myStateTaxOffice

A Washington National Tax Services (WNTS) Publication

December 9, 2011

New York amends rates, reduces tax on qualified manufacturers

Follow us
@PwC_mySTO

Authored by: Adam Weinreb

Legislation that quickly passed both the New York Senate and Assembly was signed by Governor Cuomo on December 9, 2011. The legislation revises the state's personal income tax rates, reduces the tax rates on "qualified manufacturers," and reduces the rate of the Metropolitan Commuter Transportation Mobility Tax for some employers. [S.B. 50002, enacted 12/9/11]

Personal Income Tax Rates (Part A)

Presently, the State of New York utilizes seven personal income tax rate brackets, with the highest rate of 8.97 percent on income of over $500,000. For with tax years beginning after 2011, the highest rate bracket was scheduled to be 6.85 percent on income over $20,000 for unmarried individuals, $40,000 for married persons and surviving spouses, and $30,000 for heads of households. Under the new law, however, beginning after 2011, a new top rate of 8.82 percent will be imposed on income of over $1 million for unmarried individuals, $2 million for married persons and surviving spouses, and $1.5 million for heads of households. Beginning after 2014, the rates are scheduled to revert to a top rate of 6.85 percent. Notably, under the new rate brackets, taxpayers with incomes under the million dollar threshold will see a tax rate reduction.

Metropolitan Commuter Transportation Mobility Tax (Part B)

The legislation reduces the MCTMT tax rate of 0.34 percent of payroll expense to 0.11 percent for employers with payroll expense not greater than $375,000 per calendar quarter, and 0.23 percent for employers with payroll expense greater than $375,000 but not greater than $437,500 per calendar quarter. For employers with payroll expense greater than $437,500 per calendar quarter, the rate remains at 0.34 percent. This change will take effect with the calendar quarter beginning on April 1, 2012.

Manufacturers (Part C)

For tax years beginning on and after January 1, 2012 and before January 1, 2015, the corporate income tax rate on qualified manufacturers will be reduced from 6.5 percent to 3.25 percent of entire net income. For the same period, the legislation also reduces by 50 percent, for qualified manufacturers, the tax rate under the minimum taxable income base and the fixed dollar minimum tax. The legislation requires the Commissioner of Taxation and Finance to establish guidelines and criteria for a manufacturer to be deemed a qualified manufacturer for purposes of the rate reduction. Such criteria may include, but not be limited to, regional unemployment, the economic impact the manufacturing has on the community, and the population decline and median income in the manufacturer's region. The legislation requires the Commissioner to "endeavor" that the total annual cost of the lower rates does not exceed $25 million.

PwC Observes

"This tax measure, the result of an agreement between Governor Cuomo and legislative leaders, is remarkable in its focused bipartisan effort to reach a compromise on much debated issues. In addition, for manufacturers, this bill could have tax accounting implications that may require analysis with respect to the calendar quarter in which the bill is signed by the Governor," observes Gregory Lee, SALT Managing Director with PwC in New York.

"Observers should note that this was a stand-alone measure, which was not part of the Governor's proposed budget. Details of the proposed budget for the next fiscal year will be released in the beginning of 2012 and will likely include many more tax changes than the bill just passed by the Legislature."

For more information, please do not hesitate to contact:

Greg Lee	*(646) 471-2654*	*gregory.a.lee@us.pwc.com*
John Verde	*(646) 471-1804*	*john.a.verde@us.pwc.com*
Tom Geppel	*(646) 471-3078*	*tom.geppel@us.pwc.com*
Jack Kramer	*(646) 471-2640*	*jack.kramer@us.pwc.com*
Peter Michalowski	*(646) 471-5259*	*peter.michalowski@us.pwc.com*
Virginia Gates	*(646) 471-9144*	*virginia.gates@us.pwc.com*
Brian Rebhun	*(646) 471-4024*	*brian.rebhun@us.pwc.com*

Adam Weinreb *(646) 471-4409* *adam.weinreb@us.pwc.com*