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On-time New York budget affects banks, tax shelters, unclaimed property, credits

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Bank tax and tax shelter extenders, unclaimed property law amendments, and credit amendments highlight New York State's on-time budget bill that was signed by Governor Cuomo on March 31, 2011. [S.B. 2811-C, A.B. 4011-C, enacted 3/31/11]

- **Bank Tax Extenders (Part J).** The legislation makes provisions of the bank tax (Article 32) permanent and extends for another two years, until taxable years beginning before January 1, 2013, the transitional provisions relating to the enactment and implementation of the federal Gramm-Leach-Bliley Act. These changes also apply for New York City tax purposes.
- **Tax Shelters (Part B).** The legislation extends the state's tax shelter provisions for four years, to July 1, 2015.
- **Unclaimed Property (Part A).** The legislation reduces the deemed abandonment periods for miscellaneous items of abandoned property: from five years to three years for condemnation awards, certain amounts on deposit to which a shareholder of a credit union or savings and loan institution is entitled, certain amounts held by a bank for the payment of interest in a bond or mortgage, certain lost property, and other types of funds; and from six years to three years on surplus from the sale of pledged property. In addition, the legislation also amends the annual reporting requirements of holders of unclaimed property by requiring that such reports accompany the payment of the abandoned property to the state as opposed to being filed independently of such payment.
- **Investment Tax Credit for Broker-Dealers (Part E).** The legislation extends for four years, until October 1, 2015, the investment tax credit for qualified broker-dealers.

- **Excelsior Jobs Program (Part G).** The legislation extends the benefit period of the jobs credit to 10 years from five years, revises the calculation for determining the amount of the jobs tax credit, repeals the $5,000 cap on the jobs tax credit, increases the allowable Excelsior research and development credit, revises the calculation of the Excelsior real property tax credit, and makes other changes.
- **Economic Transformation and Facility Redevelopment Program (Part V).** The legislation creates a new program allowing for credits for job creation, investment, job training and real property taxes paid. Eligible taxpayers must be deemed a "new business" and create and maintain at least five net new jobs in deemed "economic transformation areas."

PwC observes

"What's most interesting about the budget bill, aside from the unusual fact that it was passed on time, is what is *not* in the bill," suggests John Verde, SALT Managing Director with PwC in New York.

"For instance, neither the increased cap on the capital base for non-manufacturers, to $10 million from $1 million, nor the increased personal tax rates on high-wage earners, which will revert to 6.85 percent in 2012, were extended. In addition, a provision that was introduced as a stand-alone proposal that would require the income of asset management corporations be apportioned based on a single factor formula of gross receipts from asset management services did not make it into the final bill. Greg Lee, SALT Managing Director with PwC in New York, observed that "the budget did not include a provision that would have granted an investment tax credit to asset managers, similar to the one allowed broker-dealers.

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