

STATE OF NEW YORK

7880--A

2025-2026 Regular Sessions

IN SENATE

May 13, 2025

Introduced by Sen. KRUEGER -- read twice and ordered printed, and when printed to be committed to the Committee on Investigations and Government Operations -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the tax law, in relation to enacting the "NY-PROTECT ACT"; and providing for the repeal of such provisions upon expiration thereof

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 "NY-PROTECT
2 ACT".

3 § 2. The tax law is amended by adding a new section 27-a to read as
4 follows:

5 § 27-a. Improper suspension of tax-exempt status by the United States
6 Internal Revenue Service. 1. Notwithstanding any state or local law,
7 every organization designated by the Internal Revenue Service of the
8 United States under section 501(c)(3) of the Internal Revenue Code as a
9 tax-exempt organization as of January nineteenth, two thousand twenty-
10 five shall automatically maintain their tax-exempt status for New York
11 state purposes until the earlier of: (a) a determination by the commis-
12 sioner pursuant to an application as provided by this section; or (b)
13 January first, two thousand twenty-six.

14 2. (a) Within ninety days of the effective date of this section, the
15 commissioner shall establish a procedure or application allowing an
16 organization that believes that the United States Internal Revenue
17 Service illegally or improperly revoked its designation as a tax-exempt
18 organization under section 501(c)(3) of the Internal Revenue Code to
19 establish to the satisfaction of the commissioner that the organization
20 meets the requirements of that section without regard to such revocation
21 or federal status. The commissioner shall designate such organization as
22 a "state protected not-for-profit organization" upon such satisfaction.

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

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1 (b) The commissioner shall automatically designate an organization as
2 a "state protected not-for-profit organization" if the organization
3 provides to the commissioner a copy of a federal or state court ruling
4 in effect holding that the United States Internal Revenue Service acted
5 or likely acted illegally when it revoked the tax-exempt status of the
6 organization, regardless of whether the United States Internal Revenue
7 Service has complied with or is appealing such ruling.

8 3. An organization whose request to be designated as a "state
9 protected not-for-profit organization" is denied by the commissioner
10 shall have the right to appeal the determination using the procedure
11 prescribed by article forty of this chapter or otherwise prescribed
12 pursuant to this chapter, and must, in such proceeding, challenge the
13 merits of the determination made by the United States Internal Revenue
14 Service.

15 4. A "state protected not-for-profit organization" shall maintain its
16 tax-exempt status under New York state and local law without regard to
17 the change in its federal status. It shall, notwithstanding any other
18 state or local law or rule, be treated as if it were an organization
19 designated as a 501(c)(3) organization by the United States Internal
20 Revenue Service in respect to any tax, fee or other imposition adminis-
21 tered by the commissioner; and in respect to any sale, transfer or
22 assignment; and in respect to any tax, fee or other imposition adminis-
23 tered by a local government; and in respect to any contract, grant,
24 benefit, license, obligation, qualification, procedure or program estab-
25 lished or operated by or with the state or a local government, inclusive
26 of any agency, authority or subdivision thereof.

27 5. (a) The commissioner shall provide a determination to an organiza-
28 tion satisfying the requirements imposed by subdivision two of this
29 section with respect to a certification of its designation as a "state
30 protected not-for-profit organization" within thirty days of receipt of
31 a completed application.

32 (b) Notwithstanding any state or local law, rule or regulation or
33 procedure, this certification shall be accepted in lieu of any require-
34 ment that an organization provide documentation, or otherwise certify or
35 affirm, that it is an organization exempt from taxation under section
36 501(c)(3) of the Internal Revenue Code.

37 (c) The certification shall remain in effect until the earlier of
38 either April fifteenth of the year following the issuance of such
39 certificate, or one year after the date that the United States Internal
40 Revenue Service restores the designation of the organization as tax-ex-
41 empt; provided that the commissioner may revoke the certificate and
42 designation at any time if the commissioner determines that the organ-
43 ization: (i) no longer satisfies the requirements set forth in subdivi-
44 sion two of this section; or (ii) provided false information material to
45 the determination of the commissioner that the organization satisfied
46 such requirements.

47 (d) The commissioner may establish a truncated application or proce-
48 dure to allow for the renewal or re-issuance of such certification.

49 § 3. This act shall take effect immediately and shall be deemed to
50 have been in full force and effect on and after January 19, 2025, and
51 shall expire and be deemed repealed January 20, 2029.