum wage, which some business contacts noted as being burdensome. Looking ahead, businesses expect wages to accelerate somewhat.

Prices

Business input prices overall have continued to rise moderately, with contacts in the manufacturing, distribution, and construction sectors reporting substantial upward pressure on prices paid. Businesses in most sectors expect further increases in the prices they pay in the months ahead.

Selling prices have accelerated modestly, led by fairly widespread hikes among retailers, wholesale distributors, and manufacturers. Looking ahead, a rising proportion of businesses indicated plans to raise their selling prices in the next few months—most notably in the wholesale and manufacturing sectors.

Consumer Spending

The Beige Book reports that consumer spending weakened since the last report, which had indicated a leveling off of consumer spending. Retail holiday spending was mixed, with sales at major retailers in New York City being dismal because of a lack of tourists and office workers. Retailers in upstate New York, however, noted that sales improved somewhat in December and were on or a bit above plan, though still down sharply from a year earlier.

New vehicle sales weakened further in late 2020, falling well below comparable 2019 levels, according to dealers in upstate New York. This weakness was attributed to both weaker demand and low inventories, particularly for trucks and SUVs. Sales of used vehicles also weakened, reflecting softer demand. Consumer confidence among residents of the Middle Atlantic region (NY, NJ PA) fell to a multi-year low in December, reflecting a weakening assessment of current conditions.

Manufacturing and Distribution

Manufacturing activity continued to expand at a subdued pace in December, while wholesale trade contacts reported weakening activity. Transportation firms noted a modest pickup in activity, with a few contacts noting delays in getting shipments from overseas. Looking ahead, manufacturers and wholesalers expressed widespread optimism about the outlook, while transportation and warehousing contacts have become mildly optimistic in the latest reporting period after having previously noted weakening business activity partially due to difficulties in replenishing inventories.

Services

Service industry contacts reported notable weakening in business activity in the latest reporting period when they generally reported that business activity had been steady to slightly lower after weakening during the late summer. Contacts in the professional and business services, information, and leisure and hospitality sectors reported widespread declines in activity, while those in education and health reported more moderate declines. Looking ahead, professional and business service firms expressed increased optimism about prospects for the first half of 2021, while those in other industries expected little change.

Tourism in New York City has remained exceptionally weak, though there was a modest pickup in the latter part of December. Restrictions on indoor dining combined with the onset of cold weather have hit restaurants hard. A number of hotels have closed, some permanently, and the occupancy rate among those still open has hovered around 35 percent – higher on weekends, lower during the week. With business travel moribund, most hotel stays are from weekenders and subsidized housing for the homeless, with a bit of an uptick in late December from holiday visitors. Advanced bookings have grown much shorter, due to uncertainty about the Covid-19 pandemic, with some contacts expecting visitations to rebound gradually over the next two years, with business and international visits lagging the most.

Real Estate and Construction

Housing markets have remained mixed in the latest reporting period. Sales markets in upstate New York remained strong in the final weeks of 2020, with homes selling quickly and prices continuing to rise. New York City's co-op and condo market has picked up in recent weeks, with both sales and prices rising modestly, though still below late-2019 levels. Housing markets in areas around New York City, on the other hand, have leveled off, following an exceptionally strong third quarter. The number of new listings is up from a year ago, while the inventory of homes on the market remains high in New York City, but low elsewhere.

The residential rental market has continued to weaken, led by New York City. Partly reflecting increased landlord concessions, effective rents in Manhattan and Queens are reported to be down more than 20 percent from a year earlier and down eight percent in Brooklyn. Rental vacancy rates across New York City are reported to be at multi-decade highs.

Commercial real estate markets have weakened further, to varying degrees, across the Second District. Retail and office markets have been particularly weak in New York City, with asking rents trending down and well below year-earlier levels. Elsewhere, office markets have been modestly weaker, while retail markets have mostly been flat. The market for industrial space, however, has remained fairly firm.

New construction activity has remained sluggish in both the residential and commercial segments. Contacts in the construction industry continued to report weakening activity but have grown substantially less pessimistic about the near-term outlook. Contacts continued to report sharp increases in the cost of materials and scattered shortages and delays.

Banking and Finance

Finance sector contacts generally reported widespread declines in business activity since the last report. Still, small- to medium-sized banks in the Second District reported higher loan demand across all categories, along with a modest increase in refinancing activity in the final weeks of 2020. Bankers reported tightened credit standards for consumer loans and commercial mortgages and narrowing spreads across all loan categories. Delinquency rates declined for consumer and commercial and industrial loans, but they rose for commercial mortgages.

2020 National Trends

Overview

According to the Beige Book, most Federal Reserve Districts reported that economic activity increased modestly since the previous Beige Book period, although conditions remained varied: two Districts reported little or no change in activity (St. Louis and Kansas City), while two others noted a decline (New York and Philadelphia). Reports on consumer spending were mixed. Some Districts noted declines in retail sales and demand for leisure and hospitality services, largely owing to the post-holiday surge in COVID-19 cases and stricter containment measures. Most Districts reported an intensification of the ongoing shift from in-person shopping to online sales during the holiday season. Auto sales weakened somewhat since the previous report, while activity in the energy sector was said to have expanded for the first time since the onset of the pandemic. Manufacturing activity continued to recover in almost all Districts, despite increasing reports of supply chain challenges. Residential real estate activity remained strong, but accounts of weak conditions in commercial real estate markets persisted. Banking contacts saw little or no change in loan volumes, with some anticipating stronger demand from borrowers in coming months for new government-backed lending programs. Although the prospect of COVID-19 vaccines has bolstered business optimism for 2021 growth, this has been tempered by concern over the recent virus resurgence and the implications for near-term business conditions.

Employment and Wages

A majority of Districts reported that employment rose, although the pace was slow, and the recovery remained incomplete. However, a growing number of Districts reported a drop in employment levels relative to the previous reporting period. Labor demand was strongest in the manufacturing, construction, and transportation sectors, with some employers noting staffing shortages and difficulty attracting qualified workers, especially for entry-level and on-site positions. These hiring difficulties were exacerbated by the recent resurgence in COVID-19 cases and the resulting workplace disruptions in some Districts. Contacts in the leisure and hospitality sectors reported renewed employment cuts due to stricter containment measures. Firms in most Districts reported that wages increased modestly, as labor market conditions improved somewhat in some areas but generally remained weak. Employers in some Districts reported raising wages or offering more generous benefits, such as year-end bonuses and flexible work arrangements, to limit employee turnover.

Prices

Almost all Districts saw modest price increases since the last report, with growth in input prices continuing to outpace that of finished goods and services. Most notably, prices for construction and building materials, steel products, and shipping services were reported to have risen further. Contacts in several Districts noted an improved ability to raise final selling prices to consumers, especially in the retail, wholesale trade, and manufacturing sectors, and some cited plans to increase selling prices in coming months. Energy prices picked up in the reporting period but remained below pre-pandemic levels. Home prices continued to climb, driven by low inventories and rising construction costs.

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

U.S Economy	2020 Estimate	2021 Forecast	2022 Forecast
Real GDP	-3.5	4.5	3.2
Personal Income	6.3	4.5	2.6
Non-Farm Employment	-5.7	2.7	3.2
Consumer Price Index (CPI)	1.2	2.3	2.3
Wages	0.6	2.4	4.7
Unemployment Rate (Percent)	8.1	6.1	5.2
10-Year Treasury Yield	0.9	1.1	1.4
Corporate Profits	-7.1	4.7	5.4
Government Spending	1.0	-0.5	0.9
New York State Economy			
Non-Farm Employment (Total)	-10.0	4.7	3.5
Wages (Total)	-0.8	3.0	5.6
Personal Income	5.7	0.5	3.3
Unemployment Rate (Percent)	10.1	8.0	6.5
Composite CPI of New York	1.5	2.0	2.1

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

The COVID-19 pandemic has 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 3.4 percent.

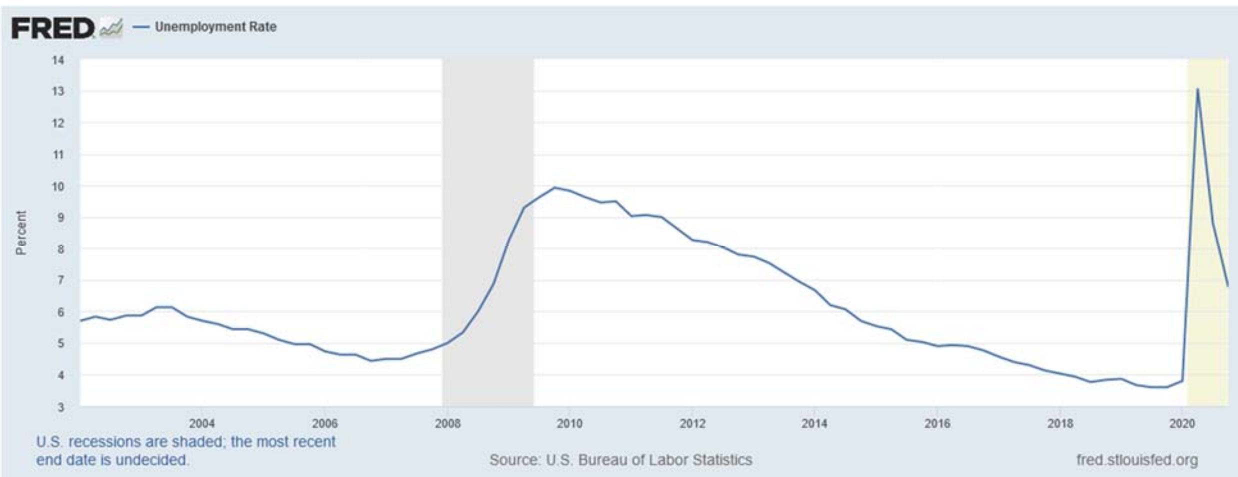
Wage growth in New York State was much worse than the U.S., with CY 2020 estimates at -1.3 percent in the State while the U.S. is estimated to have seen wages grow by 0.6 percent. Non-farm employment has changed significantly and negatively for CY 2020, for both the U.S. and the State, but even more so in New York State as a result of the COVID-19 pandemic. The State is forecast to have a higher recovery in CY 2021, but this is largely the result of the higher rates of unemployment in the State in CY 2020. Finally, the unemployment rate, which increased almost threefold because of the COVID-19 pandemic, is expected to remain high even through CY 2021, even more so for the State.

U.S. Labor Market and Income

U.S. LABOR MARKET AND INCOME

U.S. Employment

According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate was 6.7 percent in December 2020, which was unchanged from November 2020. While the rate held steady, total nonfarm payroll employment declined by 140,000 in December, reflecting the increase in COVID-19 cases and efforts to contain the pandemic. In December, job losses in leisure and hospitality and in private education were partially offset by gains in professional and business services, retail trade, and construction. The number of unemployed persons in December 2020 was 10.7 million, unchanged from the prior month. While both measures are much lower than their April 2020 highs, they are nearly twice their pre-pandemic levels in February 2020 (of 2.5 percent and 5.7 million, 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 increased by 277,000 in December 2020 to 3.0 million. This measure is down considerably from the high of 18.0 million in April, but is still 2.3 million higher than it was in February 2020.

In December, the number of unemployed persons who were:

- Jobless less than 5 weeks increased by 449,000 to 2.9 million
- Jobless 5 to 14 weeks decreased by 182,000 to 2.2 million
- Jobless 15 to 26 weeks decreased by 275,000 million to 5.5 million
- Jobless 27 weeks or more increased by 27,000 to 4.0 million

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

- 5.9 percent for Asian persons, which saw little change over the month
- 6.0 percent for White persons, which saw little change over the month
- 6.3 percent for adult women, which saw little change over the month
- 6.4 percent for adult men, which saw little change over the month
- 9.3 percent for Hispanics, which increased in December
- 9.9 percent for Black persons, which showed little change over the month
- 16.0 percent for teenagers, which increased in December

The labor force participation rate was unchanged over the month at 61.5 percent, which is up by 1.8 percent from April 2020 but still down 3.7 percent from February 2020. The employment to population ratio was also unchanged at 57.4 percent.

In December 2020, the number of persons employed part-time for economic reasons declined by 471,000 from the prior month to 6.2 million. The number of involuntary part-time workers – as these individuals are referred to – is 1.8 million higher than it was in February 2020.

The number of persons not in the labor force who currently want a job, at 7.3 million, changed little in September; this measure is 2.3 million higher than in February 2020. 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 2.2 million and changed little in December. These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months but have not looked for work in the 4 weeks preceding the survey. The number of discouraged workers, a subset of the marginally attached who believe that no jobs were available to them, was 663,000 in December, also little changed from the previous month. Both of these numbers are higher than they were in February 2020, by 749,000 and 262,000, respectively.

NEW YORK STATE WORKFORCE TRENDS

The COVID-19 pandemic has had a significant effect on the number of private sector jobs in New York State. The following table compares the year-over-year change in total nonfarm and private sector jobs that occurred in the United States, New York State, certain metropolitan areas, and non-metro areas in the state between December 2019 and December 2020.

Change in Total Nonfarm and Private Sector Jobs by Area*
December 2019 - December 2020

	Change in Total Nonfarm Jobs: (private sector + government)		Change in Private Sector Jobs:	
	Net	Percent	Net	Percent
United States	-9,152,000	-6.0	-7,891,000	-6.1
New York State	-1,018,400	-10.3	-966,000	-11.5
Albany-Schenectady-Troy	-45,600	-9.5	-39,800	-10.6
Binghamton	-6,600	-6.3	-5,400	-6.7
Buffalo-Niagara Falls	-44,700	-7.8	-42,500	-8.9
Dutchess-Putnma	-14,500	-9.6	-12,400	-10.0
Elmira	-2,300	-6.1	-1,800	-5.8
Glens Falls	-4,100	-7.6	-3,500	-8.2
Ithaca	-3,000	-4.6	-3,400	-6.0
Kingston	-3,200	-5.1	-2,500	-5.2
Nassau-Suffolk	-104,700	-7.7	-98,500	-8.5
New York City	-578,000	-12.2	-560,100	-13.5
Orange-Rockland-Westchester	-61,900	-8.5	-58,000	-9.4
Rochester	-54,400	-10.0	-47,500	-10.3
Syracuse	-34,600	-10.6	-30,600	-11.6
Utica-Rome	-10,100	-7.9	-7,100	-7.4
Watertown-Fort Drum	-3,800	-9.2	-3,600	-12.3
Non-metropolitan counties	-38,400	-7.5	-33,900	-8.9

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.

* Data are not seasonally adjusted and are preliminary and subject to change

Source: New York State Department of Labor

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

Change in Jobs by Major Industry Sector in New York State
December 2019 - December 2020

Sectors with Job Losses:	
Information	-578,000
Construction	-104,700
Natural Resources and Mining	-61,900
Leisure and Hospitality	-45,600
Trade, Transportation, and Utilities	-44,700
Professional and Business Services	-14,500
Educational and Health Services*	-6,600
Government**	-4,100
Financial Activities	-3,200
Manufacturing	-3,000
Other Services	-2,300

* Educational and health services is in the private sector.
** Government includes public education and public health services.

Note: The data are not seasonally adjusted.

Source: New York State 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 December 2020, the statewide seasonally adjusted unemployment rate decreased to 8.2 percent from 8.4 percent from the month prior. New York City's unemployment rate decreased over the month to 11.4 percent from 12.1 percent. Outside of New York City, the unemployment rate increased to 5.9 percent from 5.7 percent. The number of unemployed New Yorkers decreased over the month by 20,200, from 764,500 in November 2020 to 744,300 in December 2020.

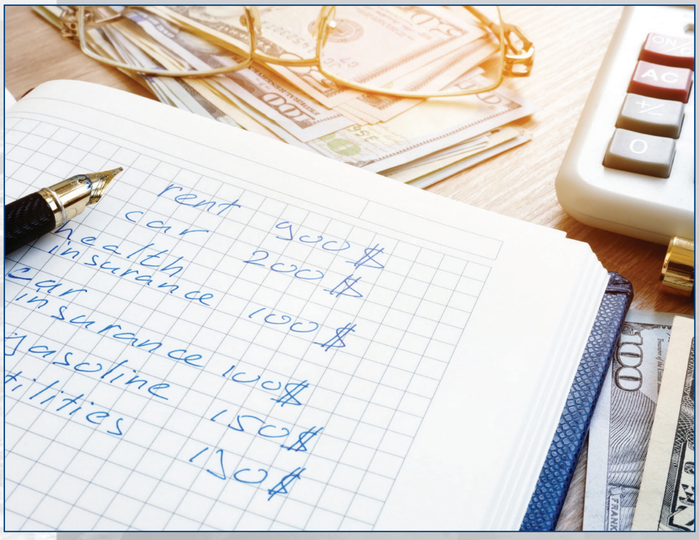
Unemployment Rates (%)*

	December 2020*	November 2020	December 2019
United States	**6.7**	6.7	3.6
New York State	**8.2**	8.4	3.9
New York City	**11.4**	12.1	3.6
NYS, outside of NYC	**5.9**	5.7	4.1

* Data are seasonally adjusted and are preliminary and subject to change

Source: New York State Department of Labor

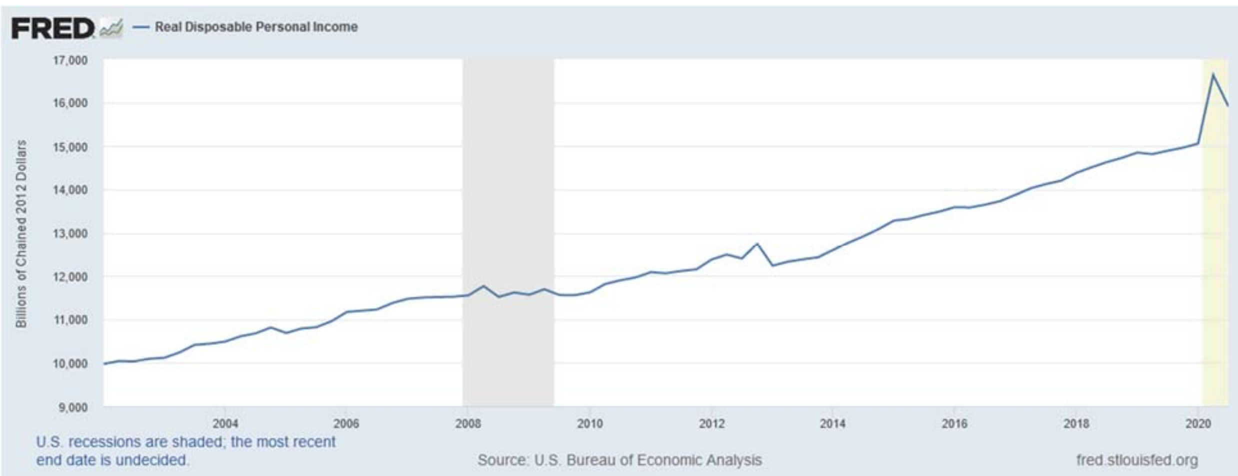
Personal Income



PERSONAL INCOME

According to the U.S. Bureau of Economic Analysis (BEA), and relating to December 2020, personal income nationwide increased $116.6 billion, or 0.6 percent, and disposable personal income (DPI) increased $111.6 billion, or 0.6 percent. Personal consumption expenditures (PCE) decreased $27.9 billion, or 0.2 percent in December 2020.

The increase in personal income in December reflected increases in government social benefits, compensation, and personal dividend income that were partly offset by a decrease in proprietors' income. Within government social benefits, unemployment insurance increased reflecting an increase in pandemic unemployment compensation, the supplemental weekly payments to unemployment beneficiaries reintroduced through the Coronavirus Response and Relief Supplemental Appropriations Act, signed into law December 27, 2020.



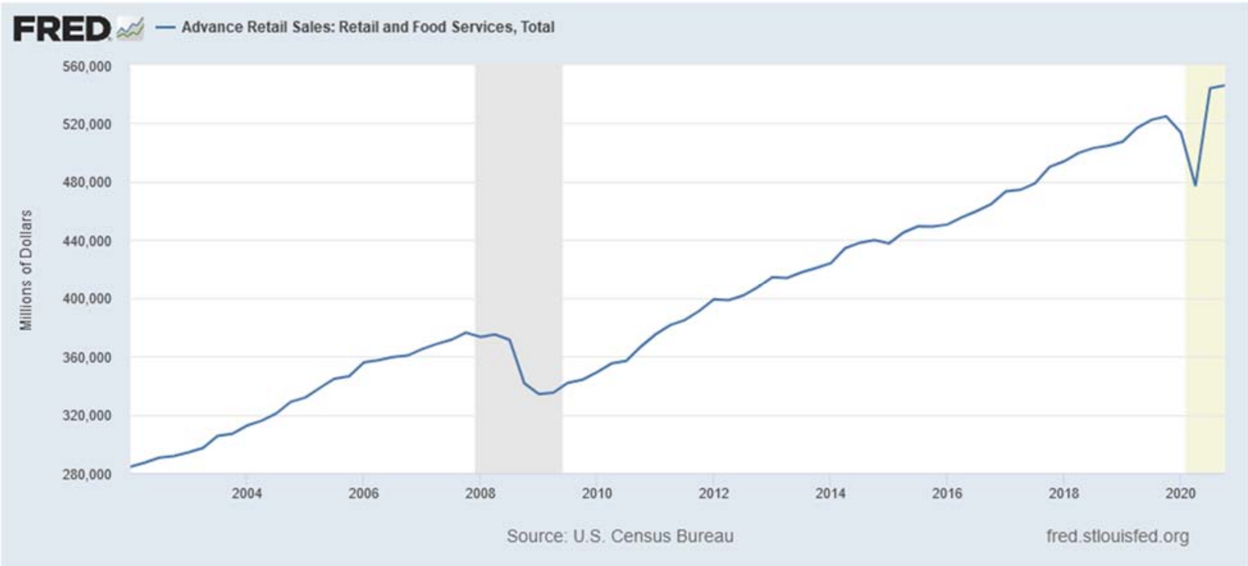
Source: Federal Reserve Bank of St. Louis
U.S. Recessions are shaded; the most recent end date for the current recession is not yet decided

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 decreased $39.2 billion in December 2020. Personal saving was $2.38 trillion and the personal saving rate was 13.7 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 estimate of U.S. retail and food services sales for December 2020 was $540.9 billion, a decrease of 0.7 percent from November 2020, but an increase of 2.9 percent from December 2019. This figure is adjusted for seasonal variation and holiday and trading-day differences, but not for price changes.



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 twelve months of 2020 were up 0.6 percent from 2019. Total sales for October 2020 through December 2020 were up 4.0 percent from the same period a year ago. Retail trade sales in December were down 0.3 percent from November 2020, but 6.3 percent above last year. Non-store retailers in December were up 19.2 percent from December 2019, while food service and drinking places were down 21.2 percent from last year.

CONSUMER PRICE INDEX (CPI)

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4 percent in December 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 seasonally adjusted increase in the all items index was driven by an 8.4 percent increase in the gasoline index, which accounted for most of the overall increase. The other components of the energy index were mixed, resulting in an increase of 4.0 percent for the month. The food index rose in December, as both the food at home and the food away from home indices increased 0.4 percent.

The index for all items other than food and energy increased 0.1 percent in December after rising 0.2 percent in November. The indices for apparel, motor vehicle insurance, new vehicles, personal care, and household furnishings and operations all rose in December. The indices for used cars and trucks, recreation, and medical care were among those to decline over the month.

The all items index rose 1.4 percent for the 12 months ending in December, a slightly larger increase than the 1.2 percent rise reporting for the period ending in November. The index for all items less food and energy rose 1.6 percent over the last 12 months, as it did in the periods ending in October and November. The food index rose 3.9 percent over the last 12 months, while the energy index fell 7.0 percent.

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. GROSS DOMESTIC PRODUCT, FOURTH QUARTER AND YEAR 2020 (ADVANCE ESTIMATE)

According to the U.S. Bureau of Economic Analysis (BEA) advance estimate, the real gross domestic product (GDP) increased at an annualized rate of 4.0 percent in the fourth quarter of 2020. In the third quarter, real GDP increased 33.4 percent, which is slightly higher than the anticipated increase of 33.1 percent from the third quarter advance estimate. This GDP growth estimate is based on source data that are incomplete or subject to further revision by the source agency. The second estimate for the fourth quarter, based on more complete data, will be released on February 25, 2021. The increase in real GDP reflected increases in exports, non-residential fixed investment, personal consumption expenditures, residential fixed investment, and private inventory investment that were partly offset by decreased in federal, state, and local government spending.

The BEA indicates that the increase in fourth quarter GDP reflected both the continued economic recovery from the sharp declines earlier in the year and the ongoing impact of the COVID-19 pandemic, including new restrictions and closures that took effect in some areas of the United States. Furthermore, the BEA notes that the full economic effects of the COVID-19 pandemic cannot be quantified in the GDP estimate for the fourth quarter of 2020 because the impacts are inherent in the source data and cannot be separately analyzed.

GDP rose 6.0 percent, or $309.2 billion, in the fourth quarter to a level of $21.48 trillion. In the third quarter, GDP increased 38.3 percent, or $1.65 trillion.

U.S. Corporate Profits

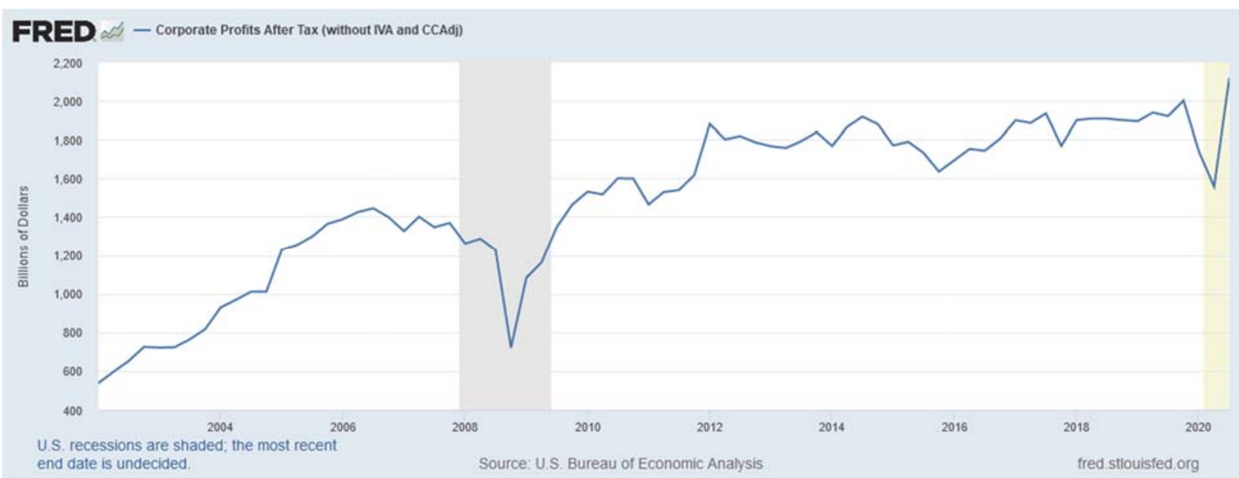
SFY 2021-22
Economic and Revenue Forecast

U.S. CORPORATE PROFITS (THIRD QUARTER RESULTS)

According to the Bureau of Economic Analysis (BEA), profits from current production (corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCA) increased $499.6 billion in the third quarter, in contrast to a decrease of $208.9 billion in the second quarter. The significant increase is associated with the relaxing of restrictions on the economy taken during the initial phase of the COVID-19 pandemic. As a result, corporate profits have already surpassed their pre-pandemic peak.

Profits of domestic financial corporations increased $12.1 billion in the third quarter, compared with an increase of $26.5 billion in the second quarter. Profits of domestic nonfinancial corporations increased $436.2 billion, in contrast to a decrease of $145.9 billion.

The rest-of-the-world component of profits increased $51.3 billion, in contrast to a decrease of $89.5 billion in the second quarter. In the third quarter, receipts increased $113.0 billion, and payments increased $61.7 billion. The rest-of-the-world component of profits is calculated as the difference between receipts from the rest of the world and payments to the rest of the world. Receipts decreased $10.0 billion and payments decreased $15.5 billion in the third quarter of 2019, according to the BEA.



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

NEW YORK STATE SENATE

SFY 2021-22
ECONOMIC AND REVENUE FORECAST

FINANCIAL MARKETS

The Standard & Poor's 500 stock index (S&P 500) finished 2020 at 3,756.07 points, which is an increase of 16.3 percent from where the S&P 500 finished in 2019 at 3,230.78. 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. Since then, however, the S&P 500 has rallied back.

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 2020, the Dow Jones Industrial Average (DJIA) ended at 30,606.48, an increase of 7.2 percent from its 2019 close of 28,538.44. 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. Like the S&P 500, the DJIA has also rallied back.

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 2020 at 12,888.28, an increase of 43.6 percent from the year prior when it closed at 8,972.60. 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 also improved and 2020 was its best annual gain since 2009.

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 NYS Forecasts

SFY 2021-22
Economic and Revenue Forecast

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

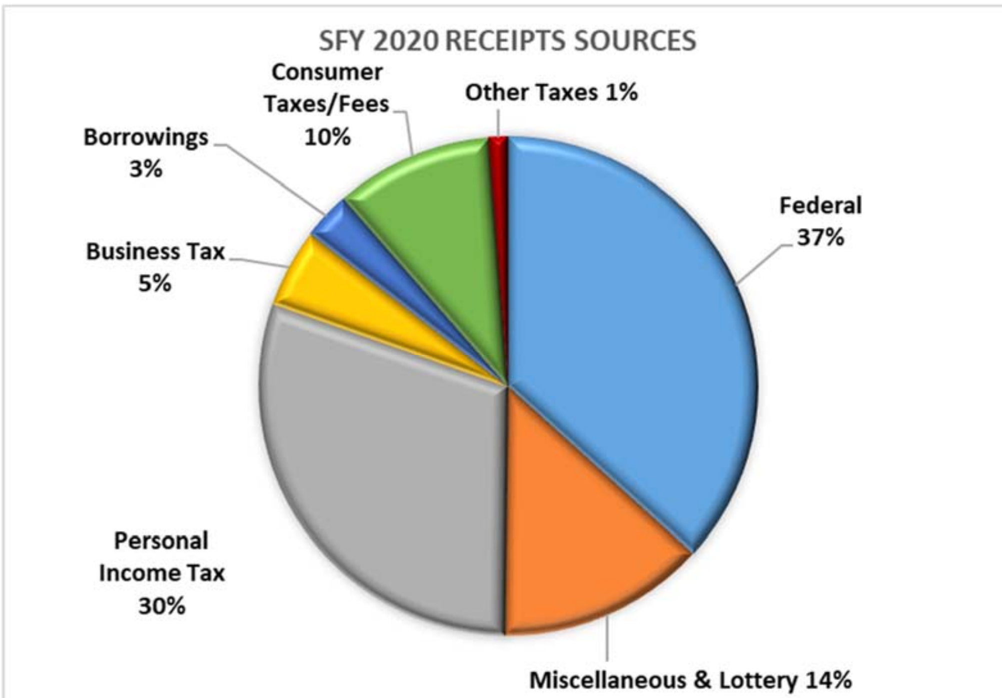
There are numerous unforeseen risks associated with forecasting the economy. Any sharp variation in expected performance of the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. This is most obviously evidenced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

As more of the public receives vaccinations, the restrictions put in place to curb the spread of COVID-19 may lessen, which would improve the economy. On the other hand, the recent discoveries of COVID-19 variants could slow down the pace of economic improvement, largely a result of whether these variants are resistant to the existing vaccines.

The results of the U.S. Presidential election and U.S. Congressional elections are now fully known, with the Democrats having unified control of the federal government – albeit by a slim majority in the U.S. Senate. The Biden Administration is currently working on another round of stimulus, which is reported to be approximately $1.9 trillion and could offer further economic aid to various sectors of the economy, including state and local governments. Any additional fiscal support from the federal government would improve the economic outlook.

REVENUE OUTLOOK

Revenues are primarily affected by economic changes and changes in Federal and State tax policies. The tax base is a measure of the State's ability to generate revenue. Personal income tax receipts make up the largest share of total 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

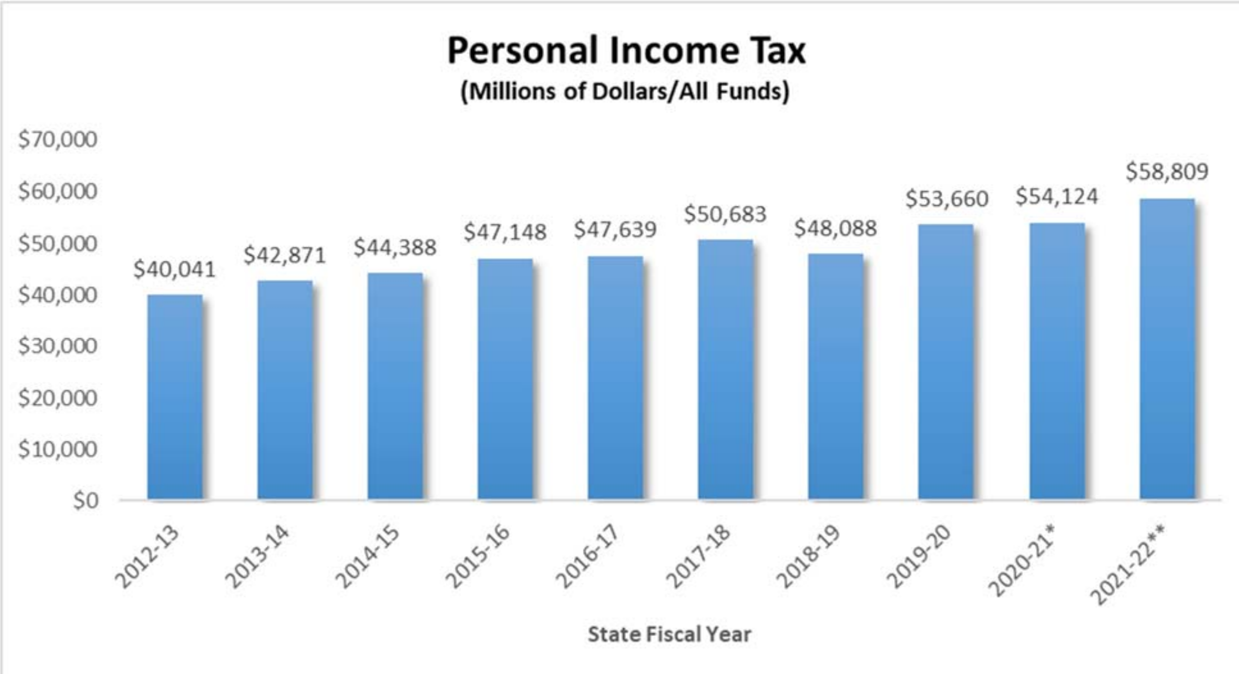
The committee staff SFY 2020-21 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $1.5 billion over the Executive Budget Financial Plan estimate of $45.7 billion. The committee staff's SFY 2021-22 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is $1.6 billion over the Executive Budget Financial Plan receipts estimate of $44.7 billion.

The committee staff's SFY 2020-21 estimate for All Funds receipts, excluding federal receipts, is $1.5 billion over the Executive Budget Financial Plan receipts estimate of $111.1 billion. The committee staff's SFY 2021-22 projection for All Funds receipts is $1.9 billion above the Executive Budget Financial Plan receipts estimate of $112.7 billion (excluding federal receipts).

Personal Income Tax

SFY 2021-22
Economic and Revenue Forecast

PERSONAL INCOME TAX



*2020-21 is estimated. **2021-22 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 61.4 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 $54.1 billion, an increase of $464 million, or 0.9 percent from SFY 2019-20.

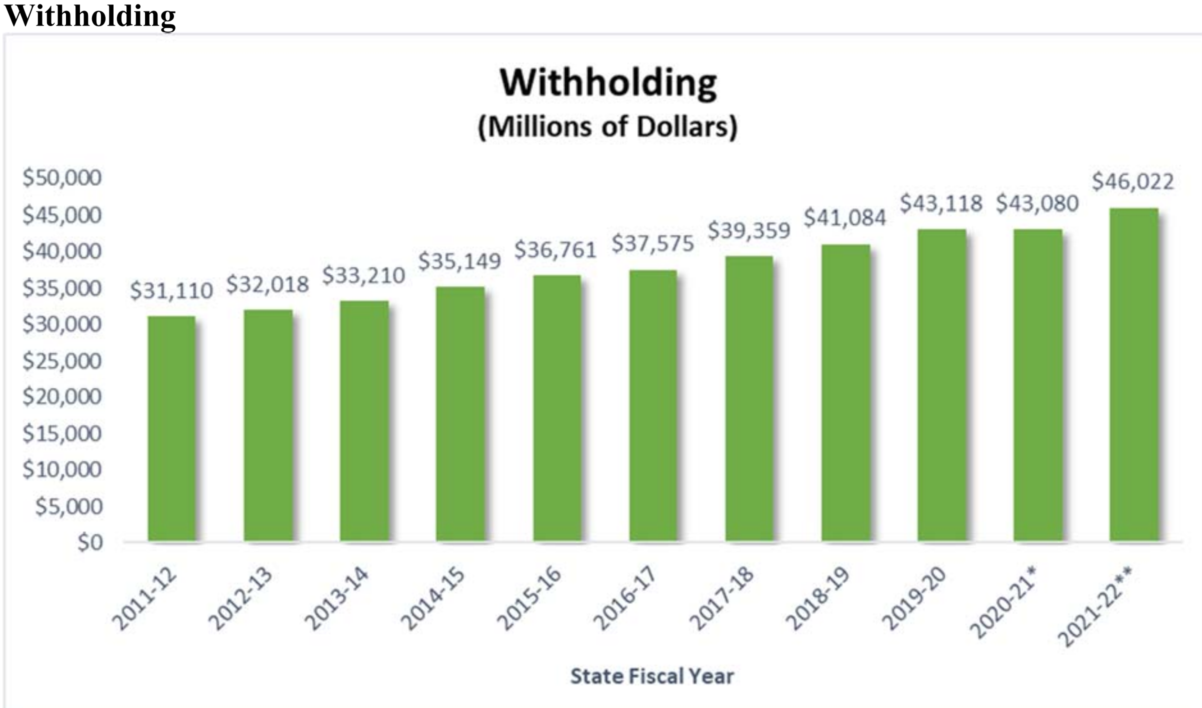
The committee staff project All Funds net PIT receipts for SFY 2021-22 to total $58.8 billion, an increase of $4.7 billion, or 8.7 percent from SFY 2020-21. The Executive Budget proposals contained in S.2509, relating to a high-income personal income tax surcharge (Part A) and a one-year delay of the on-going middle-class tax cuts (Part B) are included in the staff projection for SFY 2021-22, with Part A adding approximately $1.5 billion in new receipts and Part B adding $394 million, for a combined total of approximately $1.9 billion. If revenues from these proposals were not included, PIT revenues would be $56.9 billion, reflecting growth of 5.1%.

The committee staff projects General Fund PIT net receipts for SFY 2020-21 to be $25.6 billion, $927 billion more than in SFY 2019-20, or a 3.8 percent increase. General Fund net PIT receipts for SFY 2021-22 are projected at $29.3 billion, which is about $3.7 billion, or 14.4 percent greater than the previous year.

The Executive Budget Financial Plan estimates net All Funds PIT receipts for SFY 2020-21 to total $53.0 billion, a decrease of $618 million, or 1.2 percent over SFY 2019-20. The Executive Budget Financial Plan projects All Funds net PIT receipts for SFY 2021-22 to total $57.5 billion, an increase of $4.5 billion, or 8.4 percent from its SFY 2020-21 projections.

The Executive Budget Financial Plan estimates net General Fund PIT receipts for SFY 2020-21 to be $24.5 billion, $155 million less than SFY 2019-20, or a 0.6 percent decrease. Net General Fund PIT receipts for SFY 2021-22 are projected at $28.2 billion, which is $3.7 billion, or 15.5 percent greater than what is projected for SFY 2020-21.

Withholding



*2020-21 is estimated. **2021-22 is projected.
Source: Senate Majority Conference Finance Committee staff

Employers are required to withhold a portion of employees' tax liability from their earnings to spread the payment of 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 estimates New York State All Funds withholding payments to total $43.1 billion, a decrease of $38 million, or 0.1 percent, from SFY 2019-20.

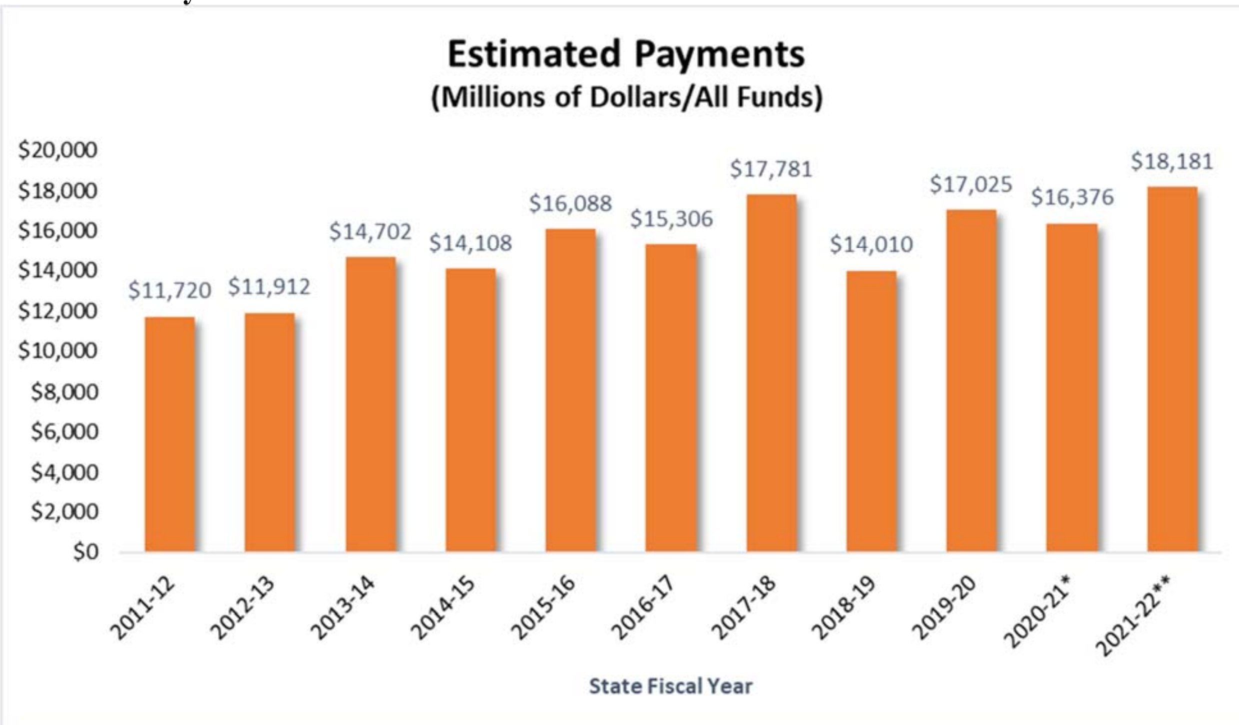
For SFY 2021-22, the committee staff projects the All Funds withholding component of the PIT to increase to $46.0 billion, an increase of $2.9 billion, or 6.5 percent, from SFY 2020-21. Within this amount, the Executive Budget proposals contained in S.2509, Parts A and B, add $739 million and $345 million, respectively. If revenues from these proposals were not included, withholding would be $44.9 billion, reflecting growth of 4.3 percent.

For SFY 2020-21, the Executive Budget Financial Plan estimates the All Funds withholding component of PIT to total $41.9 billion, a decrease of $1.2 billion, or 2.9 percent, from SFY 2019-20.

For SFY 2021-22, the Executive Budget Financial Plan projects the All Funds withholding component of the PIT to increase to $44.6 billion, an increase of $2.7 billion, or 6.5 percent from their SFY 2020-21 projections.

Rest-year-growth required to realize the Senate Majority Conference withholding estimate for SFY 2020-21 is equal to -0.2 percent, which is similar to year-to-date growth of -0.06 percent (through January), whereas rest-of-year growth required to realize the Financial Plan withholding estimate is -13.2 percent.

Estimated Payments



*2020-21 is estimated. **2021-22 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.

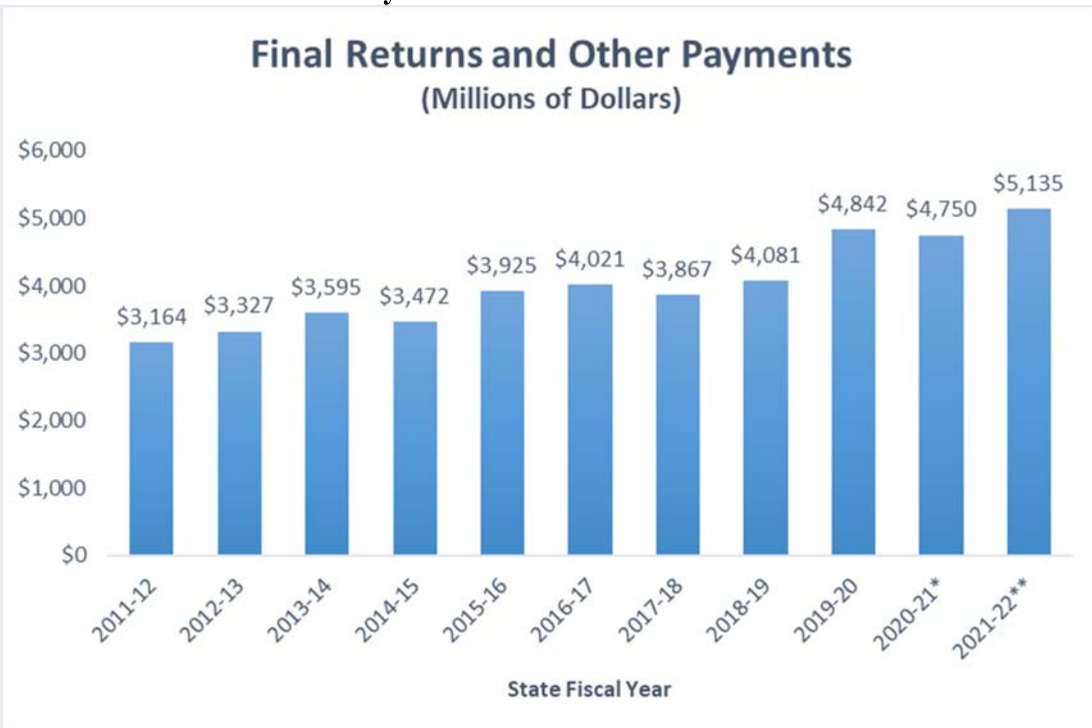
The Senate Majority Conference Finance Committee staff forecasts All Funds estimated payments for SFY 2020-21 to be $16.4 billion, a decrease of $649 million, or 3.8 percent, from SFY 2019-20.

For SFY 2021-22, All Funds estimated payments are projected to be $18.2 billion, an increase of $1.8 billion, or 11.0 percent, from SFY 2020-21. Within this amount, the Executive Budget proposals contained in S.2509, Parts A and B, add $798 million and $49 million, respectively.

The Executive Budget Financial Plan forecasts All Funds estimated payments for SFY 2020-21 to be $16.3 billion, a decrease of $676 billion, or 4.0 percent, from SFY 2019-20.

For SFY 2021-22, All Funds estimated payments are projected to be $17.9 billion, an increase of $1.6 billion, or 9.7 percent, from SFY 2020-21 projections.

Final Returns and Other Payments



*2020-21 is estimated. **2021-22 is projected.
Source: Senate Majority Conference Finance Committee staff

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

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

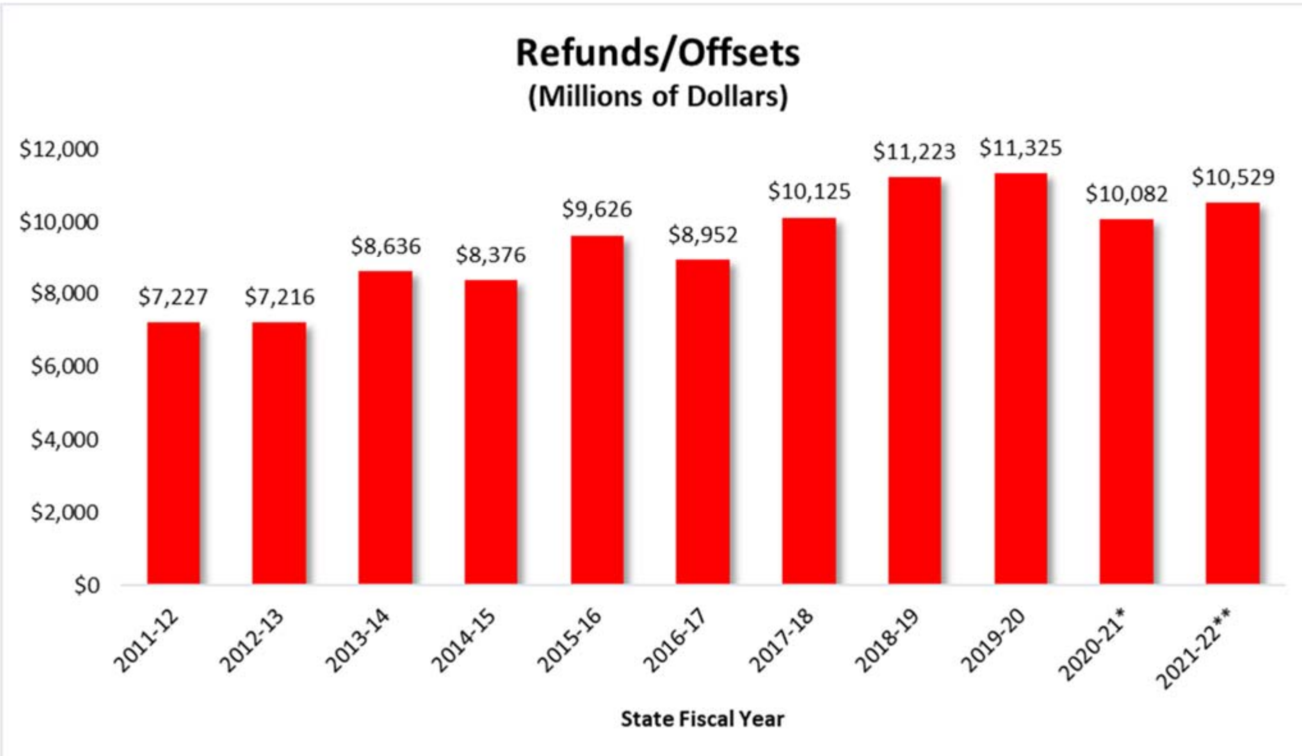
The Senate Majority Conference Finance Committee staff estimates All Funds final returns and other payments collections for SFY 2020-21 to total $4.8 billion. This figure is $92 million less than collections in SFY 2019-20, a 1.9 percent decrease.

For SFY 2021-22, the committee staff projects All Funds collections from final returns and other payments to be $5.1 billion. This figure is $385 million more than the estimate for SFY 2020-21, an 8.1 percent increase.

The Executive Budget Financial Plan estimates All Funds final returns and other payments collections for SFY 2020-21 to total $4.9 billion. This figure is $52 million more than collections in SFY 2019-20, or a 1.1 percent increase.

For SFY 2021-22, the Executive Budget Financial Plan projects All Funds collections from final returns and other payments to be $5.5 billion. This figure is $586 million more than the Executive's SFY 2020-21 projections, or a 12.0 percent increase.

Refunds/Offsets



*2020-21 is estimated. **2021-22 is projected.[1]
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.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for refunds/offsets.

For SFY 2020-21, the Senate Majority Conference Finance Committee staff estimates that All Funds refunds will total $8.9 billion. This figure reflects a decrease of $1.3 billion, or 12.5 percent, from SFY 2019-20.

For SFY 2021-22, committee staff project All Funds refunds to be $9.3 billion. This figure reflects an increase of $322 million, or 3.6 percent, from SFY 2019-20.

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

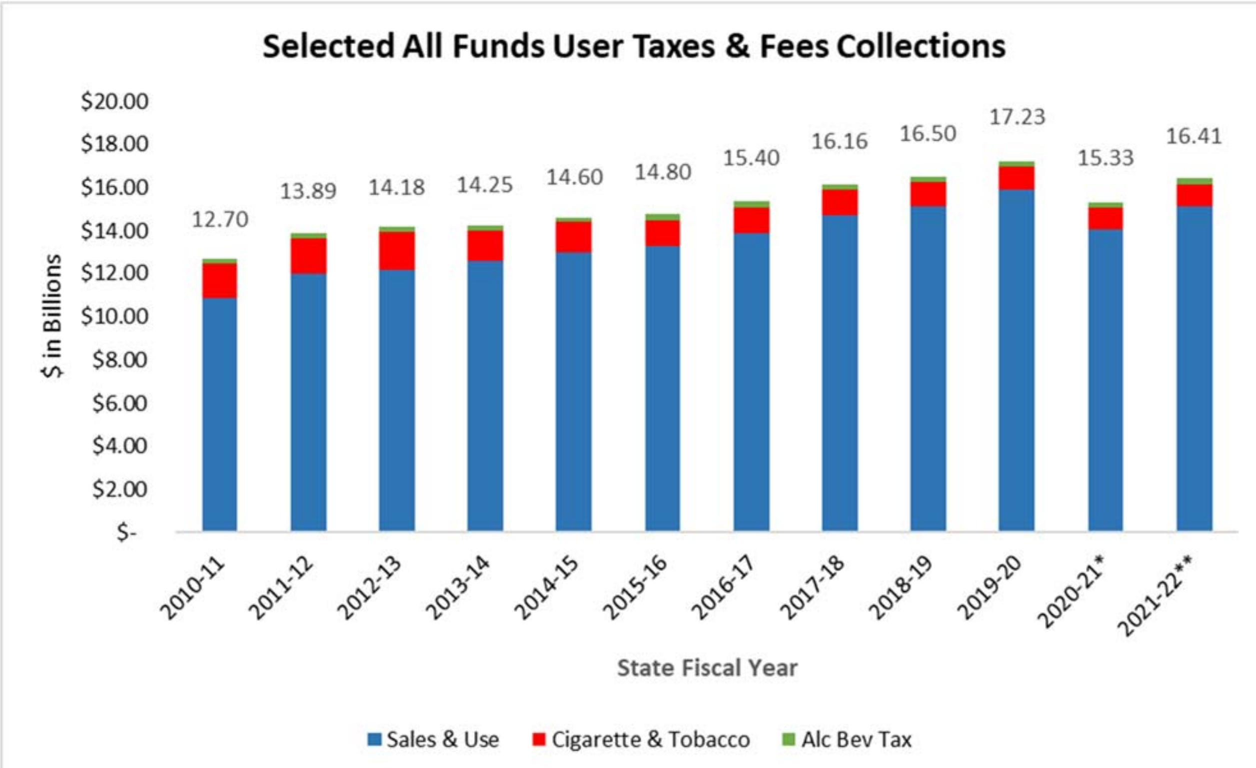
For SFY 2020-21 the Executive Budget Financial Plan estimates All Funds refunds to total $8.9 billion, a decrease of $1.3 billion, or 12.5 percent, from SFY 2019-20.

For SFY 2021-22, All Funds refunds are projected to be $9.3 billion, an increase of $322 million, or 3.6 percent, from the Executive's SFY 2020-21 estimate.

Consumption and Use Taxes

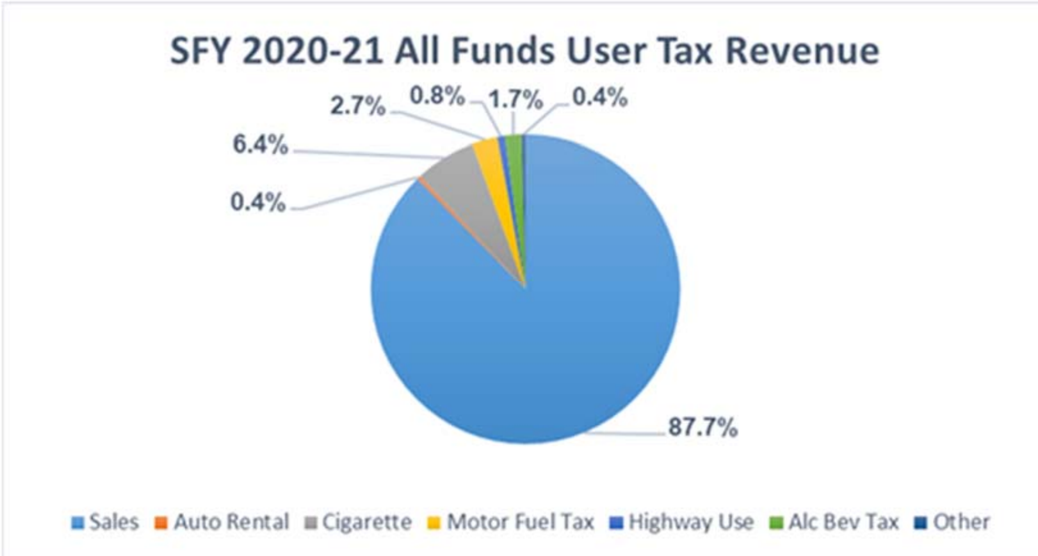
SFY 2021-22
ECONOMIC AND REVENUE FORECAST

CONSUMPTION AND USE TAXES



*2020-21 is estimated. **2021-22 is projected.
Senate Majority Conference Finance Committee staff

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



Source: Senate Majority Conference Finance Committee staff estimates

As shown in the previous chart, the Sales and Use Tax dominates consumption and use tax collections with 87.7 percent of total user tax collections in SFY 2020-21.

The Senate Majority Conference Finance Committee staff estimate that All Funds consumption and use tax receipts will total $16.0 billion in SFY 2020-21, a decrease of $2.0 billion, or 11.2 percent, from SFY 2019-20.

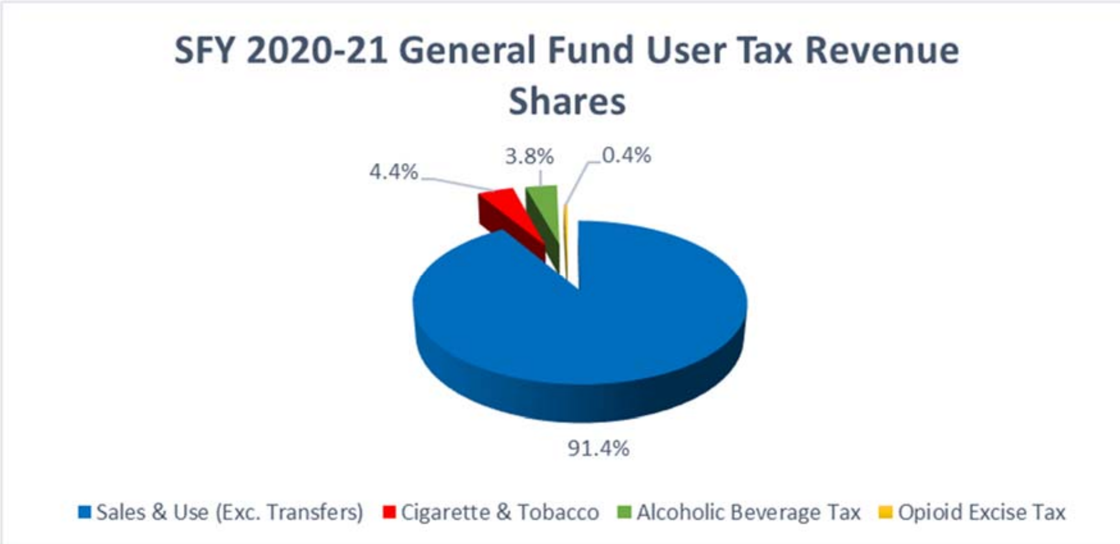
The Senate Majority Conference Finance Committee staff project All Funds consumption and use tax receipts for SFY 2021-22 to total $17.2 billion, an increase of $1.2 billion, or 7.5 percent, from the staff's SFY 2020-21 estimate.

The Executive Budget Financial Plan estimates net All Funds consumption and use tax receipts for SFY 2020-21 to total $16.0 billion, a decrease of $2.0 billion, or 11.2 percent, from SFY 2019-20.

The Executive Budget Financial Plan projects net All Funds consumption and use tax receipts for SFY 2021-22 to total $17.1 billion, an increase of $1.1 billion, or 6.8 percent, from the Executive's SFY 2020-21 projection.

The Executive Budget Financial Plan estimates net General Fund consumption and use tax receipts for SFY 2020-21 to be $7.2 billion, a decrease of $842 million, or 10.5 percent, from SFY 2019-20.

The Executive Budget Financial Plan projects net General Fund consumption and use tax receipts for SFY 2021-22 to be $7.7 billion, which is an increase of $470 million, or 6.5 percent, from the Executive's estimate for SFY 2020-21.



Source: Senate Majority Conference Finance Committee staff

Currently, General Fund revenue from user taxes and fees are composed of the taxes depicted in the graph above. The Sales and Use Tax is the primary source of collections in this category, accounting for approximately 91.4 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 four percent. Counties and cities are also authorized to impose general sales tax rates up to three percent in addition to the four percent state rate. Of the 20 cities that impose the general sales tax, only three cities (New York City, Oswego, and Yonkers) received legislative authority to impose additional rates of tax above the statutory three percent general sales tax rate. Over 95 percent of the State's population resides in an area where the tax rate equals or exceeds eight percent. A compensating use tax complements the sales tax and is imposed on the use of taxable property or services in-state if the transaction has not already been subject to sales tax.

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

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

The Senate Majority Conference Finance Committee staff estimates All Funds Sales and Use Tax receipts for SFY 2020-21 at $14.0 billion, a decrease of $1.9 billion, or 11.9 percent, from SFY

2019-20. General Fund sales and use tax collections are estimated to total $13.2 billion in SFY 2020-21, a decrease of $1.7 billion, or 11.5 percent, from SFY 2019-20.

The committee staff projects All Funds Sales and Use Tax collections in SFY 2021-22 will be $15.2 billion, an increase of $1.1 billion, or 8.0 percent, from the staff's SFY 2020-21 estimate. On a General Fund basis, the committee staff projects Sales and Use tax collections at $14.2 billion in SFY 2021-22, an increase of $1.1 billion, or 8.0 percent, from SFY 2020-21.

The Executive Budget Financial Plan estimates All Funds Sales and Use Tax receipts for SFY 2020-21 at $14.0 billion, an increase of $1.9 billion, or 11.9 percent, from SFY 2019-20. The Financial Plan estimates $13.2 billion in SFY 2020-21 General Fund collections, a decrease of $1.7 billion, or 11.6 percent, from SFY 2019-20.

The Executive Budget Financial Plan projects All Funds Sales and Use Tax collections to be $15.0 billion in SFY 2021-22, an increase of $1.0 billion, or 7.2 percent, from the Executive's SFY 2020-21 estimate. The Financial Plan projects $14.1 billion in SFY 2021-22 General Fund collections, an increase of $941 million, or 7.2 percent, from the Executive's SFY 2020-21 estimate.

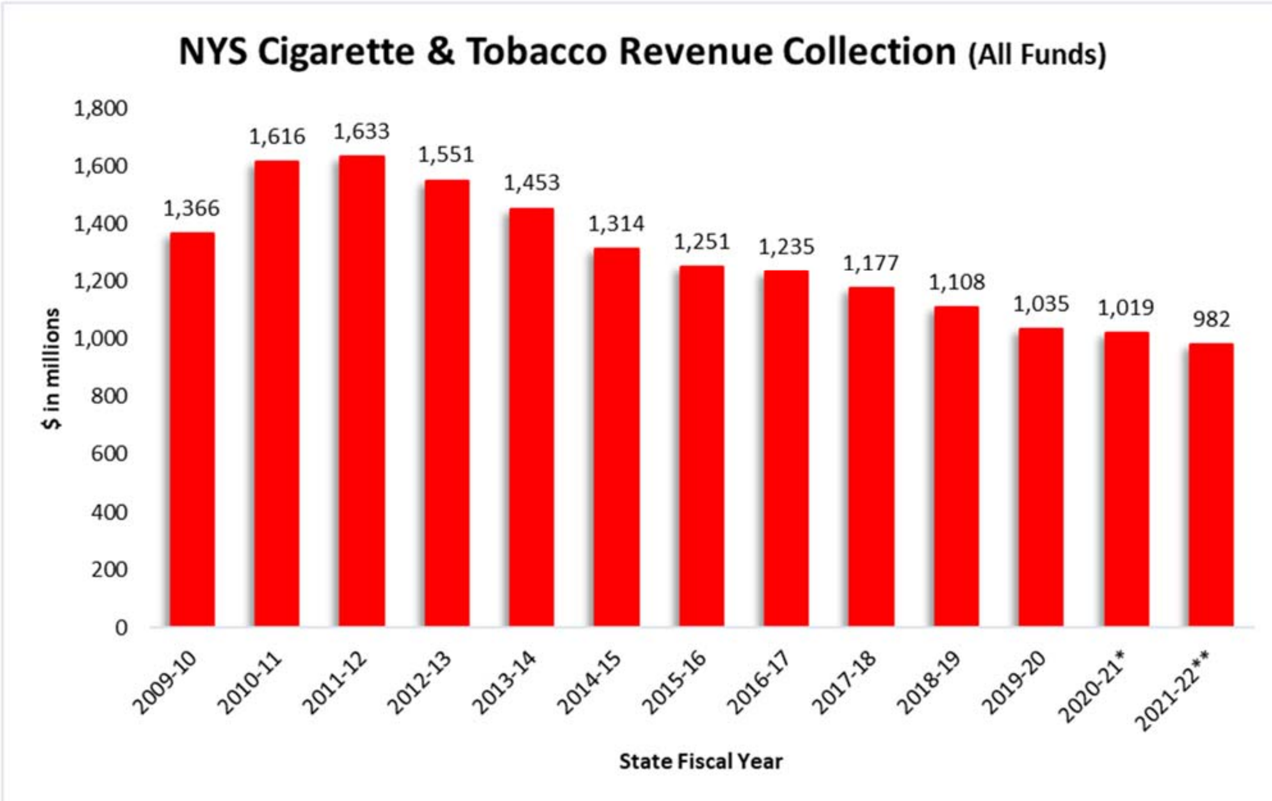
Rest-year-growth required to realize the Senate Majority Conference sales and use tax collections estimate for SFY 2020-21 is equal to -6.41 percent, which is equal to the cumulative growth rate from September through December of 2020. Similarly, rest-of-year growth required to realize the Financial Plan total business tax receipts estimate is -6.75 percent.

Cigarette and Tobacco Taxes

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

Taxable cigarette consumption is partly a function of retail cigarette prices, tax evasion, as well as a long-term downward trend in consumption. The decline in consumption also reflects the impact of increased public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, 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.



*2020-21 is estimated. **2021-22 is projected
Source: Senate Majority Conference Finance Committee staff

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

The Senate Majority Conference Finance Committee staff estimates All Funds receipts in SFY 2020-21 from the cigarette and tobacco taxes to be $1.0 billion, a decrease of $16 million, or 1.5 percent, from SFY 2019-20 collections. The committee staff estimates SFY 2020-21 General Fund receipts at $314 million, a decrease of $1 million, or 0.3 percent, from SFY 2019-20.

The committee staff projects SFY 2021-22 All Funds cigarette and tobacco tax collections to total $982 million, a decrease of $37 million, or 3.6 percent, from SFY 2020-21 estimates. The committee staff estimates SFY 2021-22 General Fund receipts at $312 million, a decrease of $2 million, or 0.6 percent, from SFY 2020-21.

For SFY 2020-21, the Executive Budget Financial Plan estimates All Funds cigarette and tobacco tax receipts to be $1.0 billion, a decrease of $16 million, or 1.6 percent, from SFY 2019-20. The Financial Plan estimates General Fund collections at $314 million in SFY 2020-21, an increase of $1 million, or 0.3 percent, from SFY 2019-20.

The Executive Budget Financial Plan projects All Funds cigarette and tobacco tax receipts to be $982 million in SFY 2021-22, a $37 million or 3.6 percent decrease from their SFY 2020-21 projections. The Financial Plan projects SFY 2021-22 General Fund cigarette and tobacco tax receipts at $312 million, a decrease of $2 million, or 0.6 percent, from the Executive's SFY 2020-21 estimate.

Motor Fuel Tax

Gasoline motor fuel and diesel motor fuel taxes are enacted by Article 12-A of the State Tax Law upon the sale, 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 concurs with the Executive Budget Financial Plan projections for Motor Fuel Tax. The Financial Plan estimates All Funds receipts from the State Motor Fuel Tax at $426 million in SFY 2020-21, a decrease of $86 million, or 16.8 percent, from SFY 2019-20. For SFY 2021-22, the Financial Plan projects All Funds receipts from the Motor Fuel Tax at $501 million, an increase of $75 million, or 17.6 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 staff concurs with the Executive Budget Financial Plan projections for Alcoholic Beverage Tax.

The Senate Majority Conference Finance Committee estimates All Funds Alcoholic Beverage Tax collections to be $273 million in SFY 2020-21, an increase of $14 million, or 5.4 percent, from SFY 2019-20.

In SFY 2021-22, the committee staff projects All Funds Alcoholic Beverage Tax collections at $271 million, a decrease of $2 million, or 0.7 percent, from the staff's SFY 2020-21 estimate.

For SFY 2020-21, the Executive Budget Financial Plan estimates All Funds Alcoholic Beverage Tax collections to be $273 million, an increase of $14 million, or 5.4 percent, from SFY 2019-20.

The Executive Budget Financial Plan projects All Funds Alcoholic Beverage Tax collections to be $271 million in SFY 2021-22, a decrease of $2 million, or 0.7 percent, from the Executive's SFY 2020-21 estimate.

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

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

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

The Senate Majority Conference Finance Committee staff estimates All Funds collections from the Auto Rental Tax to be $57 million, a decrease of $50 million, or 46.8 percent, from SFY 2019-20. In SFY 2021-22, the committee staff projects All Funds Auto Rental Tax collections to total $78 million, an increase of $21 million, or 36.8 percent, from SFY 2020-21.

For SFY 2020-21, the Executive Budget Financial Plan estimates All Funds Auto Rental Tax collections to be $57 million, a decrease of $50 million, or 46.7 percent, from SFY 2019-20.

The Executive Budget Financial Plan projects All Funds Auto Rental Tax collections to be $78 million in SFY 2021-22, an increase of $21 million, or 36.8 percent, from the Executive's SFY 2020-21 estimate.

Highway Use Tax
Articles 21 and 21-A of the Tax Law establish 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 is levied on motor carriers who operate commercial vehicles on New York State public highways.
- The fuel use tax ensures that motor carriers who purchase fuel out-of-State but operate a vehicle on New York State public highways are subject to the same taxes as fuel purchased in-State. The current fuel use tax rate is $0.24 per gallon.
- 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 as well as the HUT Administration Account.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Highway Use Taxes. For SFY 2020-21, the Financial Plan estimates All Funds collections from the HUT to be $131 million, a decrease of $10 million, or 7.4 percent, from SFY 2019-20. The Financial Plan projects All Funds HUT collections in SFY 2021-22 at $138 million, an increase of $7 million, or 5.3 percent, from the SFY 2020-21 estimate.

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

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

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Medical Cannabis Excise tax. The Financial Plan estimates All Funds receipts from the Medical Cannabis Excise Tax to total $8 million in SFY 2020-21, an increase of $2.3 million, or 40.4 percent, from SFY 2019-20. For SFY 2021-22, the Financial Plan projects All Funds Medical Cannabis Excise Tax collections will remain unchanged at $8 million.

Adult-Use Cannabis Tax
The SFY 2021-22 Executive Budget proposes to legalize the production, sale, and use of adult-use cannabis. It also shifts oversight of existing hemp and medical marijuana programs to a new Office of Cannabis Management. The proposal establishes taxes on the distribution and sale of adult-use cannabis and imposes State and local sales taxes on retail purchases made on and after March 1, 2022. The first month of collections would be in April 2022.
The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Adult-Use Cannabis Tax. The Financial Plan projects All Funds receipts from the Adult-Use Cannabis Tax to total $20 million for SFY 2021-22, the first state fiscal year that receipts will be realized.

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

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Opioid Excise tax. All Funds receipts from the Opioid Excise Tax resulted in $19.4 million in collections in SFY 2019-20, which was the first year of collections. For SFY 2020-21, the Financial Plan estimates All Funds collections to total $30 million, an increase of $10.6 million, or 54.6 percent. For SFY 2021-22, the Financial Plan projects All Funds collections from the Opioid Excise Tax at $34 million, an increase of $4 million, or 13.3 percent, from the prior year.

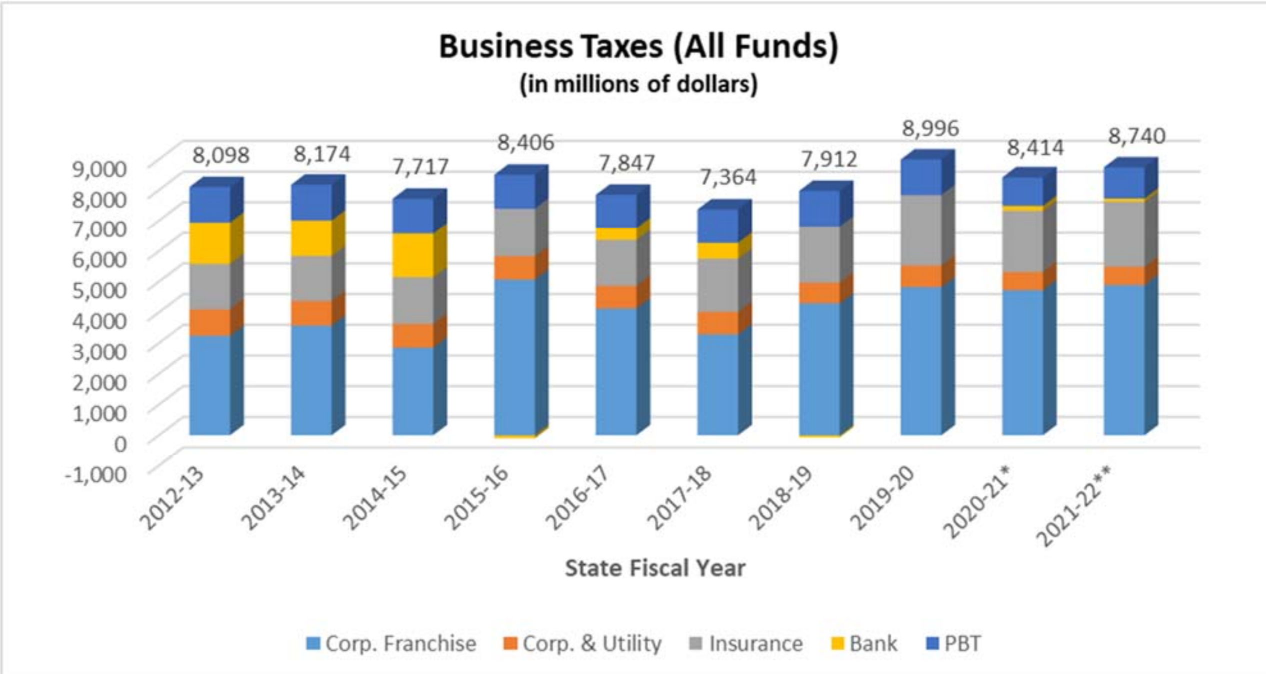
Vapor Products Tax
The SFY 2019-20 Enacted Budget imposed an excise tax of 20 percent on the retail sales of vapor products. Revenues from this excise tax are deposited in the Health Care Reform Act account.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Vapor Excise tax. The Financial Plan estimates All Funds receipts from the Vapor Products Tax to be $27 million in SFY 2020-21, an increase of $16.6 million, or 159.6 percent, from the first partial year of collections. For SFY 2021-22, the Financial Plan projects All Funds Vapor Products Tax collections at $16.0 million, a decrease of $11.0 million, or 40.7 percent.

Business Taxes

SFY 2021-22
Economic and Revenue Forecast

BUSINESS TAXES



*2020-21 is estimated. **2021-22 is projected
Source: Senate Majority Conference Finance Committee staff

The Senate Majority Conference Finance Committee staff estimates All Funds aggregate business tax receipts to total $8.4 billion for SFY 2020-21, a decrease of $582 million, or 6.5 percent, from SFY 2019-20. For SFY 2020-21, the committee staff estimates General Fund aggregate business tax receipts to total $6.1 billion, a decrease of $247 million, or 3.9 percent, from SFY 2019-20.

For SFY 2021-22, the committee staff projects All Funds aggregate business tax receipts to total $8.7 billion, an increase of $327 million, or 3.9 percent, from SFY 2020-21 estimates. The committee staff projects General Fund aggregate business tax receipts for SFY 2021-22 at $6.3 billion, an increase of $162 million, or 2.6 percent, from SFY 2020-21.

The Executive Budget Financial Plan estimates All Funds aggregate business tax receipts to total $8.2 billion for SFY 2020-21, an $818 million or 9.1 percent decrease from SFY 2019-20. The Financial Plan estimates SFY 2020-21 General Fund aggregate business tax collections at $5.9 billion, a decrease of $449 million, or 7.0 percent, from SFY 2019-20.

For SFY 2021-22, the Executive Budget Financial Plan projects aggregate All Funds business tax receipts to total $8.4 billion, an increase of $260 million, or 3.2 percent, from SFY 2020-21. The Financial Plan projects General Fund aggregate business tax receipts for SFY 2021-22 at $6.0 billion, an increase of $98 million, or 1.7 percent, from SFY 2020-21 estimates.

Rest-year-growth required to realize the Senate Majority Conference total business tax receipts estimate for SFY 2020-21 is equal to 2.5 percent, whereas rest-of-year growth required to realize the Financial Plan total business tax receipts estimate is -8.7 percent.

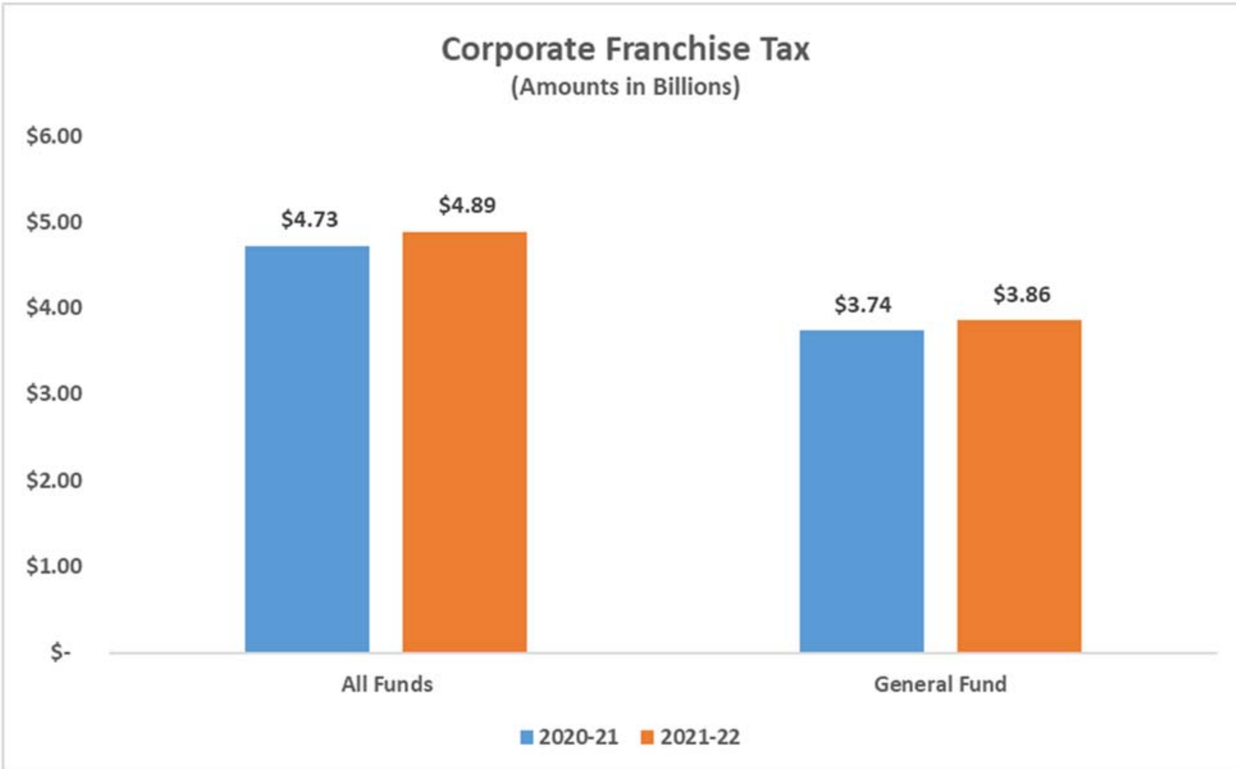
Corporation Franchise Tax

Chapter 59 of the Laws of 2014 enacted New York State 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 State. The Article 9-A tax is imposed on business entities classified as either C corporations or S corporations.

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

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

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



Source: Senate Majority Conference Finance Committee staff

For SFY 2020-21, the Senate Majority Conference Finance Committee staff estimates All Funds Corporation Franchise Tax receipts to total $4.7 billion, a decrease of $98 million, or 2.0 percent, from SFY 2019-20. The committee staff estimates SFY 2020-21 General Fund Corporation Franchise Tax receipts to total $3.7 billion, a decrease of $54 million, or 1.4 percent, from the SFY 2019-20.

For SFY 2021-22, the committee staff projects All Funds Corporation Franchise Tax receipts to total $4.9 billion, an increase of $166 million, or 3.5 percent, from the staff's SFY 2020-21 estimate. The committee staff projects SFY 2021-22 General Fund Corporation Franchise Tax receipts at $3.9 billion, an increase of $121 million, or 3.2 percent, from the staff's SFY 2020-21 estimate.

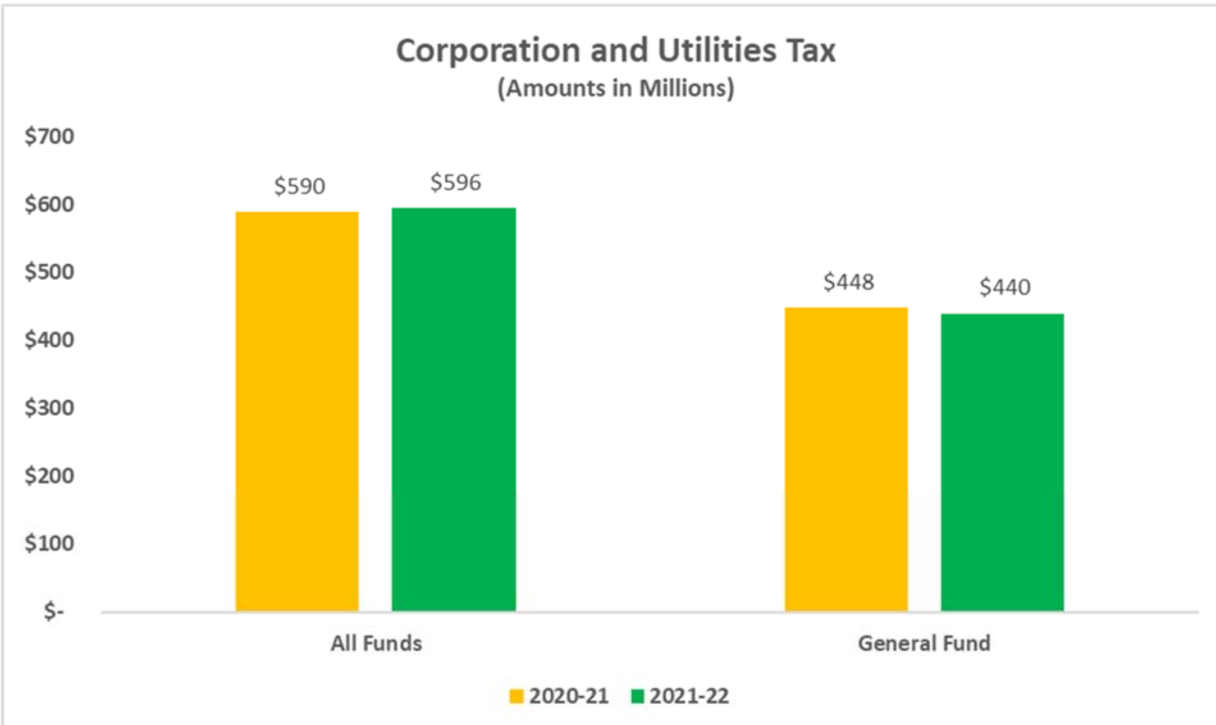
For SFY 2020-21, the Executive Budget Financial Plan estimates All Funds Corporation Franchise Tax receipts to total $4.3 billion, a decrease of $521 million, or 10.8 percent, from SFY 2019-20. The Financial Plan estimates SFY 2020-21 General Fund Corporation Franchise Tax receipts are to be $3.4 billion, a decrease of $389 million, or 10.3 percent, from SFY 2019-20.

For SFY 2021-22, the Executive Budget Financial Plan projects All Funds Corporation Franchise Tax receipts to total $4.5 billion, an increase of $151 million, or 3.5 percent, from SFY 2020-21 estimates. The Financial Plan projects SFY 2021-22 General Fund Corporation Franchise Tax receipts at $3.5 billion, an increase of $110 million, or 3.2 percent, from SFY 2020-21 estimates.

Rest-year-growth required to realize the Senate Majority Conference Corporate Franchise Tax receipts estimate for SFY 2020-21 is equal to -0.9 percent, whereas rest-of-year growth required to realize the Financial Plan Petroleum Business Tax receipts estimate is -38.2 percent. Year-to-date growth has been -2.4 percent.

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 defined calculations.

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 defined calculations.

Section 186-a imposes a two percent gross receipts tax on charges for the transportation, transmission, distribution, or delivery of electric and gas utility services for residential consumers. Section 186-e 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 estimates All Funds Corporation and Utilities Tax receipts to total $590 million, a decrease of $115 million, or 16.3 percent, from SFY 2019-20. The committee staff estimates SFY 2020-21 General Fund Corporation and Utilities Tax receipts to total $448 million, a decrease of $70 million, or 13.4 percent, from SFY 2019-20. The ongoing economic fallout of the COVID-19 pandemic and resulting substantial increase in housing insecurity means individuals are less likely to be able to pay utility bills, which has likely contributed to the decline in anticipated tax receipts.

For SFY 2021-22 the committee staff projects All Funds Corporation and Utilities Tax receipts to total $596 million, an increase of $6 million, or 1.0 percent. The committee staff projects SFY 2021-22 General Fund Corporation and Utilities Tax receipts at $440 million, a decrease of $8 million, or 1.9 percent, from the staff's SFY 2020-21 estimate.

For SFY 2020-21, the Executive Budget Financial Plan estimates All Funds Corporation and Utilities Tax receipts to total $605 million, a decrease of $100 million, or 14.2 percent, from SFY 2019-20. The Financial Plan estimates SFY 2020-21 General Fund Corporation and Utilities Tax receipts at $460 million, a decrease of $58 million, or 11.2 percent, from SFY 2019-20.

For SFY 2021-22, the Executive Budget Financial Plan projects All Funds Corporation and Utilities Tax receipts to total $608 million, an increase of $3 million, or 0.5 percent, from its SFY 2020-21 estimate. The Financial Plan projects SFY 2021-22 General Fund Corporation and Utilities Tax receipts at $449 million, a decrease of $11 million, or 2.4 percent, from its SFY 2020-21 estimate.

Rest-year-growth required to realize the Senate Majority Conference Corporation and Utilities tax receipts estimate for SFY 2020-21 is -22.4 percent, whereas rest-of-year growth required to realize the Financial Plan Corporation and Utilities Tax receipts estimate is -17.2 percent. Year-to-date growth has been -12.0 percent.

Insurance Tax

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

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

Tax Rate on Non-Life Insurers
Non-life insurers are subject to a premiums-based tax. Accident and health premiums received by non-life insurers are taxed at the rate of 1.75 percent, 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 estimates All Funds Insurance Tax receipts to total $2.0 billion in SFY 2020-21, a decrease of $298 million, or 12.9 percent, from SFY 2019-20. The committee staff estimates General Fund Insurance Tax receipts to total $1.8 billion in SFY 2020-21, a decrease of $255 million, or 12.4 percent, from SFY 2019-20.

The committee staff projects All Funds Insurance Tax receipts to be $2.1 billion in SFY 2021-22, an increase of $123 million, or 6.1 percent, from the staff's SFY 2020-21 estimate. The committee staff projects General Fund Insurance Tax receipts at $1.9 billion in SFY 2021-22, a decrease of $105 million, or 5.8 percent, from the staff's SFY 2020-21 estimate.

The Executive Budget Financial Plan estimates All Funds Insurance Tax receipts to total $2.1 billion in SFY 2020-21, a decrease of $163 million, or 7.1 percent, from SFY 2019-20. The Financial Plan estimates General Fund Insurance Tax receipts to total $1.9 billion in SFY 2020-21, a decrease of $134 million, or 6.5 percent, from SFY 2019-20.

The Executive Budget Financial Plan projects All Funds Insurance Tax receipts to total $2.2 billion in SFY 2021-22, an increase of $67 million, or 3.1 percent, from the Executive's SFY 2020-21 estimate. The Financial Plan projects General Fund Insurance Tax receipts at $2.0 billion in SFY 2021-22, an increase of $54 million, or 2.8 percent, from its SFY 2020-21 estimate.

Rest-year-growth required to realize the Senate Majority Conference Insurance Tax receipts estimate for SFY 2020-21 is equal to the year-to-date growth of -12.9 percent, whereas rest-of-year growth required to realize the Financial Plan Insurance Tax receipts estimate is 4.4 percent.

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 concurs with the Executive Budget Financial Plan estimate that All Funds Bank Tax collections will total $160 million and General Fund Bank Tax collections will total $140 million in SFY 2020-21.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan estimate that All Funds Bank Tax collections will total $107 million in SFY 2021-22, a decrease of $53 million, or 33.1 percent, from the SFY 2020-21 estimate. The committee staff also concurs that General Fund Bank Tax collections will total $85 million in SFY 2021-22, a decrease of $55 million, or 39.3 percent, from the SFY 2020-21 estimate.

Petroleum Business Tax
The Petroleum Business Tax (PBT), established by Article 13-A of the State Tax Law, is imposed on petroleum businesses. The tax is based on the quantity of various petroleum products imported for sale or use in the State. PBT rates have two components: the base tax, 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 declined by five percent effective January 1, 2021.

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

The Senate Majority Conference Finance Committee staff estimates All Funds Petroleum Business Tax receipts for SFY 2020-21 to total $930 million, a decrease of $194 million, or 19.9 percent, from SFY 2019-20.

In SFY 2021-22, the committee staff projects All Funds Petroleum Business Tax receipts to total $1.0 billion, an increase of $85 million, or 9.1 percent, from the staff's SFY 2020-21 estimate.

The Executive Budget Financial Plan estimates All Funds Petroleum Business Tax receipts for SFY 2020-21 to total $967 million, a decrease of $193.7 million, or 16.7 percent, from SFY 2019-20.

In SFY 2021-22, the Financial Plan projects All Funds Petroleum Business Tax receipts at $1.1 billion, an increase of $92 million, or 9.5 percent, from its SFY 2020-21 estimate.

Rest-year-growth required to realize the Senate Majority Conference Petroleum Business Tax receipts estimate for SFY 2020-21 is equal to the year-to-date growth of -19.9 percent, whereas rest-of-year growth required to realize the Financial Plan Petroleum Business Tax receipts estimate is 2.7 percent.

Pass-Through Entity Tax

The SFY 2021-22 Executive Budget proposes to create an optional pass-through entity tax for partnerships, LLCs, and S-corporations to pay a new State tax at 6.85 percent at the entity level in exchange for a personal income tax credit for the partners, members, and shareholders equal to 92 percent of the tax paid. The new pass-through entity tax would permit partners, members, and shareholders of electing entities to deduct this State tax paid from their federal returns and get around the current SALT cap, resulting in savings on their federal taxes. The proposal would take effect for tax years beginning on or after January 1, 2022.

The Executive Budget Financial Plan estimates this proposal to be revenue neutral to the State. The Senate Majority Conference Finance Committee staff concur.

Other Taxes

SFY 2021-22
Economic and Revenue Forecast

OTHER TAXES

The "Other Taxes" category consists primarily 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. New York State estate taxes are based on the Federal Internal Revenue Code estate tax provisions, with minor state-level modifications, and are levied on a graduated scale with rates ranging from 3.06 to 16 percent of adjusted taxable estates.

New York State created a "stand-alone" 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 $5.93 million for decedents dying on or after January 1, 2021 and before January 1, 2022. The entirety of the proceeds from the Estate Tax is deposited into the General Fund.

The Senate Majority Conference Finance Committee staff estimates All Funds Estate Tax receipts for SFY 2020-21 to total $1.4 billion, an increase of $328 million, or 30.7 percent, from SFY 2019-20.

In SFY 2021-22, the committee staff projects All Funds Estate Tax receipts to total $1.2 billion, a decrease of $162 million, or 12.8 percent, from the staff's SFY 2020-21 estimate.

The Executive Budget Financial Plan estimates All Funds Estate Tax receipts for SFY 2020-21 to total $1.2 billion, an increase of $143 million, or 13.3 percent, from SFY 2019-20.

In SFY 2021-22, the Financial Plan projects All Funds Estate Tax receipts at $1.1 billion, a decrease of $155 million, or 12.8 percent, from its SFY 2020-21 estimate.

Because Estate Tax receipts have experienced year-to-date growth of 37.8 percent, the rest of year growth necessary to realize the committee staff estimate for SFY 2020-21 is -9.2 percent, whereas the rest of year growth necessary to realize the Financial Plan estimate for SFY 2020-21 is -122.7 percent. In other words, current collections already exceed the SFY 2020-21 estimate.

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 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 New York City ranging from 0.25 percent on properties that are $2 million to $3 million, to 2.9 percent on properties that are $25 million and above. Revenues from this tax benefit the MTA.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Real Estate Transfer Tax (RETT) collections.

The Financial Plan estimates All Funds RETT collections for SFY 2020-21 to total $898 million, a decrease of $226 million or 20.1 percent, from SFY 2019-20.

In SFY 2021-22, the Financial Plan projects All Funds RETT collections at $993 million, an increase of $95 million, or 10.6 percent, from its SFY 2020-21 estimate.

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

Employer Compensation Expense Program

Article 24 of the Tax Law establishes the Employer Compensation Expense Program (ECEP) and imposes an optional tax on employers. Established in 2018, with Tax Year 2019 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 limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business.

Employers that elect to participate in the ECEP would be subject to a five percent State tax on all annual payroll expenses in excess of $40,000 per employee. The tax rate is 1.5 percent in tax year 2019, 3.0 percent in 2020, and 5.0 percent thereafter. The State Comptroller is directed to deposit an amount equal to 50 percent of estimated monthly ECEP tax receipts (after payment of refunds) into the Revenue 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 concurs with the Executive Budget Financial Plan projections for the Employer Compensation Expense Program.

The Financial Plan estimates All Funds receipts from the ECEP to total $3.3 million in SFY 2020-21, for an increase of $1.3 million, or 64.3 percent, from SFY 2019-20.

For SFY 2021-22, the Financial Plan projects All Funds collections from the Employee Compensation Expense Program at $5.9 million, an increase of $2.6 million, or 79.5 percent, from its SFY 2020-21 estimate.

Pari-Mutuel Tax

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

The Financial Plan estimates All Funds Pari-Mutuel Tax collections for SFY 2020-21 to be $11.0 million, a decrease of $2.9 million, or 21.0 percent.

The Financial Plan projects All Funds Pari-Mutuel Tax collections for SFY 2021-22 at $14.0 million, an increase of $3.0 million, or 27.3 percent, from SFY 2020-21 estimates.

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

The Financial Plan estimates All Funds Other Taxes collections for SFY 2020-21 to decline 100 percent in SFY 2020-21 and then recover to the previous SFY 2019-20 level of $2 million for SFY 2021-22.

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 2019-20 Results	SFY 2020-21 Estimate	SFY 2021-22 Forecast
(millions of dollars)			
Licenses, Fines, and Fees	697	378	479
Abandoned Property	450	450	450
Motor Vehicle Fees	342	331	246
Alcoholic Beverage License Fees	73	52	66
Reimbursements	214	124	70
Investment Income	174	79	44
Extraordinary Settlements	787	600	27
Other Transactions	422	4,899	412
Total Miscellaneous Receipts	**3,159**	**6,913**	**1,794**

Source: New York State Division of Budget

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for General Fund Miscellaneous Receipts in all categories for all years except for an additional $26.7 million in extraordinary monetary settlement funds expected in SFY 2021-22 from a settlement reached with McKinsey & Company.

In SFY 2020-21, General Fund miscellaneous receipts are estimated to total $6.9 billion, an increase of $3.7 billion, or 118.8 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 74.0 percent, from SFY 2020-21.