



Department of Taxation and Finance

Opening Statement
Amanda Hiller, Acting Commissioner
New York State Department of Taxation and Finance
Joint Senate & Assembly Budget Hearing
February 14, 2024

Good morning. I'm Amanda Hiller, Acting Commissioner and General Counsel of the Department of Taxation and Finance. Thank you for this opportunity to discuss Governor Hochul's 2025 Executive Budget and the operations of the Tax Department.

When I appeared before you last year, I warned of risks on the horizon. The main concern at the time was that the tightened monetary policy we needed to combat inflation could cause a recession.

Today, it appears we may have avoided the recession we feared. Still, New York's economic recovery continues to lag behind the national recovery. As we feared, the weakening of tax receipts we saw in fiscal year 2023 did continue in 2024, and the Division of the Budget projects that tax receipts, although improving, will remain well below 2023 levels in fiscal year 2025 and 2026, largely due to weaker personal and business income tax receipts. Job growth and wage growth are slowing, and affordability remains a pressing concern for too many New Yorkers.

Governor Hochul recognizes these challenges and has proposed a responsible state budget to support our ongoing economic recovery. The Governor's budget proposal makes targeted investments in mental health, public safety, housing and education that will benefit all New Yorkers, without raising taxes. In addition, her budget proposal devotes an unprecedented level of resources to address the needs of recent migrants.

The Executive Budget includes several revenue-related proposals, but there are two that stand out. First, the Governor has proposed to improve sales tax compliance in the short-term vacation rental industry. I suspect that most individual hosts don't realize they are responsible for collecting the sales taxes due on their rentals. The Executive Budget proposes to shift those sales tax responsibilities from individual hosts to the internet platforms that facilitate rentals and collect the rental charges, just as we did when we shifted sales tax responsibilities from small individual sellers to Amazon and similar internet marketplaces. Hotels already collect and pay over sales taxes on the rooms they rent. By making this change, we will ensure that short-term vacation rentals follow those same rules.

The Executive Budget also proposes to make an important change to New York's adult-use cannabis taxes. The Marijuana Taxation and Regulation Act imposed a distributor-level tax on adult-use cannabis that is measured by the THC content of cannabis products. Cannabis growers and others have complained that this "potency tax" is unwieldy, largely because it requires testing that is both expensive and unreliable, and they have called for the elimination of this tax. Governor Hochul recognizes the challenges posed by the potency tax, but she also understands the importance of having a distributor-level tax in order to combat the sale of illicit cannabis. The Executive Budget proposal would repeal the current complex potency tax and replace it with a simple price-based distributor tax.

I believe the enactment of these proposals will streamline and simplify tax compliance, thereby improving the fairness and effectiveness of New York's tax laws.

At the Tax Department, we strive every day to ensure the fairness and effectiveness of our administration of the tax laws you've already enacted. Last year, the 3,800 members of Team Tax processed more than 27 million tax filings and closed 750,000 audit cases as we worked to collect \$147 billion in tax revenues that support the delivery of state and local government programs and services. We issued \$14.4 billion in income tax refunds to 7.4 million taxpayers – 92% in 30 days or less – and we delivered close to one million STAR property tax relief checks to homeowners across the state.

We are able to operate at this scale only by leveraging sophisticated information technology platforms. We're now in year three of a five-year Tax Modernization project to improve the flexibility and interoperability of our systems, which will allow us to be more nimble as we evolve our operations to respond to changing laws and expectations and work to ensure fair and equitable outcomes for all of our current and future customers. I'm pleased to report that we are on budget and ahead of schedule.

We are also pursuing parallel projects that leverage technology to improve the taxpayer experience. This year – following a successful pilot project on Long Island – we will be offering homeowners across the state the option of receiving their STAR credits by direct deposit, which is faster, easier, safer, greener and cheaper than sending paper checks through the mail.

We also recently implemented a call back feature at our call center so taxpayers no longer have to wait on the phone to get their tax questions answered.

Finally, as you may have heard, the IRS is piloting the Direct File program that will allow taxpayers to prepare and file their federal tax returns for free. New York is one of four states partnering with the IRS to pilot parallel Direct File tools for state tax returns.

I'm excited about this pilot project, which accepted its first New York return yesterday. I think it's the future of tax filing. At the same time, we need to be cautious as we test this program in New York. This early pilot phase of the program will not be right for all New Yorkers because it will only be accepting limited types of income, deductions and credits. We're currently testing the new tools with a very small pool of taxpayers. If this testing goes well, we expect Direct File will be a great option for about 10% of New York income taxpayers later this spring. Although this pilot will not be the right tax preparation option for most New Yorkers this year, we will learn from this pilot so we can expand it to serve all New Yorkers in the future.

To conclude, I remain incredibly proud of the work we are doing at the Tax Department. I am excited about the initiatives we are pursuing and look forward to working with you to move them forward. I'm happy to take any questions.