

4376--A

2015-2016 Regular Sessions

I N S E N A T E

March 17, 2015

Introduced by Sens. MARTINS, CARLUCCI, MARCHIONE -- read twice and ordered printed, and when printed to be committed to the Committee on Investigations and Government Operations -- recommitted to the Committee on Investigations and Government Operations in accordance with Senate Rule 6, sec. 8 -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the tax law, in relation to establishing small business savings accounts

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

1 Section 1. Short title. This act shall be known and may be cited as  
2 the "savings accounts for a variable economy (SAVE) for small businesses  
3 act".

4 S 2. The tax law is amended by adding a new section 42 to read as  
5 follows:

6 S 42. SMALL BUSINESS SAVINGS ACCOUNTS. (A) GENERAL. (1) THE COMMIS-  
7 SIONER SHALL ESTABLISH A PROGRAM TO ADMINISTER SMALL BUSINESS SAVINGS  
8 ACCOUNTS UNDER THIS SECTION.

9 (2) THE COMMISSIONER SHALL ESTABLISH MINIMUM STANDARDS FOR SMALL BUSI-  
10 NESS SAVINGS ACCOUNTS AND SHALL ESTABLISH ACCOUNTS, OR ENTER INTO AGREE-  
11 MENTS THAT MEET THESE STANDARDS TO ADMINISTER SUCH ACCOUNTS. IN ESTAB-  
12 LISHING SUCH STANDARDS AND MAKING SUCH AGREEMENTS THE COMMISSIONER  
13 SHALL, TO THE EXTENT PRACTICABLE, SEEK TO MINIMIZE FEES, MINIMIZE RISK  
14 OF LOSS OF PRINCIPAL, AND ENSURE A RANGE OF INVESTMENT RISK OPTIONS  
15 AVAILABLE TO ACCOUNT BENEFICIARIES. ANY ELIGIBLE SMALL BUSINESS MAY  
16 ESTABLISH A SMALL BUSINESS SAVINGS ACCOUNT WITH RESPECT TO SUCH BUSINESS  
17 UNDER TERMS WHICH MEET THE REQUIREMENTS OF THIS SECTION.

18 (B) DEFINITION. FOR THE PURPOSES OF THIS SECTION, THE TERM "SMALL  
19 BUSINESS SAVINGS ACCOUNT" MEANS A TAX PREFERRED SAVINGS ACCOUNT WHICH IS  
20 DESIGNATED AT THE TIME OF ESTABLISHMENT OF THE PLAN AS A SMALL BUSINESS

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

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1 SAVINGS ACCOUNT. SUCH DESIGNATION SHALL BE MADE IN SUCH MANNER AS THE  
2 COMMISSIONER MAY BY REGULATION PRESCRIBE.

3 (C) CONTRIBUTIONS. (1) THERE SHALL BE ALLOWED AS A DEDUCTION AN AMOUNT  
4 EQUAL TO THE CONTRIBUTIONS TO A SMALL BUSINESS SAVINGS ACCOUNT FOR THE  
5 TAXABLE YEAR.

6 (2) THE AGGREGATE AMOUNT OF CONTRIBUTIONS FOR ANY TAXABLE YEAR TO ALL  
7 SMALL BUSINESS SAVINGS ACCOUNTS MAINTAINED FOR THE BENEFIT OF AN ELIGI-  
8 BLE SMALL BUSINESS SHALL NOT EXCEED AN AMOUNT EQUAL TO TEN PERCENT OF  
9 THE GROSS PROFITS OF THE BUSINESS FOR THE PRECEDING TAXABLE YEAR.

10 (D) DISTRIBUTIONS. (1) ANY QUALIFIED DISTRIBUTION FROM A SMALL BUSI-  
11 NESS SAVINGS ACCOUNT SHALL NOT BE INCLUDIBLE IN GROSS INCOME.

12 (2) ANY AMOUNTS DISTRIBUTED OUT OF A SMALL BUSINESS SAVINGS ACCOUNT  
13 THAT ARE NOT QUALIFIED DISTRIBUTIONS SHALL BE INCLUDED IN GROSS INCOME  
14 FOR THE TAXABLE YEAR OF THE DISTRIBUTION.

15 (3) FOR PURPOSES OF THIS SECTION:

16 (A) THE TERM "QUALIFIED DISTRIBUTION" MEANS ANY AMOUNT:

17 (I) DISTRIBUTED FROM A SMALL BUSINESS SAVINGS ACCOUNT DURING A SPECI-  
18 FIED PERIOD OF ECONOMIC HARDSHIP; AND

19 (II) THE DISTRIBUTION OF WHICH IS CERTIFIED BY THE TAXPAYER AS PART OF  
20 A PLAN WHICH PROVIDES FOR THE REINVESTMENT OF SUCH DISTRIBUTION FOR THE  
21 FUNDING OF WORKER HIRING OR FINANCIAL STABILIZATION FOR THE PURPOSES OF  
22 JOB RETENTION OR CREATION.

23 (B) THE TERM "SPECIFIED PERIOD OF ECONOMIC HARDSHIP" MEANS:

24 (I) ANY ONE-YEAR PERIOD BEGINNING IMMEDIATELY AFTER THE END OF ANY TWO  
25 CONSECUTIVE QUARTERS DURING WHICH THE ANNUAL RATE OF REAL GROSS DOMESTIC  
26 PRODUCT (AS DETERMINED BY THE BUREAU OF ECONOMIC ANALYSIS OF THE DEPART-  
27 MENT OF COMMERCE) DECREASES, OR

28 (II) ANY PERIOD, IN NO EVENT SHORTER THAN ONE YEAR, SPECIFIED BY THE  
29 COMMISSIONER FOR PURPOSES OF THIS SECTION.

30 (C) THE COMMISSIONER MAY SPECIFY A PERIOD UNDER CLAUSE (II) OF SUBPAR-  
31 AGRAPH (B) OF THIS PARAGRAPH WITH RESPECT TO A SPECIFIED AREA IN THE  
32 CASE OF AN AREA DETERMINED BY THE GOVERNOR TO WARRANT ASSISTANCE FROM  
33 THE FEDERAL GOVERNMENT UNDER THE ROBERT T. STAFFORD DISASTER RELIEF AND  
34 EMERGENCY ASSISTANCE ACT.

35 (D) THE COMMISSIONER SHALL, FOR EACH SPECIFIED PERIOD OF ECONOMIC  
36 HARDSHIP ESTABLISH A DISTRIBUTION LIMITATION FOR QUALIFIED DISTRIBUTIONS  
37 FROM ELIGIBLE SMALL BUSINESS ACCOUNTS WITH RESPECT TO SUCH PERIOD. THE  
38 AGGREGATE QUALIFIED DISTRIBUTIONS FOR ANY SUCH PERIOD FROM ALL ACCOUNTS  
39 WITH RESPECT TO AN ELIGIBLE SMALL BUSINESS SHALL NOT EXCEED SUCH LIMITA-  
40 TION.

41 (E) ANY DISTRIBUTION NOT USED IN THE MANNER CERTIFIED UNDER SUBPARA-  
42 GRAPH (A) OF THIS PARAGRAPH SHALL BE TREATED AS A DISTRIBUTION OTHER  
43 THAN A QUALIFIED DISTRIBUTION IN THE TAXABLE YEAR OF SUCH DISTRIBUTION.

44 (F) ANY AMOUNT CONTRIBUTED TO A SMALL BUSINESS SAVINGS ACCOUNT (AND  
45 ANY EARNINGS ATTRIBUTABLE THERETO), ONCE DISTRIBUTED, SHALL NOT BE  
46 TREATED AS A QUALIFIED DISTRIBUTION UNLESS SUCH DISTRIBUTION IS MADE NOT  
47 LATER THAN EIGHT YEARS AFTER THE DATE OF SUCH CONTRIBUTION. FOR PURPOSES  
48 OF THIS SUBPARAGRAPH, AMOUNTS (AND THE EARNINGS ATTRIBUTABLE THERETO)  
49 SHALL BE TREATED AS DISTRIBUTED ON A FIRST-IN FIRST-OUT BASIS.

50 (E) ELIGIBLE SMALL BUSINESS. FOR PURPOSES OF THIS SECTION:

51 (1) THE TERM "ELIGIBLE SMALL BUSINESS" MEANS, WITH RESPECT TO ANY  
52 CALENDAR YEAR, ANY PERSON IF THE ANNUAL AVERAGE NUMBER OF FULL-TIME  
53 EMPLOYEES EMPLOYED BY SUCH PERSON DURING THE PRECEDING CALENDAR YEAR WAS  
54 FIFTY OR FEWER. FOR PURPOSES OF THIS PARAGRAPH, A PRECEDING CALENDAR  
55 YEAR MAY BE TAKEN INTO ACCOUNT ONLY IF THE PERSON WAS IN EXISTENCE  
56 THROUGHOUT THE YEAR.

1 (2)(A) THE TERM "FULL-TIME EMPLOYEE" MEANS, WITH RESPECT TO ANY YEAR,  
2 AN EMPLOYEE WHO IS EMPLOYED ON AVERAGE AT LEAST FORTY HOURS OF SERVICE  
3 PER WEEK.

4 (B) THE COMMISSIONER SHALL PRESCRIBE SUCH REGULATIONS, RULES, AND  
5 GUIDANCE AS MAY BE NECESSARY TO DETERMINE THE HOURS OF SERVICE OF AN  
6 EMPLOYEE, INCLUDING RULES FOR THE APPLICATION OF THIS SUBDIVISION TO  
7 EMPLOYEES WHO ARE NOT COMPENSATED ON AN HOURLY BASIS.

8 (F) EFFECT OF PLEDGING ACCOUNT AS SECURITY. IF, DURING ANY TAXABLE  
9 YEAR OF THE ELIGIBLE SMALL BUSINESS FOR WHOSE BENEFIT AN ACCOUNT IS  
10 ESTABLISHED, THE ACCOUNT OR ANY PORTION THEREOF IS PLEDGED AS SECURITY  
11 FOR A LOAN, THE PORTION SO PLEDGED SHALL BE TREATED AS DISTRIBUTED IN A  
12 DISTRIBUTION OTHER THAN A QUALIFIED DISTRIBUTION.

13 S 3. Section 209 of the tax law is amended by adding a new subdivision  
14 13 to read as follows:

15 13. FOR ANY TAXABLE YEAR BEGINNING ON OR AFTER JANUARY FIRST, TWO  
16 THOUSAND SIXTEEN, ANY ELIGIBLE SMALL BUSINESS, AS SUCH TERM IS DEFINED  
17 PURSUANT TO SECTION FORTY-TWO OF THIS CHAPTER, SHALL BE EXEMPT FROM ALL  
18 TAXES IMPOSED PURSUANT TO THIS ARTICLE FOR ANY CONTRIBUTION TO AND QUAL-  
19 IFIED DISTRIBUTION FROM A SMALL BUSINESS SAVINGS ACCOUNT ESTABLISHED  
20 PURSUANT TO SECTION FORTY-TWO OF THIS CHAPTER, SUBJECT TO THE LIMITS SET  
21 FORTH IN SUCH SECTION. IF A TAXPAYER FILES FOR AND RECEIVES AN EXEMPTION  
22 FROM THE TAX IMPOSED UNDER THIS SECTION PURSUANT TO THE PROVISIONS OF  
23 THIS SUBDIVISION AND THE FUNDS WITHDRAWN, OR ANY PORTION THEREOF, ARE  
24 NOT EXPENDED FOR A QUALIFYING PURPOSE AS SET FORTH IN SECTION FORTY-TWO  
25 OF THIS CHAPTER, THEN THE AMOUNT OF SUCH EXEMPTION CLAIMED BY THE  
26 TAXPAYER SHALL BE ADDED BACK TO TAX IN THE NEXT SUCCEEDING TAXABLE YEAR  
27 OR IN THE YEAR IN WHICH THE EXEMPTION IS DISALLOWED.

28 S 4. Subsection (c) of section 612 of the tax law is amended by adding  
29 a new paragraph 44 to read as follows:

30 (44) ANY QUALIFIED CONTRIBUTION TO AND ANY QUALIFIED DISTRIBUTION FROM  
31 A SMALL BUSINESS SAVINGS ACCOUNT ESTABLISHED PURSUANT TO SECTION FORTY-  
32 TWO OF THIS CHAPTER. IF A TAXPAYER FILES FOR AND RECEIVES AN EXEMPTION  
33 FROM THE TAX IMPOSED UNDER THIS SECTION PURSUANT TO THE PROVISIONS OF  
34 THIS PARAGRAPH AND ARE NOT A QUALIFYING CONTRIBUTION OR DISTRIBUTION AS  
35 SET FORTH IN SECTION FORTY-TWO OF THIS CHAPTER, THEN THE AMOUNT OF ANY  
36 SUCH EXEMPTION CLAIMED BY THE TAXPAYER SHALL BE ADDED BACK TO TAX IN THE  
37 NEXT SUCCEEDING TAXABLE YEAR.

38 S 5. This act shall take effect immediately and shall apply to taxable  
39 years beginning after such date.