

**FY 2026 NEW YORK STATE EXECUTIVE BUDGET**

**REVENUE  
ARTICLE VII LEGISLATION**

**MEMORANDUM IN SUPPORT**

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### **MEMORANDUM IN SUPPORT**

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## MEMORANDUM IN SUPPORT

A BUDGET BILL submitted by the Governor in  
Accordance with Article VII of the Constitution

AN ACT to amend the tax law, in relation to the inflation refund credit (Part A); to amend the tax law, in relation to providing for a middle-class tax cut and extending the temporary personal income tax high income surcharge (Part B); to amend the tax law, in relation to enhancing the empire state child credit for three years (Part C); to amend the public housing law, in relation to certain eligibility for the New York state low income housing tax credit program and increases to the aggregate amount of the allocable tax credit (Part D); to amend the tax law, in relation to credits for the rehabilitation of historic properties (Part E); to amend the real property law, in relation to the purchase of residential real property by certain purchasers (Subpart A); and to amend the tax law, in relation to depreciation and interest deduction adjustments for properties owned by institutional investors in residential properties (Subpart B)(Part F); to amend the economic development law and the tax law, in relation to establishing the CATALIST NY program (Part G); to amend the economic development law and the tax law, in relation to the excelsior jobs program; and to repeal article 22 of the economic development law relating to the employee training incentive program (Subpart A); and to amend the economic development law, in relation to the empire state jobs retention program (Subpart B) (Part H); to amend the tax law, in relation to film production and post-production credits (Part I); to amend the economic development law, in relation to the newspaper and broadcast media jobs program (Part J); to amend the tax law, in relation to the empire state digital gaming media production credit (Part K);

to amend subpart B of part PP of chapter 59 of the laws of 2021 amending the tax law and the state finance law relating to establishing the New York city musical and theatrical production tax credit and establishing the New York state council on the arts cultural program fund, in relation to the effectiveness thereof; and to amend the tax law, in relation to the New York city musical and theatrical production tax credit (Part L); to amend the tax law, in relation to clarifying the notices afforded protest rights (Part M); to amend the tax law, in relation to the filing of tax warrants and warrant-related records (Part N); to amend the real property tax law and the tax law, in relation to simplifying STAR income determinations; and repealing certain provisions of such laws relating thereto (Part O); to repeal certain provisions of the general municipal law and the public authorities law relating to certain reporting requirements of industrial development agencies (Part P); to amend the tax law, in relation to the pass-through entity tax and the New York city pass-through entity tax election deadline (Part Q); to amend the tax law, in relation to increasing the estimated tax threshold under article nine-A of the tax law (Part R); to amend the tax law, in relation to establishing a tax credit for organ donation (Part S); to amend the tax law, in relation to making the estate tax three-year gift addback rule permanent (Part T); to amend the tax law, in relation to expanding the credit for employment of persons with disabilities (Part U); to amend the tax law, in relation to reporting of federal partnership adjustments (Part V); to amend the tax law and the administrative code of the city of New York, in relation to establishing a credit against the tax on personal income of certain residents of a city having a population of one million or more inhabitants (Part W); to amend the general city law, chapter 772 of the laws of 1966, relating to enabling any city having a

population of one million or more to raise tax revenue, and the administrative code of the city of New York, in relation to authorizing credits for relocation and employment assistance and making available relocation assistance credits per employees (Part X); to amend the tax law, in relation to extending the clean heating fuel credit for three years (Part Y); to amend the tax law, in relation to extending the alternative fuels and electric vehicle recharging property credit for three years (Part Z); to amend the tax law, in relation to extending the sales tax exemption for certain sales made through vending machines (Part AA); to amend the labor law, in relation to extending the workers with disabilities tax credit (Part BB); to amend the tax law, in relation to extending the hire a vet credit (Part CC); to amend chapter 59 of the laws of 2014, amending the tax law relating to a musical and theatrical production credit, in relation to the effectiveness thereof (Part DD); to amend part U of chapter 59 of the laws of 2017, amending the tax law, relating to the financial institution data match system for state tax collection purposes, in relation to extending the effectiveness thereof (Part EE); to amend the racing, pari-mutuel wagering and breeding law, in relation to simplifying the pari-mutuel tax rate system; and to repeal section 908 of the racing, pari-mutuel wagering and breeding law relating thereto (Subpart A); and to amend the racing, pari-mutuel wagering and breeding law, in relation to licenses for simulcast facilities, sums relating to track simulcast, simulcast of out-of-state thoroughbred races, simulcasting of races run by out-of-state harness tracks and distributions of wagers; to amend chapter 281 of the laws of 1994 amending the racing, pari-mutuel wagering and breeding law and other laws relating to simulcasting, in relation to the effectiveness thereof; and to amend chapter 346 of the laws of 1990 amending the racing, pari-mutuel

wagering and breeding law and other laws relating to simulcasting and the imposition of certain taxes, in relation to the effectiveness thereof (Subpart B)(Part FF); to amend the racing, pari-mutuel wagering and breeding law, in relation to the tax on gaming revenues in certain regions; to amend part 000 of chapter 59 of the laws of 2021 amending the racing, pari-mutuel wagering and breeding law relating to the tax on gaming revenues, in relation to the effectiveness thereof; and providing for the repeal of such provisions of the racing, pari-mutuel wagering and breeding law relating thereto (Part GG); to amend the racing, pari-mutuel wagering and breeding law, in relation to the utilization of funds in the Capital off-track betting corporations' capital acquisition funds (Part HH); and to amend the racing, pari-mutuel wagering and breeding law, in relation to enhancing the health and safety of thoroughbred horses; and providing for the repeal of such provisions upon expiration thereof (Part II)

## **PURPOSE:**

This bill contains provisions needed to implement the Revenue portion of the FY 2026 Executive Budget.

This memorandum describes Parts A through II of the bill which are described wholly within the parts listed below.

## **Part A – Enact a One-Time Inflation Refund**

### **Purpose:**

This bill would create a one-time inflation refund tax credit as a personal income tax credit for certain taxpayers for the 2025 tax year.

### **Summary of Provisions and Statement in Support:**

This bill would create the inflation refund tax credit for 2025. Taxpayers who were full-year residents in 2023 and whose income in that year was below a certain threshold would receive an advanced payment of a tax credit in 2025.

Specifically, taxpayers who filed 2023 resident tax returns as married filing jointly or qualifying surviving spouse, and whose 2023 New York adjusted gross income was \$300,000 or less, would receive a \$500 credit in 2025. Taxpayers who filed 2023 resident tax returns as single, married filing separately, or head of household, and whose 2023 New York adjusted gross income was \$150,000 or less, would receive a \$300 credit in 2025.

This credit, to the extent includable in a taxpayer's federal taxable income, would not be subject to state or local personal income tax. The Tax Department would issue advanced payments of this credit without requiring an application from taxpayers.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it supports the State's goals of addressing affordability for New York taxpayers. It would decrease All Funds revenue by \$3.08 billion in FY 2026.

#### Effective Date:

This bill would take effect immediately.

### **Part B – Provide a Middle-Class Tax Cut and Extend the Temporary Personal Income Tax (PIT) High Income Surcharge for Five Years**

#### Purpose:

The bill would provide a middle-class tax cut and extend the temporary PIT high income surcharge for five years.

#### Summary of Provisions and Statement in Support:

The bill would reduce the tax rates paid by married couples with incomes up to \$323,200 who file jointly, for heads of households with incomes up to \$269,300, and for single taxpayers and married taxpayers who file separately with incomes up to \$215,400. The tax rates would be reduced in two phases: an initial rate cut applicable for tax year 2025 and a second rate cut beginning in tax year 2026.

Chapter 59 of the Laws of 2022 phased out the PIT temporary high-income surcharge for tax years beginning after 2027. This bill would extend the surcharge through tax year 2032.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it supports the efforts to address affordability while simultaneously maintaining progressivity in the State's personal income tax structure. All funds revenue will be reduced by \$458 million in FY 2026, \$1.115 billion in FY 2027, \$35 million in FY 2028, and increased by \$2.56 billion in FY 2029 and \$3.972 billion in FY 2030.

Effective Date:

This bill would take effect immediately.

**Part C - Enhance the Empire State Child Credit for Three Years**

Purpose:

This bill would enhance the Empire State Child Credit by expanding credit eligibility and increasing the credit amounts allowed for tax years 2025, 2026, and 2027.

Summary of Provisions and Statement in Support:

This bill would increase the Empire State Child Credits allowed for tax years 2025, 2026, and 2027. Specifically, a taxpayer would be allowed a refundable credit of \$1,000 for each qualifying child under the age of four in tax years 2025, 2026 and 2027. Additionally, a taxpayer would be allowed a refundable credit of \$330 for each qualifying child who is four years of age and not yet age seventeen in 2025, and \$500 for each such qualifying child in 2026 and 2027. This bill would also expand eligibility to additional taxpayers in tax years 2025, 2026, and 2027.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it supports the State's goals of addressing affordability and combating child poverty. It would decrease All Funds revenue by \$471 million in FY 2026 and \$825 million in FY 2027 and FY 2028.

Effective Date:

This bill would take effect immediately.

**Part D - Extend and Double the Low-Income Housing Credits**

Purpose:

This bill would increase the State Low-Income Housing Tax Credit (SLIHC) statewide allocation limit for each year from 2025 through 2029, doubling the amount of the year-over-year increases as compared with the prior multi-year SLIHC allocation law. It further clarifies that refunded bonds can be paired with SLIHC at the same 9% rate as certain federal low-income housing tax credits.

Summary of Provisions and Statement in Support:

The laws of 2021 and 2022 increased the SLIHC statewide allocation limit by \$15 million for each year from 2022 to 2025. This bill doubles those increases for each year from 2025 through 2029, raising the allocation increase to \$30 million per year through 2029. This bill further clarifies that refunded bonds can be paired with SLIHC at the same 9% rate as certain federal low-income housing tax credits.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it increases and extends SLIHC tax credits to better support affordable housing development. This bill would reduce Financial Plan revenues by \$15 million in FY 2027, \$45 million in FY 2028, \$75 million in FY 2029, and \$105 million in FY 2030.

Effective Date:

This bill would take effect immediately, provided the bill makes increases to the SLIHC allocations effective for each year from 2025 through 2029.

## **Part E – Amend the State Historic Property Tax Credits**

Purpose:

This bill would allow taxpayers to transfer state historic tax credits to other taxpayers when approved by the Office of Parks, Recreation, and Historic Preservation (“NYS Parks”) and remove geographic limitations for the location of affordable housing projects supported by the state historic tax credit.

Summary of Provisions and Statement in Support:

The Tax Law currently requires that the recipient of a state historic tax credit be the same taxpayer as the recipient of the equivalent federal credit. It further limits eligibility for the tax credit to census tracts at or below the state median family income, unless the projects are located within a state park, state historic site, or other state-owned land under the jurisdiction of NYS Parks.

This bill would amend the sections of the Tax Law where these requirements appear to allow the recipient of the state historic tax credit to transfer the credit, in whole or in part,

to another person or entity so long as such transfer is approved by the NYS Parks Commissioner, regardless of how the federal credit is allocated. This bill would also exempt from the law's census tract limitations any affordable housing project subject to at least a thirty-year regulatory agreement, in addition to the existing exemption for projects located within land under NYS Parks' jurisdiction. Collectively, these amendments would remove unnecessary barriers to investments in affordable housing projects via the state historic tax credit.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it allows for more effective utilization of state historic tax credits.

#### Effective Date:

This bill would take effect immediately and apply to taxable years beginning on or after January 1, 2026.

### **Part F – Waiting Period Restriction and Limit Deductions on Institutional Real Estate Investors**

#### Purpose:

This bill would prohibit certain institutional investors from seeking to buy a single- or two-family home unless it has been on the market for at least 75 days and would prohibit institutional investors from claiming interest and depreciation deductions with regard to one- and two-family homes.

#### Summary of Provisions and Statement in Support:

This bill contains two distinct subparts. Subpart A would add a new Article 16 to the Real Property Law to prohibit institutional investors who own 10 or more single- or two-family homes and have \$50 million or more in assets from seeking to buy a single- or two-family home unless it has been on the market for at least 75 days. Entities that receive funding from these investors also would be subject to the 75-day waiting period. Nonprofits, land banks, and community land trusts would be exempt. An institutional investor or entity funded by an institutional investor that violates the waiting period requirements would be subject to \$250,000 in civil damages and penalties. In addition, all entities covered by the waiting period requirement seeking to purchase a single- or two-family home would need to submit to the seller a form identifying themselves as covered entities, and they would be subject to a \$10,000 penalty for failing to do so. The Attorney General would be authorized to enforce the provisions of this article.

Subpart B would prohibit institutional investors that own 10 or more single- or two-family homes and have \$50 million or more in assets under management, or the individual

owners of such institutional investors, from claiming depreciation tax deductions for those homes. This subpart would also prohibit such institutional investors, or their individual owners, from claiming interest deductions with respect to such homes. However, an institutional investor would be permitted to take an interest deduction with respect to a home that is sold to an affordable housing nonprofit or to an individual buyer who will live in the home.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would help safeguard homebuyers' access to housing opportunities that institutional investors otherwise might quickly acquire and reduce the opportunity for these investors to take advantage of tax incentives that make these investments in single and two-family homes more lucrative.

#### Effective Date:

Subpart A of this bill would take effect immediately, provided that the 75-day waiting period would take effect 120 days after becoming law. Subpart B would take effect immediately and would apply to taxable years beginning on or after January 1, 2025.

### **Part G – Establish the CATALIST NY Program**

#### Purpose:

This bill would create a new statewide economic development program, the Companies Attracting Talent to Advance Leading Innovations and Scale Technologies in New York Program, to be known as the “CATALIST NY Program.”

#### Summary of Provisions and Statement in Support:

This bill would establish the CATALIST NY Program to help to grow the innovation economy in New York State and support early-stage innovation businesses during a critical phase of their growth. Small businesses participating in CATALIST NY would gain a competitive advantage in job creation by offering reduced personal income tax rates to their new hires, supporting their growth during crucial expansion phases.

Under the CATALIST program, the Department of Economic Development (DED) would accept applications from New York State incubators to become "CATALIST NY incubators." Selected incubators would then nominate small businesses they have supported to be designated as CATALIST NY small businesses. The CATALIST NY small businesses would be eligible to provide a personal income tax benefit for up to eight of its newly hired full time employees: the wages of these new employees would not be subject to state personal income taxes. CATALIST NY would sunset in 10 years.

### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it promotes the Governor's initiatives to grow the economy and support small businesses.

### Effective Date:

This act shall take effect immediately and shall apply to taxable years beginning on or after January 1, 2025.

## **Part H – Extend and Amend the Excelsior Jobs Program**

### Purpose:

This bill would extend the excelsior jobs program and expand the program to create enhanced benefits for semiconductor supply chain businesses.

### Summary of Provisions and Statement in Support:

This bill contains two distinct subparts. Subpart A would extend the existing excelsior jobs program for ten years, from 2029 to 2039. Additionally, this bill would provide for enhancements to the program to (1) provide for enhanced excelsior benefits for semiconductor supply chain businesses; (2) create two new programs known as the semiconductor research and development project program and the semiconductor manufacturing workforce training incentive program; (3) extends the existing excelsior jobs program; and (4) sunsets the employee training incentive program.

This bill would also add semiconductor supply chain projects, those aimed at supporting the growth of the semiconductor manufacturing and related equipment and material supplier sector, to the list of eligible sectors of business. It would make the semiconductor supply chain projects eligible for a benefit of up to 7% for excelsior's jobs tax credit component, 3% for excelsior's investment tax credit component, and up to 7% for excelsior's research and development tax credit component.

This bill would also create two new programs. The new semiconductor research and development project program would provide a tax credit of up to 15% of the cost or other basis for federal income purposes on qualified investment made by a semiconductor research and development project. The new semiconductor manufacturing workforce training incentive program would provide a tax credit equal to: 75% of eligible wages, training costs and wrap around services up to \$25,000 per employee, up to \$1,000,000, per eligible non-semiconductor manufacturing business, and up to \$5,000,000 per eligible semiconductor manufacturing business. Finally, the bill would repeal the current employee training incentive program (ETIP) effective December 31, 2028.

Subpart B amends the Economic Development Law to enhance and expand the Jobs Retention Tax Credit Program (JRTCP). The bill updates the JRTCP to assist additional emergency-impacted businesses. The program is expanded to support small businesses at risk of leaving the state or closing operations due to the economic impact of an event leading to an emergency declaration by the Governor.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would incentivize additional investment in the State while leveraging existing investments in the semi-conductor industry, provide increased support for businesses in disaster-affected areas, and provide predictability for businesses interested in relocating or expanding in the State.

Effective Date:

Subpart A of this act shall take effect immediately and apply to taxable years beginning on or after January 1, 2025; provided, however, that section five shall take effect on December 31, 2028. Subpart B of this act shall take effect immediately.

**Part I – Extend and Amend the Film Tax Credit**

Purpose:

This bill would amend the Empire State Film Production Credit and the Empire State Post-Production Credit programs and create the Empire State Independent Film Production Credit.

Summary of Provisions and Statement in Support:

This bill would provide enhance the Empire State Film Production Tax Credit and the Empire State Post-Production Tax Credit program to ensure that New York State remains competitive in attracting and retaining the film industry and creating related jobs and investments.

The bill implements several key changes to New York State’s Film Tax Credit Program. For initial applications submitted after January 1, 2025, the existing payout tier structure will be eliminated. The bill establishes a new “production plus” initiative designed to attract recurring business and multiple productions to New York State. Further, the bill removes some restrictions on the above-the-line cost caps in the film production program and modifies the criteria for qualified independent film production companies. It introduces a formal definition for loan out companies and mandates a 6.85% withholding requirement on all payments made to these entities.

Moreover, the bill extends the film production program through 2036, a two-year extension from its previous sunset date. It also enhances the post-production tax credit program and creates the Empire State Independent Film Production Credit, allowing qualified independent productions to access tax credits through an expedited process.

To support implementation, the bill incorporates the new Empire State Independent Film Production Credit into various sections of the Tax Law.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would increase support for film production and post-production industries and make New York more competitive with other states.

#### Effective Date:

This act shall take effect immediately and shall apply to initial applications received on or after January 1, 2025, provided, however, that the amendments to paragraph 4 of subdivision (e) of section 24 of the tax law made by section 3 of this act shall take effect on the same date and in the same manner as section 6 of chapter 683 of the laws of 2019, takes effect.

### **Part J – Make a Technical Change to the Newspaper and Broadcast Media Jobs Program**

#### Purpose:

This bill would correct an error in the Economic Development Law (COM) relating to the newspaper and broadcast media jobs program.

#### Summary of Provisions and Statement in Support:

The newspaper and broadcast media jobs program was enacted in 2024 to provide economic incentives to qualifying broadcast media businesses. One aspect of the eligibility criteria to qualify for the tax credits under that program is that the business must be “independently owned.”

In defining “independently owned,” last year’s bill erroneously restricted the credit so that parent, subsidiary, and affiliate companies were all subject to one credit limitation. For example, if a parent corporation had 3 subsidiaries, the \$300,000 credit cap under COM § 495(3) would apply to the parent and all subsidiaries as a whole; each subsidiary would not be eligible for its own \$300,000 credit cap.

This bill would correct that drafting error and allow a credit of up to \$300,000 to each subsidiary or affiliate that meets the eligibility criteria for the credit.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it corrects a technical error that allows for the tax credit to be allocated as originally intended.

Effective Date:

This bill would take effect immediately and apply to taxable years beginning on or after January 1, 2025.

**Part K – Amend the Digital Gaming Media Production Credit Program**

Purpose:

This bill would provide that any unused amount of the empire state digital gaming media production credit allocated for a given year would be carried over and added to the aggregate amount of credits allowed in subsequent years.

Summary of Provisions and Statement in Support:

The digital gaming media production credit was enacted in 2022 and allows qualified entities engaged in digital gaming media production to claim a credit against their tax. The aggregate amount of tax credits allowed in any taxable year is \$5 million. This bill would provide that any unused portion of that amount would be carried over and added to the aggregate amount of credits available for allocation by the Department of Economic Development in subsequent years.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it allows for similar treatment of unused credits as other Department of Economic Development programs.

Effective Date:

This act shall take effect immediately.

**Part L – Extend the New York City Musical and Theatrical Production Credit for Two Years**

Purpose:

This bill would extend the New York City musical and theatrical production credit for two years through tax year 2027 and increase the aggregate available under the program for the next two years by \$100 million.

Summary of Provisions and Statement in Support:

This bill would amend the various provisions of law that enacted the New York City musical and theatrical production credit to extend the credit for two additional years – through December 31, 2027. This bill would also provide an additional \$100 million of available credit for the next two years. The New York City musical and theatrical production credit was enacted in 2021 to encourage musical and theatrical productions in New York City theaters. This credit allows eligible production companies taxable under Tax Law Articles 9-A and 22 to claim a refundable credit equal to 25 percent of qualified production costs and transportation expenditures.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it maintains existing support for musical and theatrical productions in New York City.

Effective Date:

This bill would take effect immediately.

**Part M – Clarify Taxpayer Notification and Protest Rights**

Purpose:

This bill would amend the Tax Law to clarify that the protest rights afforded to taxpayers are the same whether the taxpayer is informed via electronic communications or mailed communications.

Summary of Provisions and Statement in Support:

This bill would clarify that use of a Tax Department system to access taxpayer information does not confer protest rights before the Division of Tax Appeals (DTA), unless the accessed information is a notice of a Tax Department determination for which a hearing is specifically authorized that is delivered electronically pursuant to Tax Law § 35 in lieu of physical mailing. The bill would also clarify that notices related to past-due fixed and final tax liabilities do not confer hearing rights before DTA.

The Tax Department maintains an Online Services System (OLS) that offers a platform for seven million individuals, businesses, tax professionals and fiduciaries to interact with the Tax Department. Taxpayers can view their filing and payment history, respond to Tax Department notices, make payments and otherwise manage their tax obligations.

Many business taxpayers are required to use OLS to meet electronic filing mandates and are subject to penalties for their failure to do so. The Tax Law specifically authorizes the Tax Department to deliver statutory notices to taxpayers, including notices that confer hearing rights, through its OLS system when a taxpayer has authorized electronic delivery in lieu of physical mailing.

The New York State Supreme Court, Appellate Division, Third Department, recently held that the Tax Department's use of its OLS to display outstanding balance due information to taxpayers is a written notice that confers hearing rights before DTA (*Dumpling Cove, LLC v. Commissioner of Taxation and Finance*, 230 A.D.3d 927 [3d Dept. 2024]). The court concluded that "websites" were not contemplated in existing statutory language because they did not exist when the statute was enacted.

The *Dumpling Cove* decision expands the jurisdiction of DTA by requiring it to hear matters for which the Legislature has not established a protest right or protest period. The decision also undermines the statutory protest periods set forth in the Tax Law by effectively allowing taxpayers to renew the period to challenge a Tax Department determination simply by viewing their outstanding balance through the OLS system. The Tax Department cannot begin tax debt collection activities until the applicable protest period has expired and a tax debt has become fixed and final. Because an OLS balance lookup has been deemed to be a statutory notice, taxpayers could potentially avoid Tax Department collection actions simply by clicking through their OLS account to renew their protest rights.

Without the clarifications proposed by this bill, the Tax Department will be forced to comprehensively restructure OLS to support mandatory electronic return filing and electronic payments, while no longer supporting OLS tax balance functions and any other discretionary functionality within OLS that could possibly be construed as a "notice."

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it preserves revenues by clarifying which notices from the Tax Department are statutory notices that confer protest rights to taxpayers and which communications do not. It also preserves the Tax Department's ability to pursue and enforce tax debt collections and maintains the existing use and function of the OLS system for both the Tax Department and taxpayers.

#### Effective Date:

This bill would take effect immediately.

## **Part N – Improve the Tax Warrant Process**

### Purpose:

This bill would amend the Tax Law to authorize the Tax Department to file all tax warrants and warrant-related records at the Department of State (DOS) to effect liens and judgments against the real, personal, and other property of tax debtors, while requiring the Tax Department to file a copy of any warrant and/or warrant-related records with the clerk of the county named in the warrant.

### Summary of Provisions and Statement in Support:

Under current law, the Tax Department must file a tax warrant at DOS and in the office of the clerk of each county where the tax debtor owns real property. The filing of a warrant with a county clerk establishes the State's lien priority. Delays in the filing of warrants that have been delivered by the Tax Department can mean a loss of lien priority. Moreover, delays in the county filing of lien satisfactions and other warrant-related documents can cause problems for taxpayers who have paid their tax debts, but whose records have not been updated.

This bill would streamline the process for recording New York State tax warrants and warrant-related records by providing that the Tax Department's filing of warrants and warrant-related records at DOS will establish the State's liens against the tax debtor's real, personal, or other property located in New York. The Tax Department would be required to file copies of all warrants with the clerks of counties where the tax debtor owns real property, as it does now, but any delays in the processing of these filings would no longer prejudice the State.

DOS would be required to certify, upon the request of the Tax Commissioner, that a warrant or a warrant-related record was filed. DOS currently maintains on its website a publicly searchable database of tax warrants and warrant-related documents that will continue to ensure public access to tax warrant and warrant-related records.

### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it streamlines, standardizes, and improves the process of filing state tax warrants with DOS. This will reduce the potential for delays or setbacks in establishing the Tax Department's priority in the final lien sequence order, while preserving public access to records.

### Effective Date:

The bill would take effect on July 1, 2025, and apply to warrants and related records pertaining to those warrants filed, or deemed to have been filed, on or after that date. The Tax Department and DOS would be authorized to take any steps necessary to implement the bill on or after the date it becomes a law.

## **Part O – Simplify the STAR Income Definition**

### Purpose:

To simplify eligibility determinations for the STAR exemption and STAR credit programs.

### Summary of Provisions and Statement in Support:

This bill would simplify the income and age eligibility rules for the STAR exemption and STAR credit programs. The bill would also make eligibility determinations, and the process to protest those determinations, consistent for all variations of the STAR program. Specifically, this bill would:

- ease age eligibility requirements so only one of the resident owners of a property needs to be 65 or older;
- ease income eligibility requirements so only the income of the owners who primarily reside on the property is considered;
- allow property owners who are not required to file income tax returns to stop filing income worksheets if they were found to be eligible based on such worksheets for three consecutive years;
- set July 1 as the residency date for STAR credit income eligibility purposes in order to facilitate timely annual income eligibility determinations; and
- consolidate eligibility determination process and protest provisions so they are consistent for all variations of the STAR program.

These changes will ease unnecessarily complex rules governing eligibility the STAR exemption and STAR credit programs, making these programs easier for taxpayers to navigate and easier for the Tax Department to administer.

### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it simplifies numerous STAR eligibility provisions, thus improving the taxpayer experience and the program's administrability. These actions are estimated to result in additional homeowners gaining STAR eligibility, increasing their value of STAR to the larger enhanced benefit, and induce more homeowners to apply for the program. This bill would increase Financial Plan costs by \$9 million starting in FY 2027.

### Effective Date:

This bill would take effect immediately; provided, however, that sections 2, 3, 5, 6, 7, 8, 11 and 12 would take effect January 1, 2026, and Tax Law § 606(eee)(1)(B)(i), as added by section 9 of this bill, would take effect on January 1, 2026.

## **Part P – Eliminate Duplicative IDA Sales Tax Exemption Reporting Requirement**

### Purpose:

This bill would eliminate the requirement for agents and project operators appointed by Industrial Development Agencies and Authorities (IDAs) to file form ST-340, *Annual Report of Sales and Use Tax Exemptions Claimed by Agent/Project Operator of Industrial Development Agency/Authority (IDA)* with the Tax Department.

### Summary of Provisions and Statement in Support:

Agents and project operators, appointed by IDAs, are required to report annually to the Tax Department the total value of all state and local sales and use taxes exempted during the previous calendar year, which the Tax Department then uses to derive the Tax Expenditure Report estimate of the cost of the IDA sales tax benefits from these exemptions. Additionally, IDAs separately report this information to the Authorities Budget Office (ABO) and the Office of the State Comptroller through the Public Authorities Reporting Information System (PARIS). Since the Tax Department can access the data it needs through PARIS, this separate reporting by IDAs and their project agents and operators is redundant and this burden can be eliminated.

### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it will ease the administrative burden for IDA agents and project operators, since the information in form ST-340 is duplicative of data already available to the Tax Department.

### Effective Date:

This bill would take effect immediately.

## **Part Q – Enact Pass-Through Entity Tax Flexibility**

### Purpose:

This bill would change the deadline for qualifying entities to elect to pay the Pass-Through Entity Tax (PTET) and the New York City Pass-Through Entity Tax (NYC PTET) from March 15th to September 15th of a given tax year. The bill would also make corresponding changes to the estimated payment deadlines.

### Summary of Provisions and Statement in Support:

This bill would amend Tax Law Articles 24-A and 24-B to extend the deadline to elect to pay the PTET and NYC PTET from March 15th to September 15th to allow for entities to better assess the appropriateness and suitability of such elections and allow for entities formed after March 15th to be able to participate in the program while maintaining revenue neutrality over a multi-year period. The bill would also adjust the schedule for payment of estimated taxes to allow for the proposed election deadline.

This bill would allow entities formed after March 15th in any calendar year to make elections to pay the PTET and NYC PTET through September 15th of that year.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would afford entities more time to decide whether electing into the PTET program is appropriate in a given year.

Effective Date:

This bill would take effect immediately and apply to all taxable years beginning on or after January 1, 2026.

**Part R – Increase the Article 9-A Estimated Tax Threshold**

Purpose:

This bill would increase the threshold at which corporation tax filers are required to make estimated tax payments, from \$1,000 to \$5,000.

Summary of Provisions and Statement in Support:

Currently, corporation tax filers under Article 9-A of the Tax Law are required to make payments of estimated tax when their tax liability reaches a certain threshold. Specifically, such filers are required to make a mandatory first installment of estimated tax if their tax for a prior year exceeded \$1,000, and to make further quarterly payments if they reasonably expect their tax for the current taxable year to exceed \$1,000. As a result of this relatively low threshold, which has been in place for decades, a significant number of corporations are required to make estimated payments, especially burdening small businesses.

This bill would increase the threshold to \$5,000, beginning on January 1, 2026, which would reduce the burden for many filers and better reflect the intent of the estimated payment requirement, which is to ensure that taxpayers expected to have a significant tax liability make estimated payments during the year.

More specifically, it is anticipated that this increase will lead to a significant reduction in the number of taxpayers required to remit estimated tax payments, with a corresponding drop in the number of taxpayers that are penalized for failing to make such payments. Also, taxpayers would be relieved of the burden of submitting quarterly forms, allowing them to instead file an annual return and pay their tax liability in one submission.

In addition to these benefits to taxpayers, increasing the estimated tax threshold would benefit the Tax Department. Specifically, the Department would achieve administrative cost savings through a reduction in the number of tax documents to be processed. Currently, approximately 8% of estimated payments are submitted by paper check, which require manual processing; even payments submitted electronically incur a processing cost. Also, fewer taxpayers that are subject to penalties would translate to a reduction in telephone calls to the Tax Department and fewer requests for review.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it reduces the filing burden for many small businesses while achieving administrative cost and time savings for the Department.

#### Effective Date:

This act shall take effect immediately.

### **Part S – Establish a Tax Credit for Organ Donation**

#### Purpose:

This bill would create an organ donation tax credit for taxpayers that, while living, donate one or more human organs for human organ transplantation.

#### Summary of Provisions and Statement in Support:

This bill would create an organ donation tax credit and would allow full-year resident taxpayers a refundable tax credit for unreimbursed expenses related to the transplant including: (i) travel expenses; (ii) lodging expenses; and (iii) lost wages, not to exceed \$10,000, in the tax year in which the living human organ transplantation occurs.

This credit would not be available if the taxpayer was reimbursed for certain living donor expenses pursuant to Public Health Law § 4371 when the taxpayer donated a human organ to a recipient who is also a resident of the state. Reimbursement under Public Health Law § 4371 may include certain expenses such as lost wages or the economic value of sick or vacation days expended, travel and lodging, child care and elder care expenses, and costs of medications and care associated with the living donation surgery that are not covered by a donor's health insurance.

This bill would also sunset the existing New York subtraction modification that reduces a taxpayer's federal adjusted gross income by up to \$10,000 if the taxpayer, while living, donates one or more human organs for human organ transplantation. The subtraction modification would be available to taxpayers through tax year 2024.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it eliminates barriers to organ donation. It would decrease All Funds revenue by \$1 million in FY 2027 and annually thereafter.

Effective Date: This bill would take effect immediately.

**Part T – Make Permanent the Estate Tax Three-Year Gift Addback Rule**

Purpose:

The bill would make permanent the provision that requires gifts that are taxable for federal gift tax purposes and are made within three years of an individual's date of death to be included when calculating the decedent's New York gross estate.

Summary of Provisions and Statement in Support:

Chapter 59 of the Laws of 2014 required certain gifts made on or after April 1, 2014, by a decedent who was a New York resident at the time of the gift to be included in the decedent's New York gross estate. This requirement was added to deter New York residents from transferring large amounts of wealth shortly before death solely to take advantage of the higher federal estate tax thresholds, while at the same time reducing their otherwise taxable New York estate.

This gift addback provision is currently scheduled to sunset on January 1, 2026. This bill would make this provision permanent.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would continue to ensure the preservation of estate tax revenues.

Effective Date:

This bill would take effect immediately.

**Part U – Expand the Credit for Employment of Persons with Disabilities**

Purpose:

This bill would increase the available tax credit for employers who employ persons with disabilities.

Summary of Provisions and Statement in Support:

This bill would amend the Tax Law related to personal income tax and business franchise tax to increase the tax incentive to employers that employ persons with disabilities. Under current law, the maximum credit per qualified employee is limited to \$2,100. This bill would increase the amount of the credit for taxable years beginning on or after January 1, 2025, to \$5,000 in qualified first-year wages earned by each qualified employee or, alternatively, where the federal work opportunity tax credit applies, \$5,000 in qualified second-year wages earned by each qualified employee.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it provides increased financial incentives for businesses to hire persons with disabilities and makes it easier to provide reasonable accommodations for such persons.

Effective Date:

This bill would take effect immediately.

## **Part V – Reporting of Federal Partnership Adjustments**

Purpose:

This bill would amend the Tax Law to establish reporting requirements for federal partnership audit changes and administrative adjustment requests made pursuant to the federal centralized partnership audit regime established by the Bipartisan Budget Act of 2015.

Summary of Provisions and Statement in Support:

This bill would require partnerships that were subject to a federal partnership audit adjustments or those that self-reported adjustments via administrative adjustment requests to report such adjustments to the partnership's taxable income or tax liability to New York.

The Tax Law currently requires taxpayers to report any federal changes or corrections to their returns. However, the federal centralized partnership audit regime assesses any adjustments as additions to tax, rather than adjustments to the taxpayer's returns, and permits the partnership to pay on behalf of its partners. Additions to tax are not expressly captured under the existing Tax Law provisions regarding the reporting of

federal changes and corrections. This bill would remove any uncertainty over whether federal additions to tax, or any other federal adjustments under the federal partnership audit regime, must be reported by taxpayers. This bill would also set forth rules and procedures for the reporting of such changes and authorize the Tax Department to assess taxpayers who fail to timely and accurately report these changes.

This bill would amend various provisions regarding the reporting of federal changes or corrections in Articles 9-A, 22, 30, and 33 of the Tax Law. Additionally, this bill would add a new Tax Law § 659-a, which describes how such federal changes must be reported to the Tax Department by the partnership or its partners. This new section is necessary because the federal centralized partnership audit regime allows taxpayers the flexibility to calculate and pay their tax liability in ways not permitted under the state Tax Law. This bill would require partnerships to report federal changes and to pay any resulting tax due on behalf of their partners.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it preserves All Funds revenue by requiring partnerships to report and reconcile state tax underpayment stemming from amendments to federal tax returns.

#### Effective Date:

This bill would take effect immediately and apply to any final partnership adjustment issued by the Internal Revenue Service since January 1, 2018; provided, however, that such final adjustments issued prior to the effective date must be reported within one year of the effective date, and no interest shall accrue on such adjustments until one year after the effective date.

### **Part W – Eliminate NYC PIT for Certain Filers**

#### Purpose:

This bill would amend the Tax Law, establishing a credit against the tax on the personal income of certain NYC residents.

#### Summary of Provisions and Statement in Support:

This bill would amend section 1310 of the Tax Law by adding a new subsection (h) to authorize a credit against New York City personal income tax (PIT) liability for certain New York City taxpayers. A taxpayer would be eligible for a credit equal to the PIT otherwise owed after all other credits are applied if such taxpayer: (A) claims at least one dependent on their federal income tax return in the relevant tax year; (B) has an income below the threshold provided in the bill for such taxpayer's filing status and number of dependents, which threshold shall be adjusted each year based on changes

in the consumer price index; (C) does not receive the New York State or New York City pass-through entity tax credit; (D) does not have certain types of disqualified income in an amount greater than \$10,000; and (E) does not have the filing status “married filing separately” on their federal income tax return.

A taxpayer with an income that exceeds the threshold for such taxpayer’s filing status and number of dependents by \$5,000 or less and who would otherwise be eligible for the credit authorized by this section would be eligible for a credit equal to a portion of the PIT otherwise owed after all other credits are applied. Such portion eligible for the credit would decrease as the taxpayer’s income increases according to a formula provided in the bill. New subsection (h) would also define “consumer price index” by reference to statistics published by the United States Department of Labor, and “income” as the federal adjusted gross income reported on a taxpayer’s state income tax return for a taxable year.

Additionally, the bill would amend section 11-1706 of the Administrative Code of the City of New York to add a new subdivision (h) to establish the credit authorized by section one of this bill.

#### Budget Implications:

Enactment of this bill is necessary because it is consistent with the Governor’s affordability initiatives for residents of the City of New York. This bill would not affect All Funds revenue.

#### Effective Date:

This bill would take effect immediately.

### **Part X – Amend the NYC Relocation and Employment Assistance Program**

#### Purpose:

This bill would amend the General City Law, enabling New York City to raise tax revenue. It would also amend the Administrative Code of the City of New York to authorize credits for relocation and employment assistance and make available relocation assistance credits per employees.

#### Summary of Provisions and Statement in Support:

This bill extends the existing Relocation and Employment Assistance Program (REAP) for five years and introduces a new, citywide time-limited benefit to spur relocation of new businesses to New York City from outside of New York State. These changes are designed to attract new businesses to the City and encourage a return to the pre-pandemic office occupancy rates.

The new citywide Relocation Assistance Credit Per Employee Program (RACE), is a citywide pilot program that will help support the efforts of business to attract new companies in New York City and encourage the leasing of underperforming office space. Eligibility for the RACE program will be restricted to companies moving to New York City and signing a lease of 20,000 square feet or more in a building constructed before 2000. This requirement is designed to incentivize the use of facilities that are currently underperforming, are not likely to be suitable for residential conversion, and where a meaningful anchor lease could improve occupancy in the entire building. The RACE program is designed to deliver a focused benefit for new companies taking space in New York City. This benefit will be an additional, much-needed tool for the city's economic development and business attraction agenda. By design, firms that qualify and receive this benefit will be new to New York City, hire employees, utilize underperforming office space, and meaningfully contribute to the City's economic development.

Budget Implications:

Enactment of this bill is necessary to continue the effort to bring new businesses back to New York City.

Effective Date:

This bill would take effect immediately.

**Part Y – Extend the Clean Heating Fuel Credit for Three Years**

Purpose:

This bill would extend the sunset date for the clean heating fuel credit for three years.

Summary of Provisions and Statement in Support:

The bill would extend the clean heating fuel credit available to taxpayers under Articles 9, 9-A, and 22 of the Tax Law for purchases of bioheating fuel for residential purposes before January 1, 2029. The credit is equal to \$.01 per percent of the biodiesel fuel, not to exceed 20 cents per gallon, purchased by the taxpayer.

This extension would continue to support the use of clean energy in homes.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it supports the State's clean energy and climate policy goals.

Effective Date:

This bill would take effect immediately.

## **Part Z – Extend the Alternative Fuels and Electric Vehicle Recharging Property Credit for Three Years**

### Purpose:

This bill would extend the alternative fuels and electric vehicle recharging property credit for three years through tax years beginning before January 1, 2029.

### Summary of Provisions and Statement in Support:

This bill would allow taxpayers under Articles 9, 9-A, and 22 of the Tax Law to continue to be eligible for a credit for alternative fuel vehicle refueling and electric vehicle recharging property placed in service through tax years beginning before January 1, 2029.

### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it supports the State's clean energy and climate policy goals.

### Effective Date:

This bill would take effect immediately.

## **Part AA – Extend the Sales Tax Vending Machine Exemption for One Year**

### Purpose:

This bill would extend the existing sales tax exemption for certain food and drink purchased from a vending machine for one year.

### Summary of Provisions and Statement in Support:

Currently, purchases of up to \$1.50 of certain food or drink items from vending machines that accept only coin or currency are exempt from sales tax. Such sales from vending machines that are capable of accepting payment in a form other than coin or currency ("cashless" machines) are exempt if the sale price is \$2.00 or less, regardless of whether that vending machine also accepts coin or currency. This bill would extend the current exemption through May 31, 2026.

### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would continue to incentivize the industry to shift to cashless vending machines that can collect sales tax at the point of sale.

Effective Date:

This act shall take effect immediately.

**Part BB – Extend the Workers with Disabilities Tax Credit for Three Years**

Purpose:

This bill would extend the workers with disabilities tax credit for three years.

Summary of Provisions and Statement in Support:

This bill would extend the workers with disabilities tax credit for an additional three years through tax year 2028. The credit provides tax incentives to qualified employers for employment of persons with disabilities. The tax credit is currently available through tax year 2025.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it maintains existing support for workers with disabilities.

Effective Date:

This bill would take effect immediately.

**Part CC – Extend the Hire a Vet Credit for Three Years**

Purpose:

This bill would extend the hire a vet tax credit for three years.

Summary of Provisions and Statement in Support:

This bill would extend the hire a vet tax credit provided to taxpayers under Articles 9, 9-A, and 22 for hiring qualified veterans for an additional three years. The credit would be available through tax years beginning before January 1, 2029, for veterans who begin employment before January 1, 2028.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would maintain existing financial incentives to support the hiring of veterans.

Effective Date:

This bill would take effect immediately.

**Part DD – Extend the Musical and Theatrical Production Credit for Four Years**

Purpose:

This bill would extend the musical and theatrical production credit for four years through tax year 2029.

Summary of Provisions and Statement in Support:

This bill would extend the provisions of the musical and theatrical production credit for an additional four years — to January 1, 2030. The musical and theatrical production credit was enacted in 2014 to encourage touring musical and theatrical productions in New York theaters outside the City of New York. This credit allows eligible production companies taxable under Tax Law Articles 9-A and 22 to claim a refundable tax credit equal to 25 percent of qualified production costs and transportation expenditures.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it maintains existing support for musical and theatrical production companies.

Effective Date:

This bill would take effect immediately.

**Part EE – Extend the Financial Institution Data Match System for Five Years**

Purpose:

This bill would extend the authority of the Commissioner of Taxation and Finance to use the financial institution data match (FIDM) system for collection of fixed and final tax debts for five years.

Summary of Provisions and Statement in Support:

In 2017, Tax Law §1701 was expanded to authorize the Commissioner of Taxation and Finance to use the FIDM system for collection of fixed and final tax debt, regardless of whether a warrant has been filed. The law authorizing warrantless bank account data matching is set to expire on April 1, 2025. This bill would extend the provision authorizing bank account data matching for fixed and final debt by the Commissioner of Taxation and Finance for five years.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it extends an existing program and preserves any associated revenues collected.

Effective Date:

This bill would take effect immediately.

**Part FF – Amend and Simplify the Pari-Mutuel Tax Rate Structure**

Purpose:

This bill would simplify the existing Pari-Mutuel Tax (PMT) rate structure by addressing the complexities in tax imposition, collection, and remittance, as well as distribution of monies; it would also amend the current archaic breakage rule.

Summary of Provisions and Statement in Support:

**Subpart A**

The current PMT structure is overly complex and outdated. Pari-mutuel wagering started in NYS in 1940, and even though the horse racing industry landscape has changed significantly since then, the laws governing the industry have not kept pace. This bill moves NYS racing into the 21<sup>st</sup> Century by addressing three aspects of PMT law – tax rates, distribution of monies between racing associations and OTBs (racing entities), and breakage.

The January 2021 NYS Gaming Market Study highlighted the absurdity of racing distributions by listing the different factors that must be considered; the time of day, the type of signal, the track holding the race, the type of bet, if it is considered a “special” race, and much more. Racing entities that remit PMT to the Department of Taxation and Finance and make these distributions must maintain complex spreadsheets to properly decipher the amounts that must be remitted to the State and distributed to other racing entities.

Breakage is an outdated concept that began more than 80 years ago in which bettors’ winnings are unfavorably rounded down so that a bettor does not receive the full

amount they won. If a winning amount is more than \$1.05 but less than \$5, it is rounded down to the nearest five cents; greater than \$5 but less than \$25, rounded to the nearest ten cents; rounded to nearest twenty-five cents when greater than \$25 but less than \$250; and rounded to 50 cents when over \$250. For example, if a bettor wins \$6.99, the bettor is paid \$6.90. Since the betting entity currently retains this amount, the majority of breakage is taken out of circulation at the expense of the bettor with limited benefit to the racing industry.

First, the bill would impose a simple flat tax on live racing handle. The tax on handle would be 1.1 percent for thoroughbred tracks, 1 percent for harness tracks, and 0.6 percent for off-track betting corporations (OTBs). The tax rates were set with the intent to generate similar PMT collections as currently reported by racing entities on an annual basis. This will benefit the racing entities by removing the complications of computing the tax and allow the public to actually know the tax rate imposed on a bet.

Secondly, this bill would encourage racing entities to amend the extremely complicated, intertwined distribution of monies. If these entities can mutually agree on distribution simplification, these new agreements will supersede current law.

Third, winning bets would be rounded to the nearest penny. The arguments for not using penny breakage have all but disappeared with current technological advances and would also align to common purchases such as fuel or items purchased by the pound that round to the penny. This would return millions of dollars currently collected in breakage back to bettors on NYS races.

## **Subpart B**

For over 30 years, the State has annually extended certain PMT provisions. Many of these provisions do not relate to the tax rate at all, but an extension of simulcast agreements or “pool” distributions. Now that the tax rate has been amended and is a fixed rate, there is no reason to continue extending these provisions each year. Therefore, this bill would make these provisions permanent.

### **Budget Implications:**

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would bring the PMT law into the 21<sup>st</sup> Century by simplifying a very complex tax structure, while simultaneously putting money back in the pockets of bettors. This bill will have a positive effect for the industry, racing entities, the State, and bettors.

### **Effective Date:**

This bill would take effect immediately, while Subpart A specifically would take effect September 1, 2025, and Subpart B would take effect immediately.

## **Part GG – Temporarily Extend the Lowered Casino Slot Tax Rates**

### Purpose:

This bill would extend the lowered tax rate on slot machine gross gaming revenues for each commercial casino in Zone Two from April 1, 2026 through June 30, 2028, if certain conditions are met.

### Summary of Provisions and Statement in Support:

Casinos in Zone Two have continued to struggle financially, in part due to the negative financial impact of COVID-19 restrictions and their initial revenue projections not materializing. The FY 2022 Enacted Budget authorized a petition process for the Zone Two casinos to demonstrate their need for a lower slot tax rate to rebuild their economic infrastructure through the rehiring of laid-off employees or the creation of new jobs. All four of these casinos received a lower slot tax rate through March 31, 2026.

This bill would continue the lower slot tax rate that a casino received in the prior State Fiscal Year through June 30, 2028, provided the facility is current on all statutory obligations to the State or has entered into and is in compliance with a repayment agreement with the State.

Each casino would continue providing an annual report detailing the use of the funds resulting from the lowered slot tax rate by January 1<sup>st</sup> of each year.

### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would continue to provide necessary financial support for all four of these casinos while also requiring these casinos to pay any outstanding State obligations.

### Effective Date:

This bill would take effect immediately, with the extension of the tax rates and related provisions effective on April 1, 2026 and deemed repealed on July 1, 2028.

## **Part HH – Extend Authorized Use of Capital Funds by a Certain Off-track Betting Corporation for One Year**

### Purpose:

This bill would extend for one additional year the authorized non-capital use of capital acquisition funds by the Capital District Regional Off-Track Betting (OTB) Corporation (the Corporation).

### Summary of Provisions and Statement in Support:

If certain conditions are met, Capital OTB is authorized to use \$1 million in FY 2026, towards:

- expenditures necessary to accept authorized wagers;
- past due statutory obligations to New York licensed or franchised racing corporations or associations;
- past due contractual obligations due to other racing associations or organizations for the costs of acquiring a simulcast signal;
- past due statutory payment obligations due to the New York State Thoroughbred Breeding and Development Fund Corporation, agriculture and New York State Horse Breeding Development Fund, and the Harry M. Zweig Memorial Fund for Equine Research; and
- past due obligations.

Prior to use of the funds, the Corporation must attest that the surcharge monies have been and will continue to be paid to the localities as prescribed in law. Once this is satisfied, the Corporation would be required to submit an expenditure plan to the Gaming Commission and the Commission would make a determination as to whether the requirements of this law have been met. As a condition of the expenditure plan approval, the Corporation shall provide a report of the use of funds by the end of the year the funds are requested. At such time, the Commission may cause an independent audit to be conducted to ensure that all monies were spent as indicated in the approved plan. If it is determined that the monies were used for non-approved purposes, the Corporation shall reimburse the fund for this amount.

This language is similar to language approved in the FY 2025 Enacted Budget with changes being made to the timeframe, as well as the exclusion of Catskill OTB given that they ceased accepting wagers effective November 30<sup>th</sup>, 2024. Capital OTB used \$1 million of their capital acquisition funds towards non-capital use in FY 2025.

#### Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would continue to allow Capital OTB to use a portion of their capital acquisition funds to make necessary payments, provided certain conditions are met.

#### Effective Date:

This bill would take effect immediately.

## **Part II – Conduct a Study of Thoroughbred Fetlock Joint Injury Detection Through Advanced Imaging**

#### Purpose:

This proposal seeks to fund a longitudinal study by the Cornell University College of Veterinary Medicine of the thoroughbred fetlock joint through advanced imaging.

Summary of Provisions and Statement in Support:

The long-term viability of thoroughbred horseracing requires investment into research to reduce the risk of traumatic injury to the equine athlete. This study will examine whether a more robust screening protocol can be developed to assist in reducing severe injuries before equine athlete races and therefore reduce equine fatalities.

The funding for the study, which includes equipment purchases and staffing needs, would come in part from the New York Racing Association (\$2 million), with the remainder from a temporary three-year, additional 1 percent market origin fee imposed on out-of-State Advance Deposit Wagering providers.

These funds will be deposited into the State General Fund and appropriated to the Harry M. Zweig Memorial Fund for Equine Research. The funds are to be expended pursuant to an agreement between the Dean of the Cornell University College of Veterinary Medicine and the Executive Director of the Gaming Commission. Any excess funds from the additional market origin fee not needed to cover the expenses of the study will remain in the General Fund.

Budget Implications:

Enactment of this bill is necessary to implement the FY 2026 Executive Budget because it would increase All Funds revenue by approximately \$17 million over a three-year period to fund a longitudinal thoroughbred fetlock joint injury detection study.

Effective Date:

This bill would take effect immediately, apply to wagers from New York residents accepted on and after September 1, 2025 through August 31, 2028, and expire and be deemed repealed on September 1, 2028.

The provisions of this act shall take effect immediately, provided, however, that the applicable effective date of each part of this act shall be as specifically set forth in the last section of such part.