# New York's Governor Seeks Additional Tax Relief in Fiscal Year 2023 Budget

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In her January 5, 2022 State of the State Address, New York Governor Kathy Hochul outlined her agenda for the fiscal year 2023 Executive Budget, which she said will help New Yorkers cope with the recent spike in inflation and recover from the COVID-19 pandemic. In conjunction with her speech, Hochul released a comprehensive booklet detailing her priorities, which include:

- An accelerated phase-in of the middle-class tax cut which was originally scheduled to start in 2025. This tax cut, enacted in 2016, is scheduled to drop the tax rate on income up to $161,550 from 5.85% in 2022 to 5.5% by 2025, and the tax rate on income up to $323,200 from 6.25% in 2022 to 6% in 2025. According to the Governor's calculations, moving this cut to 2023 would provide $1.2 billion in tax relief for six million residents.
- A proposed increase to the current 5% subtraction modification for sole proprietorships with incomes of less than $250,000, to include other entities with New York-sourced income of up to $1.5 million.
- Tax credit eligibility for restaurants and other businesses that incurred capital expenses due to the pandemic for items such as heating equipment and outdoor seating.

- $1 billion of proposed property tax rebates benefiting some two million residents, with an emphasis on low-income households and seniors. Eligible homeowners would obtain their benefit in 2022.
- Replacement of the lucrative New York City 421-a tax abatement program, which is scheduled to sunset this year, with a program that will drive development of more affordable construction projects. The current 421-a program provides developers with billions in tax abatements during the construction phase and up to 25 years after a building is completed in exchange for the inclusion of affordable apartments in residential projects. About 200,000 apartments throughout New York City enjoy this abatement.
- Investment in various energy-efficient programs, such as $1 billion for electric vehicle charging stations and $500 million in offshore wind between Long Island and New Jersey. The governor's plan aims to lead to the construction of 2 million electrified or electrification-ready homes by 2030, roll out more battery storage for renewable energy sources and make the state a hub for "Green Hydrogen."
- Funding of $10 billion targeting the medical industry to increase the workforce by 20% by providing funds for wages, retention bonuses and development of laboratories and capital infrastructure.

The budget proposal, which is due by January 18, 2022, is ambitious, particularly for a Governor facing a tough election year with the primaries only a few months away. The plan will be formally introduced to the state legislature in the coming days, at which point any of these proposals are subject to change.

If you have any questions about how the 2023 Executive Budget may affect you or your business, please contact Alan Goldenberg, Principal and Leader of Anchin's State and Local Taxation and Tax Controversy groups, or your Anchin Relationship Partner.