



NEW YORK STATE SENATOR

Terrence Murphy

Senator Murphy co-sponsors bill to protect taxpayers from \$1.5 billion tax hit

TERRENCE MURPHY January 24, 2018

| ISSUE: **PROTECTING TAXPAYERS, INCOME TAX, HUDSON VALLEY, WESTCHESTER, NEW YORK**



Albany, NY - New York is one of the highest taxed states in the nation, making it difficult work for many seniors and families to make ends meet. Senator Terrence Murphy listened to the concerns of residents in the Hudson Valley and vowed to work with his colleagues in the Senate to pass more meaningful tax reforms.

Today, the New York State Senate passed legislation to protect hardworking taxpayers from a new \$1.5 billion state income tax burden created by the recently adopted federal tax overhaul. The measure (S6974A), originated by Senator Simcha Felder and co-sponsored by Senator Murphy, prevents the state from benefitting from the sudden revenue increase at the expense of taxpayers who may have to pay more in state income taxes because of changes at the federal level. The bill passed unanimously in the Senate by a vote of 60-0.

"Taxpayers in Westchester County and across the Hudson Valley pay some of the highest rates in the nation," said Senator Murphy. "Since the federal tax plan was approved I have been working with my colleagues to put forth a solution that would help as many affected people as possible. This legislation is just one step to achieving our overall goal of protecting local taxpayers."

Senate Majority Leader John J. Flanagan said, "Today, the New York State Senate acted on an important bill that will protect hardworking New Yorkers from \$1.5 billion in new and higher taxes, and prevent the state from receiving a windfall from recently enacted federal tax changes."

"We're responsible to do everything in our power to save hardworking, over-taxed New Yorkers from any additional tax burdens," said Senator Felder, sponsor of the bill. "New Yorkers shouldn't be the collateral damage of federal tax reform. This bill rights an egregious injustice that would have cost New York taxpayers billions! We will continue to work to keep taxes down and New York affordable for the individuals, families, and seniors who live, thrive and succeed here."

The bill is part of the Senate Majority's comprehensive "Affordability Agenda" and was

created in direct response to the ramifications caused by the federal Tax Cuts and Jobs Act passed in December. Those federal changes could force millions of taxpayers to pay more in state income taxes because of the capping of state and local deductions and other itemization revisions.

This legislation proactively modifies the state tax law to provide \$1.5 billion in annual savings to New Yorkers starting next tax year when the federal changes begin taking effect. The bill mitigates the potential for New York taxpayers to see a state income tax increase as a result of changes on the federal level in several ways, including:

Saving approximately \$400 million by allowing taxpayers to deduct their full property tax payments and save approximately \$300 million by restoring other deductions. Currently, state personal income taxes are based on the federal tax code. The bill changes the reference to the federal tax code to reflect the code in effect prior to December 1, 2017 - pre-dating the passage of the federal tax cuts. This effectively decouples the state income tax code from the new federal tax code and allows individuals to choose to deduct the full amount of state and local tax (SALT) payments, among other potential benefits for those who might be negatively impacted by the \$10,000 federal SALT cap and other federal tax changes.

Saving \$800 million by ensuring that more than 5 million single filers can claim their full New York State standard deduction. This is achieved by making a technical amendment to the definition of a single non-dependent filer in the state's income tax code.

Saving \$45 million by removing the existing state prohibition on itemizing a state income tax return if a taxpayer chooses to take the new higher federal standard deduction. With the increase in the federal standard deduction, it is expected that more people will claim the standard deduction. However, under current state law, filers cannot itemize their state deductions if they take the federal standard deduction, and such a prohibition could cost

New York taxpayers who want to itemize their state return to save more money.

The Senate Majority's broad-based Affordability Agenda -<https://www.nysenate.gov/> - helps individuals, families, and seniors continue to live, work, and succeed in New York.

The bill will be sent to the Assembly.