

# STATE OF NEW YORK

1570

2023-2024 Regular Sessions

## IN SENATE

January 12, 2023

Introduced by Sens. RAMOS, BRESLIN, BRISPORT, BROUK, COMRIE, COONEY, GIANARIS, HOYLMAN-SIGAL, JACKSON, KAVANAGH, LIU, MAY, MYRIE, PARKER, RIVERA, SALAZAR, SANDERS, SEPULVEDA, SERRANO -- read twice and ordered printed, and when printed to be committed to the Committee on Budget and Revenue

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 "billio-  
2 naire mark-to-market tax act".

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

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

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

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1 comptroller estimates is equal to the unsecured borrowing rate of the  
2 taxpayer for a loan repaid over a ten-year term in equal annual install-  
3 ments. The comptroller may estimate a single rate for all taxpayers  
4 subject to the deferral charge. For resident individual taxpayers who  
5 would recognize net gains as a result of this subsection except for the  
6 operation of this sentence, if the taxpayer can show that any portion of  
7 such gains was accumulated prior to the taxpayer becoming a resident  
8 individual of New York, and if the taxpayer can also show that such  
9 portion of such gains was previously taxed by any prior state or juris-  
10 isdiction in which the taxpayer was a resident prior to becoming a resi-  
11 dent individual of New York, then credit shall be provided in the amount  
12 of any such tax on such gains paid to any such prior states or jurisdic-  
13 tions in which the taxpayer was a resident prior to becoming a resident  
14 individual of New York. Any credits so provided by this subsection,  
15 however, shall not exceed the lesser of the total tax owed under this  
16 subsection on such gains and the tax imposed on such gains by such other  
17 prior states or jurisdictions in which the taxpayer was a resident prior  
18 to becoming a resident individual of New York.

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

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

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

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

1 Revenue Code of which the taxpayer and/or any person or entity described  
2 in paragraph two of this subsection is a substantial contributor (as  
3 such term is defined in Section 4958(c)(3)(B)(i) of the Internal Revenue  
4 Code), and (4) without duplication, all gifts and donations made within  
5 the past five years by the taxpayer or any person or entity described in  
6 paragraph two of this subsection as if such gifts and donations were  
7 still owned by the taxpayer. For the purpose of this section, "net  
8 assets" shall include the fair market value of assets less the fair  
9 market value of liabilities of the taxpayer and, in appropriate cases as  
10 determined by the commissioner, liabilities of such other persons  
11 described in the definition of assets.

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

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

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

40 (B) Asset categories shall include, but not be limited to, the follow-  
41 ing:

- 42 (i) stock held in any publicly traded corporation;
- 43 (ii) stock held in any private traded C corporation;
- 44 (iii) stock held in any S corporation;
- 45 (iv) interests in any private equity or hedge fund organized as a  
46 partnership;
- 47 (v) interests in any other partnerships;
- 48 (vi) interests in any other noncorporate businesses;
- 49 (vii) bonds and interest bearing savings accounts, cash and deposits;
- 50 (viii) interests in mutual funds or index funds;
- 51 (ix) put and call options;
- 52 (x) futures contracts;
- 53 (xi) financial assets held offshore reported on IRS tax form eight  
54 thousand nine hundred thirty-eight;
- 55 (xii) real property;
- 56 (xiii) art and collectibles;

1     (xiv) pension funds;  
2     (xv) other assets;  
3     (xvi) debts and liabilities; and  
4     (xvii) assets not owned by the taxpayer but which count toward the one  
5     billion dollar threshold pursuant to subsection (d) of this section.

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

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

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

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

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

37    § 3. This act shall take effect immediately.