

STATE OF NEW YORK

386

2025-2026 Regular Sessions

IN SENATE

(Prefiled)

January 8, 2025

Introduced by Sen. S. RYAN -- read twice and ordered printed, and when printed to be committed to the Committee on Investigations and Government Operations

AN ACT to amend the tax law, in relation to establishing small business savings accounts

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 "savings accounts for a variable economy (SAVE) for small businesses
3 act".

4 § 2. The tax law is amended by adding a new section 50 to read as
5 follows:

6 § 50. Small business savings accounts. (a) General. (1) The commis-
7 sioner shall establish a program to administer small business savings
8 accounts under this section.

9 (2) The commissioner shall establish minimum standards for small busi-
10 ness savings accounts and shall establish accounts, or enter into agree-
11 ments that meet these standards to administer such accounts. In estab-
12 lishing such standards and making such agreements the commissioner
13 shall, to the extent practicable, seek to minimize fees, minimize risk
14 of loss of principal, and ensure a range of investment risk options
15 available to account beneficiaries. Any eligible small business may
16 establish a small business savings account with respect to such business
17 under terms which meet the requirements of this section.

18 (b) Definition. For the purposes of this section, the term "small
19 business savings account" means a tax preferred savings account which is
20 designated at the time of establishment of the plan as a small business
21 savings account. Such designation shall be made in such manner as the
22 commissioner may by regulation prescribe.

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

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1 (c) Contributions. (1) There shall be allowed as a deduction an amount
2 equal to the contributions to a small business savings account for the
3 taxable year.

4 (2) The aggregate amount of contributions for any taxable year to all
5 small business savings accounts maintained for the benefit of an eligi-
6 ble small business shall not exceed an amount equal to ten percent of
7 the gross profits of the business for the preceding taxable year.

8 (d) Distributions. (1) Any qualified distribution from a small busi-
9 ness savings account shall not be includible in gross income.

10 (2) Any amounts distributed out of a small business savings account
11 that are not qualified distributions shall be included in gross income
12 for the taxable year of the distribution.

13 (3) For purposes of this section:

14 (A) The term "qualified distribution" means any amount:

15 (i) distributed from a small business savings account during a speci-
16 fied period of economic hardship; and

17 (ii) the distribution of which is certified by the taxpayer as part of
18 a plan which provides for the reinvestment of such distribution for the
19 funding of worker hiring or financial stabilization for the purposes of
20 job retention or creation.

21 (B) The term "specified period of economic hardship" means:

22 (i) any one-year period beginning immediately after the end of any two
23 consecutive quarters during which the annual rate of real gross domestic
24 product (as determined by the Bureau of Economic Analysis of the Depart-
25 ment of Commerce) decreases, or

26 (ii) any period, in no event shorter than one year, specified by the
27 commissioner for purposes of this section.

28 (C) The commissioner may specify a period under clause (ii) of subpar-
29 agraph (B) of this paragraph with respect to a specified area in the
30 case of an area determined by the governor to warrant assistance from
31 the Federal Government under the Robert T. Stafford Disaster Relief and
32 Emergency Assistance Act.

33 (D) The commissioner shall, for each specified period of economic
34 hardship establish a distribution limitation for qualified distributions
35 from eligible small business accounts with respect to such period. The
36 aggregate qualified distributions for any such period from all accounts
37 with respect to an eligible small business shall not exceed such limita-
38 tion.

39 (E) Any distribution not used in the manner certified under subpara-
40 graph (A) of this paragraph shall be treated as a distribution other
41 than a qualified distribution in the taxable year of such distribution.

42 (F) Any amount contributed to a small business savings account (and
43 any earnings attributable thereto), once distributed, shall not be
44 treated as a qualified distribution unless such distribution is made not
45 later than eight years after the date of such contribution. For purposes
46 of this subparagraph, amounts (and the earnings attributable thereto)
47 shall be treated as distributed on a first-in first-out basis.

48 (e) Eligible small business. For purposes of this section:

49 (1) The term "eligible small business" means, with respect to any
50 calendar year, any person if the annual average number of full-time
51 employees employed by such person during the preceding calendar year was
52 twenty-five or fewer and such person has an annual net income of less
53 than two hundred fifty thousand dollars. For purposes of this paragraph,
54 a preceding calendar year may be taken into account only if the person
55 was in existence throughout the year.

1 (2)(A) The term "full-time employee" means, with respect to any year,
2 an employee who is employed on average at least forty hours of service
3 per week.

4 (B) The commissioner shall prescribe such regulations, rules, and
5 guidance as may be necessary to determine the hours of service of an
6 employee, including rules for the application of this subdivision to
7 employees who are not compensated on an hourly basis.

8 (f) Effect of pledging account as security. If, during any taxable
9 year of the eligible small business for whose benefit an account is
10 established, the account or any portion thereof is pledged as security
11 for a loan, the portion so pledged shall be treated as distributed in a
12 distribution other than a qualified distribution.

13 (g) Annual report. The commissioner shall prepare and deliver an annu-
14 al report on the efficacy of small business savings accounts to the
15 temporary president of the senate and the speaker of the assembly. Such
16 report shall include, but not be limited to, an evaluation as to whether
17 small business savings accounts contribute to financial stabilization of
18 the small business during times of economic hardship, job retention or
19 creation.

20 § 3. Section 209 of the tax law is amended by adding a new subdivision
21 13 to read as follows:

22 13. For any taxable year beginning on or after January first, two
23 thousand twenty-five, any eligible small business, as such term is
24 defined pursuant to section fifty of this chapter, shall be exempt from
25 all taxes imposed pursuant to this article for any contribution to and
26 qualified distribution from a small business savings account established
27 pursuant to section fifty of this chapter, subject to the limits set
28 forth in such section. If a taxpayer files for and receives an exemption
29 from the tax imposed under this section pursuant to the provisions of
30 this subdivision and the funds withdrawn, or any portion thereof, are
31 not expended for a qualifying purpose as set forth in section fifty of
32 this chapter, then the amount of such exemption claimed by the taxpayer
33 shall be added back to tax in the next succeeding taxable year or in the
34 year in which the exemption is disallowed.

35 § 4. Subsection (c) of section 612 of the tax law is amended by adding
36 a new paragraph 48 to read as follows:

37 (48) Any qualified contribution to and any qualified distribution from
38 a small business savings account established pursuant to section fifty
39 of this chapter. If a taxpayer files for and receives an exemption from
40 the tax imposed under this section pursuant to the provisions of this
41 paragraph and are not a qualifying contribution or distribution as set
42 forth in section fifty of this chapter, then the amount of any such
43 exemption claimed by the taxpayer shall be added back to tax in the next
44 succeeding taxable year.

45 § 5. This act shall take effect immediately and shall apply to taxable
46 years beginning after such date.