BEFORE THE NEW YORK STATE SENATE FINANCE
AND ASSEMBLY WAYS AND MEANS COMMITTEES

JOINT LEGISLATIVE HEARING

In the Matter of the
2022-2023 EXECUTIVE BUDGET
ON TAXES

Virtual Hearing
Conducted via Zoom

February 16, 2022
4:05 p.m.

PRESIDING:

Senator Liz Krueger
Chair, Senate Finance Committee

Assemblywoman Helene E. Weinstein
Chair, Assembly Ways & Means Committee

PRESENT:

Senator Thomas F. O'Mara
Senate Finance Committee (RM)

Assemblyman Edward P. Ra
Assembly Ways & Means Committee (RM)

Assemblywoman Sandy Galef
Chair, Committee on Real Property Taxation

Senator Andrew Gounardes
Chair, Senate Committee on Revenue and Budget

Senator Diane J. Savino

Assemblyman Edward C. Braunstein

Assemblyman J. Gary Pretlow

2022-2023 Executive Budget
Taxes
2-16-22

PRESENT: (Continued)

Assemblyman Harry B. Bronson

Senator John C. Liu

Assemblyman Zohran K. Mamdani

Senator Alexis Weik

Assemblyman Philip A. Palmesano

Senator Edward A. Rath III

Assemblyman John T. McDonald III

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CHAIRWOMAN WEINSTEIN: Good afternoon. I am Helene Weinstein, chair of the New York State Assembly's Ways and Means Committee, and cochair of today's hearing, along with Senator Liz Krueger, chair of the Senate Finance Committee.

And today we begin the 13th and last in a series of hearings conducted by the joint fiscal committees of the Legislature regarding the Governor's proposed budget for fiscal year 2022-2023.

The hearings are conducted pursuant to the New York State Constitution and Legislative Law.

And this afternoon the Assembly -- our joint committees will hear testimony concerning the Governor's proposed budget for taxation.

Let me introduce the members of my conference who are here. The members of the Assembly who are here include Assemblywoman Galef, the chair of our Real Property Tax Committee; Assemblymember Braunstein; Assemblyman Mamdani; Assemblyman Pretlow; and

our ranker on Ways and Means, Assemblyman Ed Ra.

Do you want to -- I see you do have a colleague here -- introduce him?

ASSEMBLYMAN RA: Yes. We have Mr. Palmesano, who is a member of the Ways and Means Committee.

CHAIRWOMAN WEINSTEIN: Thank you.

So Senator Krueger, can you introduce the Senators who are with us?

CHAIRWOMAN KRUEGER: Thank you. Yes, I appreciate that, thank you.

We've been joined by Senator Diane Savino. I see Senator Tom O'Mara. And I see Senator Ed Rath. And I think we're expecting one or two more, so let's get rolling.

Oh, I'm sorry, Senator Gounardes, our chair of Tax and Revenue, just got in. Thank you.

CHAIRWOMAN WEINSTEIN: So just to review the rules of the road for our last hearing, governmental witnesses -- in this case, Acting Commissioner Amanda Hiller -- will have 10 minutes.

The nongovernmental witnesses who follow in panels will have three minutes to make a presentation.

For legislators, the chairs of the respective relevant committee to this hearing will have 10 minutes and a second round of three minutes if desired. Ranking members of each of these committees will get five minutes, and all other members of the committees who are here will get three minutes each.

Just to note for the panelists later, and the acting commissioner, that all written testimony has been submitted to the legislators in advance, so you don't have to read your testimony, you can highlight or summarize the important parts.

And everybody just keep an eye on the Zoom clock. When the clock winds down to zero, your time is up. I don't have a real hook to pull you off the stage, but I will chime in if you're still talking.

And just a reminder for the legislators -- and the witnesses -- that the

time is both for the question and the answer.

With all of that being said, let's get to the meat of the hearing. And I'm happy to introduce the New York State Department of Taxation and Finance, represented by Amanda Hiller, the acting commissioner as well as general counsel.

Ms. Hiller, the floor is yours.

DTF ACTING COMMISSIONER HILLER: Thank you. Good afternoon, Assemblymember Weinstein, Senator Krueger, and members of the fiscal committees. I'm Amanda Hiller, acting commissioner and general counsel of the Department of Taxation and Finance. Thank you for this opportunity to discuss the department and Governor Hochul's 2023 Executive Budget proposal.

To begin, I'm pleased to note that the state is in an excellent financial position. The economy is rebounding faster than we expected. The national GDP grew 5.7 percent last year after contracting 3.4 percent in 2020. We have a $5 billion surplus, which is primarily due to strong tax receipts. We

also have projected outyear surpluses. In fact, this is the first time in my memory that we have a financial plan with no outyear gaps to close.

Still, we need to be cautious. Drivers such as labor shortages, supply chain disruptions, high energy prices, strong housing market demand, and strong consumer demand that was driven by federal stimulus payments, have all led to inflation at the highest reported level since 1982. The Budget Division expects economic growth will slow in 2022 as many of these trends continue and those federal stimulus payments no longer drive consumer demand. Tax receipts are sensitive to economic forces, which leaves the state vulnerable to economic disruption.

Governor Hochul recognizes this and has proposed a responsible budget that makes targeted one-time investments in healthcare, infrastructure and tax relief. These proposals will help energize the economy without creating recurring liabilities that could cause problems down the road.

One of Governor Hochul's key tax relief measures is a proposal to accelerate the phase-in of middle-class tax cuts, which are currently scheduled to fully phase in by 2025. Under this proposal, the lower tax rates will be fully phased in by 2023, allowing 6.1 million New Yorkers to receive approximately $1.2 billion in tax relief two years earlier than originally enacted.

The Governor proposes $250 million in tax credits for small businesses that have incurred COVID-related expenses. Health and safety measures that were needed to help mitigate the spread of COVID-19 placed a heavy burden on small businesses, so this relief is vital.

The Governor also proposes a Homeowner Tax Rebate Credit to provide property tax relief to approximately 2.5 million New Yorkers across the state, including New York City. If approved, the Tax Department will be sending checks -- averaging $865 -- to eligible homeowners this fall.

There are, of course, many other

tax-related provisions in the budget, including tax relief for 195,000 small businesses, expansion of the low-income housing tax credit, and extension and enhancement of the brownfield redevelopment program.

I'd like, though, to shift gears and talk about Tax Department operations. At Tax we operate at scale: We process 28 million tax filings, mail 17 million pieces of correspondence, issue 9 million electronic notices to taxpayers, and answer 2.5 million calls each year as we work to collect over $140 billion in state and local revenue.

The 4,000 members of Team Tax strive every day to do this work efficiently, effectively, and fairly. Still, with these volumes, we must always guard against the temptation to prioritize efficiency over all else. That's why we're placing additional emphasis across all of our operational units on improving the taxpayer experience.

At its core, this is an exercise in empathy. We want to ensure that our

engagement with taxpayers is effective for all taxpayers, which means we need to see the ways in which taxpayers are different and adjust our work in recognition of those differences. This effort has many facets, including new training initiatives and a renewed focus on the clarity and accessibility of our guidance and other communications.

We're taking a particularly hard look at the burdens that interacting with the Tax Department may present. We have an obligation to ensure that taxpayers comply with our tax laws, and that includes asking some taxpayers to prove they are entitled to the refunds and credits they've claimed. But we too often have assumed that everyone understands exactly how to comply with complex laws, has ready access to different types of records, and can quickly meet voluminous document demands.

These are real challenges for many taxpayers, some of whom abandoned valuable benefits because proving eligibility was

simply too difficult. We are working hard to understand these challenges, and we're reevaluating the guidance we give to taxpayers, the ways we select returns for review, and the types of records we request, all with these challenges in mind.

Lastly, we're striving to increase awareness of the myriad of resources available to New York taxpayers. It's great that we have tax credits that can help working families and free-file options and educational opportunities and consumer initiatives -- all of which can make a real difference for people, but they do little good unless people know about them and can access them.

To this end, we have significantly expanded promotion of these programs and services. Most notably, we continue to expand promotion of the Free File program, which has increased usage by more than 50 percent, saving New Yorkers $51 million in tax preparation fees last year alone.

The work of improving the taxpayer

experience can't be a one-off. The fundamental fact is that the tax system in New York is very complicated. That means we will definitely need to sustain this energy and focus over the long term.

To conclude, I am incredibly proud of the work we are doing here at the department. And I'm excited about Governor Hochul's Executive Budget, which will make a real difference in the lives of New York taxpayers.

I look forward to working with you to move these initiatives forward and will now take your questions.

CHAIRWOMAN WEINSTEIN: Thank you.

We go first to Assemblywoman Galef, for 10 minutes.

Sandy, I'm sorry, we cannot hear you, even though you are not muted.

(Discussion off the record.)

CHAIRWOMAN WEINSTEIN: Even though you just came in here, we may have to ask you to log out and log back in.

We still cannot -- we still cannot

hear. Why don't -- Senator Krueger, do you want to go first?

CHAIRWOMAN KRUEGER: Sure.

CHAIRWOMAN WEINSTEIN: Yeah, why don't we do it and then we'll get back to --

CHAIRWOMAN KRUEGER: Okay. So Senator Andrew Gounardes, who is our new chair of our Tax and Revenue Committee.

SENATOR GOUNARDES: Thank you very much, Senator Krueger.

Hello, Commissioner Hiller. Good to see you. I want to piggyback off of where you kind of left us in terms of the staff and the employees at the Department of Taxation and Finance. In my previous role as chairman of the Civil Service Committee, I actually visited the department over the fall as part of my civil service tour. I had a great series of meetings and a tour of the offices up here in Albany, and I thought it was a really tremendous opportunity to see exactly how your staff are able to provide this service for the entire state. And really a model of efficiency, and really dedicated

public servants. So the department should be commended for having such a great workforce.

It was a very eye-opening experience for me just to see exactly what goes on behind the scenes to process all of these millions of state tax returns. And the whole system was really, really quite impressive.

I have a couple of questions for you; hopefully we can fit them all into this one round.

First, I want to just jump off of where you started your remarks talking about the economic sensitivity as it relates to taxes within the state. And it sounded like you were alluding to this notion that we've been hearing a lot about, about the impact of taxes on people staying in the state and whether or not some of the changes that were brought onto the tax code in the last year or so had an impact on people leaving the state.

So I really want to ask you, just at the outset, do we have any evidence, or from where you've seen in terms of the types of returns that we are processing, any evidence

that people have left New York State in the last year because of taxes or because of the change in the tax rates that we implemented last year?

DTF ACTING COMMISSIONER HILLER: Senator, thank you for the question.

I think we've certainly read stories that, you know, talk about how many moving trucks are moving to different parts of the country. And, you know, those include the sort of assumption that there may be a connection between our tax rates and migration out of the state.

It turns out that the tax code is not a really great way -- or tax filings aren't a really great way to measure that, at least in the near term. And that's because there's so much of a lag between tax activity to tax filings and tax processing. So we have not yet been able to close the tax filing season from last year, Processing Year '21, where we were processing the tax returns from Tax Year '20. Those returns would normally have been due in April or in October by extension, but

we extended those filing deadlines due to the impacts of Hurricane Ida, and so those filing deadlines moved into early 2022.

The state filing deadline has passed, but the federal filing deadline was yesterday, and a lot of taxpayers followed the federal filing deadline even though our state deadline was a little earlier.

And so we haven't even been able to close out the tax year from 2020 and assess what the initial pandemic impacts were. So it's really kind of hard for us to tell. One thing I can say is that, you know, our income tax receipts are trending higher in '21. We don't know who paid, but we do know that we've taken in higher PIT revenues than we had previously anticipated.

And so certainly we see taxpayers paying the income tax, and we're seeing record revenues as a result of that. But understanding exactly who's paying and where those taxpayers are, that's going to take a while for us to sort out just for Tax Year '20. We won't be able to see Tax Year '21,

which is where those higher tax brackets were imposed -- we won't know that till this time next year.

SENATOR GOUNARDES: I appreciate that, and I understand that we have to really look at the data. You know, it's always --

DTF ACTING COMMISSIONER HILLER: Exactly.

SENATOR GOUNARDES: I think lots of people fall into this trap of kind of taking a story or two meant for clickbait on the internet and use that to say that this is or is not the definitive story of what is happening.

I think it's fair to say that while we wait for that data, that the fact that we are drawing significantly higher PIT revenue -- we have had people who are still in this state paying that revenue, right, so we have not seen the mass exodus. Otherwise, we wouldn't see those rates -- or the volume in net collection really increase the way we've seen.

But I really look forward to asking

the same question next year so we can actually put numbers to this data point, we can actually drive that point home. I would suggest that we have not seen that type of mass exodus that some of these articles in clickbait stories might have suggested, you know, by interviewing one or two or three people out of a state of 20 million.

I want to now shift a little bit to asking -- you know, one of the things we had tried to do last year was create a SALT workaround, you know, creating these pass-through entities. And I'm just curious, you know, as a voluntary or an elective option for folks, do we have any sense or data as to what type of participation we saw of people electing to use the pass-through and what impact it may have had on their ability to kind of minimize at least their federal tax liability?

DTF ACTING COMMISSIONER HILLER: We were actually surprised by the popularity of the pass-through entity tax as a SALT workaround for pass-through entities and

their taxpayers. I think everyone was surprised to see that 95,000 entities elected to pay this tax for Tax Year '21.

We received 50,000 estimated tax payments totaling $11 billion in estimated tax payments that came in in December for Tax Year '21. And that was important for these entities because it allows them to claim those tax payments as an expense on their Tax Year '21 tax filings that they'll be filing at the federal level in Tax Year '22.

You know, the federal tax rates for these taxpayers is probably around 30-something percent, so it's $11 billion in payments. That's probably about $4 billion in federal tax savings that we were able to deliver to New Yorkers just by putting this workaround on the books.

SENATOR GOUNARDES: Fair enough. Thank you. That's a high number, so I appreciate that. That's really -- 95,000 is quite a lot.

I'm very happy to see the acceleration of the middle-class tax cut. That will go a

long way to help a lot of working-class families and middle-class families, especially, you know, communities that I represent down in southern Brooklyn.

But I do want to shift and ask about the property tax credit that's being proposed. And at the outset, I'm just curious as to why -- can you speak to why the Governor's budget proposes to give the credit in this way and not to, let's say, you know, expand the circuit-breaker provisions that we passed in last year's budget as it relates to giving people property tax relief?

DTF ACTING COMMISSIONER HILLER: You know, I think that providing property tax relief in different ways is not a bad thing.

I think one of the elements of this proposal that I think is really important is that the circuit-breaker credit that we enacted last year provided for benefits that were essentially, you know -- we weren't going to send tax benefits below a minimum. It has to be claimed on a tax return, which means you have to pay the taxes and then get

them back.

And this credit, instead, will be delivered as a check right to taxpayers, so they don't have to claim it as part of their tax return after the year where they paid their taxes. I think all of those things will allow us to deliver that tax benefit, you know, sooner rather later -- six months sooner, at least.

SENATOR GOUNARDES: Seems like we're learning the lessons from the 2008 stimulus bill, right? Give people a check instead of giving them a little bit back months later so they remember where it came from.

I think that one of the -- that makes a lot of sense. I think one of the limitations of this approach, though, is that by limiting it strictly to people who qualify for a STAR benefit, it really leaves out a lot of individuals who are also saddled with high property taxes -- especially, you know, again, in communities like mine in southern Brooklyn, lots of communities in New York City, which bear the disproportionate burden

of a very high property tax system. And so they are going to be shut out of this type of property tax relief, and that's a concern I think for many of us. Doing it with STAR is important, but it leaves out a whole universe of people that need to also get some type of help.

You know, and so I think that's something that we want to look at and see if we can make some adjustments there throughout the next six weeks or so to make sure that we're expanding the pool of opportunity for more folks to benefit from this type of relief; it will literally go a very long way.

Can you speak a little bit about there's two different payment structures for the property tax -- for the STAR relief benefit here: Those folks living in New York City and those folks living outside of New York City. I know there have been a lot of questions raised about the lack of parity between those proposed structures. Can you speak to that and maybe shed some light as to why there's two different calculations?

DTF ACTING COMMISSIONER HILLER: Well, I think historically many -- I mean, the Tax Department has delivered property tax relief checks in a variety of forms over the course of the last X number of years, and often those programs have not included New York City at all. And I think part of that is a sense that property taxes provide a higher percentage of support for local governments outside of New York City, and that New York City has a broader tax base than just property taxes.

And so this year I was really excited to see that this homeowner tax rebate credit will include STAR recipients in New York City. But the STAR benefits are lower in New York City because the property tax burden for those homeowners who are eligible to receive STAR is just a lower burden. And so there had to be a different structure for New York City in order to make sure that New York City recipients of STAR were receiving value from this credit.

SENATOR GOUNARDES: Thank you for

that.

CHAIRWOMAN KRUEGER: Thank you.

Perfect timing. Helene?

CHAIRWOMAN WEINSTEIN: Yes, I believe Chair Galef has corrected her problem.

ASSEMBLYWOMAN GALEF: I think I can speak.

CHAIRWOMAN WEINSTEIN: Yes, we can hear you.

DTF ACTING COMMISSIONER HILLER: I can hear you.

ASSEMBLYWOMAN GALEF: Welcome, Commissioner. Good to see you.

DTF ACTING COMMISSIONER HILLER: Thank you.

ASSEMBLYWOMAN GALEF: One of the questions we just had, which is the one you were just asked about, New York City homeowners -- and you may hear about that again. So thank you for the explanation.

Will the homeowners have to, in the homeowner tax rebate credit program -- do the homeowners have to do anything or is everything done automatically?

DTF ACTING COMMISSIONER HILLER: We plan to -- you know, as soon as we know, you know -- the Governor's budget included parameters for this credit. It's certainly possible that some of those parameters might change in the course of budget negotiations. As soon as we know what the final parameters are, we will begin working to put systems in place to deliver those checks for every eligible taxpayer. We don't expect to need to do anything for taxpayers -- we have all the information we need.

ASSEMBLYWOMAN GALEF: Right. And about when are they coming out? When do we tell our constituents --

DTF ACTING COMMISSIONER HILLER: I think we anticipate that they would be coming out in October.

ASSEMBLYWOMAN GALEF: October? Okay.

DTF ACTING COMMISSIONER HILLER: I think that was the plan. You know, certainly we'll take direction from the Governor and Legislature. Whatever the ultimate legislation provides, we will do that.

ASSEMBLYWOMAN GALEF: So there are going to be people that are going to be in both programs. But because you said before that some will get a check, some will have it on their income tax.

DTF ACTING COMMISSIONER HILLER: Nope. Nope. No, I just want to clarify that. So there was a circuit-breaker credit enacted last year, and that's a credit for taxpayers who paid a high amount of their income -- taxes represented more than 6 percent of their income. And that is a credit that's claimed on their tax return.

This program is just a check program. We will be sending checks to every eligible taxpayer in the fall.

ASSEMBLYWOMAN GALEF: All right. How many people do you think are involved in both of these programs? Do you have any idea? How many checks are going out?

DTF ACTING COMMISSIONER HILLER: I think we don't know about the circuit-breaker because we actually haven't finished seeing claiming for that program yet. I think there

was an estimate that about 1.1 million would be able to be eligible for the circuit-breaker.

I think we expect that about 2.5 million homeowners will be eligible to receive the new homeowner tax rebate credit. That's 2 million taxpayers outside of New York City and about 480,000 in New York City.

ASSEMBLYWOMAN GALEF: Okay. Can we just -- and this is a one-year program only?

DTF ACTING COMMISSIONER HILLER: As proposed, it's a one-year program. I think that's part of the Governor's, you know, efforts to make one-time relief so that we don't blow out the budget in outyears.

ASSEMBLYWOMAN GALEF: Okay. Can I just go on to the telecommunications assessment ceiling program?

DTF ACTING COMMISSIONER HILLER: Sure.

ASSEMBLYWOMAN GALEF: That will be extended for four years. Do you think there's -- is there a parity existing between the assessment values made about the

telecommunications properties by local assessors and the ceiling established by the state? Do you have any information on that, whether it's pretty much the same?

DTF ACTING COMMISSIONER HILLER: You know, I don't have actual data on that. But I would anticipate that most assessors are assessing at the ceiling values we've set.

ASSEMBLYWOMAN GALEF: Okay. Have there been many challenges locally --

DTF ACTING COMMISSIONER HILLER: There have --

ASSEMBLYWOMAN GALEF: Yes, there have been many?

DTF ACTING COMMISSIONER HILLER: Yes, there have been a number of challenges by telecommunications companies. Some of them are broader than the ceilings themselves because some telecommunications companies have challenged whether they should be subject to property taxes at all.

But there have been some challenges specifically to the ceilings. That actually poses some challenges for local governments,

and the Governor's budget proposes to look at that. Because assessors who have to defend the ceilings that were set by the state are kind of handicapped by that, and so we're working with them to try to help that.

But we at the end of the day think that those challenges really belong at the state because we were the ones who set the ceilings.

ASSEMBLYWOMAN GALEF: Right.

Okay, can I just ask about STAR? We're very thankful that there haven't been major changes in the STAR program. But there was one about having the ability to find out from other states what people's information, tax information is. Can you tell us a little bit more about that? Is the privacy of people protected?

I think what you're trying to get at is double dipping and that area, where people really shouldn't be getting our STAR, they're not really living in our state full-time.

DTF ACTING COMMISSIONER HILLER: Right. I don't think we anticipate, you

know, sort of broad exchange of files, you know, like enrollee files with other states.

But the Tax Department has been party to tax-information-sharing agreements with other states for decades. And for individual taxpayers that have -- where there's some reason for an inquiry from one state to the other, tax administrators are generally all subject to very stringent SEC rules and rules about keeping that information confidential. So, you know, I don't think we have fears that the information will be mishandled.

But there are states that have, you know, like homestead credits and homestead exemptions where a taxpayer has asserted that they are primarily resident in that state, and that would disqualify them from STAR in this state. So being able to have that exchange I think is important.

ASSEMBLYWOMAN GALEF: Do we have any idea from last year's experience, you know, how we've stopped some of those payments, illegal payments of STAR or Enhanced STAR?

DTF ACTING COMMISSIONER HILLER: You

know, last year I have to say that the Tax Department, we weren't aggressively trying to police STAR in the same way we would do in most years, because we understood that the pandemic was providing significant challenges to taxpayers across the state.

So we focused instead on working with assessors around their work and trying to provide other kinds of supports. And, you know, as -- you know, I'm pleased that today was the first day that we didn't have a new positive case at the Tax Department, and I'm looking forward to resuming some of those kinds of activities as we move into 2022.

I think it was the right call to not pursue them in 2020 and 2021, but we're going to anticipate being more aggressive in 2022.

ASSEMBLYWOMAN GALEF: And the issue of your doing a different formal mechanism for the executor, heir or other responsible parties notifying local officials directly of a property owner's death, can you just explain that a little bit further, and what happens now and what you're trying to change?

DTF ACTING COMMISSIONER HILLER: Well, I think there are two different things. One is sharing information about the death of a taxpayer with local assessors. We share that with county tax directors now. We want to be able to share it with other local assessors.

But there's a separate problem that has come up, and there have been different court treatments of the issue. Often when a property owner dies, the estate of that taxpayer may take some time to resolve. And during that period, the administrator of the estate is responsible for handling that estate. But the local taxing authorities, property tax authorities, don't have any idea who that administrator is. So if there are issues around delinquent taxes on that property, that notice is not necessarily getting to the person who is able to address that.

And so we want to create a mechanism in the law that allows an administrator to provide notice to local property tax administrators that they're the person

responsible for that property in that interim period before the estate has been closed out and assets have been distributed to their new owners.

ASSEMBLYWOMAN GALEF: Can I go on to the solar and wind valuation program, which is a little similar to our telecommunications, I guess.

What are some examples of the inputs used by local assessors in the department's solar and wind valuation model? What are they using? And are there challenges right now as we enter, you know, in more solar and wind installations?

DTF ACTING COMMISSIONER HILLER: You know, the model just was rolled out this past October. Actually, I think it's a couple of models. You know, the inputs include like the size of the proposed project and the generating capacity of the project. Some of the capitalization costs for the project and the like.

But those are just beginning to be used now by assessors. So I don't think that

we yet have evidence of how that's going to work.

Certainly I think that, you know, the Governor and the Legislature last year were trying to provide certainty around these projects as we try to meet our climate change goals. These renewable energy projects are certainly a growing part of our energy mix. And there were concerns about making sure that we have some certainty for these developers and some tools for assessors, some of whom would tell us that they were struggling to figure out how to assess these projects.

But the tool is new for this year, so I think it's just being rolled out now and assessors are just using it now. I'm sure there are frustrations on all sides, as with anything new that is trying to end up being a compromise between different interests, but we'll see how it goes.

ASSEMBLYWOMAN GALEF: Okay. I do have a last question, but we're coming to an end so I'll try to pick up on it later, just with

the assessors in the budget. There's only 750,000 in there for people to do reassessment of property. So I'll come back and we'll talk about that a little later.

DTF ACTING COMMISSIONER HILLER: Okay, great.

ASSEMBLYWOMAN GALEF: Thank you.

CHAIRWOMAN WEINSTEIN: To the Senate.

CHAIRWOMAN KRUEGER: Thank you.

Actually, I see we've been joined by Senator Tom O'Mara and Senator Alexis Weik, who is the ranker, so we're going to give her five minutes now.

SENATOR WEIK: Oh, is that me?

CHAIRWOMAN KRUEGER: Yes, that's you.

SENATOR WEIK: Thank you. I'm certainly not Senator O'Mara.

(Laughter.)

CHAIRWOMAN KRUEGER: No, you're not, trust me. We're happy you're not.

(Laughter.)

CHAIRWOMAN KRUEGER: Oh, did I say that? Never mind, O'Mara.

SENATOR WEIK: So first I just want

to say thank you so much, Amanda, for being here. I don't know if you remember me in my previous job --

DTF ACTING COMMISSIONER HILLER: I totally remember you. Islip.

SENATOR WEIK: Yes, that's -- absolutely. And I just want to say so I'm glad to see you on this call because you are an incredible wealth of information, especially when it comes to dealing with -- the fine-tuning parts of dealing with municipalities and the differences between all of those municipalities.

You were a phenomenal help with me in my town and in my county that does things kind of backwards than the rest of the state, and I just -- nothing but wonderful props for you because you do a fantastic job. And thank you so much for joining us today and for all the information you provided so far.

DTF ACTING COMMISSIONER HILLER: Thank you. It was a pleasure.

SENATOR WEIK: I didn't really have a question, I just wanted to say thank you.

I'm so happy to see you here today, I really am.

DTF ACTING COMMISSIONER HILLER: If all the questions are this easy, I'll be great.

(Laughter.)

CHAIRWOMAN KRUEGER: Thank you.

All right, back to you, Helene.

CHAIRWOMAN WEINSTEIN: So we'll go to Assemblyman Ra for five minutes.

ASSEMBLYMAN RA: Thank you, Chair.

Commissioner, good afternoon. Thank you. I just wanted to pass along thanks on behalf of myself and our staff. Your department is always responsive and helpful whenever we need to reach out, whether it's a constituent issue or information on legislation. So just wanted to thank you for that.

One of the topics that has come up a lot in recent times is inflation. And our conference put forth a proposal called the Inflation Relief and Consumer Assistance Plan.

And I'm just wondering if you could comment on whether the administration is thinking about, whether it's in the 30-day amendments or putting something on the table in the final budget, to find some ways to address the inflation and help, you know, our consumers, whose buying power has been, you know, limited because of inflation. You know, any type of tax-holiday-type things on essential items, or anything of that nature that might help with these rising costs.

DTF ACTING COMMISSIONER HILLER: Well, the Governor's Executive Budget proposal does not exclude any proposals for new tax holidays. As you know or may know, the state already provides an exemption for clothing and footwear sales, most clothing and footwear sales. A lot of states do that by providing a tax holiday through a certain period of the year. But in New York State the state taxes are -- that's a permanent exemption for those clothing and footwear sales under 110 across the state all year. We think that that's really important relief.

But of course the Governor's budget includes other kinds of property tax relief and income tax relief for taxpayers in order to try to stimulate our economy going forward in this year. And I'm excited about that because I think that we're delivering some real tax relief to taxpayers.

ASSEMBLYMAN RA: Thank you.

I know you mentioned, you know, the fact that we have no gaps in the outyears, and that's a great thing. And part of that is obviously --

DTF ACTING COMMISSIONER HILLER: It's amazing too.

ASSEMBLYMAN RA: -- the way in which our tax receipts have rebounded. I'm just wondering, though -- one of the concerns many of us have raised over the years with, you know, the tax increases that were put in in the last budget, and particularly how reliant our state has been and continues to be on personal income tax.

And I'm just wondering -- you know, I know we do have that picture in the financial

plan, but has the department done any kind of internal analysis on the -- you know, the sustainability of tax revenue growth? It is a small portion, especially with the ultra-millionaire's tax, a small number of people that we are dependent upon. And it does, you know, historically show that it can cause some instability in those receipts.

DTF ACTING COMMISSIONER HILLER: You know, I think that -- you know, I'm really pleased to see that our tax revenues are rebounding. Certainly our income tax revenues were strong in 2021.

Again, I can't really say exactly who has paid those revenues, because we haven't actually been able to sort through those tax filings yet, but -- in fact the lot of the filings haven't even been made yet. We've gotten about 1.5 million in tax returns so far this year, but we have another, you know, 9 million to go.

And we won't be able to assess what the impact was of those new higher brackets that were imposed for Tax Year '21 until this

time next year, which is kind of funky. But we know how much revenue we're collecting, and we know that the receipts that we took in in 2021 in terms of withholding taxes and estimate tax payments were very strong.

We also know that we are seeing strong recovery in our sales taxes, which is helping both the state coffers and local coffers. And that's across all sectors. I think there has been stronger growth in the sale of tangible goods and services -- tangible goods than in some of the services like the arts and entertainment, restaurants. But those are recovering too. We're now seeing recovery in all sectors of the economy.

So I think that we're in a pretty good shape going forward.

ASSEMBLYMAN RA: And then the last question I had, with regard to the STAR credit and people having, you know, really been incentivized to switch to the credit from the exemption, does the department have any data as to how many people are switching over? I know obviously some are forced in

terms of income or new home sales. But in terms of people that, you know, didn't have that type of change in circumstances but may be shifting over to taking the credit?

DTF ACTING COMMISSIONER HILLER: I think that we're now at a place where we have about 25 percent of STAR beneficiaries are receiving it in the form of a STAR credit.

ASSEMBLYMAN RA: Thank you very much, Commissioner.

CHAIRWOMAN WEINSTEIN: Back to the Senate.

CHAIRWOMAN KRUEGER: Thank you. Our next questioner is Senator Ed Rath.

SENATOR RATH: Thank you very much, Madam Chair.

And Commissioner Hiller, listening to the resounding endorsement from my colleague Senator Weik, I'm very much looking forward to working with you.

DTF ACTING COMMISSIONER HILLER: Thank you.

SENATOR RATH: And I want to follow up a little bit on the question that was just

asked by Assemblyman Ra about inflation. And we have accelerated the middle-class tax cuts. And I'm concerned, with inflation being as high as it is, the benefit of this cut could be mitigated with what's called bracket creep, whereby what happens is inflation pushes income into a higher tax bracket, you pay higher taxes, but you lose purchasing power.

So the question I have is would you be supportive of potentially indexing these tax brackets for inflation to protect this tax cut going forward?

DTF ACTING COMMISSIONER HILLER: You know, I think -- I have to say I think I would be a little leery about indexing them specifically to inflation. One, because there are many different ways of measuring inflation and it's very hard to pick a point in time for that. You know, I just was reading a couple of days ago that there was a -- you know, that inflation was at 7.5 percent year over year, but that's really for a 12-month period for a certain sector of

it, and there are like 19 different reports. So I think that that can be very hard.

But I also think it's really important to provide certainty to taxpayers and employers as they go through a tax year cycle; as they try to project their income and their withholdings, that we have some certainty around that. So, you know, I certainly think in the context of this and any other budget we can look at tax brackets, but I think the idea of just putting an index in that would just move without reflection in any given tax year would probably not be the best way to go.

SENATOR RATH: Okay, just keep it in mind. I think it's a possible idea --

DTF ACTING COMMISSIONER HILLER: Oh, absolutely.

SENATOR RATH: -- something to certainly consider.

DTF ACTING COMMISSIONER HILLER: Sure.

SENATOR RATH: My next question -- I realize I have a minute, so I'll try to keep it quick -- is considering sky-high energy

costs -- we've seen natural gas rates up 50 percent, we've seen electric or power prices double, and everyone is feeling the effect of these massively increased energy costs, particularly in the wintertime.

Is there any potential idea or consideration for suspending some of the various energy taxes that we have in New York State to provide relief to New Yorkers who are already paying some very, very high energy costs as well as energy taxes?

DTF ACTING COMMISSIONER HILLER: You know, I'm not aware of specific proposals in the Executive Budget.

You know, for the Tax Department, one of the things that's great about my job is that we're going to administer the ultimate budget decisions that are determined by you. And, you know, if the decision is to include other kinds of tax relief around energy, then we will be happy to administer that.

SENATOR RATH: Again, something to consider. Because we have, like I said --

DTF ACTING COMMISSIONER HILLER:

Absolutely. Sure.

SENATOR RATH: -- an incredible pinch, if you will, with energy costs.

So Commissioner Hiller, I look forward to working with you. I know my time is up. And all my best to you.

DTF ACTING COMMISSIONER HILLER: Thank you.

CHAIRWOMAN KRUEGER: Thank you.

Assembly.

CHAIRWOMAN WEINSTEIN: We've been joined by Assemblyman Bronson and Assemblyman McDonald.

And we go to Assemblyman Mamdani for three minutes.

ASSEMBLYMAN MAMDANI: Thank you, Chair Weinstein.

Thank you, Commissioner Hiller. I'll just jump straight into the questions here, in the interests of time.

So I understand that in the middle-class personal income tax cut, that joint filers that earn between 27,900 and 323,200 will be getting a tax cut. What are

the brackets for individual filers?

DTF ACTING COMMISSIONER HILLER: I think I might even know that. The brackets for individual filers: 13,900 to 80,650 is the lower bracket. And then 80,650-plus to 215,400.

ASSEMBLYMAN MAMDANI: Okay.

DTF ACTING COMMISSIONER HILLER: But the percentage, the rate change -- the rate reductions are the same for the individuals and for the married filing jointly, it's just the brackets are different, of course.

ASSEMBLYMAN MAMDANI: Okay. And so would you as well as the Governor, by extension, classify these individuals as middle class?

DTF ACTING COMMISSIONER HILLER: I don't really have a viewpoint to that. When these cuts were enacted back in 2016, they were dubbed the middle-class tax cuts.

ASSEMBLYMAN MAMDANI: Okay, so there's no official position from the department as to what constitutes the middle class or what category New Yorkers who earn more than that

would be listed as?

DTF ACTING COMMISSIONER HILLER: You know, I certainly don't have a position as to what -- where the line is for middle class versus not middle class. I do know that cost of living varies tremendously across different parts of the state and that 200,000 goes a lot further in my community than it does in some of the downstate suburbs.

ASSEMBLYMAN MAMDANI: Okay. Thank you, Commissioner.

Just moving on to another question, were there any negative consequences from the raising of personal income and corporate tax rates last year?

DTF ACTING COMMISSIONER HILLER: I can't really speak to that because we don't really know yet. I would say I don't think -- I haven't seen anything to suggest that there have been. But, you know, the economic activity that was subject to those rates last year is being reported on tax filings now and throughout this year, and then we will be able to look back this time

next year to see what those tax filings look like.

ASSEMBLYMAN MAMDANI: Okay. And so what would your thoughts be on making last year's tax increases permanent in this year's budget?

DTF ACTING COMMISSIONER HILLER: You know, I think that that's a choice that is available to the Governor and Legislature.

I think that we don't know yet -- those rates are going to be in place for several years, so I think that there's an opportunity to take some time and assess what those impacts are before we're forced to make a decision one way or the other.

ASSEMBLYMAN MAMDANI: Okay. Well, thank you very much, Commissioner.

I cede back my nine seconds.

CHAIRWOMAN WEINSTEIN: Thank you.

To the Senate.

CHAIRWOMAN KRUEGER: Thank you.

To Senator John Liu. (Pause.)

Unmute, John. You're not able to? It's not working for you?

DTF ACTING COMMISSIONER HILLER: Oh, wait, here he is.

CHAIRWOMAN WEINSTEIN: Nobody could keep John Liu from talking.

(Laughter.)

CHAIRWOMAN KRUEGER: No, we still can't hear you, though, John Liu. I'm so sorry. I'm going to ask you to re-Zoom back in and maybe I will go first and then we'll bring John later. Is that okay?

SENATOR LIU: (Thumb up.)

CHAIRWOMAN KRUEGER: Okay, thank you.

Thank you, Helene. You know, sometimes these systems just don't cooperate with us.

It's nice to see you, Amanda. I feel like you've been there forever. Is that actually true?

DTF ACTING COMMISSIONER HILLER: I have been the general counsel of the Tax Department since December 2012.

CHAIRWOMAN KRUEGER: It's almost like forever.

DTF ACTING COMMISSIONER HILLER: Yeah,

almost forever. And I've been acting commissioner since April.

CHAIRWOMAN KRUEGER: Okay, thank you. Well, welcome again.

DTF ACTING COMMISSIONER HILLER: Thank you.

CHAIRWOMAN KRUEGER: So Senator Rath asked you about some kind of subsidy or -- for ratepayers. And I don't know that this would go through you, but my understanding because of a strange deal the Governor made with the nuclear power plants about 2016, ratepayers are ending up subsidizing nuclear power to the tune of about $7 billion over a 10-year period. Do you ever see that tax as a separate tax coming in to you, or a separate subsidy that runs through your department at all?

DTF ACTING COMMISSIONER HILLER: I have to say I've been at the Tax Department for many years, and I have not heard that.

CHAIRWOMAN KRUEGER: Okay. So I know it exists, I think perhaps it just doesn't come through you --

DTF ACTING COMMISSIONER HILLER: Yeah, maybe at the PSC or someplace else.

CHAIRWOMAN KRUEGER: Yes, because it was PSC approval.

So I'm going to just point out to my colleagues that that is a place we all could work together and call for ratepayers not to have to subsidize nuclear power to such a heavy degree, especially at a time where of course my colleague's right that the energy costs keep growing. So Senator Rath, you and I might want to work on that together.

But going back to Amanda, so the mayor of New York City was up here at a budget hearing -- maybe it was last week, I lose track -- and he was calling for the City of New York to expand its Earned Income Tax Credit. Now, that goes through us; we would need to approve it. But does it cost us anything if the City of New York decides to expand its local EITC?

DTF ACTING COMMISSIONER HILLER: No, it's -- the Earned Income Tax Credit is a credit against the personal income tax. And

the state has a personal income tax, and New York City has its own personal income tax.

We administer the New York City personal income tax for the city, but the New York City Earned Income Tax Credit goes against the New York City PIT revenue.

CHAIRWOMAN KRUEGER: Okay. Now, he also mentioned that he thought it would be a great idea if the state also expanded its EITC by $250 million. Have you had a chance to look at what that would mean as a percentage if we were to do that?

DTF ACTING COMMISSIONER HILLER: I have to say I have not. I did not specifically hear that, and so I haven't looked at that. I mean, we certainly could try to figure that out, but I haven't looked at it.

CHAIRWOMAN KRUEGER: Okay, well if you wouldn't mind. It was in his testimony, and I would just love to know -- he pulled out a number, 250 million, but I'm not sure what that means from a taxpayer, individual

taxpayer perspective. So I think that would be helpful, so --

DTF ACTING COMMISSIONER HILLER: I mean, I do know that we deliver $975 million in Earned Income Tax Credits to 1.5 million New Yorkers. So if we were adding another 250 million, I think that that would be a significant expansion. But there would be lots of different ways to do that. We could expand the percentage of the federal credit, we could expand who's eligible for the credit. There are a lot of different ways we could explore trying to do something like that.

CHAIRWOMAN KRUEGER: Okay. Maybe his tax people can explain what he thought he meant, because that's just the number that he gave.

DTF ACTING COMMISSIONER HILLER: Sure.

CHAIRWOMAN KRUEGER: Thank you.

My colleague Andrew Gounardes did ask about the SALT change we did that seems to be being used by many people. And I understand, I think conceptually, how certain monies

coming into us but then we're -- you're giving it back out.

When we look at all this new tax revenue we didn't necessarily imagine we were getting, are we possibly counting that SALT money as if it's really ours when it's just passing through?

DTF ACTING COMMISSIONER HILLER: Yeah, I think that there's a timing challenge as we think about it. And that makes accounting for the pass-through entities tax, or PTET, revenue funky. And that's because we took in $11 billion in the '21-'22 fiscal year, because all those payments came in at the end of December 2021 to provide Tax Year '21 tax relief to New Yorkers.

But we will be delivering that $11 billion out in the form of tax credits to those individuals who are the partners, shareholders and members of those pass-through entities -- after April 1st, you know, in their income tax filings. And so there's this cross-fiscal year problem as we account for those revenues.

So I think across the financial plan, the PTET is neutral. But if you took one year of revenue in isolation and one year of credits in isolation, it would look like we were having a $22 billion flow, but it's not. It's just the timing of it from one fiscal year to the next.

CHAIRWOMAN KRUEGER: Okay. That's important for us to I think just make sure we all understand. Because we all like to imagine if there's more money, we're going to spend it. But I want to make sure we --

DTF ACTING COMMISSIONER HILLER: No, the PTET is designed to be revenue-neutral. The PTET is designed to be revenue-neutral. It's just the timing issue.

CHAIRWOMAN KRUEGER: Right, but sometimes we look at individual charts and we get a little thrown off when we see really big numbers and we go, Gee, did Santa come multiple times and we didn't realize it. So thank you for that.

So much of the discussion of the Economic Development hearing right before

this was all about how much money we're giving out in economic development in money and are we getting a return for it and, frankly, an enormous amount of frustration I think by legislators in both houses, both parties, that New York hasn't really been handling this right. And even though we have now a website at -- or we have, sorry, a database up on Economic Development that's supposed to list out all the different deals that happen and how much money is being spent, ESDC points out that it's really only half of the money that we spend in tax exemptions as part of economic development deals, because most of it actually goes through you in the Tax Department.

So how can we ever get that information up in the same place as the ESDC information so we can really evaluate, through a transparent model, how much money the state is giving out or not collecting in taxes under the rubric of its economic development activity?

I know other states list out: Tax

exemption here, the following companies got A, B, C, D, E. Do you have the capacity to do that?

DTF ACTING COMMISSIONER HILLER: We -- there -- I would take that question in two different ways.

One, the Tax Department prepares, in conjunction with the Division of Budget, a tax expenditure report each year that lists out the volumes -- the totals of what we're spending --

CHAIRWOMAN KRUEGER: That's the total.

DTF ACTING COMMISSIONER HILLER: -- on each of those tax expenditures. And certainly those economic development credits are tax expenditures.

The challenge for the Tax Department relates to flow-through taxpayers. These days many businesses are organized as LLCs or as partnerships or as S corps. And those taxpayers don't claim the tax credit at the entity level, they're claiming it on their individual tax return.

And, you know, I might own a McDonalds

franchise, but if I did own one, I might own six, and each of them is individually set up as its own standalone LLC for a variety of really solid legal reasons. But then if I'm claiming a hiring credit for two out of six of those franchises, for us as the Tax Department, we can't put together effectively which -- this McDonald's hired these number of employees and that other McDonald's hired that other number of employees. And so it's really hard for us to package that together.

One of the ways that we can provide some insight to that is in the tax credits that have been organized -- structured in the law where a different agency that has some subject matter expertise is certifying the credit for the company. We're doing that for a lot of the hiring credits, for example. You know, the Department of Labor is working with that entity, is approving that entity, is approving the tax credits for that entity. We're just writing the check. But that becomes a vehicle for understanding at the entity level what credits are being claimed.

CHAIRWOMAN KRUEGER: And yet there are so many different agencies and programs -- I mean, I was thinking -- before you said Department of Labor, I was thinking, yeah, brownfields, somebody tracks brownfields and you can see what company got what amount.

And yet when I look at some other states' websites, they seem to have the information. So they just have a less complicated tax system where people all have to file their taxes in the same way and you actually can just see it? Is there something particularly unique about New York that it's so much harder here?

DTF ACTING COMMISSIONER HILLER: I certainly can't speak for what's happening in other states. But the state doesn't really impose taxes at the entity level for those pass-through entities. So it becomes hard for us to see at the entity level how these credits are being claimed.

CHAIRWOMAN KRUEGER: I think we're still going to struggle to try to come up with ways --

DTF ACTING COMMISSIONER HILLER: Of course. Absolutely.

CHAIRWOMAN KRUEGER: -- that it can be made more transparent, since we now have a Governor who believes in transparency. And I'm taking her at her word that she wants us to be able to get access to this information.

And my time is up. Helene Weinstein?

CHAIRWOMAN WEINSTEIN: We go to Assemblyman Palmesano.

ASSEMBLYMAN PALMESANO: Yes. Hi, Commissioner.

As you're aware, the Farm Labor Wage Board recently made a recommendation to lower the farm overtime threshold from 60 hours to 40 hours. And the Governor has put in her Executive Budget a farm employer overtime credit. And obviously the Governor still needs to make a decision on whether to sign off on this overtime threshold being reduced, which many of us, including the Assembly Republican Conference, the Senate Republican Conference, many farmers, agricultural industry and even workers have expressed

their opposition to this happening, given the devastating impact this will have on our family farms, 98 percent of which are family-owned farms, and the loss of farm jobs and farm hours.

Given that fact, if the Governor does sign off on this reduction, the fact of the matter is our farmers are going to need help. And this overtime credit, is it the intention of the Governor and the administration to provide this credit in advanced payments so that farmers won't have to wait a year or 16 months to file their taxes to get paid this relief? Is it the intent to make it more advanced and upfront to provide immediate relief instead of having to absorb those upfront costs upfront? Because they're going to need the help -- if they survive.

DTF ACTING COMMISSIONER HILLER: The -- you know, my understanding is that the Governor intends, with the farmworker overtime credit, to try to make sure that farmers are made whole if there's a change in the overtime threshold.

You know, I think there's a challenge about providing that assistance in advance because we don't know in advance what those actual wage costs are for farmers. So I think that delivering it in advance I think would be very challenging.

I do think that we provide a range of assistance to farmers through the tax code, and those have been successful. And so I think that -- I would expect that this would be successful too.

ASSEMBLYMAN PALMESANO: Yeah, Commissioner, I mean, Farm Credit East did a study saying that if this goes through, it's going to increase farm labor costs by 42 percent while decreasing net farm income by 20 percent. And if we put this burden onto our family farms, it's going to devastate the family farm.

And I'll remind you that if there's no farms, there's no farmworkers. If there's no farms, there's no food. So this needs to be a priority. The farmers are going to need this relief upfront.

But the best thing to do, the Governor should reject this proposal, let our farmers farm and let our farmworkers be on the farm, because that's where they want to be. They don't want this to be reduced. So they want to keep those jobs, otherwise -- because, what, 70 percent -- a study by Cornell said 70 percent of the farmworkers would leave the state to find other employment so they can make those hours they need so they can make the money they need to make.

CHAIRWOMAN KRUEGER: Back to the Senate?

CHAIRWOMAN WEINSTEIN: Yes, back to the Senate.

CHAIRWOMAN KRUEGER: Thank you.

Senator John Liu, who hopefully has a voice now.

SENATOR LIU: Can you hear me?

CHAIRWOMAN KRUEGER: Yes, we can.

SENATOR LIU: All right. My mic wasn't working before, but I could hear all of you, including my dear friend, our Assembly Chair Helen Weinstein say that they

could never shut me up, except that one time.

Anyway, great to see you, Acting Commissioner. I just have two main questions for you. One has to -- and they're both kind of related. One has to do with this notion that when income tax rates are increased at the high end, all sorts of people will leave the State of New York.

And one of my colleagues did ask you something about that before, but I'd like to ask it more precisely, which is, you know, do we have running lists of which taxpayers are -- which taxpayers from one year to the next become -- are no longer taxpayers? And of course we're talking about state income tax.

DTF ACTING COMMISSIONER HILLER: I have to say I don't have a list at my desk of New York taxpayers --

(Inaudible overtalk.)

SENATOR LIU: Yeah, I'm not asking for a list, nor -- and obviously we're not looking for names either. But there's got to be, from year to year, the people -- this list of taxpayers in 2019 and 2020, and then

the tax changes of 2021. How many of those individuals who paid state income tax in 2019 and 2020 no longer paid income tax in both 2021 and 2022?

DTF ACTING COMMISSIONER HILLER: You know, there will come a time when we're able to answer that question, but I can't answer it today. And that's again because there's a lag in tax filings. We haven't even finished processing the tax returns for Tax Year 2020. And so we haven't been able to close that tax year and compare it to Tax Year '19, the year before.

SENATOR LIU: Sure. I understand. So -- so with --

DTF ACTING COMMISSIONER HILLER: Tax returns for Tax Year 2021 haven't even been filed yet.

SENATOR LIU: All right. But last year would not have been the first time that the State of New York raised income tax rates. So I think we did it about 11 or 12 years ago, significantly. And presumably those kinds of lists should exist for that

period of time, before and after, also.

So I would ask you to maybe ask your team to look at some of those lists. Again, these are pretty simple lists. We don't want names, but you have the individuals that are identified and, you know, how many people actually did leave the state or were no longer New York State taxpayers after the tax increases were enacted -- this was, again, about a dozen years ago.

My second and last question is people say that, oh, you know, people don't actually have to move out of the state, they can simply live in Florida for a few extra days of the calendar year. Of course one famous hedge fund guy said, you know, the problem with having to be a Florida resident is you've got to live in Florida. Right?

But how easy is it really for somebody to simply say, Oh, you know what, I spent 185 days last year in Florida as opposed to being in New York?

CHAIRWOMAN WEINSTEIN: And we'll have to stay in suspense on that answer, since the

time has expired.

Or perhaps when I speak I'll let the commissioner answer.

DTF ACTING COMMISSIONER HILLER: Do you want me to answer? So -- so changes in domicile --

CHAIRWOMAN WEINSTEIN: Commissioner, even though this is one of our last questioners, we are sticking to the time clock. So the Assembly, we have myself and then Assemblywoman Galef for a second round.

So why don't we put 10 minutes on the clock; I have a couple of questions.

So, Commissioner Hiller, would you like to answer Senator Liu's question? In a short time.

DTF ACTING COMMISSIONER HILLER: I'm happy to try to answer Senator Liu's question.

The state has two different ways of looking at whether somebody is a resident for New York State tax purposes. Certainly one is whether a taxpayer is domiciled in New York State. And changing domicile turns

out to be a really heavy lift for people. You actually, really, truly have to move.

New York also has a second test for looking at residency, and that's really because looking -- you're always looking backwards at what a taxpayer did two years ago or three years ago when you're auditing them. And so if a taxpayer has a home in New York and has spent more than half the year in New York, then we will consider that taxpayer a resident of New York because having a home and being here makes it certainly look like you're a resident.

That does sometimes, for some taxpayers, come down to a count of the number of days that they spend in New York. And so it can turn on that question. But even if a taxpayer is domiciled someplace else and resident someplace else, we still tax their income that's derived from New York sources no matter where you live. If your income is derived from New York sources, we will go out to tax that.

CHAIRWOMAN WEINSTEIN: Thank you.

So let's move on to a couple of other questions. And I do want to thank you for -- I guess it was in early January or even December when we had the presentation and you followed up with some information about the restaurant credits.

I wanted to switch gears to the New York City musical/theatrical tax credits. And I note, just hearing what you said about the returns, the year still being open, that you may not have answers to this, but hopefully in the future you will. And I was just wondering if any musical/theatrical productions have applied for the production credit that was enacted as part of last year's budget.

And, you know, if that provides some guidance, I know the Governor recently -- this budget increases the theater production credit by a hundred million, from 100 million to 200 million. And do you believe that's sufficient funding to meet the needs of the theater industry?

DTF ACTING COMMISSIONER HILLER: I

have to say that question would probably have been better directed to ESD this morning.

We haven't seen credit claims, but I believe that there have been applications for this credit that have come into ESD, which is administering this credit {inaudible}.

But I also think that when we enacted this credit last year, I think we were much more optimistic about how soon we would be able to feel like we were moving to the other side of the pandemic and able to allow productions to move forward. And, you know, we instead were challenged by first Delta and then Omicron.

And so the proposal to extend this credit so that the enhanced credit is available for a longer period, and that the overall amount of credits is available, I think is going to be important for this industry. And because this industry is such an economic driver for New York City, I think it would be important for New York City as a whole.

CHAIRWOMAN WEINSTEIN: And I know

there's a proposal in the Governor's budget to expand the financial institution data management program to virtual currency, to cryptocurrency.

And just from your perspective, are there other states that have done this? The federal government has attempted this expansion. And do you see difficulties in us moving forward in collecting the 20-plus million that is anticipated from this action?

DTF ACTING COMMISSIONER HILLER: So this is the financial data matching program, and this is the program where we have a vendor who works with financial institutions. We give them a list of the people who owe us taxes, and they match them against account holders that have assets.

We want to expand the FIDM program, the Financial Institution Data Matching program, to include cryptocurrencies, the virtual currencies, because we certainly don't want to create a circumstance going forward where assets can be hidden in these investment vehicles.

Some cryptocurrencies I think are structured in ways that would make it difficult for data matching because they're -- the holdings are inherently cryptic. But certainly we're seeing the industry start to market in a much broader scale to everyday Americans in ways that I think will require the industry to start having accounting in a different way. And we want to be on the front end of that with our vendors as they interact with these institutions, to make sure that they aren't being built in ways that are going to become vehicles to hide assets from tax collectors.

CHAIRWOMAN WEINSTEIN: Thank you.

And I wanted to raise one question -- you may be aware that Senator Krueger and I sponsored legislation to expand the False Claims Act as relates to taxes, tax filers, to include the loophole that would require -- that would allow the False Claims Act to cover people who have income in New York but fail to file a tax return, as opposed to those who willfully file a wrong return.

And I was wondering -- I know this was vetoed by the Governor, it was a last-minute New Year's Eve veto and there wasn't really time to have much discussion. I wonder if you've had -- if you had weighed in on that or if you have any thoughts on that. As you know, it's a unique situation -- when someone fails to report New York State tax income, we may not know about it but for a whistleblower at that company or somehow tied to that individual.

So I was just wondering your thoughts on providing this remedy to encourage whistleblowers.

DTF ACTING COMMISSIONER HILLER: I'm certainly aware of the legislation. And you're absolutely right, it is much harder for us to find nonfilers than it is for us to examine the returns that are actually filed with us.

I think that, you know, the issues around this legislation speak to the issues around the False Claims Act in general as it relates to taxes. There are -- it's -- I

think many tax professionals have been concerned that as they provide aggressive tax planning advice to their clients, that they would somehow be wrapped up in claims against -- you know, in the False Claims Act in ways that aren't quite the same as a taxpayer making a deliberate effort to defraud the state.

And I think that there are probably pathways to try to resolve that to make sure that tax professionals that are acting in good faith are not wrapped up in claims against their clients where their clients may have deceived them. And, you know, I think that -- so I think that there's a path forward here, and I think it would be important to try to find a path forward here.

But I think that that legislation may not have hit the sweet spot there, and we just need to figure out how to thread that needle.

CHAIRWOMAN WEINSTEIN: Thank you for that response.

And now that we're probably just an

hour away from the close of the budget hearings, I think Senator Krueger and I will be available to have those discussions with you.

DTF ACTING COMMISSIONER HILLER: Absolutely. I look forward to them.

I don't see any other Senators, so I know our Real Property chair, Sandy Galef, had follow-up questions in her second round for three minutes now.

ASSEMBLYWOMAN GALEF: Thank you, Commissioner.

You know, most states require that there be reassessment of properties, like every year, every two years. New York does not do that, and we've had -- we have some areas of our state that haven't reassessed properties since 1940. I know we use the equalization rate, but it's not the same as having a full value assessment. And in the budget is $750,000 for -- it's a carrot to get communities, because we don't require it, but to get communities to do reassessment of their property. And we give $5 per parcel

for that full assessment, and then another $2 for a re-appraisal every four years.

But my understanding from some of the communities this year, that they didn't even get the $5, they got like 67 percent of it or some percentage. And I understand maybe there isn't the $2 available when they do their re-appraisals.

So I wondered, what could we add to the budget to encourage -- first of all, to get people their full amount of up to $5, you know, get them $5, get the $2 going, let's get more municipalities doing reassessment. What could we add to the budget to be able to accommodate the people today?

DTF ACTING COMMISSIONER HILLER: I definitely don't have a magic number in mind. I do believe that it's -- that reassessing in a community is really challenging for local officials. It's a real hard lift. I can tell you in my own community they haven't had a full reassessment in a decade or more. And in a community that's changed dramatically, and so I suspect that a reassessment would

cause some significant tax displacement across the community.

And I think that that's really the barrier in most communities to doing a full reassessment. Certainly having additional assessment aid might push the needle there. And if it comes in, we'll be happy to work with assessors to use it well. But I think that there are a range of challenges around reassessments that are not simply about money.

ASSEMBLYWOMAN GALEF: Right. And some of it may be that we as state legislators have to require it, it has to be on the books, that people have to do it because the local communities have such a hard time saying yes.

But there is something about the money, too, that is important. We'll hear from assessors later on.

DTF ACTING COMMISSIONER HILLER: Absolutely.

ASSEMBLYWOMAN GALEF: Right. And just one quick question. Does everybody that goes

into the STAR credit check get a 2 percent increase every year? I've had constituents that didn't.

DTF ACTING COMMISSIONER HILLER: The credit doesn't automatically grow by 2 percent each year. The STAR benefit relates to the growth in school taxes in the community. The exemption is capped, so it will not grow even if those local taxes do grow. And the credit does grow. So the credit is larger than the exemption in most communities, but it doesn't automatically grow at 2 percent, it's allowed to grow up to 2 percent.

ASSEMBLYWOMAN GALEF: Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

So Acting Commissioner Hiller, we look forward to calling you Commissioner Hiller, although you may have to take a pay cut.

But we very much appreciate you spending the time with us today. Sorry that we got started a little later than we had initially alerted you to. But thank you for your cooperation and being here with us, and

we look forward to continuing to work on many of the issues that were raised with you today.

CHAIRWOMAN KRUEGER: Thank you, Amanda.

DTF ACTING COMMISSIONER HILLER: Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

So now we're going to move on to -- we have three panels of eight different people testifying, so we are going to move on to that.

I'm going to introduce Panel A: Dandelion Energy, Heather Deese, director of policy and regulatory affairs; New York State Assessors Association, Warren Wheeler, executive director. If the two of you could -- you have three minutes for your presentation. Your testimony has already been shared.

Please proceed in that order, so Heather first.

MS. DEESE: Thank you. Good afternoon, or early evening, Chairs and

members. Thank you for the opportunity to participate in the hearing.

My name is Heather Deese. I'm the director of policy and regulatory affairs for Dandelion Energy. Dandelion was founded in New York in 2017, and in less than five years we have become one of the nation's leading providers of residential heating and cooling using geothermal.

Our 160 employees, half of whom are drillers, plumbers, electricians and HVAC installers, work from our facilities in Mount Kisco, Peekskill, Latham and Bay Shore. And we work with subcontractors to install geothermal systems throughout the state as well.

Our mission as a company is to make geothermal heat pumps so inexpensive and easy to install that we enable a widespread shift from fossil heating to renewables. We focus on geothermal because it is the most efficient way to heat and cool buildings. And as a result, it is also the lowest cost for homeowners. New Yorkers typically see a

40 to 50 percent decrease in their annual energy bills when they switch to geothermal.

Geothermal systems also have an incredible climate benefit -- decreasing greenhouse gas emissions by 60 to 80 percent when replacing electric resistance, fuel oil, propane or gas. And geothermal does not require any backup heating or auxiliary heating, even in the coldest months.

We applaud the State of New York for its visionary climate goals and nation-leading support of geothermal in the last few years. NYSERDA's Clean Heat program and Green Jobs, Green New York loans have supported thousands of geothermal installations. But the state needs to do more. While operating costs are low, the upfront installation of geothermal presents a barrier to many homeowners.

For this reason, we ask you to include two bills in the budget this year which will spur geothermal installation by making it more affordable. Senate Bill 3864 and Assembly 7493, sponsored respectively by

Senator Kennedy and Assemblymember Rivera, will establish a 25 percent income tax credit for geothermal, with a cap of $5,000. Senate Bill 642A and Assembly 8147, sponsored by Senator Sanders and, again, Assemblymember Rivera, provides a sales tax exemption for geothermal equipment.

New York has provided both of these same tax incentives, the tax credit and the sales tax exemption, for solar PV for decades, and that has contributed to the over 100,000 New York homes that have rooftop solar today.

These incentives will help our industry move from hundreds to thousands of installs, and then to tens of thousands every year. The fiscal impact will be modest, likely four to $5 million for each measure each year, and will return results in energy savings for customers, supporting installation jobs that will not be outsourced, and keeping energy dollars in the state rather than paying for imported fossil fuel.

These bills have been passed in the past but vetoed by the Governor because they were not included in the budget. So we're asking for budget inclusion this year.

We also want to express our support for the other bills this year that are requiring electric new buildings as soon as feasible, advanced appliance standards and supporting a just transition to renewable heating and cooling.

Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

And now the Assessors Association.

MR. WHEELER: Good afternoon. Can you hear me?

CHAIRWOMAN KRUEGER: Yes.

MR. WHEELER: Perfect.

Well, thank you, everybody, for this opportunity. I do appreciate it. My name is Warren Wheeler. I'm the executive director for the New York State Assessors Association.

I provided our testimony, so I'm not going to read it all word for word, but I do want to touch on a couple of key points, the

first of which is the solar -- implementation of the solar valuation and wind model.

As part of the 2021-'22 budget, there was a model that's mandated that assessors use to value these solar facilities and wind facilities. Right from the beginning, we expressed our concern over the model and mandating a specific methodology to be used to value these properties.

We further went on to say that as a result of the model, the values are extremely low. We surveyed our members, and 94 percent of the members surveyed agreed that the model does not truly represent market value in its concern to the solar facilities.

And further, stating the need for the inputs and the gathering of information, the information is not always readily available. We ask that if the assessors are going to be mandated to use a model, that the developers are mandated to provide the information necessary.

We would be happy to work with -- we have a task force of appraisal professionals,

industry professionals that we would go and work with DTF to develop this form and make it a mandatory filing by taxable status date. And for any developer that does not provide the necessary information in a timely manner, they would lose their opportunity to challenge the inputs that the assessor did use.

The other thing that we wanted to talk about is -- it was touched on a little bit -- about the reassessment and the aid. I do believe that the biggest hurdle is the monetary issue. Five dollars per parcel is really light in what things are running these days as far as the costs associated with implementing a townwide revaluation, especially in municipalities that are fairly large and it has been several years since they've done that.

If you noticed on my testimony I mentioned that back in 1999, at the height of revaluations, there was $83 million in aid for equity projects. So that number has been severely whittled down -- and, as you can

see, the amount of equity projects also.

And then real quickly, we're asking for -- to follow suit with the Appraisal Institute and the Association of Realtors, where they have actually instituted a class of fair housing and so on, we think that fair housing and an assessment administration type of a class would benefit assessors as well.

And I see my time is up, so I will entertain any questions that you may have, and thank you very much.

CHAIRWOMAN WEINSTEIN: Thank you.

We'll go to Assemblyman Palmesano.

Does anybody else -- I'm sorry, Philip. If anybody else has a question, don't forget to raise your hand on the -- so we can call on you. Yes, go ahead.

ASSEMBLYMAN PALMESANO: Thank you.

My question is for Ms. Deese. I've been a critic of the CLCPA for a number of reasons -- I won't get into them all here, but one of them is cost. Come 2030, when your natural gas boiler first goes out, you can't replace it with natural gas or -- you'd

have to electrify your home. With some estimates of cost for electrification at $35,000 or $50,000, a significant cost, and, you know, the need to be transparent with the public about what this is going to cost -- I know in your testimony you'd mentioned that one of the barriers to homeowners was the upfront cost relative to purchasing a geothermal heat pump.

How much does it cost to purchase a geothermal heat pump?

MS. DEESE: So the answer to that question, it varies depending on the size of the home and the level of insulation in the home and therefore the heating and cooling needs. And that does really vary quite a lot. It's a little bit like asking how much does a car cost. I mean, you can buy a $25,000 new car or you can buy an $80,000 new car.

But what we work with for most of our customers is financing for the part of the cost of the system that's out of pocket for them. Our systems in most of New York State

range around $35,000 to $45,000 in the total cost for what we consider a typical home. So that is a 2,000 square foot home of sort of 1970s vintage in terms of insulation.

Of that 35,000 to 45,000, then there's the rebate from the utilities and then there's a 26 percent tax credit from the federal government. And what we're usually trying to do is bring that out-of-pocket cost down below $20,000 so that when financed, the cost that homeowners are saving right away on their fuel each year has a payback of 10 years or less.

ASSEMBLYMAN PALMESANO: I understand that. But that's a significant upfront cost even with the tax credits for sure, of people out there not making a lot of money, low-income people, which will be forced upon them because this is the rules, they're going to have to electrify their property, their homes.

So we've been advocating, our conference and others, saying we should be transparent with the public about showing, if

this is the best way to go, let them show it in true actual dollars and assess what this is going to cost.

Regarding the heat pumps, can you explain -- I've heard stories that depending on the weather, climate, that these don't work as well in specific areas. Like if you get up into the North Country with very, very freezing temperatures or in Western New York with Buffalo -- because again, 60 percent of people heat their homes with natural gas.

Is there issues with this that you've seen? Are there concerns about ratings to be able to work efficiently and effectively, especially if it's dependent on electrifi -- on solar and wind to operate, which isn't reliable.

MS. DEESE: So geothermal is different than air source heat pumps, which are the more common right now and what I think it sounds like you are talking about, where when it gets really cold outside it's hard to pull heat out of that cold outside air to bring it in to heat the home. The advantage of the

geothermal ground loop is that it stays at 50 degrees all year round, and so it's much easier to heat the home and we do not have issues in cold climate.

CHAIRWOMAN WEINSTEIN: Thank you.

Senator Krueger, do you have any members?

You are muted, and I believe the answer is no, so I --

CHAIRWOMAN KRUEGER: I apologize. Yes, I see no Senate hands. Back to the Assembly.

CHAIRWOMAN WEINSTEIN: All right. Assemblywoman Galef, then.

ASSEMBLYWOMAN GALEF: I just want to follow up with Mr. Wheeler.

So going back to what you stated was that you thought it was about money, what do other states do to make sure that we do have fair assessments and equality in property values and so on? Is it about money? Is it about state law? What -- what --

MR. WHEELER: Outside of the making it a mandatory thing, I'm not a hundred percent

sure. We would have to go and do some research on that to see how they do it.

I do know that if -- historically speaking, if you look at IAAO standards, New York State typically is light in the assessment office employment staffing against the IAAO national standards of what they recommend on a per-parcel basis of how many people should be in an office. I know that we're severely light in that.

ASSEMBLYWOMAN GALEF: You're saying that people in our real property tax office, we're light, or also people in the field?

MR. WHEELER: I'm saying -- I'm going and saying that local assessors' offices are typically understaffed. It's doing the less with more type thing -- or more with less.

ASSEMBLYWOMAN GALEF: It's a problem.

Okay. Could you just give us a little bit of a thought about the range in New York about, you know, what percentage of people -- communities have done reassessment in the last 10 years, and some going way back?

MR. WHEELER: Well, it's not something

that we track. That would be something that the Office of Real Property Tax Services tracks.

But, I mean, speaking off the cuff here, it certainly has gone down over the years. And we always hear from the -- you know, there's a few standouts that haven't done it, like you say, in many, many years. And, I mean, I still feel that most of it comes down to the fact that the time and expense associated with actually doing a revaluation is just outside the scope of the assessor's office budget.

ASSEMBLYWOMAN GALEF: And what might -- what per-parcel amount, if we had it in the budget, would encourage more activity?

MR. WHEELER: Oh, boy. Yeah, that's a good one. You know, because they -- the -- to do a revaluation varies a lot, like from municipality to municipality, you know, based on the size and the makeup and the different types of properties located within that municipality.

You know, if -- it could run anywheres

of 50 to $100 a parcel, depending on when their information, the data that they have, how relevant that is and if that requires any kind of updating, if it -- you know, the last time it's been maintained. So there's a lot of issues that would need to be answered on a case-by-case basis.

ASSEMBLYWOMAN GALEF: All right, thank you very much.

MR. WHEELER: Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

So I want to thank the two panelists for being here with us. And we're going to move on to Panel B: Center for Popular Democracy, Charles Khan, state and local tax campaigns coordinator; New York Cannabis Growers and Processors Association, Allan Gandelman, president; National Federation of Independent Business, Ashley Ranslow, New York State director.

So if we can go in that order.

MR. KHAN: Can you hear me?

CHAIRWOMAN WEINSTEIN: Yes. Yes.

MR. KHAN: Awesome. So good evening,

Senator Krueger and Assemblymember Weinstein. Again, my name is Charles Khan. I'm the coordinator of state and local tax campaigns at Center for Popular Democracy.

Center for Popular Democracy is a network of 53 organizations across 131 cities and 34 states, including four affiliates in New York State. We work to create equity where communities can thrive together, supported by a resilient economy and political institutions that reflect our priorities.

The first thing I really wanted to say is really to congratulate the Legislature on the historic budget that was passed last year. Progressive taxes were not easy to do, but the Legislature adeptly navigated the data and the vastly differing experiences of New Yorkers to make smart, long-term and short-term decisions. And, you know, just a year ago we were looking at an $11 billion deficit, and now this year we're looking at a $5 billion surplus -- $10 billion, if you think about it before $5 billion is taken out

for the rainy day fund.

And so I really wanted to take the time to congratulate you and also point out, you know -- we're all inside, we can't see, but the sky has not fallen. Right? There was a lot of hand-wringing, there was a lot of kind of fearmongering about a mass exodus related to raising taxes on the wealthiest New Yorkers.

And the Division of Budget Director Robert Mujica has indicated there hasn't been any data that shows that there's been an exodus of high-net-worth individuals from New York State. What we've seen is an intrastate movement of really wealthy people. They're going to the Hamptons and going to the Hudson Valley.

And we've seen tax receipts come in, according to the Comptroller's office, 30 percent above estimates. Right? Ten billion dollars above estimates. And so we're seeing New York in a really strong financial position, and that's thanks to what we were able to do last year.

And I believe that presents a really clear road map on where New York can go in the future. I think it makes a lot of sense to look at last year's tax policies and look at them in a permanent kind of way so that we have those funds to invest in education, to invest in healthcare, to invest in making New York affordable for New Yorkers in the long-term going forward.

And quickly, on this year's budget, the Governor has proposed two big tax rebates of sorts. On the middle-class tax cuts I would advocate for targeting at the middle class. The median income across New York State is $70,000. If we triple that number, that would get us to $210,000. And for head of household, they're still eligible for a tax cut up to $270,000. That's way too high.

On the property tax rebate, I would push for a longer-term solution of property taxes, shifting more of local costs on education and healthcare back onto the state, because we know that those local costs for towns and municipalities is what's really

driving up property taxes. And the state can act to really give a long-term solution, not just an election-year solution for property taxes.

CHAIRWOMAN WEINSTEIN: Thank you.

Next, Allan Gandelman.

MR. GANDELMAN: Okay, there you go.

Hi, everyone. Thank you for the opportunity to testify at today's hearing. My name's Allan Gandelman. I'm an organic vegetable and hemp farmer based in Cortland, and president of the New York Cannabis Growers and Processors Association.

We are a nonprofit advocacy organization that represents farmers, processors, retailers and ancillary businesses who are actively involved or looking to enter New York's cannabis market. Our association advocates for environmentally sustainable practices throughout the industry and believes that all communities in New York State should benefit from the cannabis industry.

I'm here today to talk about the

cannabis tax law, the THC potency tax that we believe will have negative consequences for both businesses and consumers once dispensaries open later this year.

This novel and complicated tax scheme has never been implemented in the country and would create a range of issues from the supply chain all the way to the consumer, while driving retail prices far beyond those of our neighboring states. This will effectively act as a barrier to entry to all except some of the largest and most sophisticated operators.

Levied at the wholesale level, the proposed potency tax would assign a per-milligram THC tax rate that varies based on product category. And after being compounded by the 13 percent retail tax, the net effect of a cannabis tax could be up to 50 percent, depending on that category. This is compared to Massachusetts, which is 20 percent, and New Jersey, which is 33 percent.

You know, it's really hard to

calculate a cannabis tax because different parts of the plant mature at different times. And so the variation of THC could be 5 percent or more per plant, or even larger across a batch. So establishing an exact milligram across that batch becomes almost arbitrary -- and inaccurate.

And then further complicating that calculation is that analytical testing labs report a measure of uncertainty or a margin or error normally between 5 and 10 percent of the result. So with that variation, we potentially could be leaving $100 million of kind of miscalculated taxes on the table for every million pounds of cannabis sold.

These miscalculations also raise significant public safety risks. We predict that in an attempt to avoid higher tax rates, people across the supply chain may intentionally report lower levels of THC than are actually present. We've seen this process happen in other states called lab-shopping, where people look for labs that either underreport or overreport their THC

levels.

And furthermore, you know, for customers who are worried about overconsuming THC, this could potentially be dangerous because all of a sudden you will have products out there that are reporting lower THC numbers -- to save on taxes -- than are actually in the product.

So according to a recent study from Whitney Economics, a 1 percent decrease in the price has actually been associated with a 2 percent increase in sales, which would actually increase the tax revenue for the state. And we think that the straightforward solution here is to just remove the complicated THC-based tax and replace it with a percent-based tax that could be levied at wholesale or just at retail point of sale.

CHAIRWOMAN WEINSTEIN: Thank you.

And now NFIB.

MS. RANSLOW: Thank you very much. Good evening, everybody. Thank you, Chairs Weinstein and Krueger, for inviting NFIB to testify today. We sincerely appreciate it.

My name's Ashley Ranslow. I'm the New York State director for the National Federation of Independent Business. We represent nearly 11,000 small, independently owned businesses from Long Island to Buffalo. Our members are the very small businesses that everyone thinks about -- your barbershops, your florists, your hardware stores, independent restaurants. These are the types of members and businesses that NFIB represents.

I submitted my testimony in advance; it goes through several tax provisions that have been proposed in the budget. But I really want to highlight two for you tonight in my oral testimony, the first being the Governor's proposed small business tax relief. NFIB strongly supports that provision.

What this would do is essentially adjust the subtraction modification from 5 to 15 percent for small businesses who file their taxes as a pass-through entity -- you know, so your S corps, LLCs, LLPs. Most

small businesses are organized as pass-through entities, so this certainly would capture a significant portion of New York's small businesses, which is why we strongly support it.

I would also urge all of you to also take a look at legislation sponsored by Senator Kaplan and Assemblyman Jones: S.29/A.5064. This is legislation long championed by NFIB over the years. The state has recently cut taxes for corporations and certain types of manufacturers, but we have not done significant structural reform for small business taxes.

So we support the Governor's provision and also support Section 1 of Senator Kaplan and Assemblyman Jones' bill, which would extend some rate reductions for small businesses organized as C corps.

The other section of my testimony that I want to highlight -- and was brought up earlier today in the Economic Development hearing -- is related to unemployment insurance taxes.

The Governor's budget does not include any money for unemployment. We heard the tax commissioner testify earlier: New York State is flush with cash, revenues have come in better and stronger than we anticipated. The state has unspent federal dollars from the American Rescue Plan. Now is the time to address New York State's outgoing UI debt. This is not a can that should be kicked down the road.

When you compare what small businesses' tax rates were in 2020 compared to today, they're paying between 30.5 percent to 45.4 percent more in UI taxes now than they were in 2020. That is going to get even worse in 2025 if the state does nothing. They're going to pay between 182 percent and 254 percent higher than they did.

So this is a crisis. It has to be addressed, and I welcome a conversation. I know Senator Kaplan has been a champion of this as well. The state must put two to $3 billion towards UI; otherwise, small businesses are going to be paying these

higher taxes for decades.

Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

And we will go first to Assemblyman Ed Ra.

ASSEMBLYMAN RA: Thank you, Chair.

Ashley, I wanted to just pick up where you left off at the end there with unemployment. You know, and as my colleagues may be aware, there's changes in the regulatory policies at the federal level that are going to kick in, and if we don't commit some money from ARPA before then -- you know, it's very beneficial for us to do so for that reason, in addition to obviously cutting off this increase that our businesses are going to experience.

I don't know if you can elaborate a little bit more on -- because, I mean, you concluded by saying, you know, this is a long-term cost that we will be paying off for decades, at a time when our businesses obviously have gone through a tough time and many are hanging on by a thread.

So can you talk a little bit more about the long-term impacts of us not committing real dollars towards this now?

MS. RANSLOW: Yeah, absolutely.

So as you mentioned, there are some changes. I think there's a couple of misconceptions. First of all, you know, to set the record straight, businesses are paying higher UI taxes now as a result of New York State having to borrow money from the feds. So tax rates have already gone up from a state tax perspective.

But you're right, there are going to be increases to the federal UI tax rate because of the solvency of our fund. And there are also going to be special assessments that are applied to employers starting this year, to pay the interest on our advance. So those two cost increases are going to -- are coming down the pike this year.

Additionally, the taxable wage base continues to grow year after year. So as the taxable wage base grows, taxes grow. So this

is why we're going to be continuing to see tax increases year after year. And that pain is going to get worse if New York State does nothing, because we're going to have to continue to pay interest on the loan and, you know, dig ourselves out of this hole. Which is why we're urging the state to address this now and not kick the can down the road. because small businesses are paying the higher taxes now and will continue to do that.

And to put it in perspective, the last time the state borrowed money was after the Great Recession, and we borrowed about $4 billion. And that took, you know, five to six years to pay off. With 9 billion in outstanding debt, it's not unrealistic that it's going to take twice as long if not longer.

ASSEMBLYMAN RA: Thank you.

CHAIRWOMAN WEINSTEIN: Senator Krueger, did you have a question?

CHAIRWOMAN KRUEGER: Thank you very much.

So Allan, you did meet with my staff about this. You shared a fairly complex paper, and we are taking a look at it. And we have also shared it with the Office of Cannabis Management.

It is true, that specific tax proposal was created by Governor Cuomo's team when we were negotiating the bill between the Senate and the Assembly. So I am not personally wed to that tax, even though it was included in the bill with my name on it.

So we appreciate your input, and people smarter than me are staring at it and trying to understand how we make sure we have a fair and equitable tax. But my goal was never to tax cannabis so high in New York State that people would stay in the illegal market. We want them in the legal market, buying the correct product with a reasonable tax.

So I just wanted to tell you: No time for a full discussion tonight, but we are taking a look at what you submitted.

MR. GANDELMAN: Thank you so much.

Appreciate that.

CHAIRWOMAN WEINSTEIN: Thank you.

So we go to Assemblyman Palmesano.

ASSEMBLYMAN PALMESANO: Yeah, my question is for Ashley.

Ashley, I know our small businesses' electricity costs, utility costs are always a concern and a worry. And I know you mentioned about kicking the can down the road a little bit. I want to go down that road a little bit because coming soon is the implementation of the CLCPA. We talked about it earlier, about by 2030, if you have a natural gas boiler or furnace, you are not going to be able to replace that natural gas boiler or furnace, you're going to have to totally electrify your home or your business.

And some estimates show that's going to cost $30,000, $35,000, $50,000 for all of that. Ms. Deese, who spoke earlier, said a geothermal heat pump, even with subsidies and credits, would be about $20,000. That's a significant cost.

We've been advocating in our

conference for a full cost-benefit analysis, to be transparent with the public. But it seems like the CLCPA and CAC are trying to move forward with first putting the plan in place and then saying we're going to pay for the costs later.

You mentioned you represent 11,000 small businesses. And we've talked to the Restaurant Association. They didn't think that their people knew. I'm sure the public has no idea about this. How about your businesses out there? And what are your thoughts on this? Are they ready for this? Are they going to be able to absorb these costs with everything else they have on -- they're dealing with?

MS. RANSLOW: They're not ready for this. And they're not aware of it.

Right now small businesses are still contending with the challenges of the pandemic and what we've seen stemming from that -- labor shortages, supply chain disruptions, inflation, increased costs of goods and services. That's what they're

dealing with, and they are not really forward-looking.

So they don't know what's coming down the pike, and we certainly are trying to make them aware of it. But, you know, they're trying to deal with the fires that are right in front of them versus what is going to be coming down the road.

But we certainly have concerns and, you know, would like to see a cost-benefit analysis as well in terms of what this is going to cost small businesses, especially as they're already contending with a litany of high-cost things.

ASSEMBLYMAN PALMESANO: Right. I know the advocates for it continue to say, Well, the benefits outweigh the costs. But I -- we would disagree, when New York only contributes 0.5 percent of the total carbon emissions in the world. What are we going to achieve when China, who produces 29 percent, continues to build coal plants? We're not going to make an impact on that, but we are going to destroy and bankrupt our businesses

and our families.

The other issue on this is certainly a reliability issue. I mean, we even talked about the restaurants, how they use the natural gas to do their cooking and businesses have to have that reliable source of electricity generation to make sure that they can operate. You know, relying on wind and solar, which is intermittent, is not a reliable source of energy generation. Isn't that going to be a problem, reliability of electricity is key to your businesses as well?

MS. RANSLOW: Absolutely. Yes, so I think it's two pieces, right? We're concerned about the reliability but also the affordability of energy.

ASSEMBLYMAN PALMESANO: Absolutely. Thanks so much. I really appreciate it.

CHAIRWOMAN WEINSTEIN: Anybody else, Senator Krueger? Because we still have --

CHAIRWOMAN KRUEGER: No, I do not see any other Senator with their hands up.

CHAIRWOMAN WEINSTEIN: Okay, so the

final questioner from the Assembly, Assemblyman Mamdani.

ASSEMBLYMAN MAMDANI: Thank you, Chair Weinstein.

I wanted to direct this question to you, Charles Khan, to speak a little bit about is there any data that the increase in personal income taxes or corporate taxes from last year drove wealthy New Yorkers to leave the state?

MR. KHAN: So kind of the same that Commissioner Hiller said, that we really want to -- we want, in many ways, to wait until 2021 and we'll have exactly like the full number.

But what we do have, from the Department of Budget, from director Robert Mujica, is he hasn't seen any data of any loss of high-net-worth individuals. He actually indicated that there was an increase in millionaires in New York State, which would be a new all-time record of millionaires. There's been a 39 percent increase in the wealth of billionaires in

New York State since the pandemic began, so that's $200 billion. There's a national shortage of yachts, of private jets. Rolex, Louis Vuitton and Chanel have raised their prices to try and restock their shelves.

2021 was also the highest -- it broke all of the records for sale of luxury real estate, and '22 is off to the same start. The first week in January broke the all-time record for leases over -- in excess of $4 million signed.

ASSEMBLYMAN MAMDANI: So what would your assessment be as to how we in the Legislature should approach taxes moving forward?

MR. KHAN: I would suggest that the Legislature continues to follow the data. What we're seeing in New York is what we expected to see based on past tax increases, which was no negative impacts on the economy and no negative kind of implications on state revenues and out-flight of migration.

I think what we did last year is a road map for how we can continue to govern in

the future and have the resources to kind of help New Yorkers to be able to thrive and not just kind of survive.

ASSEMBLYMAN MAMDANI: And what would additional taxes that you'd like to see -- what would some examples be of additional taxes that we could levy on the wealthiest of New Yorkers?

MR. KHAN: So, I mean, I think the best place to start is maybe what the Legislature has already seen before. Last year the Invest in New York coalition proposed $50 billion in a tax package. We did about $4 billion, which actually ended up being $10 billion. So there's still roughly $40 billion of options that are available to the Legislature.

ASSEMBLYMAN MAMDANI: Okay. Well, thank you so much for your time and for your work.

I give the 12 seconds back to the chair.

MR. KHAN: Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

There are no further questioners for this panel, so I want to thank you all for being with us.

And we're going to move on to the final panel, Panel C. So I want to welcome Teachers College, Columbia University, Kimberly Noble, professor of neuroscience and education; New York University -- I hopefully don't mispronounce your name, sir -- Hirokazu Yoshikawa --

PROFESSOR YOSHIKAWA: Close enough.

CHAIRWOMAN WEINSTEIN: Close enough, okay. For the end of the day, close enough.

And Children's Defense Fund-New York, Missy Genadri.

So if we can go in that order.

PROFESSOR NOBLE: Thank you very much. My name is Dr. Kimberly Noble. I'm a professor of neuroscience and education at Teachers College, Columbia University. And I'm a neuroscientist and board-certified pediatrician, and for the past 20 years I've studied the role of socioeconomic inequality in shaping child development.

So now decades of research suggest that young children living in economically disadvantaged families tend to be at risk for a host of negative academic, employment and health outcomes. And more recently we've seen that dollar for dollar, small differences in family income tend to be disproportionately associated with brain development among children from the most disadvantaged families.

But critically, brain science also teaches us that the developing brain is particularly sensitive to experience early in childhood. So taken together, this means that neuroscience research suggests that supporting the lowest-income families very early in childhood may have the greatest impact on children's development.

So should policies target poverty reduction in early childhood directly? Well, I'm one of the principal investigators of the Baby's First Years study, which is attempting to help inform that question. Baby's First Years is the first U.S. clinical trial of

poverty reduction in early childhood. We recruited a thousand mothers living with low income shortly after they gave birth in four metro areas around the United States, including New York City. And upon enrolling in the study, moms were offered a monthly unconditional cash gift for the first several years of their children's lives that they've been free to spend however they've liked, no strings attached.

The mothers, though, were randomly assigned to receive either $333 a month or $20 a month, and both groups are receiving this money for the first four years of their children's lives.

Now, the initial findings from the study were recently published just a few weeks ago in the Proceedings of the National Academy of Sciences, and in that report we found that the infants of the mothers receiving $333 a month appear to show more fast-paced brain activity, particularly in key brain regions that support the development of thinking and learning.

Now, because of the pandemic, we were only able to measure brain activity in about half of the originally anticipated sample, and that means that for some of the results we can't be sure that they didn't occur by chance. But putting together all of the evidence across all of the analyses that we conducted, we concluded that the weight of the evidence supports the conclusion that monthly unconditional cash support given to low-income families early in childhood can change brain activity in a pattern associated with the development of thinking and learning.

So that suggests that economic support given to families with young children can potentially serve as a mechanism to facilitate parents' investments in children.

So in conclusion, brain science suggests that the developing brain is highly sensitive to economic circumstances in the first few years of life. And as a neuroscientist and pediatrician, it's my professional opinion that economic support to

low-income families with very young children may have a marked positive impact on children's development.

PROFESSOR YOSHIKAWA: Thanks for the opportunity to testify today. My name is Hiro Yoshikawa, and I'm a psychologist at New York University. And for the past 30 years I've focused my research on early childhood development.

I'm going to summarize evidence -- beyond that very important study -- from the past several decades on the impact of the timing of poverty on lifelong outcomes and draw implications of the research for the Empire State Child Tax Credit.

So there have been 40 years of longitudinal research in the United States on poverty's effects on the lifespan. And so these landmark national studies have a clear message with relevance to New York State's Child Tax Credit. This work compares the effects of poverty experienced during different periods of childhood, and we could think about three periods: Early childhood,

up to age 5; primary-school age, 6 to 11; and adolescence, which is 12 and above.

It turns out that the effects of childhood poverty in harming later-life outcomes -- reducing educational attainment, reducing adult earnings, harming later health through outcomes like diabetes, obesity or high blood pressure -- is strongest when experienced in early childhood rather than later in childhood. And this is in agreement with what Professor Noble just said about the impacts of poverty reduction in very early childhood.

So nearly one in five children we know live in poverty in New York State, and those rates are higher in early childhood. That's partly because there are higher costs of raising children in early childhood, and we can consider infant/toddler care as an example: Costs of over $15,000 a year on average in New York State. New York State residents have the sixth-highest childcare costs in the country. There are even higher poverty rates among Black, Latinx and some

Asian-American groups.

The federal child tax credit expansion in the American Rescue Plan took this science into account by providing a larger amount per year -- $3,600 per year for every child under 6, and $3,000 per year for children 6 or over. Now, that is in alignment with this research.

What does the Empire State Child Tax Credit do? It explicitly excludes all children under 4 from the child tax credit, and that's exactly counter to the four decades of research, including the Baby's First Years study results.

So what the science implies for the Empire State Tax Credit is to expand it so children under 4 are eligible, but also make the amount for children under age 6 larger than for those 6 or over, in accordance with the expanded federal child tax credit under the American Rescue Plan and in Build Back Better.

I have to say it's rare for research to have such a strong agreement about a

finding, and this is a case when New York State policy directly contradicts a strong research consensus.

CHAIRWOMAN KRUEGER: Perfect timing.

One more.

MS. GENADRI: Hi. My name is Missy Genadri, and I work with the Children's Defense Fund-New York. We work at the intersection of racial justice and child advocacy, and envision a state where marginalized children flourish, leaders prioritize their well-being, and communities wield the power to ensure they thrive.

One in five New York children live in poverty, and our Black and Latinx kids are more than twice as likely to live in poverty than their white peers. The young advocates that we work with have had to make tough choices of whether to bring home their books from school or save room in their backpacks for food for their families. They face difficulties paying rent, and experience housing-insecurity, traumas that have all been exacerbated by the pandemic.

Child poverty is a policy choice, an economic burden, and a moral failure. Expanding the Empire State Child Credit is a smart policy choice. Enacted together with reforms such as universal childcare and expanding health coverage for moms and babies, it can lead to a child poverty reduction of more than 12 percent in New York.

And we'll start to realize the vision of the Child Poverty Reduction Act, which aims to cut child poverty in half in New York State. New York must expand ESCC eligibility to children under 4, because our youngest children are our poorest and because of the irrefutable evidence like that presented by my copanelists of how critical investments in the early developmental years are.

We must also increase the value of the credit to $1,000 for young children and $500 for older children, to provide meaningful support to our families.

And finally, we must no longer exclude

our lowest-income families from receiving the full credit amount by no longer excluding families whose incomes are below $3,000 and the gradual phase-in for families. These expansions are particularly critical for the 72,000 New York children who, due to their immigration status, did not receive the federal expanded child tax credit, which we know provided meaningful support to so many families for rent, food and many other necessities.

Expanding the Empire State Child Credit will enable more children throughout our state to flourish, no matter their race, immigration status, or zip code. Our state can and must do this and needs the political will to prioritize the health and well-being of the youngest New Yorkers.

Thank you.

CHAIRWOMAN WEINSTEIN: Thank you.

Senator Krueger, did you have a question?

CHAIRWOMAN KRUEGER: Well, I do. I do, if you don't mind. Although it's not a

question on the proposals.

CHAIRWOMAN WEINSTEIN: Go ahead.

CHAIRWOMAN KRUEGER: So for the two academics, child development and the brain, I am not a big fan of the sports betting that we have just made legal in New York, primarily because I believe that the software companies are actually attempting to train children's brains to become addicted to gambling much, much younger than they're ever eligible.

And I'm just wondering whether either of you, in your research, has come across anything that would validate my fear. Or tell me I'm nuts, and that's fine too.

PROFESSOR NOBLE: So, you know, I couldn't speak to the motivations of video game companies. There certainly is some evidence that video games can, you know, foster addiction -- not in all children, but in some. So there's some evidence that you could see addictive behaviors there.

It's not in my area of expertise, though.

CHAIRWOMAN KRUEGER: That's okay. You know, I know it's not your area of expertise. But in case you know anyone who's actually doing this research, I really do think that there's a correlation and that we're capturing young people long before they're eligible to gamble. And we've already trained their brains to just have to do this on their phones.

PROFESSOR YOSHIKAWA: Though neither of us are experts, I could refer you to a gambling expert at Yale University who's done lots of -- you know, some of the best work around youth development and gambling addiction.

CHAIRWOMAN KRUEGER: Hey, I knew you were the right people to ask. That would be great, thank you.

Thank you, Helene.

CHAIRWOMAN WEINSTEIN: Thank you.

So I want to thank this panel for participating with us at the hearing today. And before we bang the gavel on the hearings, I just also want to thank my -- this being

our last budget hearing for the 2022-'23 fiscal year, I want to thank my cochair, the chair of Finance, Liz Krueger, for being with us, being here all these days together; our Ways and Means ranker, Assemblyman Ed Ra. I know we also want to thank --

CHAIRWOMAN KRUEGER: Senator Tom O'Mara.

CHAIRWOMAN WEINSTEIN: -- Senator O'Mara, who may pop up when we say his name; all of the legislators who were here with us at all of these 13 hearings; and, importantly, our staff and the tech staff who are behind the scenes and make it look like Liz and I are right on target with what we're doing.

And of course all of the witnesses who have been here for all of these hearings, both the governmental witnesses and the many public witnesses who helped participate in these hearings.

And I don't know, Senator Krueger, if you wanted to say something before we bang the gavel.

CHAIRWOMAN KRUEGER: You know, too many days together, because I was going to say exactly what you just said, Helene. I really want to thank everyone.

And yes, our staffs are exhausted, so I know that they are very thrilled that we have completed the assignment and will stop texting them in the middle of nights.

And I guess everyone, thank you. Thank you. Now the real challenge is how can we work together to create an even better budget than the proposed Executive Budget. So the work doesn't stop; we just stop sitting here at these hearings every day.

So I just really also want to thank everyone.

CHAIRWOMAN WEINSTEIN: Thank you.

And this now concludes the final joint budget hearing of the fiscal committees of the Assembly and Senate for this fiscal year.

(Whereupon, at 6:11 p.m., the budget hearing concluded.)