

# STATE OF NEW YORK

8642

2025-2026 Regular Sessions

## IN ASSEMBLY

May 22, 2025

Introduced by M. of A. HEVESI -- read once and referred to the Committee on Health

AN ACT to amend the public health law, the tax law and the state finance law, in relation to enacting the "NYS health care tax reform act"

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 "NYS health care tax reform act".

3 § 2. Legislative findings. The legislature hereby finds that:

4 The affordability of health care and health insurance is extremely  
5 important in ensuring that the maximum number of New York state resi-  
6 dents can obtain high quality affordable health care.

7 Health care and health insurance are currently subject to several  
8 taxes that directly and indirectly increase the cost of health insurance  
9 coverage, including an annual flat tax on all privately insured people  
10 in New York state called the covered lives assessment and a 9.63% sales  
11 tax surcharge on certain hospital based health services (HCRA taxes).

12 Collectively, the taxes on health care, health insurance, and other  
13 taxes were budgeted at \$6.5 billion in the FY 2025 state budget. These  
14 taxes are now the fourth largest revenue source for the state behind  
15 only the personal income, sales, and broad-based business taxes. These  
16 taxes have been increased fourteen times since the program began in  
17 1997. The program is now far larger and is used for purposes never  
18 originally contemplated when first enacted.

19 The taxes on health care and health insurance are fundamentally  
20 regressive taxes because the taxes are unrelated to a consumer's wealth  
21 or ability to pay, directly impact hospitalization costs at a time when  
22 consumers are facing some of their greatest health care challenges,  
23 directly increase the cost of health insurance, and are counterproduc-  
24 tive to the public policy objective of making health insurance as  
25 affordable as possible. Even worse, these taxes are levied in a horribly

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

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1 unfair manner. They are levied on employees and their employers who are  
2 doing the right thing by providing employer-based health benefits.  
3 Employers who provide no health benefits to hourly workers, including  
4 some of the largest employers in the state, pay nothing.

5 It is therefore the intent of the legislature that these HCRA taxes be  
6 repealed and replaced so as to maintain the revenue needed to continue  
7 all of the public goods services currently provided under HCRA, includ-  
8 ing but not limited to indigent care grants, subsidies to medical malp-  
9 ractice insurers, and the creation of a diverse pool of physicians in  
10 training. Repeal of the current HCRA taxes may only occur in connection  
11 with the preservation of all the public goods.

12 § 3. Subparagraph (i) of paragraph (b) and paragraphs (c), (d) and (e)  
13 of subdivision 2 of section 2807-j of the public health law, as amended  
14 by section 50 of part B of chapter 58 of the laws of 2009, are amended  
15 to read as follows:

16 (i) the sum of (A) eight and eighteen-hundredths percent, provided,  
17 however, that for services provided on and after July first, two thou-  
18 sand three, the percentage shall be eight and eighty-five hundredths  
19 percent, and further provided that for services provided on and after  
20 January first, two thousand six, the percentage shall be eight and nine-  
21 ty-five hundredths percent, and further provided that for services  
22 provided on and after April first, two thousand nine, the percentage  
23 shall be nine and sixty-three hundredths percent, and provided that for  
24 services provided on and after April first, two thousand twenty-six, the  
25 percentage shall be zero percent, plus (B) twenty-four percent,  
26 provided, however, that for services provided on and after July first,  
27 two thousand three, the percentage shall be twenty-five and ninety-seven  
28 hundredths percent, and further provided that for services provided on  
29 and after January first, two thousand six, the percentage shall be twen-  
30 ty-six and twenty-six hundredths percent, and further provided that for  
31 services provided on and after April first, two thousand nine, the  
32 percentage shall be twenty-eight and twenty-seven hundredths percent,  
33 and provided that for services provided on and after April first, two  
34 thousand twenty-six, the percentage shall be zero percent, and plus (C)  
35 for a specified third-party payor as defined in subdivision one-a of  
36 section twenty-eight hundred seven-s of this article the percentage  
37 allowance applicable for a general hospital for inpatient hospital  
38 services pursuant to subdivision two of section twenty-eight hundred  
39 seven-s of this article;

40 (c) If an election in accordance with subdivision five of this section  
41 is in effect for a third-party payor and in addition in accordance with  
42 section twenty-eight hundred seven-t of this article for a specified  
43 third-party payor, the total percentage allowance factor shall be  
44 reduced to eight and eighteen-hundredths percent, provided, however,  
45 that for services provided on and after July first, two thousand three  
46 the total percentage allowance factor shall be reduced to eight and  
47 eighty-five hundredths percent, and further provided that for services  
48 provided on and after January first, two thousand six, the total  
49 percentage allowance factor shall be reduced to eight and ninety-five  
50 hundredths percent, and further provided that for services provided on  
51 and after April first, two thousand nine, the total percentage allowance  
52 factor shall be reduced to nine and sixty-three hundredths percent, and  
53 further provided that for services provided on and after April first,  
54 two thousand twenty-six, the total percentage allowance factor shall be  
55 zero percent.

1 (d) The total percentage allowance for payments by governmental agen-  
2 cies, as determined in accordance with paragraphs (a) and (a-1) of  
3 subdivision one of section twenty-eight hundred seven-c of this article  
4 as in effect on December thirty-first, nineteen hundred ninety-six, or  
5 health maintenance organizations for services provided to subscribers  
6 eligible for medical assistance pursuant to title eleven of article five  
7 of the social services law, or approved organizations for services  
8 provided to subscribers eligible for the family health plus program  
9 pursuant to title eleven-D of article five of the social services law,  
10 shall be five and ninety-eight-hundredths percent, provided, however,  
11 that for services provided on and after July first, two thousand three  
12 the total percentage allowance shall be six and forty-seven hundredths  
13 percent, and further provided that for services provided on and after  
14 January first, two thousand six, the total percentage allowance shall be  
15 six and fifty-four hundredths percent, and further provided that for  
16 services provided on and after April first, two thousand nine, the total  
17 percentage allowance shall be seven and four hundredths percent, and  
18 further provided that for services provided on and after April first,  
19 two thousand twenty-six, the total percentage allowance shall be zero  
20 percent, except that an entity covered by paragraph a of subdivision one  
21 of section twenty-eight hundred seven-c of this article may choose  
22 whether to apply surcharges and assessments pursuant to this section to  
23 its own health benefits and services provided for its own employees and  
24 their covered lives or to health maintenance organizations for services  
25 provided to subscribers eligible for medical assistance pursuant to  
26 title eleven of article five of the social services law, or approved  
27 organizations for services provided to subscribers eligible for the  
28 family health plus program pursuant to title eleven-D of article five of  
29 the social services law.

30 (e) The total percentage allowance for payments for services provided  
31 by designated providers of services for which there is no third-party  
32 coverage in whole or in part shall be eight and eighteen-hundredths  
33 percent, provided, however, that for services provided on and after July  
34 first, two thousand three the total percentage allowance shall be eight  
35 and eighty-five hundredths percent, and further provided that for  
36 services provided on and after January first, two thousand six, the  
37 total percentage allowance shall be eight and ninety-five hundredths  
38 percent, and further provided that for services provided on and after  
39 April first, two thousand nine, the total percentage allowance shall be  
40 nine and sixty-three hundredths percent, and further provided that for  
41 services provided on and after April first, two thousand twenty-six, the  
42 total percentage allowance shall be zero percent. This paragraph shall  
43 not apply to patient deductibles and coinsurance amounts.

44 § 4. Subparagraph (iv) of paragraph (c) of subdivision 2 of section  
45 2807-s of the public health law, as added by section 21 of part A of  
46 chapter 58 of the laws of 2007, is amended to read as follows:

47 (iv) The regional percentage allowance for [~~periods on and after~~] July  
48 first, two thousand seven through March thirtieth, two thousand twenty-  
49 six, for all general hospitals in the region applicable to specified  
50 third-party payors, and applicable to related patient coinsurance and  
51 deductible amounts, shall be the same regional percentage allowance  
52 calculated pursuant to subparagraph (iii) of this paragraph for the  
53 period January first, two thousand six through June thirtieth, two thou-  
54 sand seven.

55 § 5. The tax law is amended by adding a new section 1510-a to read as  
56 follows:

1 § 1510-a. Public goods surcharge on insurance corporations. (a) Beginning on April first, two thousand twenty-six and expiring on March thirty-first, two thousand twenty-nine, in addition to any taxes imposed on insurance corporations pursuant to section fifteen hundred ten of this article, and except as hereinafter provided, for taxable years beginning January first, two thousand twenty-six, every domestic insurance corporation, every foreign insurance corporation, and every alien insurance corporation, other than such corporations transacting the business of life insurance, which are (1) authorized to transact business in this state under a certificate of authority from the superintendent of financial services or (2) a risk retention group as defined in subsection (n) of section five thousand nine hundred two of the insurance law, shall, to support the provision of public goods provided for in sections twenty-eight hundred seven-l, twenty-eight hundred seven-m, and twenty-eight hundred seven-v of the public health law and for the privilege of exercising corporate franchises or for carrying on business in a corporate or organized capacity within this state, and in addition to any other taxes imposed for such privilege, pay a surcharge on the tax liability owed for all gross direct premiums, less return premiums thereon, written on risks located or resident in this state.

21 (b) The rate of the surcharge imposed by this section shall be ten and two-tenths percent on the tax liability owed for all gross direct premiums, less return premiums thereon, written on risks located or resident in this state, except that for any employer that contributes for employee health benefits in any manner and is subject to the surcharge under this section that offers or provides such health benefits to its employees that would be equivalent to at least a bronze level plan provided for by the patient protection and affordable care act, the rate of the surcharge shall instead be five and four-tenths percent.

30 § 6. The tax law is amended by adding a new section 220 to read as follows:

32 § 220. Public goods surcharge on business corporations. 1. Except for employers of fewer than fifty employees or full time equivalents in a calendar year, beginning on April first, two thousand twenty-six and expiring on March thirty-first, two thousand twenty-nine, and as hereinafter provided, for taxable years beginning January first, two thousand twenty-six, and except for corporations taxed pursuant to section fifteen hundred ten-a of this chapter, every domestic corporation, every foreign corporation and every alien corporation authorized to transact business in this state under a certificate of authority from the secretary of state shall, to support the provision of public goods provided for in sections twenty-eight hundred seven-l, twenty-eight hundred seven-m, and twenty-eight hundred seven-v of the public health law and for the privilege of exercising corporate franchises or for carrying on business in a corporate or organized capacity within this state, and in addition to any other taxes imposed for such privilege, pay a franchise tax surcharge, upon the basis of its business income base, or upon such other basis as may be applicable as provided by this article.

49 2. In addition to any tax imposed, there shall be a surcharge of ten and two-tenths percent, upon the tax liability provided by this article, except that for any employer that contributes for employee health benefits in any manner and is subject to the surcharge under this section that offers or provides such health benefits to its employees that would be equivalent to at least a bronze level plan provided for by the patient protection and affordable care act, the rate of surcharge shall instead be five and four-tenths percent.

1 § 7. The tax law is amended by adding a new section 866-a to read as  
2 follows:

3 § 866-a. Public goods surcharge on pass-through entities. (a) Any  
4 entity electing to be taxed pursuant to this article shall, to support  
5 the provision of public goods provided for in sections twenty-eight  
6 hundred seven-l, twenty-eight hundred seven-m, and twenty-eight hundred  
7 seven-v of the public health law and for the privilege of exercising  
8 corporate franchises or for carrying on business in a corporate or  
9 organized capacity within this state, and in addition to any other taxes  
10 imposed for such privilege, pay a surcharge upon the basis of its busi-  
11 ness income base, excluding income credited pursuant to section eight  
12 hundred sixty-three of this article, or upon such other basis as may be  
13 applicable as provided by this article.

14 (b) In addition to any tax imposed, there shall be a surcharge of ten  
15 and two-tenths percent upon the tax liability provided by this article.  
16 On or after January first, two thousand twenty-six, for any employer  
17 that contributes for employee health benefits in any manner and is  
18 subject to the surcharge under this section that offers or provides such  
19 health benefits to its employees that would be equivalent to at least a  
20 bronze level plan provided for by the patient protection and affordable  
21 care act, the rate of surcharge shall instead be five and four-tenths  
22 percent.

23 § 8. Paragraph 3 of subsection (c) of section 658 of the tax law, as  
24 amended by section 1 of part H1 of chapter 57 of the laws of 2009,  
25 subparagraph (A) as amended by section 13 of part Q of chapter 60 of the  
26 laws of 2016, and subparagraph (E) as added by section 13 of part S of  
27 chapter 59 of the laws of 2015, is amended to read as follows:

28 (3) Filing fees. (A) Every subchapter K limited liability company,  
29 every limited liability company that is a disregarded entity for federal  
30 income tax purposes, and every partnership which has any income derived  
31 from New York sources, determined in accordance with the applicable  
32 rules of section six hundred thirty-one of this article as in the case  
33 of a nonresident individual, shall on or before the fifteenth day of the  
34 third month following the close of each taxable year make a payment of a  
35 filing fee and filing fee surcharge. The amount of the filing fee [~~is~~]  
36 and filing fee surcharge are the [~~amount~~] amounts set forth in subpara-  
37 graph (B) of this paragraph. The minimum filing fee is twenty-five  
38 dollars for taxable years beginning in two thousand eight and thereaft-  
39 er. Limited liability companies that are disregarded entities for feder-  
40 al income tax purposes must pay a filing fee of twenty-five dollars for  
41 taxable years beginning on or after January first, two thousand eight.

42 (B) (i) The filing fee and filing fee surcharge will be based on the  
43 New York source gross income of the limited liability company or part-  
44 nership for the taxable year immediately preceding the taxable year for  
45 which the fee is due. If the limited liability company or partnership  
46 does not have any New York source gross income for the taxable year  
47 immediately preceding the taxable year for which the fee is due, the  
48 limited liability company or partnership shall pay the minimum filing  
49 fee. Partnerships, other than limited liability partnerships under arti-  
50 cle eight-B of the partnership law and foreign limited liability part-  
51 nerships, with less than one million dollars in New York source gross  
52 income are exempt from the filing fee. New York source gross income is  
53 the sum of the partners' or members' shares of federal gross income from  
54 the partnership or limited liability company derived from or connected  
55 with New York sources, determined in accordance with the provisions of  
56 section six hundred thirty-one of this article as if those provisions

1 and any related provisions expressly referred to a computation of feder-  
 2 al gross income from New York sources. For this purpose, federal gross  
 3 income is computed without any allowance or deduction for cost of goods  
 4 sold.

5 (ii) The amount of the filing fee for taxable years beginning on or  
 6 after January first, two thousand eight will be determined in accordance  
 7 with the following table:

8 If the New York source gross income is:	The fee is:
9 not more than \$100,000	\$25
10 more than \$100,000 but not over \$250,000	\$50
11 more than \$250,000 but not over \$500,000	\$175
12 more than \$500,000 but not over \$1,000,000	\$500
13 more than \$1,000,000 but not over \$5,000,000	\$1,500
14 more than \$5,000,000 but not over \$25,000,000	\$3,000
15 Over \$25,000,000	\$4,500

16 (iii) The amount of the filing fee surcharge for taxable years begin-  
 17 ning on or after January first, two thousand twenty-six will be deter-  
 18 mined in accordance with the following table:

19 <u>If the New York source gross income is:</u>	<u>The surcharge is:</u>
20 <u>not more than \$1,000,000</u>	<u>\$0</u>
21 <u>more than \$1,000,000 but not over \$5,000,000</u>	<u>\$1,000</u>
22 <u>more than \$5,000,000 but not over \$10,000,000</u>	<u>\$4,000</u>
23 <u>more than \$10,000,000 but not over \$25,000,000</u>	<u>\$10,000</u>
24 <u>more than \$25,000,000 but not over \$100,000,000</u>	<u>\$35,000</u>
25 <u>more than \$100,000,000 but not over \$500,000,000</u>	<u>\$175,000</u>
26 <u>more than \$500,000,000 but not over \$1,000,000,000</u>	<u>\$450,000</u>
27 <u>Over \$1,000,000,000</u>	<u>\$1,200,000</u>

28 (C) No credits provided by this article may be taken against the fee  
 29 or surcharge imposed by this paragraph.

30 (D) Where the filing fee or surcharge is not timely paid, it shall be  
 31 paid upon notice and demand and shall be assessed, collected and paid in  
 32 the same manner as taxes, and for those purposes any reference in this  
 33 article to tax imposed by this article shall be deemed also to refer to  
 34 this filing fee and surcharge.

35 (E) Notwithstanding the provisions of subsection (e) of section six  
 36 hundred ninety-seven of this article, the commissioner shall provide the  
 37 statements and other required information included on the filing fee and  
 38 surcharge payment form under section three hundred one of the limited  
 39 liability company law, subdivision (g) of section 121-1500 of the part-  
 40 nership law, and subdivision (f) of section 121-1502 of the partnership  
 41 law, to the secretary of state for filing. Such provision may also  
 42 include a copy or image of that portion of the report solely pertinent  
 43 to such information to the extent feasible. The commissioner may also  
 44 provide information on noncompliance.

45 (F) The filing fee surcharge set forth in clause (iii) of subparagraph  
 46 (B) of this paragraph shall be collected for the purpose of supporting  
 47 the provision of public goods provided for in sections twenty-eight  
 48 hundred seven-l, twenty-eight hundred seven-m and twenty-eight hundred  
 49 seven-v of the public health law.

50 § 9. Subdivision (a) of section 92-dd of the state finance law, as  
 51 amended by section 2 of part UU of chapter 59 of the laws of 2019, is  
 52 amended to read as follows:

1 (a) On and after April first, two thousand five, such fund shall  
2 consist of the revenues heretofore and hereafter collected or required  
3 to be deposited pursuant to paragraph (a) of subdivision eighteen of  
4 section twenty-eight hundred seven-c, and sections twenty-eight hundred  
5 seven-j, twenty-eight hundred seven-s and twenty-eight hundred seven-t  
6 of the public health law, subdivision (b) of section four hundred eight-  
7 y-two, clause (iii) of subparagraph (B) of paragraph three of subsection  
8 (c) of section six hundred fifty-eight and [~~section~~] sections fifteen  
9 hundred ten-a, two hundred twenty, eight hundred sixty-six-a and eleven  
10 hundred eighty-six of the tax law and required to be credited to the  
11 tobacco control and insurance initiatives pool, subparagraph (O) of  
12 paragraph four of subsection (j) of section four thousand three hundred  
13 one of the insurance law, section twenty-seven of part A of chapter one  
14 of the laws of two thousand two and all other moneys credited or trans-  
15 ferred thereto from any other fund or source pursuant to law.

16 § 10. This act shall take effect April 1, 2026; provided, however,  
17 that the amendments to section 2807-j of the public health law made by  
18 section three of this act shall not affect the expiration of such  
19 section and shall expire and be deemed repealed therewith; and provided  
20 further, however, that the amendments to section 2807-s of the public  
21 health law made by section four of this act shall not affect the expira-  
22 tion of such section and shall expire and be deemed repealed therewith.