

STATE OF NEW YORK

2915

2021-2022 Regular Sessions

IN SENATE

January 26, 2021

Introduced by Sen. BROOKS -- read twice and ordered printed, and when printed to be committed to the Committee on Budget and Revenue

AN ACT to amend the tax law, in relation to the imposition of a pass-through business tax

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. The tax law is amended by adding a new article 24-A to read
2 as follows:

ARTICLE 24-A

PASS-THROUGH BUSINESS TAX

Section 860. Definitions.

6 861. Imposition and rate of tax.

7 862. Credits.

8 863. Payment of estimated tax.

9 864. Filing of return and payment of tax.

10 865. Accounting periods and methods.

11 866. Procedural provisions.

§ 860. Definitions. For purposes of this article:

12 (a) Affected partnership. Affected partnership means any partnership
13 that has elected pursuant to subsection (b) of section eight hundred
14 sixty-one of this article to be subject to the tax imposed by this arti-
15 cle.

16 (b) Affected S corporation. Affected S corporation means any New York
17 S corporation that has elected pursuant to subsection (b) of section
18 eight hundred sixty-one of this article to be subject to the tax imposed
19 by this article.

20 (c) Affected pass-through entity. Affected pass-through entity means
21 any affected partnership or any affected S corporation.

22 (d) Lower-tier affected pass-through entity. A lower-tier affected
23 pass-through entity means any affected pass-through entity in which an
24

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

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1 affected pass-through entity has a direct or indirect ownership inter-
2 est.

3 (e) New York S corporation. New York S corporation means, with respect
4 to any taxable year, any entity for which an election is in effect
5 pursuant to subsection (a) of section six hundred sixty of this chapter,
6 including any corporation for which such election has been deemed to
7 have been made pursuant to the provisions of subsection (i) of section
8 six hundred sixty of this chapter.

9 (f) Partnership. Partnership means any partnership as provided in
10 section 7701(a)(2) of the Internal Revenue Code and the regulations
11 promulgated thereunder. A partnership includes any limited liability
12 company or other entity that is treated as a partnership for federal
13 income tax purposes.

14 (g) Pass-through business net income or loss. Pass-through business
15 net income or loss of an affected pass-through entity means the sepa-
16 rately and nonseparately computed items, as described in section 702(a)
17 of the Internal Revenue Code with respect to a partnership or section
18 1366 of the Internal Revenue Code with respect to an S corporation, of
19 the affected pass-through entity, adjusted as follows:

20 (1) increased or decreased by any modification described in
21 subsections (b), (c) or (d) of section six hundred twelve of this chap-
22 ter, subsection (c) or paragraphs two or three of subsection (d) of
23 section six hundred fifteen of this chapter;

24 (2) the portion of any of the affected pass-through entity's separate-
25 ly and nonseparately computed items that are allocable to nonresident
26 individuals, trusts, or estates for purposes of article twenty-two of
27 this chapter shall be excluded to the extent such portion is not derived
28 from or connected with New York sources; and

29 (3) the affected pass-through entity's separately and nonseparately
30 computed items that would otherwise be passed through to such entity
31 from any lower-tier affected pass-through entity shall be excluded to
32 the extent such items are taken into account in determining the tax paid
33 by a lower-tier affected pass-through entity pursuant to section eight
34 hundred sixty-one of this article.

35 For purposes of this subsection, the portion of any separately and
36 nonseparately computed item that is not derived from or connected with
37 New York sources shall be determined under regulations or guidance
38 issued by the tax commission consistent with the applicable rules used
39 to determine the portion of a taxpayer's distributive share of partner-
40 ship income or pro rata share of New York S corporation income that is
41 derived from New York sources pursuant to the rules set forth in section
42 six hundred thirty-two of this chapter.

43 § 861. Imposition and rate of tax. (a) General. A tax is hereby
44 imposed for each taxable year on the pass-through business net income of
45 every affected pass-through entity doing business within this state.
46 This tax shall be in addition to any other taxes imposed and shall be at
47 the rate of 6.85 percent for each taxable year beginning on or after
48 January first, two thousand twenty-one. In the case of an affected pass-
49 through entity that is a partnership or a New York S corporation for
50 only a portion of its taxable year, the affected partnership or affected
51 S corporation shall be subject to this tax on only that portion of its
52 pass-through business net income attributable to the portion of the year
53 for which it is a partnership or a New York S corporation, as determined
54 pursuant to regulations and guidance set forth by the commissioner.

55 (b) Election. Any partnership or New York S corporation may elect to
56 have New York income tax imposed at the entity level under subsection

1 (a) of this section. An election under this subsection shall be made on
2 the pass-through entity business tax return for the affected pass-
3 through entity in such manner as the commissioner may prescribe by regu-
4 lation or instruction. An election under this subsection must be made on
5 an annual basis and shall be effective for the affected pass-through
6 entity only for the taxable year for which the election is made.

7 § 862. Credits. (a) General. An affected pass-through entity shall be
8 allowed a credit against the tax otherwise due under this article for
9 any income tax imposed for the taxable year by another state of the
10 United States, a political subdivision of such state, the District of
11 Columbia or a province of Canada, upon income both derived therefrom and
12 included in the affected pass-through entity's pass-through business net
13 income or loss under this article. The term "income tax imposed" in the
14 previous sentence shall include: (1) any income tax imposed upon or
15 payable by the affected pass-through entity itself, provided such tax
16 imposition or payment results from a tax that the commissioner deter-
17 mines is substantially similar to the tax imposed by this article; and
18 (2) any income tax imposed upon or payable by any direct or indirect
19 partner or shareholder of the affected pass-through entity who is a
20 resident individual, estate, or trust for purposes of article twenty-two
21 of this chapter.

22 (b) Limitations. (1) The credit under this section shall not exceed
23 the percentage of the tax otherwise due under this article determined by
24 dividing the portion of the taxpayer's pass-through business net income
25 that is subject to taxation by such other jurisdiction by the total
26 amount of the taxpayer's pass-through business net income.

27 (2) The credit under this section shall not reduce the tax otherwise
28 due under this article to an amount less than would have been due if the
29 income subject to taxation by such other jurisdiction were excluded from
30 the taxpayer's New York income.

31 (3) In the case of tax paid by a direct or indirect partner or share-
32 holder that elects to claim the foreign tax credit for federal income
33 tax purposes, the credit under this section for income tax imposed by a
34 province of Canada shall be allowed for that portion of the provincial
35 tax not claimed for federal purposes for the taxable year or a preceding
36 taxable year, provided however, to the extent the provincial tax is
37 claimed for federal purposes for a succeeding taxable year, the credit
38 under this section must be added back in such succeeding taxable year.
39 The provincial tax shall be deemed to be claimed last for federal income
40 tax purposes and for purposes of this subsection.

41 § 863. Payment of estimated tax. (a) Definition of estimated tax.
42 Estimated tax means the amount that an affected pass-through entity
43 estimates to be the tax imposed for the current taxable year by section
44 eight hundred sixty-one of this article.

45 (b) Annual estimated tax payment. The required annual estimated tax
46 payment is the lesser of (1) ninety percent of the estimated tax for the
47 year or (2) one hundred ten percent of the tax shown on the return of
48 the affected pass-through entity for the preceding taxable year. If the
49 affected pass-through entity was not in existence in the previous year
50 or did not elect to be subject to the tax imposed by this article in the
51 preceding year, then no estimated tax is due for the current taxable
52 year.

53 (c) General. The annual estimated tax payment shall be paid as follows
54 for an affected pass-through entity that reports on a calendar year
55 basis:

1 (1) If such annual estimated tax payment can reasonably be expected to
2 exceed one thousand dollars on or before March fifteenth of the taxable
3 year, the annual estimated tax payment shall be paid in four equal
4 installments on March fifteenth, June fifteenth, September fifteenth and
5 December fifteenth;

6 (2) If such annual estimated tax payment can reasonably be expected to
7 exceed one thousand dollars after March fifteenth and not after June
8 fifteenth of the taxable year, the annual estimated tax payment shall be
9 paid in three equal installments on June fifteenth, September fifteenth
10 and December fifteenth;

11 (3) If such annual estimated tax payment can reasonably be expected to
12 exceed one thousand dollars after June fifteenth and not after September
13 fifteenth of the taxable year, the annual estimated tax payment shall be
14 paid in two equal installments on September fifteenth and December
15 fifteenth; and

16 (4) If such annual estimated tax payment can reasonably be expected to
17 exceed one thousand dollars after September fifteenth of the taxable
18 year, the annual estimated tax payment shall be paid on December
19 fifteenth.

20 (d) This section shall apply to a taxable year of less than twelve
21 months in accordance with procedures established by the commissioner.

22 (e) This section shall apply to a taxable year other than a calendar
23 year by the substitution of the months of such fiscal year for the
24 corresponding months specified in this section.

25 (f) An affected pass-through entity may elect to pay any installment
26 of its estimated tax prior to the date prescribed for the payment there-
27 of.

28 § 864. Filing of return and payment of tax. (a) General. On or before
29 the fifteenth day of the fourth month following the close of the taxable
30 year, each affected pass-through entity shall be required to transmit to
31 the commissioner a return in a form prescribed by the commissioner.

32 (b) Information on return. Each affected pass-through entity shall
33 report any tax due under this article on the face of such return and
34 such other pertinent information as the commissioner may by regulations
35 and instructions prescribe. The balance of any tax shown on the face of
36 such return, not previously paid as installments of estimated tax, shall
37 be paid with such return.

38 § 865. Accounting periods and methods. (a) Accounting periods. An
39 affected pass-through entity's taxable year under this article shall be
40 the same as the affected pass-through entity's taxable year for federal
41 income tax purposes.

42 (b) Accounting methods. An affected pass-through entity's method of
43 accounting under this article shall be the same as the affected pass-
44 through entity's method of accounting for federal income tax purposes.

45 (c) Change of accounting period or method. (1) If an affected pass-
46 through entity's taxable year or method of accounting is changed for
47 federal income tax purposes, the taxable year or method of accounting
48 for purposes of this article shall be similarly changed.

49 (2) If an affected pass-through entity's method of accounting is
50 changed, any additional tax that results from adjustments determined to
51 be necessary solely by reason of such change shall not be greater than
52 if such adjustments were ratably allocated and included for the taxable
53 year of the change and the preceding taxable years, not in excess of
54 two, during which the affected partnership used the method of accounting
55 from which the change is made.

1 § 866. Procedural provisions. (a) General. All procedural provisions
2 of article twenty-two of this chapter will apply to the provisions of
3 this article in the same manner and with the same force and effect as if
4 the language of article twenty-two of this chapter had been incorporated
5 in full into this article and had been specifically adjusted for and
6 expressly referred to the tax imposed by this article, except to the
7 extent that any provision is either inconsistent with a provision of
8 this article or is not relevant to this article.

9 (b) Liability for tax. Only the affected pass-through entity shall be
10 liable for the tax under this article, and no partner or shareholder
11 that has a direct or indirect ownership interest in the affected pass-
12 through entity shall be personally liable for such tax.

13 (c) Deposit and disposition of revenue. All taxes, interest, penal-
14 ties, and fees collected or received by the commissioner under this
15 article shall be deposited and disposed of pursuant to the provisions of
16 section one hundred seventy-one-a of this chapter.

17 (d) Secrecy provision. All the provisions of subsection (a) of section
18 six hundred ninety-seven of this chapter will be applied to the
19 provisions of this article. Notwithstanding any provisions of this chap-
20 ter to the contrary, the commissioner may disclose information and
21 returns regarding the calculation and payment of the tax imposed by this
22 article to an affected pass-through entity, to its lower-tiered affected
23 pass-through entity or entities, and to any partner or shareholder that
24 has a direct or indirect ownership interest in the affected pass-through
25 entity and to which is allocable any separately or nonseparately
26 computed items, as described in section 702(a) of the Internal Revenue
27 Code with respect to a partnership or section 1366 of the Internal
28 Revenue Code with respect to an S corporation.

29 § 2. The opening paragraph of paragraph (a) of subdivision 1 of
30 section 210 of the tax law, as amended by section 10 of part T of chap-
31 ter 59 of the laws of 2015, is amended to read as follows:

32 For taxable years beginning before January first, two thousand
33 sixteen, the amount prescribed by this paragraph shall be computed at
34 the rate of seven and one-tenth percent of the taxpayer's business
35 income base. For taxable years beginning on or after January first, two
36 thousand sixteen, the amount prescribed by this paragraph shall be six
37 and one-half percent of the taxpayer's business income base. The taxpay-
38 er's business income base shall mean the portion of the taxpayer's busi-
39 ness income apportioned within the state as hereinafter provided. Howev-
40 er, in the case of a small business taxpayer, as defined in paragraph
41 (f) of this subdivision, the amount prescribed by this paragraph shall
42 be computed pursuant to subparagraph (iv) of this paragraph and in the
43 case of a manufacturer, as defined in subparagraph (vi) of this para-
44 graph, the amount prescribed by this paragraph shall be computed pursu-
45 ant to subparagraph (vi) of this paragraph, and, in the case of a quali-
46 fied emerging technology company, as defined in subparagraph (vii) of
47 this paragraph, the amount prescribed by this paragraph shall be
48 computed pursuant to subparagraph (vii) of this paragraph. Notwith-
49 standing the provisions of this paragraph, with respect to any taxpayer
50 that has a direct or indirect ownership interest in one or more pass-
51 through entities that has elected to be subject to tax pursuant to
52 subsection (a) of section eight hundred sixty-one of this chapter,
53 including any taxpayer that is a small business taxpayer, a manufactur-
54 er, or a qualified emerging technology company, the taxpayer's business
55 income base will be decreased by an amount equal to the product of (1)
56 the sum of the portions of the taxpayer's distributive or pro rata share

1 of each separately and nonseparately computed item as described in
2 section 702(a) or section 1366 of the Internal Revenue Code that is
3 derived from or connected with New York sources as computed pursuant to
4 subsection (g) of section eight hundred sixty of this chapter that is
5 being taken into account in determining the tax paid by an affected
6 pass-through entity pursuant to subsection (a) of section eight hundred
7 sixty-one of this chapter and (2) a fraction, the numerator of which is
8 the tax rate imposed on affected pass-through entities by subsection (a)
9 of section eight hundred sixty-one of this chapter and the denominator
10 of which is the tax rate imposed on the business income base of the
11 taxpayer pursuant to this paragraph. If the amount of the reduction
12 allowable to the taxpayer under the previous sentence for any taxable
13 year shall exceed the taxpayer's tax base for such year, the excess
14 allowed for the taxable year may be carried over to the following year
15 or years and may be used to reduce the taxpayer's tax base in such
16 subsequent year or years.

17 § 3. Section 209-B of the tax law is amended by adding a new subdivi-
18 sion 7 to read as follows:

19 7. In determining the amount of the surcharge to be imposed on a
20 taxpayer pursuant to this section, the amount of such surcharge will be
21 determined without taking into account any affected pass-through entity
22 reduction computed pursuant to paragraph (a) of subdivision one of
23 section two hundred ten of this chapter.

24 § 4. Subsection (a) of section 611 of the tax law, as amended by chap-
25 ter 28 of the laws of 1987, is amended to read as follows:

26 (a) General. The New York taxable income of a resident individual
27 shall be his New York adjusted gross income less his New York deduction
28 and New York exemptions, as determined under this part. Notwithstanding
29 the foregoing provision, with respect to any resident individual that
30 has a direct or indirect ownership interest in one or more affected
31 pass-through entities subject to the tax imposed pursuant to article
32 twenty-four-A of this chapter, the resident individual's New York taxa-
33 ble income shall be adjusted to exclude such individual's distributive
34 or pro rata shares of each separately and nonseparately computed item,
35 as described in section 702(a) of the Internal Revenue Code with respect
36 to a partnership or section 1366 of the Internal Revenue Code with
37 respect to an S corporation, from all affected pass-through entities in
38 which the taxpayer has a direct or indirect ownership interest. If the
39 amount of the adjustment made pursuant to the previous sentence shall
40 exceed the resident individual's New York taxable income for such year,
41 the excess allowed for the taxable year may be carried over to the
42 following year or years and may be used to reduce the resident individ-
43 ual's New York taxable income in such subsequent year or years.

44 § 5. Section 618 of the tax law is amended by adding a new subsection
45 6 to read as follows:

46 (6) With respect to a resident estate or trust that has a direct or
47 indirect ownership interest in one or more affected pass-through enti-
48 ties subject to the tax imposed pursuant to article twenty-four-A of
49 this chapter, the resident estate's or trust's New York taxable income
50 shall be adjusted to exclude such estate's or trust's distributive or
51 pro rata shares of each separately and nonseparately computed item, as
52 described in section 702(a) of the Internal Revenue Code with respect to
53 a partnership or section 1366 of the Internal Revenue Code with respect
54 to an S corporation, from all affected pass-through entities in which
55 the taxpayer has a direct or indirect ownership interest. If the amount
56 of the adjustment made pursuant to the previous sentence shall exceed

1 the estate's or the trust's New York taxable income for such year, the
2 excess allowed for the taxable year may be carried over to the following
3 year or years and may be used to reduce the estate's or trust's New York
4 taxable income in such subsequent year or years.

5 § 6. Subsection (e) of section 601 of the tax law is amended by adding
6 a new paragraph 5 to read as follows:

7 (5) Nonresident partners and shareholders in affected pass-through
8 entities. Notwithstanding any other provision of this subsection, with
9 respect to every nonresident and part-year resident individual and trust
10 and every nonresident estate that has a direct or indirect ownership
11 interest in one or more affected pass-through entities subject to the
12 tax imposed pursuant to article twenty-four-A of this chapter, the tax
13 imposed pursuant to paragraph one of this subsection shall be an amount
14 equal to the sum of the modified tax base and the surtax tax base multi-
15 plied by their respective applicable New York source fractions.

16 (A) Modified tax base. The modified tax base of a taxpayer under this
17 paragraph shall be calculated in the same manner as the tax base in
18 paragraph two of this subsection, except that, notwithstanding
19 subsection (a) of section six hundred eleven or subdivision six of
20 section six hundred eighteen of this article, separately and nonsepa-
21 rately computed items with respect to such affected pass-through enti-
22 ties shall not be excluded, and the rate tables under subsections (a),
23 (b) and (c) and the supplemental tax under subsection (d-1) of this
24 section shall be applied by reducing each tax rate in excess of 6.85% to
25 6.85%, and adjusting each tax table accordingly. The applicable New York
26 source fraction for the modified tax base shall be calculated in the
27 same manner as the New York source fraction under paragraph three of
28 this subsection, including the exclusion of separately and nonseparately
29 computed items with respect to such affected pass-through entities under
30 subsection (a) of section six hundred eleven or subdivision six of
31 section six hundred eighteen of this article, as applicable, in calcu-
32 lating the numerator of such fraction. If the amount of such separately
33 and nonseparately computed items so excluded exceeds the numerator of
34 the New York source fraction for such year before such exclusion, the
35 excess may be carried over to the following year or years and may be
36 used to reduce the numerator of the taxpayer's applicable New York
37 source fraction under this subparagraph for such taxable years.

38 (B) Surtax tax base. The surtax tax base of a taxpayer under this
39 paragraph shall be equal to the portion of the taxpayer's New York taxa-
40 ble income to which the 8.82% rate would have applied in computing the
41 taxpayer's modified tax base under the preceding subparagraph (after
42 taking into account the tax table benefit recapture provisions under
43 subsection (d-1) of this section) if the tax rate had not been capped at
44 6.85% under that subparagraph multiplied by a factor of 1.97%. The
45 applicable New York source fraction for the surtax tax base shall be
46 calculated in the same manner as the New York source fraction under
47 paragraph three of this subsection, except that separately and nonsepa-
48 rately computed items with respect to such affected pass-through enti-
49 ties shall not be excluded in calculating the numerator of such frac-
50 tion.

51 § 7. Section 606 of the tax law is amended by adding a new subsection
52 (kkk) to read as follows:

53 (kkk) Taxpayers with direct or indirect ownership interests in
54 affected pass-through entities. Notwithstanding the other provisions of
55 this subsection, a taxpayer that has a direct or indirect ownership
56 interest in an affected pass-through entity that is subject to tax

pursuant to article twenty-four-A of this chapter is not entitled to claim a credit otherwise provided by this section to the extent that the credit was claimed by the affected pass-through entity for purposes of determining its tax liability under article twenty-four-A of this chapter.

§ 8. Subsection (d) of section 620 of the tax law, as added by chapter 166 of the laws of 1991, is amended to read as follows:

(d) S corporation shareholders and partners. In the case of a shareholder of an S corporation, the term "income tax" in subsection (a) of this section shall ~~[not]~~ include (1) any such tax imposed upon or payable by the [corporation, but shall include any such tax] shareholder with respect to the income of the corporation [imposed upon or payable by the shareholder], without regard to whether an election independent of the federal S election was required to effect such imposition upon the shareholder of such S corporation and (2) such shareholder's pro rata share of any such tax imposed upon or payable by the corporation, provided such tax imposition or payment results from a tax that the commissioner determines is substantially similar to the tax imposed by article twenty-four-A of this chapter. In the case of a partner in a partnership, the term "income tax" in subsection (a) of this section shall (1) include any such tax imposed upon or payable by the partner with respect to the income of the partnership and (2) such partner's distributive share of any such tax imposed upon or payable by the partnership, provided such tax imposition or payment results from a tax that the commissioner determines is substantially similar to the tax imposed by article twenty-four-A of this chapter.

§ 9. Section 620 of the tax law is amended by adding a new subsection (e) to read as follows:

(e) Taxpayers with direct or indirect ownership interests in affected pass-through entities. Notwithstanding the other provisions of this section, a taxpayer that has a direct or indirect ownership interest in an affected pass-through entity that is subject to tax pursuant to article twenty-four-A of this chapter is not entitled to claim a credit otherwise provided by this section to the extent that any income tax is claimed as a credit pursuant to section eight hundred sixty-two of this chapter by the affected pass-through entity for purposes of determining its tax liability under article twenty-four-A of this chapter.

§ 10. Subparagraph (A) of paragraph 4 of subsection (c) of section 658 of the tax law, as amended by section 72 of part A of chapter 59 of the laws of 2014, is amended to read as follows:

(A) General. Every entity other than an entity subject to tax under article twenty-four-A of this chapter, which is a partnership, other than a publicly traded partnership as defined in section 7704 of the federal Internal Revenue Code, subchapter K limited liability company or an S corporation for which the election provided for in subsection (a) of section six hundred sixty of this part is in effect, which has partners, members or shareholders who are nonresident individuals, as defined under subsection (b) of section six hundred five of this article, or C corporations, and which has any income derived from New York sources, determined in accordance with the applicable rules of section six hundred thirty-one of this article as in the case of a nonresident individual, shall pay estimated tax on such income on behalf of such partners, members or shareholders in the manner and at the times prescribed by subsection (c) of section six hundred eighty-five of this article. For purposes of this paragraph, the term "estimated tax" shall mean a partner's, member's or shareholder's distributive share or pro

1 rata share of the entity income derived from New York sources, multi-
2 plied by the highest rate of tax prescribed by section six hundred one
3 of this article for the taxable year of any partner, member or share-
4 holder who is an individual taxpayer, or paragraph (a) of subdivision
5 one of section two hundred ten of this chapter for the taxable year of
6 any partner, member or shareholder which is a C corporation, whether or
7 not such C corporation is subject to tax under article nine, nine-A or
8 thirty-three of this chapter, and reduced by the distributive share or
9 pro rata share of any credits determined under section one hundred
10 eighty-seven, one hundred eighty-seven-a, six hundred six or fifteen
11 hundred eleven of this chapter, whichever is applicable, derived from
12 the entity.

13 § 11. Section 612 of the tax law is amended by adding a new subsection
14 (y) to read as follows:

15 (y) The election by a partnership or S corporation pursuant to
16 subsection (b) of section eight hundred sixty-one of this chapter shall
17 have no impact on the additions and subtractions to be taken into
18 account under subsection (n) of this section and such election shall
19 have no impact on the determination of the basis of a partner or share-
20 holder in an interest in the partnership or in the stock or indebtedness
21 of the S corporation.

22 § 12. Subdivision 1 of section 171-a of the tax law, as amended by
23 section 3 of part XX of chapter 59 of the laws of 2019, is amended to
24 read as follows:

25 1. All taxes, interest, penalties and fees collected or received by
26 the commissioner or the commissioner's duly authorized agent under arti-
27 cles nine (except section one hundred eighty-two-a thereof and except as
28 otherwise provided in section two hundred five thereof), nine-A,
29 twelve-A (except as otherwise provided in section two hundred eighty-
30 four-d thereof), thirteen, thirteen-A (except as otherwise provided in
31 section three hundred twelve thereof), eighteen, nineteen, twenty
32 (except as otherwise provided in section four hundred eighty-two there-
33 of), twenty-B, twenty-D, twenty-one, twenty-two, ~~twenty-four~~ twenty-
34 four-A, twenty-six, twenty-eight (except as otherwise provided in
35 section eleven hundred two or eleven hundred three thereof),
36 twenty-eight-A, twenty-nine-B, thirty-one (except as otherwise provided
37 in section fourteen hundred twenty-one thereof), thirty-three and thir-
38 ty-three-A of this chapter shall be deposited daily in one account with
39 such responsible banks, banking houses or trust companies as may be
40 designated by the comptroller, to the credit of the comptroller. Such an
41 account may be established in one or more of such depositories. Such
42 deposits shall be kept separate and apart from all other money in the
43 possession of the comptroller. The comptroller shall require adequate
44 security from all such depositories. Of the total revenue collected or
45 received under such articles of this chapter, the comptroller shall
46 retain in the comptroller's hands such amount as the commissioner may
47 determine to be necessary for refunds or reimbursements under such arti-
48 cles of this chapter out of which amount the comptroller shall pay any
49 refunds or reimbursements to which taxpayers shall be entitled under the
50 provisions of such articles of this chapter. The commissioner and the
51 comptroller shall maintain a system of accounts showing the amount of
52 revenue collected or received from each of the taxes imposed by such
53 articles. The comptroller, after reserving the amount to pay such
54 refunds or reimbursements, shall, on or before the tenth day of each
55 month, pay into the state treasury to the credit of the general fund all
56 revenue deposited under this section during the preceding calendar month

1 and remaining to the comptroller's credit on the last day of such
2 preceding month, (i) except that the comptroller shall pay to the state
3 department of social services that amount of overpayments of tax imposed
4 by article twenty-two of this chapter and the interest on such amount
5 which is certified to the comptroller by the commissioner as the amount
6 to be credited against past-due support pursuant to subdivision six of
7 section one hundred seventy-one-c of this article, (ii) and except that
8 the comptroller shall pay to the New York state higher education
9 services corporation and the state university of New York or the city
10 university of New York respectively that amount of overpayments of tax
11 imposed by article twenty-two of this chapter and the interest on such
12 amount which is certified to the comptroller by the commissioner as the
13 amount to be credited against the amount of defaults in repayment of
14 guaranteed student loans and state university loans or city university
15 loans pursuant to subdivision five of section one hundred seventy-one-d
16 and subdivision six of section one hundred seventy-one-e of this arti-
17 cle, (iii) and except further that, notwithstanding any law, the comp-
18 troller shall credit to the revenue arrearage account, pursuant to
19 section ninety-one-a of the state finance law, that amount of overpay-
20 ment of tax imposed by article nine, nine-A, twenty-two, thirty, thir-
21 ty-A, thirty-B or thirty-three of this chapter, and any interest there-
22 on, which is certified to the comptroller by the commissioner as the
23 amount to be credited against a past-due legally enforceable debt owed
24 to a state agency pursuant to paragraph (a) of subdivision six of
25 section one hundred seventy-one-f of this article, provided, however, he
26 shall credit to the special offset fiduciary account, pursuant to
27 section ninety-one-c of the state finance law, any such amount credita-
28 ble as a liability as set forth in paragraph (b) of subdivision six of
29 section one hundred seventy-one-f of this article, (iv) and except
30 further that the comptroller shall pay to the city of New York that
31 amount of overpayment of tax imposed by article nine, nine-A, twenty-
32 two, thirty, thirty-A, thirty-B or thirty-three of this chapter and any
33 interest thereon that is certified to the comptroller by the commission-
34 er as the amount to be credited against city of New York tax warrant
35 judgment debt pursuant to section one hundred seventy-one-l of this
36 article, (v) and except further that the comptroller shall pay to a
37 non-obligated spouse that amount of overpayment of tax imposed by arti-
38 cle twenty-two of this chapter and the interest on such amount which has
39 been credited pursuant to section one hundred seventy-one-c, one hundred
40 seventy-one-d, one hundred seventy-one-e, one hundred seventy-one-f or
41 one hundred seventy-one-l of this article and which is certified to the
42 comptroller by the commissioner as the amount due such non-obligated
43 spouse pursuant to paragraph six of subsection (b) of section six
44 hundred fifty-one of this chapter; and (vi) the comptroller shall deduct
45 a like amount which the comptroller shall pay into the treasury to the
46 credit of the general fund from amounts subsequently payable to the
47 department of social services, the state university of New York, the
48 city university of New York, or the higher education services corpo-
49 ration, or the revenue arrearage account or special offset fiduciary
50 account pursuant to section ninety-one-a or ninety-one-c of the state
51 finance law, as the case may be, whichever had been credited the amount
52 originally withheld from such overpayment, and (vii) with respect to
53 amounts originally withheld from such overpayment pursuant to section
54 one hundred seventy-one-l of this article and paid to the city of New
55 York, the comptroller shall collect a like amount from the city of New
56 York.

1 § 13. Section 601 of the tax law is amended by adding a new subsection
2 (j) to read as follows:

3 (j) For every resident individual, estate or trust that has a direct
4 or indirect ownership interest in one or more pass-through entities that
5 has elected to be subject to tax pursuant to subsection (a) of section
6 eight hundred sixty-one of this chapter, there is hereby imposed for
7 each taxable year a surtax at the rate of 1.97% on the amount by which
8 the portion of such individual's, estate's or trust's New York taxable
9 income subject to tax at the rate of 8.82% would increase if the resi-
10 dent individual's, estate's or trust's New York taxable income was
11 adjusted to add back such individual's, estate's or trust's distributive
12 or pro rata shares of separately or nonseparately computed items from
13 such pass-through entities.

14 § 14. Paragraph 1 of subsection (e) of section 601 of the tax law, as
15 amended by chapter 170 of the laws of 1994, is amended to read as
16 follows:

17 (1) General. [~~There~~] Except as provided in paragraph five of this
18 subsection, there is hereby imposed for each taxable year on the taxable
19 income which is derived from sources in this state of every nonresident
20 and part-year resident individual and trust and every nonresident estate
21 a tax which shall be equal to the tax base multiplied by the New York
22 source fraction.

23 § 15. This act shall take effect immediately and shall apply for
24 taxable years beginning on or after January 1, 2021; provided, however
25 that the amendments to subdivision 1 of section 171-a of the tax law
26 made by section twelve of this act shall not affect the expiration of
27 such subdivision and shall be deemed to expire therewith.