STATE OF NEW YORK

7016

2025-2026 Regular Sessions

IN ASSEMBLY

March 18, 2025

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

AN ACT to amend the tax law, in relation to expanding New York's manufacturing incentive to S corporations

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

Section 1. Paragraph 22 of subsection (c) of section 612 of the tax law, as amended by chapter 606 of the laws of 1984, subparagraph (A) as amended by chapter 28 of the laws of 1987, and subparagraph (B) as amended by chapter 190 of the laws of 1990, is amended to read as follows:

(22) In the case of a shareholder of an S corporation (A) where the election provided for in subsection (a) of section six hundred sixty **of this article** has not been made with respect to such corporation, any item of income of the corporation included in federal gross income pursuant to section thirteen hundred sixty-six of the internal revenue code, [~~and~~]

(B) in the case of a New York S termination year, subparagraph (A) of this paragraph shall apply to the amounts of income determined under subsection (s) of this section**, and**

(C) in the case of distributions as defined by sections three hundred one and thirteen hundred sixty-eight of the internal revenue code from corporations described in subparagraph (A) of this paragraph, and that are qualified New York manufacturers as defined by subparagraph (vi) of paragraph (a) of subdivision one of section two hundred ten of this chapter, received during the tax year of the shareholder, the lesser of:

(1) the shareholder's combined separately stated items of income, loss, or deduction, described in paragraph two of subsection (a) of section thirteen hundred sixty-six of the internal revenue code and regulations promulgated thereunder, that are includable in, or deductible from, a shareholder's federal taxable income, multiplied by the

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

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highest marginal federal tax rate for individuals in section one of the internal revenue code, in effect for the shareholder's tax year, provided, however, that if there is more than one such rate in effect during such year, a blended rate, considering each rate and the number of months in effect, shall be used, and

(2) the amount of actual distributions made to the shareholder during the shareholder's tax year.

§ 2. Paragraph 2 of subsection (e) of section 612 of the tax law, as amended by chapter 166 of the laws of 1991, is amended to read as follows:

(2) Shareholders of S corporations which are New York C corporations. In the case of a shareholder of an S corporation which is a New York C corporation, (A) the modifications under this section which relate to the corporation's items of income, loss and deduction shall not apply, except for the modifications provided under paragraph nineteen of subsection (b) and paragraph twenty-two of subsection (c) of this section, and

(B) the modification for corporate distributions described in subparagraph (C) of paragraph twenty-two of subsection (c) of this section shall apply.

§ 3. Paragraph 2 of subsection (a) of section 631 of the tax law, as amended by chapter 170 of the laws of 1994, is amended to read as follows:

(2) The portion of the modifications described in subsections (b) and (c) of section six hundred twelve of this article which relate to income derived from New York sources (including any modifications attributable to [~~him~~] such individual as a partner or shareholder of a New York S corporation), provided, however, that modifications for corporate distributions described in subparagraph (C) of paragraph twenty-two of subsection (c) of section six hundred twelve of this article shall be limited to the amount of the distributions which relate to income derived from New York sources and are included in the shareholder's New York adjusted gross income.

§ 4. This act shall take effect on the first of January next succeeding the date on which it shall have become a law and shall apply to all tax years commencing on or after such date.