

3491

2011-2012 Regular Sessions

I N S E N A T E

February 23, 2011

Introduced by Sen. DeFRANCISCO -- read twice and ordered printed, and
when printed to be committed to the Committee on Investigations and
Government Operations

AN ACT to amend the tax law, in relation to the provision of certain
financial services to debt evading foreign states

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEM-
BLY, DO ENACT AS FOLLOWS:

1 Section 1. The tax law is amended by adding a new article 15 to read
2 as follows:

3 ARTICLE 15
4 TAX ON THE PROVISION OF CERTAIN FINANCIAL SERVICES TO DEBT EVADING
5 FOREIGN STATES

6 SECTION 330. DEFINITIONS.

7 331. IMPOSITION OF TAX.

8 332. REPORTS AND ADDITIONAL MEASURES.

9 S 330. DEFINITIONS. AS USED IN THIS ARTICLE, THE FOLLOWING TERMS SHALL
10 HAVE THE FOLLOWING MEANINGS:

11 1. "AGENCY OR INSTRUMENTALITY OF A FOREIGN STATE" MEANS ANY ENTITY:

12 (A) WHICH IS A SEPARATE LEGAL PERSON, CORPORATE OR OTHERWISE, AND

13 (B) WHICH IS AN ORGAN OF A FOREIGN STATE OR A PROVINCE OR POLITICAL
14 SUBDIVISION THEREOF, OR A MAJORITY OF WHOSE SHARES OR OTHER OWNERSHIP
15 INTEREST IS OWNED BY A FOREIGN STATE OR A PROVINCE OR POLITICAL SUBDIVI-
16 SION THEREOF, AND

17 (C) WHICH IS NEITHER A CITIZEN OF A STATE OF THE UNITED STATES, NOR
18 CREATED UNDER THE LAWS OF ANY THIRD COUNTRY.

19 2. "FINAL JUDGMENT" MEANS ANY JUDGMENT THAT IS NO LONGER ELIGIBLE TO
20 BE APPEALED TO ANY COURT.

21 3. "FINANCIAL INSTITUTION" MEANS THE OFFICE OR BRANCH IN NEW YORK OF
22 ANY BANK OR BANKING ORGANIZATION, WHETHER FOREIGN OR DOMESTIC, THAT IS

EXPLANATION--Matter in *ITALICS* (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 REGULATED BY THE NEW YORK BANKING DEPARTMENT OR ANY AGENCY OR DEPARTMENT
2 OF THE UNITED STATES, OR ANY TRUST COMPANY OR ANY OTHER PROVIDER OF
3 PAYING AGENT SERVICES, FISCAL AGENT SERVICES, OR ANY OTHER SIMILAR
4 SERVICES.

5 4. "PAYING AGENT AND FISCAL AGENT SERVICES" MEANS THE PAYMENT OR
6 DISBURSEMENT IN NEW YORK BY A FINANCIAL INSTITUTION OF ALL OR ANY
7 PORTION OF PRINCIPAL OR INTEREST ON A BOND, NOTE AND OTHER OBLIGATION
8 ISSUED BY DEBT EVADING FOREIGN STATES.

9 5. "FOREIGN STATE" MEANS ANY GOVERNMENTAL UNIT OTHER THAN THE UNITED
10 STATES, OR ANY STATE, DISTRICT, COMMONWEALTH, TERRITORY OR INSULAR
11 POSSESSION THEREOF, AND INCLUDES A PROVINCE OR POLITICAL SUBDIVISION OF
12 A FOREIGN STATE.

13 6. (A) "DEBT EVADING FOREIGN STATE" MEANS ANY FOREIGN STATE THAT:

14 (I) HAS ONE OR MORE FINAL JUDGMENTS ENTERED AGAINST IT BY ANY STATE OR
15 FEDERAL COURT LOCATED IN NEW YORK, INCLUDING ANY FINAL JUDGMENT
16 ORIGINALLY ISSUED IN A FOREIGN COURT THAT IS FILED OR REGISTERED IN NEW
17 YORK, IN THE COMBINED AMOUNT OF WHICH JUDGMENTS EXCEED ONE HUNDRED
18 MILLION DOLLARS;

19 (II) FAILS TO SATISFY IN FULL ANY SUCH JUDGMENT FOR A PERIOD OF MORE
20 THAN TWO YEARS AFTER THE JUDGMENT BECOMES A FINAL JUDGMENT, REGARDLESS
21 OF WHETHER SUCH JUDGMENT BECAME A FINAL JUDGMENT BEFORE THE DATE OF THE
22 ENACTMENT OF THIS SUBDIVISION; AND

23 (III) IS NOT A FOREIGN STATE ELIGIBLE FOR:

24 (1) FINANCING THROUGH THE INTERNATIONAL DEVELOPMENT ASSOCIATION
25 (UNLESS SUCH STATE IS ELIGIBLE FOR FINANCING FROM THE INTERNATIONAL BANK
26 FOR RECONSTRUCTION AND DEVELOPMENT); OR

27 (2) DEBT RELIEF UNDER THE ENHANCED HIPC INITIATIVE (AS DEFINED IN
28 SECTION 1625(E)(3) OF THE UNITED STATES INTERNATIONAL FINANCIAL INSTI-
29 TUTIONS ACT); OR

30 (3) DEBT RELIEF UNDER THE MULTILATERAL DEBT RELIEF INITIATIVE OF THE
31 INTERNATIONAL MONETARY FUND.

32 (B) FOR PURPOSES OF THIS ARTICLE, REFERENCES TO A 'DEBT EVADING
33 FOREIGN STATE' SHALL INCLUDE 'AGENCY OR INSTRUMENTALITY OF A FOREIGN
34 STATE' AND 'STATE-OWNED CORPORATION OF A DEBT EVADING FOREIGN STATE,' AS
35 DEFINED IN THIS SECTION.

36 7. "STATE-OWNED CORPORATION OF A DEBT EVADING FOREIGN STATE" MEANS ANY
37 CORPORATION OR ENTITY (OTHER THAN A NATURAL PERSON), A MAJORITY OF THE
38 SHARES OR OTHER OWNERSHIP INTEREST OF WHICH IS HELD, EITHER DIRECTLY OR
39 INDIRECTLY, BY A DEBT EVADING FOREIGN STATE OR BY AN AGENCY OR INSTRU-
40 MENTALITY OF A DEBT EVADING FOREIGN STATE.

41 8. "STATE" MEANS EACH OF THE SEVERAL STATES, THE DISTRICT OF COLUMBIA,
42 AND ANY COMMONWEALTH, TERRITORY OR POSSESSION OF THE UNITED STATES.

43 S 331. IMPOSITION OF TAX. 1. THERE IS HEREBY IMPOSED AND SHALL BE PAID
44 A TAX ON EACH PROVISION IN NEW YORK OF INITIAL PAYING AGENT SERVICES OR
45 FISCAL AGENT SERVICES BY A FINANCIAL INSTITUTION TO A DEBT EVADING
46 FOREIGN STATE.

47 2. THE TAX IMPOSED SHALL BE AT A RATE OF FOUR PERCENT OF THE GROSS
48 AMOUNT DISBURSED BY THE FINANCIAL INSTITUTION IN RELATION TO AND AT THE
49 TIME OF EACH PROVISION OF SUCH SERVICE.

50 3. THE ULTIMATE INCIDENCE OF AND LIABILITY FOR THE TAX SHALL BE UPON
51 THE DEBT EVADING FOREIGN STATE ON BEHALF OF WHICH SUCH PAYING AGENT
52 SERVICE OR FISCAL AGENT SERVICE IS PROVIDED. EACH FINANCIAL INSTITUTION
53 THAT PROVIDES THE INITIAL PAYING AGENT OR FISCAL AGENT SERVICES IN NEW
54 YORK WITH RESPECT TO ALL OR ANY PORTION OF AN INTEREST OR PRINCIPAL
55 PAYMENT ON BEHALF OF A DEBT EVADING FOREIGN STATE SHALL BE RESPONSIBLE
56 FOR THE COLLECTION OF THE TAX FROM SUCH DEBT EVADING FOREIGN STATE ALLO-

1 CABLE TO THE GROSS AMOUNT OF FUNDS IT DISBURSES AND FOR THE REMISSION OF
2 THE TAX TO THE TAX COMMISSION. IN THE EVENT A FINANCIAL INSTITUTION
3 DISBURSES ANY FUNDS IN RELATION TO THE PROVISION OF A PAYING AGENT
4 SERVICE OR FISCAL AGENT SERVICE WITHOUT REMITTING THE TAX IMPOSED BY OR
5 PURSUANT TO THIS ARTICLE TO THE TAX COMMISSION, SUCH FINANCIAL INSTITU-
6 TION SHALL BE LIABLE FOR THE FULL AMOUNT OF SUCH TAX IMPOSED WHICH SHALL
7 BE IMMEDIATELY DUE AND PAYABLE TO THE TAX COMMISSION.

8 S 332. REPORTS AND ADDITIONAL MEASURES. 1. THE DEPARTMENT SHALL, ON A
9 MONTHLY BASIS, REVIEW THE RECORDS OF UNSATISFIED JUDGMENTS ENTERED IN
10 ALL FEDERAL AND STATE COURTS LOCATED IN THIS STATE TO IDENTIFY ALL DEBT
11 EVADING FOREIGN STATES.

12 2. THE DEPARTMENT SHALL, ON A MONTHLY BASIS, POST TO ITS WEBSITE THE
13 IDENTITIES OF ALL DEBT EVADING FOREIGN STATES OR OTHERWISE PUBLISH SUCH
14 IDENTITIES IN ANY OTHER MANNER REASONABLY CALCULATED TO GIVE NOTICE TO
15 FINANCIAL INSTITUTIONS IN NEW YORK. ANY FINANCIAL INSTITUTION SUBJECT
16 TO THIS ARTICLE SHALL HAVE THE ABSOLUTE RIGHT TO RELY UPON THE LIST OF
17 DEBT EVADING FOREIGN STATES POSTED OR PUBLISHED BY THE DEPARTMENT FOR
18 THE PURPOSE OF COMPLYING WITH THIS ARTICLE.

19 3. THE DEPARTMENT SHALL REPORT TO THE OFFICE OF THE NEW YORK ATTORNEY
20 GENERAL THE NAMES OF ANY FINANCIAL INSTITUTIONS THAT THE DEPARTMENT
21 DETERMINES IS NOT COMPLYING WITH THIS ARTICLE.

22 4. THE DEPARTMENT AND THE ATTORNEY GENERAL MAY CONSIDER DOCUMENTS AND
23 OTHER INFORMATION RECEIVED FROM THIRD PARTIES, FINANCIAL INSTITUTIONS
24 AND DEBT EVADING FOREIGN STATES TO DETERMINE WHETHER A FOREIGN STATE IS
25 A DEBT EVADING FOREIGN STATE.

26 5. AT SUCH TIME AS THE DEPARTMENT DETERMINES THAT A FOREIGN STATE NO
27 LONGER QUALIFIES AS A DEBT EVADING FOREIGN STATE, IT SHALL REMOVE FROM
28 ITS WEBSITE THE DESIGNATION OF THE FOREIGN STATE AS A DEBT EVADING
29 FOREIGN STATE OR TAKE SUCH OTHER ACTION AS IS REASONABLY CALCULATED TO
30 GIVE NOTICE TO FINANCIAL INSTITUTIONS IN NEW YORK THAT SUCH FOREIGN
31 STATE IS NO LONGER DESIGNATED AS A DEBT EVADING FOREIGN STATE.

32 S 2. The tax law is amended by adding a new section 1816 to read as
33 follows:

34 S 1816. ATTEMPT TO EVADE OR DEFEAT CERTAIN TAXES. ANY FINANCIAL INSTI-
35 TUTION THAT WILLFULLY ATTEMPTS IN ANY MANNER TO EVADE OR DEFEAT ANY TAX
36 IMPOSED BY OR PURSUANT TO ARTICLE FIFTEEN OF THIS CHAPTER OR THE PAYMENT
37 THEREOF SHALL, IN ADDITION TO OTHER PENALTIES PROVIDED BY LAW, BE GUILTY
38 OF A MISDEMEANOR PUNISHABLE BY A FINE OF NOT MORE THAN TEN THOUSAND
39 DOLLARS PER OCCURRENCE.

40 S 3. This act shall take effect on the thirtieth day after it shall
41 have become a law and shall apply to any disbursement of funds in
42 connection with the provision of a paying agent service or fiscal agent
43 service occurring on or after such effective date.