

Testimony of Nonie Manion, Executive Deputy Commissioner
New York State Department of Taxation and Finance
Joint Legislative Budget Hearing on Taxes
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Good morning, Chairman DeFrancisco, Chairman Farrell, and members of the Senate Finance and Assembly Ways and Means Committees. I'm pleased to have the chance to highlight for you today the tax components of Governor Cuomo's Opportunity Agenda, which sets forth a tax policy built upon three main goals: 1. Make it easier for families and individuals to live and thrive in New York State; 2. Make it easier for businesses to flourish and create jobs in New York State; and 3. Set and maintain a level playing field featuring simplified tax compliance for everyone..

We began making New York State a more affordable place to live in 2011 by implementing the real property tax cap. The cap turned around runaway growth, which was averaging 5.3 percent annually, and had been as high as 7.7 percent. Newly empowered voters in 84 percent of local governments and 97 percent of school districts have ensured property tax cap compliance.

The Property Tax Freeze Credits have helped drive cap compliance, by offsetting property tax increases in cap compliant jurisdictions. We're finalizing the distribution of \$200 million in credits to 2.5 million homeowners, and the three year program will ultimately put \$1.5 billion back in the pockets of New Yorkers.

The Executive proposal will deliver another \$1.7 billion in relief to New Yorkers through a new Real Property Tax Credit—1.3 million taxpayers will see an average benefit of \$950 when the program is fully phased in.

Last fall we also distributed more than \$360 million in advance refunds as part of the Family Tax Credit program, which provided \$350 checks to more than one million families. Together these programs are returning billions of dollars to New Yorkers at a time they need it most.

The Executive Budget also makes New York State a more attractive place to do business. It expands upon the business tax reforms enacted in last year's State Budget, by reducing the corporate income tax rate to 2.5 percent for small companies.

We also help our burgeoning craft beverage and agricultural industries. The proposal extends the current tax exemption for wine tastings to cover similar tastings conducted by breweries and farm distilleries, and ensures fuel used in farm activities is eligible for refunds under the petroleum business tax exemption.

All of these initiatives depend on taxpayers meeting their obligations in a complete and timely manner, and we aim to establish a fair and level playing field on which they can do so.

The Governor's budget empowers the Tax Department to recover inappropriately claimed STAR exemptions those inappropriately claimed benefits.

The budget also expands upon the enormously successful driver's license suspension program initiated in 2013, by lowering the threshold of warranted tax delinquencies from \$10,000 to \$5,000. Last year, facing the risk of driver's license suspensions, thousands of New York taxpayers came forward to settle their liabilities. The program generated \$125 million in collections since its inception.

Taxpayers currently fund a \$127.4 million program that purchases free excess medical malpractice insurance for physicians and dentists. The budget proposes to withhold this taxpayer-funded privilege from physicians and dentists delinquent in their tax obligations.

The plan institutes a tax clearance for a number of business and professional licenses, and prohibits state agencies from hiring employees who have not passed a tax clearance.

We're using data to better target enforcement, and ensure a level playing field among privileged licensees. The Department operates one of the most sophisticated data analytics systems in the world of taxing authorities, which helps us focus enforcement on non-compliant taxpayers. In 2011, the Department established our Fraud Analysis and Selection Team (FAST), which has uncovered more than 1,500 distinct fraudulent refund schemes, saving New Yorkers \$260 million. The Federation of Tax Administrators awarded the Department its 2014 Award for Outstanding Technology Application for our fraud prevention strategy.

We're more user-friendly today than ever before. Taxpayers can now conduct virtually all of their business with the Department online. We offer 80 different services through taxpayers' online accounts, which are now used by approximately 2.2 million taxpayers. And e-filing is on the rise; nearly 90 percent of individuals filed electronic returns in 2014.

I'm energized and excited for the future. Governor Cuomo's Opportunity Agenda includes a well-balanced tax agenda that will make New York State more affordable for individuals and families, more hospitable to job creating businesses, and more fair for everybody. I look forward to administering this bold package, and promise we'll continue to do so according to the very high standards we've established for ourselves. I'm eager to hear your ideas and input, and I look forward to taking your questions.