

STATE OF NEW YORK

3252

2023-2024 Regular Sessions

IN ASSEMBLY

February 2, 2023

Introduced by M. of A. KELLES -- read once and referred to the Committee on Ways and Means

AN ACT to establish the "billionaire mark-to-market tax act"; and to amend the tax law, in relation to establishing a mark-to-market tax

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

1 Section 1. This act shall be known and may be cited as the "billionaire mark-to-market tax act".

2 § 2. The tax law is amended by adding a new section 612-a to read as follows:

3 § 612-a. Billionaire mark-to-market taxation. (a)(1) Notwithstanding
4 any other provision of law to the contrary, resident individual taxpayers
5 with net assets worth one billion dollars or more on the date of
6 December thirty-first, two thousand twenty-two, shall recognize gain or
7 loss as if each asset owned by the individual taxpayer were sold for its
8 fair market value on that date. Any resulting net gains from these
9 deemed sales, up to the phase-in cap amount, shall be included in the
10 taxpayer's income for the two thousand twenty-three tax year. Proper
11 adjustment shall be made in the amount of any gain or loss subsequently
12 realized for gain or loss taken into account under the preceding
13 sentence. At the taxpayer's option, any additional tax payable as a
14 result of this subsection shall either be payable along with any other
15 tax owed for the two thousand twenty-three tax year or else shall be
16 payable annually in ten equal installments beginning in the year of the
17 effective date of this section and with all such installment payments
18 commencing after the initial installment payment also being subject to
19 an annual nondeductible deferral charge. The annual nondeductible
20 deferral charge shall be set by the state comptroller at a rate that the
21 comptroller estimates is equal to the unsecured borrowing rate of the
22 taxpayer for a loan repaid over a ten-year term in equal annual install-
23 ments. The comptroller may estimate a single rate for all taxpayers
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EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.

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1 subject to the deferral charge. For resident individual taxpayers who
2 would recognize net gains as a result of this subsection except for the
3 operation of this sentence, if the taxpayer can show that any portion of
4 such gains was accumulated prior to the taxpayer becoming a resident
5 individual of New York, and if the taxpayer can also show that such
6 portion of such gains was previously taxed by any prior state or juris-
7 isdiction in which the taxpayer was a resident prior to becoming a resi-
8 dent individual of New York, then credit shall be provided in the amount
9 of any such tax on such gains paid to any such prior states or jurisdic-
10 tions in which the taxpayer was a resident prior to becoming a resident
11 individual of New York. Any credits so provided by this subsection,
12 however, shall not exceed the lesser of the total tax owed under this
13 subsection on such gains and the tax imposed on such gains by such other
14 prior states or jurisdictions in which the taxpayer was a resident prior
15 to becoming a resident individual of New York.

16 (2) For the two thousand twenty-three tax year, whether an individual
17 is a resident individual for purposes of this section shall be deter-
18 mined using the tests provided pursuant to paragraph one of subsection
19 (b) of section six hundred five of this article.

20 (b) Subsequent to two thousand twenty-three, resident individual
21 taxpayers with net assets that are worth one billion dollars or more at
22 the end of the last day of any tax year shall recognize gain or loss as
23 if each asset owned by such taxpayer on such date were sold for its fair
24 market value on such date, but with adjustment made for tax paid on gain
25 in previous years. Any resulting net gains from these deemed sales, up
26 to the phase-in cap amount, shall be included in the taxpayer's income
27 for such taxable year. Proper adjustment shall be made in the amount of
28 any gain or loss subsequently realized for gain or loss taken into
29 account under the preceding sentence. To the extent that the losses of a
30 taxpayer exceed such taxpayer's gains, such net losses shall not be
31 recognized in such taxable year and shall instead carry forward indefi-
32 nitely. For resident individual taxpayers who would recognize net gains
33 as a result of this subsection except for the operation of this
34 sentence, but who were not resident individuals for all of the preceding
35 five tax years, solely for purposes of deemed sales pursuant to this
36 subsection, the tax basis of each asset owned on the last day of the
37 last tax year before the resident individual became a New York resident
38 shall be the fair market value of the asset as of that day.

39 (c) For each date on which gains or losses are recognized as a result
40 of this section, the phase-in cap amount shall be equal to a quarter of
41 the worth of a taxpayer's net assets in excess of one billion dollars on
42 such date.

43 (d) For the purposes of determining whether a resident individual
44 taxpayer has net assets worth one billion dollars or more, the term
45 "assets" shall include all of the following, but only to the extent
46 allowable under the New York Constitution, the United States Constitu-
47 tion, and any other governing federal law: all owned real or personal,
48 tangible or intangible, property, wherever situated, (1) owned by the
49 taxpayer, (2) owned by the taxpayer's spouse, minor children, or any
50 trust or estate of which the taxpayer is a beneficiary, (3) contributed
51 by the taxpayer or any person or entity described in paragraph two of
52 this subsection to any private foundation, donor advised fund, and any
53 other entity described in section 501(c) or section 527 of the Internal
54 Revenue Code of which the taxpayer and/or any person or entity described
55 in paragraph two of this subsection is a substantial contributor (as
56 such term is defined in Section 4958(c)(3)(B)(i) of the Internal Revenue

Code), and (4) without duplication, all gifts and donations made within the past five years by the taxpayer or any person or entity described in paragraph two of this subsection as if such gifts and donations were still owned by the taxpayer. For the purpose of this section, "net assets" shall include the fair market value of assets less the fair market value of liabilities of the taxpayer and, in appropriate cases as determined by the commissioner, liabilities of such other persons described in the definition of assets.

(e) (1) The fair market value of each asset owned by the taxpayer shall be the price at which such asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts. The value of a particular asset shall not be the price that a forced sale of the property would produce. Further, the fair market value of an asset shall not be the sale price in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. In the case of an asset which is generally obtained by the public in the retail market, the fair market value of such an asset shall be the price at which such item or a comparable item would be sold at retail.

(2) For purposes of this section, any feature of an asset, such as a poison pill, that was added with the intent, and has the effect, of reducing the value of the asset shall be disregarded, and no valuation or other discount shall be taken into account if it would have the effect of reducing the value of a pro rata economic interest in an asset below the pro rata portion of the value of the entire asset.

(f) (1) (A) The commissioner shall amend the New York personal income tax forms and amend or create any other forms as necessary for the reporting of gains by assets. Assets shall be listed with (i) a description of the asset, (ii) the asset category, (iii) the year the asset was acquired, (iv) the adjusted New York basis of the asset as of December thirty-first of the tax year, (v) the fair market value of the asset as of December thirty-first of the tax year, and (vi) the amount of gain that would be New York taxable income, unless the commissioner shall determine that one or more categories is not appropriate for a particular type of asset.

(B) Asset categories shall include, but not be limited to, the following:

- (i) stock held in any publicly traded corporation;
- (ii) stock held in any private traded C corporation;
- (iii) stock held in any S corporation;
- (iv) interests in any private equity or hedge fund organized as a partnership;
- (v) interests in any other partnerships;
- (vi) interests in any other noncorporate businesses;
- (vii) bonds and interest bearing savings accounts, cash and deposits;
- (viii) interests in mutual funds or index funds;
- (ix) put and call options;
- (x) futures contracts;
- (xi) financial assets held offshore reported on IRS tax form eight thousand nine hundred thirty-eight;
- (xii) real property;
- (xiii) art and collectibles;
- (xiv) pension funds;
- (xv) other assets;
- (xvi) debts and liabilities; and

1 (xvii) assets not owned by the taxpayer but which count toward the one
2 billion dollar threshold pursuant to subsection (d) of this section.

3 (2) The commissioner shall specifically request the filing of such
4 forms by any resident individual expected to have net assets in excess
5 of one billion dollars. Such taxpayers shall include, but not be limited
6 to, (A) taxpayers listed as billionaires on published lists, and (B)
7 taxpayers with an adjusted gross income summed over the previous ten
8 years in excess of six hundred million dollars.

9 (g) In the event that any resident individual taxpayer becomes a New
10 York resident subsequent to paying tax to another state as a result of
11 recognizing gain or loss pursuant to any mark-to-market or deemed-real-
12 ization regime of that other state, proper adjustment shall be made in
13 the amount of any gain or loss subsequently realized for gain or loss
14 taken into account under such mark-to-market or deemed-realization
15 regime of that other state for purposes of computing gain or loss under
16 subsection (a) or (b) of this section or under section six hundred
17 twelve of this part.

18 (h) In the event that any provision of this section is found to be
19 invalid, unconstitutional, or otherwise unenforceable, that finding
20 shall not affect any other provision in this section which can be
21 enforced without the use of the offending provision.

22 (i) No legal or equitable process shall issue in any proceeding in any
23 court against this state or any officer thereof to prevent or enjoin the
24 collection of the tax imposed by this section. Any action for a refund
25 of the tax imposed by this section paid, with interest, based solely on
26 a question of law involving the construction of the constitution of the
27 state or of the United States shall be heard in the court of appeals.
28 All other claims for a refund, with interest, shall be maintained in the
29 same manner as the personal income tax.

30 (j) The commissioner shall promulgate such rules and regulations
31 necessary or appropriate to carry out the purposes of this section,
32 including rules to prevent the use of year-end transfers, related
33 parties, or other arrangements to avoid the provisions of this section.

34 § 3. This act shall take effect immediately.