NEW YORK STATE SENATE MINORITY

FINANCE COMMITTEE

ECONOMIC AND REVENUE REVIEW

FY 2021

SENATOR JOHN J. FLANAGAN
Republican Minority Leader

SENATOR JAMES L. SEWARD
Ranking Member of the Finance Committee

SHAWN MACKINNON
Director of Minority Finance Committee

FEBRUARY 2020

NEW YORK STATE ECONOMIC AND REVENUE REVIEW

FISCAL YEAR 2021

Senator John J. Flanagan
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Senator James L. Seward
Ranking Member of the Finance Committee

Shawn MacKinnon
Director of Minority Finance Committee

Thomas Havel
Deputy Director of Minority Finance Committee

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Executive Summary

Pursuant to section twenty-three of the State Finance Law, the Senate Republican Minority Finance Committee reviewed and analyzed the economic and revenue projections contained within the Executive Budget for FY 2021. Based upon staff analysis, the Senate Republican Minority Finance Committee projects All Funds tax revenues to be $41 million above the Executive for FY 2021. This amount is in addition to the estimate of tax revenues for the remainder of the FY 2020, which is $672 million above the amended Executive estimate. This results in a two year All Funds tax revenue forecast that is $713 million above the Executive projection.

The Senate Republican Minority Finance Committee projects $46 million in General Fund revenues (inclusive of miscellaneous receipts and transfers) above the Executive Budget forecast for FY 2021. This amount is in addition to the estimate for the remainder of FY 2020, which is $286 million above the Executive estimate.

Personal income taxes are showing healthy growth for both FY 2020 and FY 2021 partially offset by a decline in the Real Estate Transfer tax in FY 2020 which is expected to continue in FY 2021 as the newly enacted Mansion Tax and new rent regulations puts a chill on the real estate market in New York City.

Currently, economic indicators point to moderate growth in 2020 and in 2021. This includes a moderation in the growth of GDP, wages, and employment. This moderation assumes that the trade agreement with Canada and Mexico will be ratified in the near future leading to a more favorable trade balance with these two trading partners, while a phase-one trade agreement with China has eased uncertainty that a long and protracted trade war with China will become a drag on the economy. The coronavirus outbreak is a short term downside risk; if the outbreak is severe enough it may continue to disrupt global trade and production. However, this risk is not expected to affect growth in the long run. An upside risk to the forecast is that President Trump will successfully finalize a trade deal with China in the near future which is more favorable to the United States than past deals have been. Another risk to the forecast is the Presidential election in the fall; if a new administration enters the White House and returns to the pre-Trump approach of over regulation and higher taxes, the economy will likely backslide.

United States Economic Outlook

(Dollar Figures in Billions of Dollars)

	2019	2020	2021
Real GDP	$19,069	$19,470	$19,860
Percent Change	2.3%	2.1%	2.0%
Corporate Profits	$2,071	$2,157	$2,261
Percent Change	-0.2%	4.1%	4.8%
CPI - Percent Change	1.8%	1.9%	2.0%
Personal Income			
Percent Change	4.6%	3.8%	4.1%
Wages and Salaries			
Percent Change	4.9%	4.3%	4.3%
Nonagricultural Employment, Millions	151.4	153.3	154.4
Percent Change	1.6%	1.2%	0.7%
Unemployment Rate	3.7%	3.5%	3.5%
Interest Rates			
T-Bill Rate, 3 Month	2.1%	1.6%	1.6%
T-Note Rate, 10 Year	2.1%	2.0%	2.5%

Source of historic data: Bureau of Economic Analysis, Bureau of Labor Statistics

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New York State Economic Outlook
Calendar Year

	2019	2020	2021
Nonagricultural Employment, Thousands			
Percent Change	1.2%	1.3%	1.4%
Personal Income			
Percent Change	3.9%	4.3%	3.8%
Wages and Salaries			
Percent Change	5.1%	4.7%	4.9%

Numbers are based on CES data series.

Source of historic data: Bureau of Economic Analysis, Bureau of Labor Statistics

New York State Economic Outlook
State Fiscal Year Ending

	2020	2021
Nonagricultural Employment, Thousands		
Percent Change	1.4%	1.3%
Personal Income		
Percent Change	4.1%	4.3%
Wages and Salaries		
Percent Change	5.0%	4.9%

Numbers are based on CES data series.

Source of historic data: Bureau of Economic Analysis, Bureau of Labor Statistics

FY 2020 General Fund Receipts (Millions of Dollars)			
	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Gross Collections	**65,037**	**64,477**	**560**
STAR Special Revenue Fund	(2,176)	(2,176)	-
Refunds	(10,312)	(10,312)	-
Revenue Bond Tax Fund	(26,788)	(26,507)	(281)
City/State Offsets	(1,149)	(1,149)	-
Net Collections	**24,612**	**24,333**	**279**
User Taxes and Fees			
Sales and Use	7,506	7,505	1
Cigarette/Tobacco	308	303	5
Alcoholic Beverage	267	265	2
Opioid Excise Tax	17	50	(33)
Total	**8,098**	**8,123**	**25**
Business Taxes			
Corporate Franchise	3,939	3,906	33
Corporate Utilities	482	502	(20)
Insurance	2,060	1,995	65
Bank	(3)	(3)	-
Total	**6,478**	**6,400**	**78**
Other Taxes			
Estate and Gift	1,048	1,094	(46)
Employer Compensation Expense Program	2	1	1
Pari-mutuel	15	15	(0)
Other	3	3	-
Total	**1,068**	**1,113**	**(45)**
Total Tax Collections	**40,255**	**39,969**	**286**
Miscellaneous Receipts	2,979	2,979	-
Total Receipts	**43,234**	**42,948**	**286**

Note: Totals may not add due to rounding.

FY 2021 General Fund Receipts
(Millions of Dollars)

	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Gross Collections	**67,650**	**67,552**	**98**
STAR Special Revenue Fund	(2,000)	(2,000)	-
Refunds	(9,513)	(9,468)	(45)
Revenue Bond Tax Fund	(28,432)	(28,405)	(27)
City/State Offsets	(1,274)	(1,274)	-
Net Collections	**26,432**	**26,405**	**27**
User Taxes and Fees			
Sales and Use	7,818	7,828	(10)
Cigarette/Tobacco	302	299	3
Alcoholic Beverage	272	269	3
Opioid Excise Tax	100	100	-
Total	**8,492**	**8,496**	**4**
Business Taxes			
Corporate Franchise	4,603	4,578	25
Corporate Utilities	486	483	3
Insurance	2,099	2,092	7
Bank	75	75	-
Total	**7,263**	**7,228**	**35**
Other Taxes			
Estate and Gift	1,161	1,174	(13)
Employer Compensation Expense Program	3	3	-
Pari-mutuel	15	15	-
Other	3	3	-
Total	**1,182**	**1,195**	**(13)**
Total Tax Collections	**43,369**	**43,324**	**45**
Miscellaneous Receipts	2,107	2,106	1
Total Receipts	**45,476**	**45,430**	**46**

Note: Totals may not add due to rounding.

FY 2020 All Funds Receipts (Millions of Dollars)			
	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Withholding	43,058	42,574	484
Estimated Payments	17,008	16,982	26
Final Returns	3,463	3,413	50
Other Payments	1,508	1,508	-
Gross Collections	**65,037**	**64,477**	**560**
Refunds	(10,196)	(10,312)	116
City/State Offsets	(1,149)	(1,149)	-
Net Collections	**53,692**	**53,016**	**676**
User Taxes and Fees			
Sales and Use	16,034	16,032	2
Cigarette and Tobacco	1,030	1,013	17
Vapor Excise Tax	5	10	(5)
Motor Fuel Tax	519	523	(4)
Alcoholic Beverage	267	265	2
Opioid Excise Tax	17	50	(33)
Medical Marihuana Excise Tax	6	6	-
Adult Use Cannibis Tax	-	-	-
Highway Use tax	139	141	(2)
Auto Rental Tax	101	108	(8)
Total	**18,116**	**18,148**	**(32)**
Business Taxes			
Corporation Franchise	4,918	4,877	41
Corporation and Utilities	659	686	(27)
Insurance	2,317	2,244	73
Bank Tax	1	1	-
Petroleum Business	1,181	1,178	3
Total	**9,076**	**8,986**	**90**
Other Taxes			
Estate and Gift	1,048	1,094	(46)
Real Estate Transfer	1,110	1,127	(17)
Employer Compensation Expense Program	2	1	1
Pari-Mutuel	15	15	(0)
Other	3	3	-
Total	**2,178**	**2,240**	**(62)**
Total Taxes	**83,062**	**82,390**	**672**

Note: Totals may not add due to rounding.

FY 2021 All Funds Receipts (Millions of Dollars)			
	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Withholding	44,544	44,429	115
Estimated Payments	17,837	17,869	(32)
Final Returns	3,623	3,608	15
Other Payments	1,646	1,646	-
Gross Collections	**67,650**	**67,552**	**98**
Refunds	(9,513)	(9,468)	(45)
City/State Offsets	(1,274)	(1,274)	-
Net Collections	**56,863**	**56,810**	**53**
User Taxes and Fees			
Sales and Use	16,698	16,719	(21)
Cigarette and Tobacco	972	963	9
Vapor Excise Tax	14	14	-
Motor Fuel Tax	523	524	(1)
Alcoholic Beverage	272	269	3
Opioid Excise Tax	100	100	-
Medical Marihuana Excise Tax	6	6	-
Adult Use Cannabis Tax	20	20	-
Highway Use tax	141	143	(2)
Auto Rental Tax	108	115	(7)
Total	**18,854**	**18,873**	**(19)**
Business Taxes			
Corporation Franchise	5,671	5,640	31
Corporation and Utilities	661	657	4
Insurance	2,372	2,364	8
Bank Tax	90	90	-
Petroleum Business	1,161	1,159	2
Total	**9,955**	**9,910**	**45**
Other Taxes			
Estate and Gift	1,161	1,174	(13)
Real Estate Transfer	1,119	1,144	(25)
Employer Compensation Expense Program	3	3	-
Pari-Mutuel	15	15	-
Other	3	3	-
Total	**2,301**	**2,339**	**(38)**
Total Taxes	**87,973**	**87,932**	**41**

Note: Totals may not add due to rounding.

WHEN THE UNEMPLOYMENT RATE DOESN'T TELL THE WHOLE STORY

Often times a low unemployment rate is mentioned as a proxy for how well the economy is doing. But is it really an indicator of a robust economy or is there another part to this story?

What is the Unemployment Rate?

The unemployment rate is the percentage of the labor force that is unemployed at any given time. The labor force is comprised of the total number of workers who are currently employed and those who are actually seeking a paying job but at the current time are unemployed. Workers who are able to work but are not actively seeking work are not counted as being in the labor force. There are many reasons why someone is not seeking work: age, illness, home responsibilities, school or they have become discouraged due to the lack of jobs.

- A low unemployment rate is not the entire story when it comes to the economy and is not necessarily good news.
- Every region in Upstate New York has experienced a reduction in their labor force over the last decade.

When a Low Unemployment Rate is Not Good News

A low unemployment rate can mean good or bad news. Alone, the unemployment rate cannot tell the entire story of the health of an economy. As previously mentioned, the unemployment rate is the percentage of the labor force that does not have a job.

A low unemployment rate is good if it means that more workers are working in a labor force that has stayed the same size or is growing. That means more workers are employed in a growing economy. More jobs is good. However, if the unemployment rate has dropped because the labor force has shrunk, that's not such good news for the economy. That means that previous job seekers have either aged out the labor force, moved away or have been discouraged because they can't find a job and have decided to stop trying.

The New York State Experience

In every major metro area of the state the unemployment rate has dropped between December 2010 and November 2019[1], but the reasons for that drop vary by region. Every region in Upstate New York has experienced a reduction in their labor force for that same time period. Only the New York City and Nassau-Suffolk metro

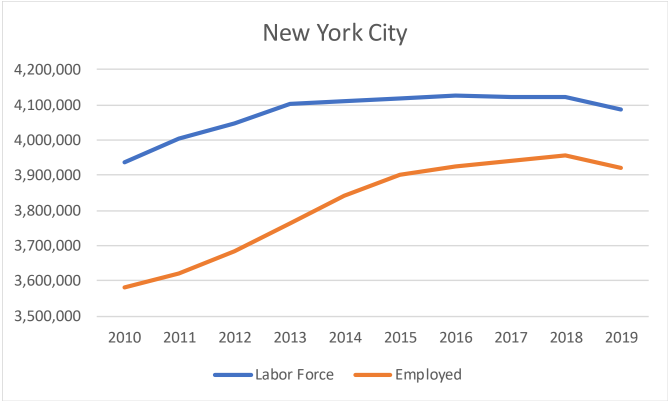
[1] Labor.ny.gov/home/ Labor Force and Unemployment Data Seasonally smoothed

Labor Force and Unemployment Rates in NYS Change From 2010 to 2019				
	2010	2019	Amount	Percent
Albany-Schenectady-Troy				
Labor Force	453,000	447,900	(5,100)	-1.1%
Employed	420,000	431,600	11,600	2.8%
Unemployment Rate	7.3%	3.6%		
Binghamton				
Labor Force	122,500	106,300	(16,200)	-13.2%
Employed	112,100	101,400	(10,700)	-9.5%
Unemployment Rate	8.5%	4.6%		
Buffalo-Niagara Falls				
Labor Force	570,700	542,500	(28,200)	-4.9%
Employed	522,800	518,800	(4,000)	-0.8%
Unemployment Rate	5.2%	4.4%		
Dutchess-Putnam				
Labor Force	199,800	195,000	(4,800)	-2.4%
Employed	184,800	188,000	3,200	1.7%
Unemployment Rate	7.5%	3.6%		
Elmira				
Labor Force	41,200	34,900	(6,300)	-15.3%
Employed	37,900	33,400	(4,500)	-11.9%
Unemployment Rate	8.0%	4.3%		
Glens Falls				
Labor Force	63,900	59,300	(4,600)	-7.2%
Employed	58,300	56,800	(1,500)	-2.6%
Unemployment Rate	8.7%	4.3%		
Ithaca				
Labor Force	54,500	51,400	(3,100)	-5.7%
Employed	51,100	49,600	(1,500)	-2.9%
Unemployment Rate	6.1%	3.5%		
Kingston				
Labor Force	92,400	89,100	(3,300)	-3.6%
Employed	85,200	85,800	600	0.7%
Unemployment Rate	7.9%	3.6%		
Nassau-Suffolk				
Labor Force	1,463,400	1,484,300	20,900	1.4%
Employed	1,355,100	1,431,600	76,500	5.6%
Unemployment Rate	7.4%	3.6%		
Rochester				
Labor Force	541,800	522,700	(19,100)	-3.5%
Employed	498,700	501,300	2,600	0.5%
Unemployment Rate	8.0%	4.1%		
Syracuse				
Labor Force	328,300	308,900	(19,400)	-5.9%
Employed	300,400	295,900	(4,500)	-1.5%
Unemployment Rate	8.5%	4.2%		
Utica-Rome				
Labor Force	142,200	128,500	(13,700)	-9.6%
Employed	130,800	122,900	(7,900)	-6.0%
Unemployment Rate	8.5%	4.2%		
Watertown-Fort Drum				
Labor Force	49,900	44,400	(5,500)	-11.0%
Employed	45,100	41,900	(3,200)	-7.1%
Unemployment Rate	9.7%	5.6%		
New York City				
Labor Force	3,936,582	4,086,268	149,686	3.8%
Employed	3,580,124	3,921,141	341,017	9.5%
Unemployment Rate	9.1%	4.0%		

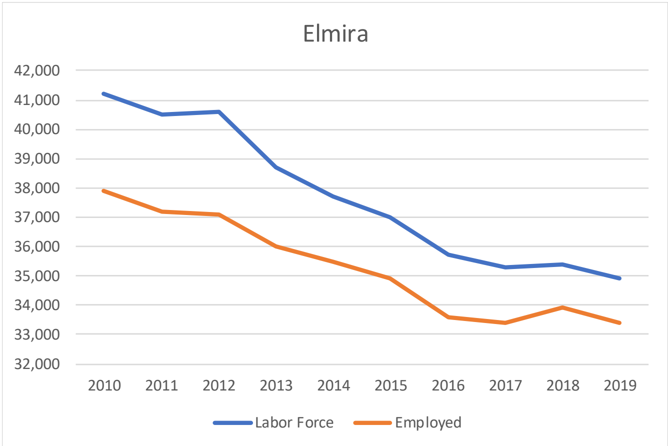
Source: NYS DOL, Seasonally Adjusted,Dec 2010, Nov 2011

regions have seen growth in their labor force and their employment numbers.

New York City's unemployment rate has dropped from 9.1% to 4.0% between December 2010 and November 2019. Their labor force has grown by 149,686 workers and their number of employed has grown by more than twice that amount.

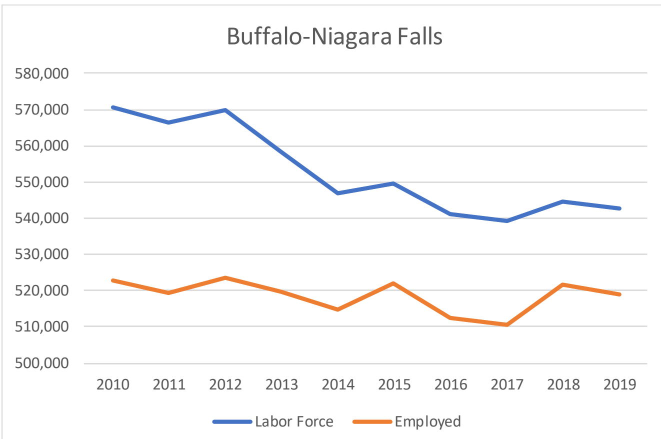


Elmira has not fared as well over the last decade. Elmira has seen double digit drops in both its labor force and the number of people who have a job. Elmira has lost 4,500 jobs over the last decade and 6,300 workers in their labor force. Nearly 2,000 people have either aged out of labor force, lost interest in looking for a job or moved away from the area. But yet their unemployment rate has dropped from 8.0% to 4.3%. Is this good news?

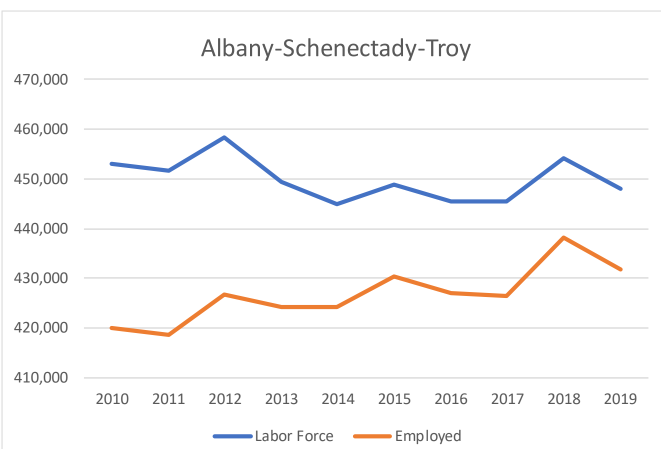


Binghamton has a similar experience to Elmira, where their unemployment rate has dropped from 8.5% to 4.6% over the last decade. However, they also lost 10,700 jobs and over 16,000 people in their labor force.

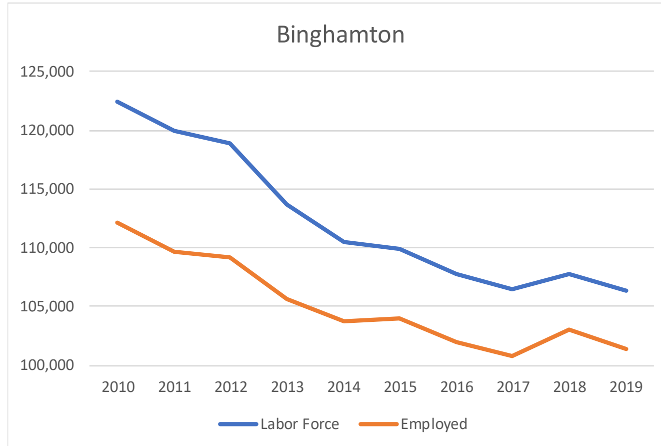
Even a billion dollars from the state could not stop the Buffalo-Niagara Falls region from losing nearly 30,000 people from their workforce. But even when they lost 4,000 jobs their unemployment rate went down by 0.8%.



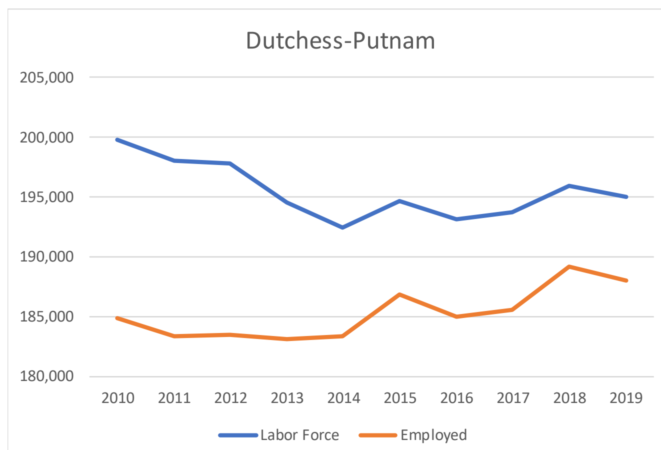
Albany-Schenectady-Troy, the Hudson Valley and Rochester are the only regions in Upstate New York to show a growth in jobs in the last decade. However, those regions also suffer from the same loss in labor force as the rest of the upstate regions.



It is clear that the burden that State policies have put on upstate businesses has had a deleterious effect on job growth, labor force growth and population growth. A global city like New York



City and its neighbor Long Island have natural advantages and a diverse and robust employment base that can overcome many of the additional costs that are foist upon them. However, upstate regions that do not have this advantage and as a result are suffering because of these costs.



The next round of bad news for our upstate businesses and the labor force is likely to come from the latest round of bad policies like the increased minimum wage, the Farm Worker's Fair Labor bill and other environmental actions. But according to those in power under one-party rule, Upstate New York shouldn't worry, the unemployment rate will probably still stay historically low.

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(Dollar Figures in Billions of Dollars)

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The National Economy

Currently, economic indicators point to moderate growth in 2020 and in 2021. This includes a moderation in the growth of GDP, wages, and employment. This moderation assumes that the trade agreement with Canada and Mexico will be ratified in the near future leading to a more favorable trade balance with these two trading partners, while a phase-one trade agreement with China has eased uncertainty that a long and protracted trade war with China will become a drag on the economy. The coronavirus outbreak is a short term downside risk; if the outbreak is severe enough it may continue to disrupt global trade and production. However, this risk is not expected to affect growth in the long run. An upside risk to the forecast is that President Trump will successfully finalize a trade deal with China in the near future which is more favorable to the United States than past deals have been. Another risk to the forecast is the Presidential election in the fall; if a new administration enters the White House and returns to the pre-Trump approach of over regulation and higher taxes , the economy will likely backslide.

Through the first three years of President Trump's administration, there was a positive economic impact from tax cuts and regulatory reform, resulting in strong consumer and business confidence. At the same time, the uncertainty of the coronavirus outbreak hampering trade has created additional uncertainty that could have a negative impact on US economic growth and on global economic conditions.

The expectation is high that the Federal Reserve Board (the Fed) will once again reduce interest rates by the end of the year, however Federal Reserve Chairman Powell indicated in January that the current targeted range for the federal funds rate of 1-1/2 percent to 1-3/4 percent is "appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation returning to the Committee's symmetric 2 percent objective."[1].

ECONOMIC GROWTH

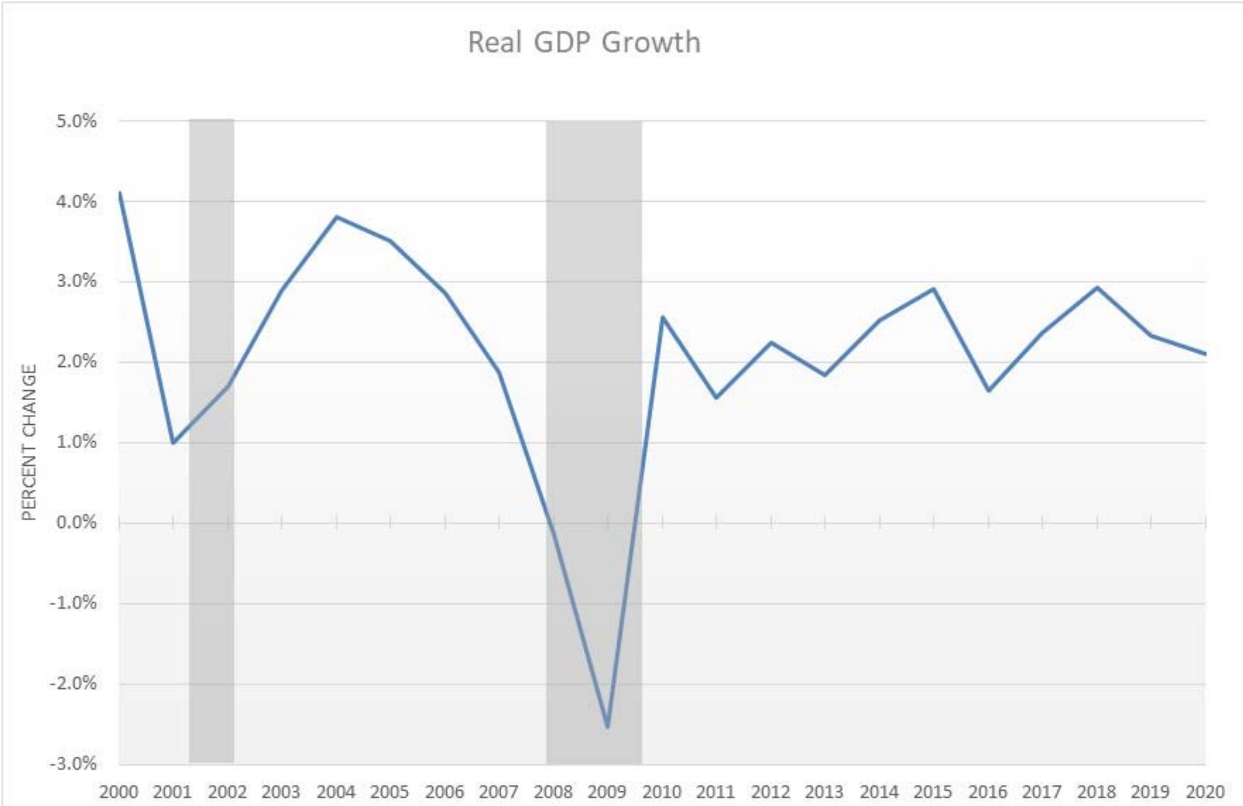
The size of a country's economy is measured by its Gross Domestic Product (GDP), the total amount of output of goods and services produced in the country. The percentage change in GDP shows whether the economy is growing or contracting as well as whether the economy is going into recession, in recovery, or expanding.

Although varieties of factors are used to determine when an economy goes into recession, the most simplistic explanation is a decline in GDP for at least two consecutive quarters. When GDP turns positive, the economy is considered to be in recovery. As the economy becomes stronger and grows at a faster pace, usually in excess of its long term trend growth rate, it is then in the expansion phase.

[1] Federal Reserve press release, January 29, 2020

The main factors driving economic growth are the result of productivity from participation in the labor market and investments in capital. When an economy is in the recovery phase, these factors are either not growing at the same rate or one may be growing while the other is in decline or is stagnant. The speed by which an economy transitions from the recovery phase to the expansion phase depends on all of these factors working efficiently and growing in tandem. Of importance in achieving this growth is consumption; whether the consumer is an individual or a business.

In order to effectively evaluate the economic output of goods and services produced in the country from year to year, the effects of price changes or inflation needs to be removed. This allows one to determine if fluctuations in the economy are caused by changes in prices or actual output.



The recovery and expansion phases from the last two recessions are shown in the chart above (the recessions are represented by the shaded areas). The current economic expansion has been weaker than previous recoveries, however 2019 marked the tenth year of growth. In July of 2019 the current expansion became the longest economic expansion that the United States has experienced in the last century.

In 2019, US GDP grew by a projected 2.3 percent, which was slower than the previous year but still solid growth. GDP growth is expected to continue in 2020, albeit at a lower rate of 2.1 percent.

LABOR MARKET

As stated above, one of the factors that contribute to an expanding economy is a strong labor market. While there is always some level of unemployment in any economy (the full employment unemployment rate varies between four and six percent), the economy needs a labor force that is able, available and willing to find employment. Growth in the labor market serves two purposes in the economy. First, wages and salaries earned by workers fuel consumption. Second, the productivity of the workforce increases output, allowing businesses to expand.

Employment Growth

When an economy contracts and goes into recession, either consumers are reducing their demand for goods and services, businesses are not expanding, or a combination of both is occurring. This results in a reduction in the need for additional employment and the possibility of layoffs. Over the last few years, we have seen solid job growth, which is projected to continue in 2019 at a rate of 1.6 percent growth.

The recovery and expansion phases from the last two recessions are shown in the chart above (the recessions are represented by the shaded areas). The initial recovery from the Great Recession was a jobless recovery, with employment growth not returning until 2011. Since 2011, employment has grown at a rate of 1.5 percent to 2.2 percent annually. Employment growth is expected to continue in 2020, at a more moderate projected employment growth of 1.2 percent.

GOVERNMENT

Government policies are employed in an attempt to influence the overall economy, whether it is to stimulate spending or to control inflation. Although the economy is cyclical in nature, the government tries to ensure that the economy does not expand too quickly causing inflation to spin out of control or to slow down too quickly resulting in a recession. There are two mechanisms by which government intervenes in the economy fiscal policy and monetary policy.

FISCAL POLICY

Fiscal policy entails directing the economy through tax policy or through government spending. When Federal, state or local governments lower taxes, more money is left in the hands of consumers and businesses to spend as they wish.

The Protecting Americans from Tax Hikes Act of 2015 gave taxpayers more certainty in the tax code, by eliminating the continued practice of extending tax credits, by making certain tax credits such as the child tax credit and earned income tax credit permanent. In addition, Congress also lifted the 40-year ban on US crude oil exports.

In December of 2017, President Trump signed the Tax Cuts and Jobs Act. This Act is arguably the largest change to the Internal Revenue Code in decades. The Act makes significant cuts to both individual and business taxes.

For individuals, the standard deduction is roughly doubled to $12,000 for single filers and $24,000 for married joint filers. However, the personal and dependent exemption, which is currently $4,050 each, is eliminated. The prior number of tax brackets is retained, however the brackets themselves and the rates are modified. These provisions sunset at the end of 2025. It should be noted that these provisions will likely be extended, and that the sunset was included so that the bill would comply with the Byrd Rule, which states that measures passed via the Reconciliation process may add no more than $1.5 trillion to the national debt over a ten-year period. The Alternative Minimum Tax (AMT) is amended to increase the exception from its current level of $86,200 to $109,400, and raises the phase-out threshold of the tax to one million dollars. The dependent exemption is eliminated in exchange for enhancements to the Child Tax Credit, the maximum value of which would be increased from $1,000 to $2,000, with the first $1,400 being refundable, and is further enhanced by increasing the income limits at which the credit phases out. The Act also creates a new $500 credit for non-child dependents. In addition to the lower income tax rates there are be several significant changes made to tax credits and deductions in the Act. The Act eliminates or modifies most itemized deductions. Some of the most notable actions include:

- The home mortgage interest deduction is modified to be capped at $750,000 for principal on new mortgages;
- the deduction for charitable contributions is retained;
- the medical expenses deduction threshold is lowered from 10% to 7.5% in 2018 before reverting to 10% thereafter;

- the most notable exemption that would be modified is the state and local tax deduction (SALT), which under the Act is capped at a combined value of $10,000 for property taxes and a taxpayer's choice of income or sales tax. The elimination of this deduction is most likely to impact taxpayers in high tax states.

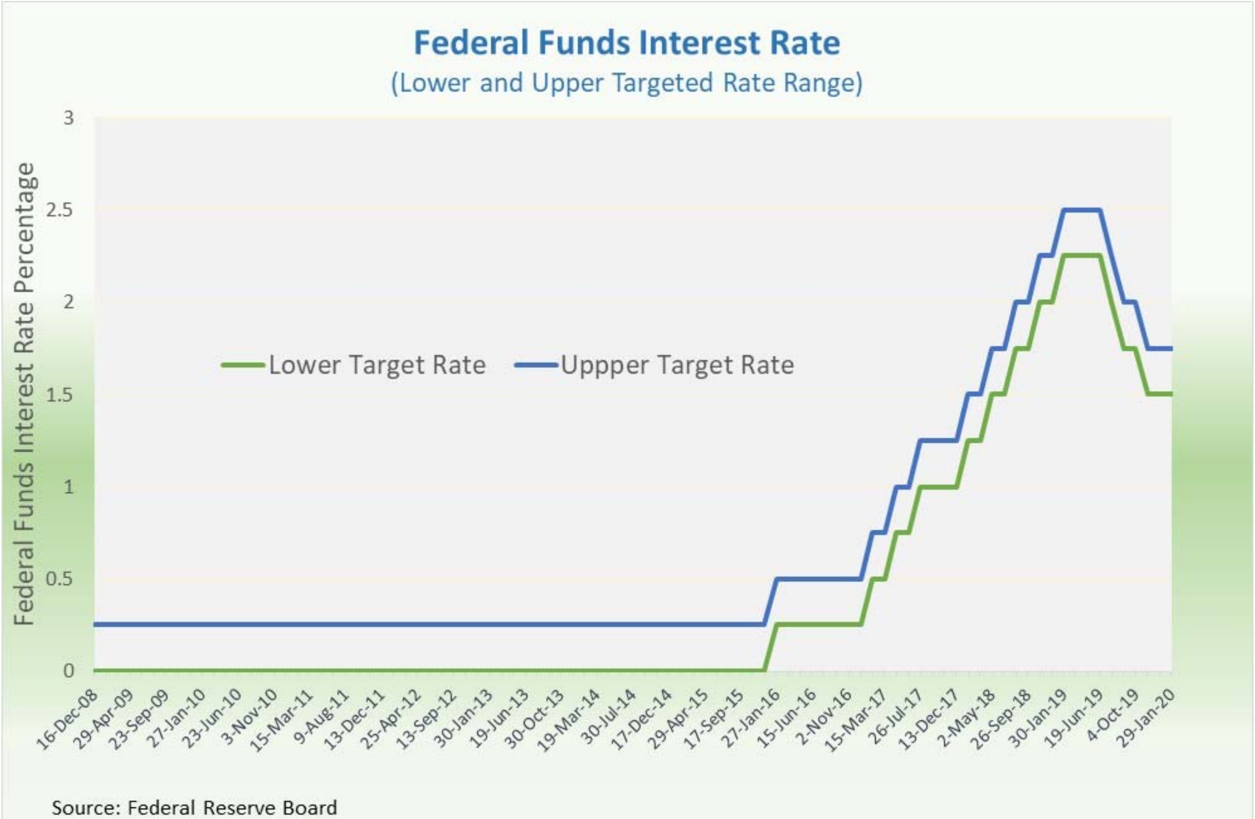
The Act also makes significant changes to business taxes. The corporate tax rate is reduced from 35% to 21%; the Corporate AMT is eliminated; a new 20% deduction for pass through business income is created, which, is limited to the greater of (i) 50%of wage income or (ii) 25% of wage income and 2.5% of the cost of tangible depreciable property. These limitations do not apply for joint incomes below $315,000; The Act allows businesses to immediately write off (expense) the cost of new investments in depreciable assets until 2023, and then phase out the provisions for the next five years; the small business depreciation deduction is expanded from $500,000 to $1,000,000 and increase the phase-out from $2 million to $2.5 million. The tax treatment of interest is modified; currently businesses can fully deduct interest, under the Act interest deductions are capped at 30% of earnings before interest, taxes, depreciation and amortization for the first four years, with the cap moving to 30% of earnings before interest and taxes thereafter. The provisions of the tax code dealing with net operating losses are modified, under the prior treatment, net operating losses could be carried back two years or forward twenty years, with no limit on taxable income. Under the Act, net operating loss carrybacks are eliminated, while providing indefinite net operating loss carryforwards, which is limited to 80% of taxable income. Additionally, the Act allows businesses with up to $25 million in income to use the cash method of accounting, up from the prior limit of $5 million, and makes several changes in an attempt to repatriate revenue that is currently being held overseas.

MONETARY POLICY

Under the control of the Fed, monetary policy involves actions that are intended to adjust the supply of money that is available in the U.S. economy. The goal of the Fed in adjusting the money supply is to maximize employment, maintain stable prices, and moderate long-term interest rates. The Fed has three main monetary policy tools, the discount rate, reserve requirements, and open market operations, which includes manipulating interest rates.

One of the ways the Fed manipulates rates is through the interest rate on Federal Funds which is the rate used when banks loan money to each other. The Federal Funds rate then becomes a basis upon which banks set their own loan rates such as mortgage rates and personal loan rates. When the economy is slow, the Fed will decrease interest rates to reduce the cost of capital in order to spur spending by consumers and businesses; thus boosting the economy. However, if the Fed thinks the economy is growing too fast and inflation is too high, it will increase interest rates to slow spending and encourage saving.

At the December 2015 meeting of the Federal Open Market Committee, it was announced that the Fed Funds rate increased to a target of 0.25-0.50 percent. This put an end



to seven years of near zero rates and was the first time the Fed increased rates in nearly a decade. These rates were initially expected to be increased gradually, with four 25-basis point increases in 2016. However, due to weak economic growth in beginning of the year, concerns surrounding the global economy and market volatility, rates were only increased once in 2016, in December by 0.25 percent to a target of 0.50-0.75 percent; this was the second increase in more than 10 years (June 2006). In 2017, the Feds raised interest rates three times, ending the year with a rate of 1-1.25 percent.

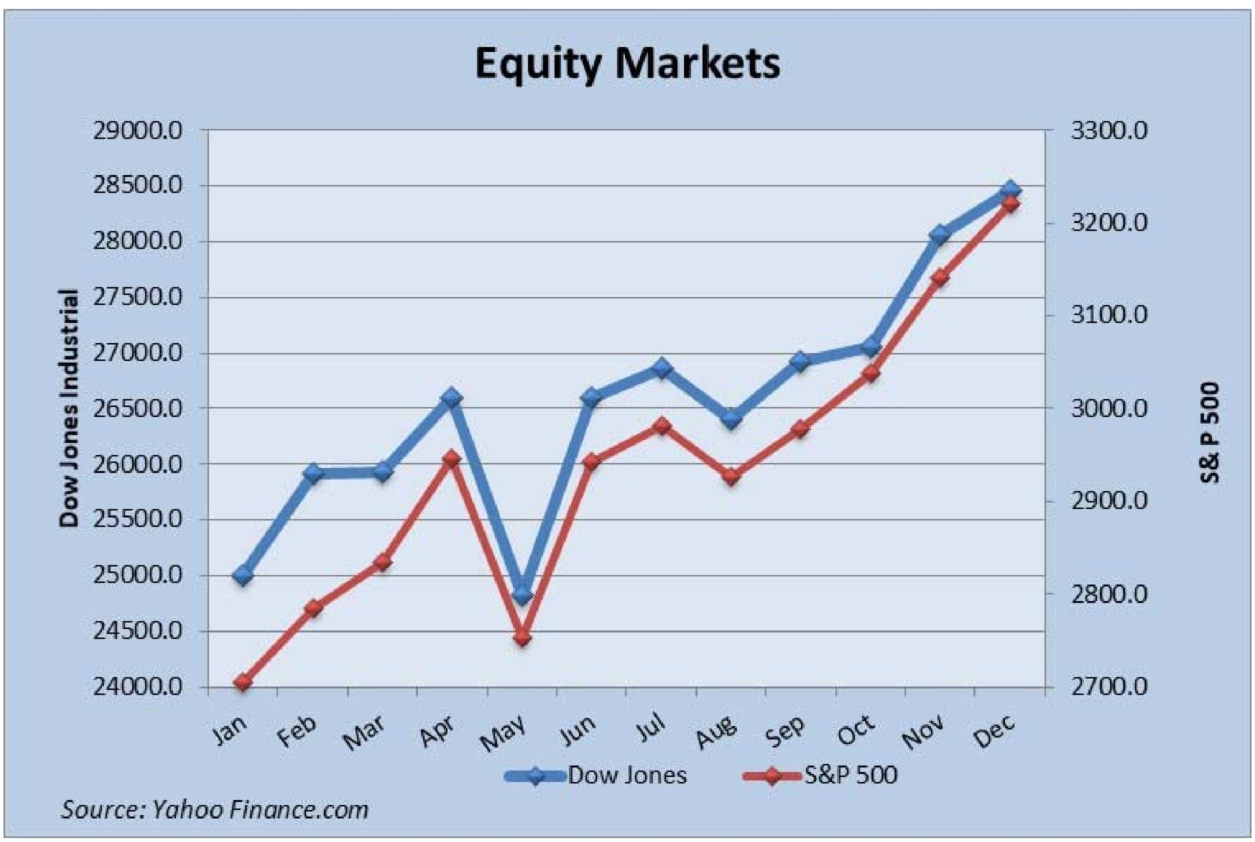
The Fed increased rates four more times in 2018 ending the year with a range of 2-2.25 percent and then raised the rates again in January of 2019 to a range of 2.25-2.5 percent. That rate remained until July when the rate was lowered to a range of 2-2.25 percent. The rate was lowered two more times ending the year with a range of 1.5-1.75 percent. At the more recent meeting of the Federal Reserve Board in January the board decided to leave the rate at its current level.

The expectation is high that the Fed will once again reduce interest rates by the end of the year, however Federal Reserve Chairman Powell indicated at the January meeting that the current targeted range for the federal funds rate of 1-1/2 percent to 1-3/4 percent is "appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation returning to the Committee's symmetric 2 percent objective."[2].Since the Fed Funds rate is the rate used when banks loan money to each other and is the basis upon which banks set their own loan rates such as mortgage rates and personal loan rates, the increase to the rate will translate to higher returns on savings products and a higher cost to borrow for consumers.

[2] Federal Reserve press release, January 29, 2020

FINANCIAL MARKETS

The election of Donald Trump was a boost to the stock market, as were the cuts to business regulations and taxes under his administration. The S&P grew over 19 percent in 2019 and the Dow Jones Industrial Average grew by nearly 14 percent in 2019. In the first two months of 2020 the Dow Jones Industrial Average has reached the 29,000 mark. With increasing fears of a global pandemic due to the coronavirus, the market dropped more than 1,000 points on February 24, 2020 and continued the decline on the following day dropping by an additional 879 points. Although this sell-off is expected to be a short term reduction with growth continuing throughout the year, it may have a small effect on growth for the next fiscal year.



GLOBAL ECONOMY

Any changes in the global economy can have a significant impact on the national economy even though trade is not a major contributor to overall national economic growth, as measured by GDP. This is due to increased participation of both businesses and investors in the economies of countries around the world. In the past year, various international events, such as the coronavirus outbreak in China or civil unrest in Hong Kong, create uncertainty in the economy, especially in the financial markets. The impact of these changes is reflected not only in relation to the value of the dollar in comparison to other currencies, but with the strengths or weaknesses of other national economies, which primarily affects the amount of imports and exports into and out of the United States.

Last year uncertainty in the global markets came from a number of areas including the trade war and tariff war with China, tariffs on European consumer goods and the uncertainly that swirled around the final U.K. Brexit withdrawal agreement.

It is uncertain how the coronavirus outbreak will impact the global economy. At least one company has already adjusted their sales numbers downward due to the disruption in manufacturing the outbreak has caused in China. If the outbreak spreads in China, more manufacturing slowdowns could be on the horizon.

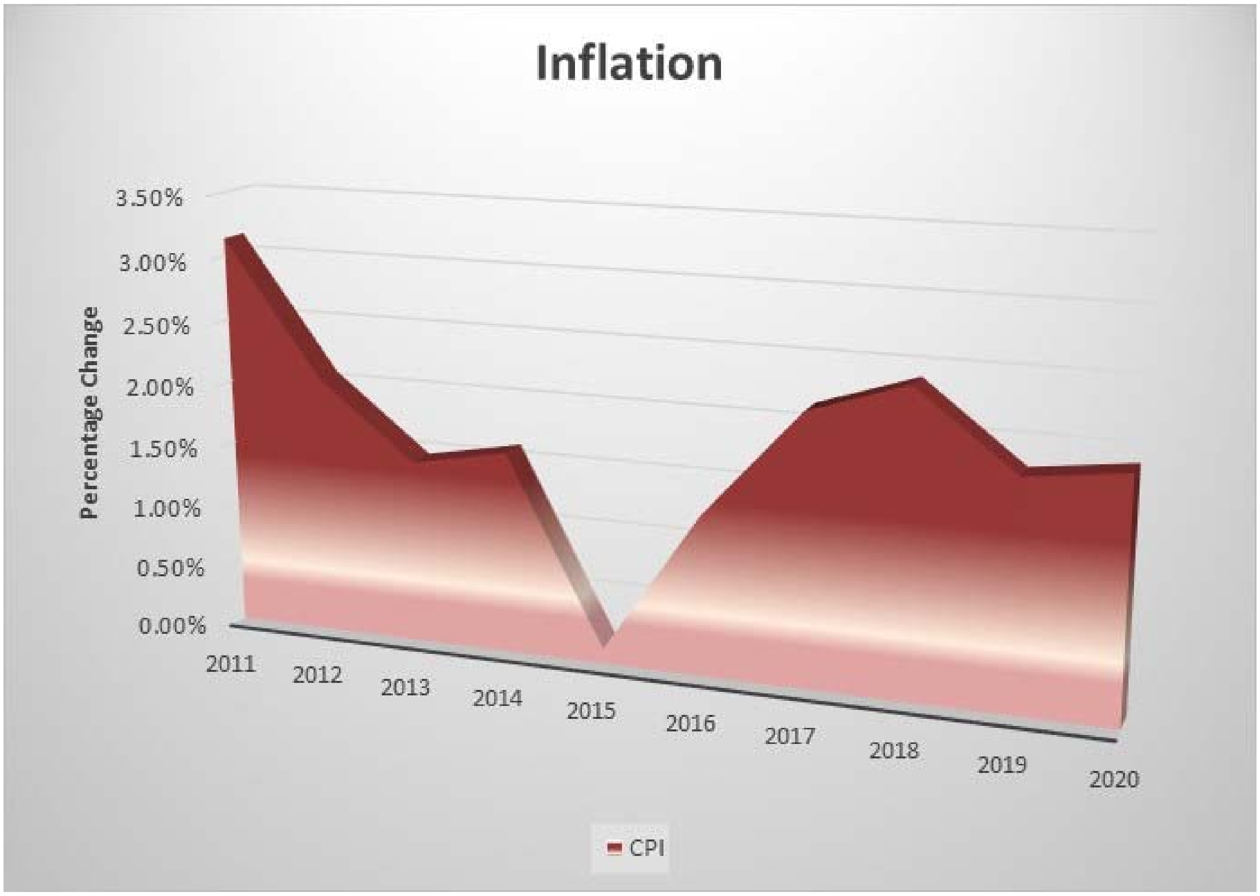
CONSUMER SPENDING

As the beginning of the report stated that in order for an economy to expand, consistent growth in the labor market and the capital market is required. Of importance in achieving this growth is consumption; whether or not the consumer is an individual or a business. Consumption of goods and services allows businesses to remain in operation, create jobs, and make capital investments. For the individual consumer, wages and property income (i.e. net worth) as well as the price of goods and services control his level of consumption in the economy.

INFLATION

While income and wages are a major factor influencing consumption, the rate at which prices are increasing, also known as inflation, is also a significant influence. This is especially true in relation to the prices of necessities, such as food and energy. Increases in the prices of these goods limits the amount of money a consumer has for discretionary spending. In addition, increases in energy costs impacts the price of finished goods as businesses take energy costs in the production process into account when pricing their goods. Core inflation, which excludes food and energy prices, tends to be very volatile, is generally a better indicator of long-term price changes.

In 2020 inflation is projected to grow at 1.9 percent, slightly higher than the 1.8 percent it is projected to be for 2019. Inflation is expected to remain at a modest rate for the following year as well. Food and energy prices are not expected to increase by a substantial amount over this same time period.



New York State Economic Outlook
Calendar Year

	2019	2020	2021
Nonagricultural Employment, Thousands			
Percent Change	1.2%	1.3%	1.4%
Personal Income			
Percent Change	3.9%	4.3%	3.8%
Wages and Salaries			
Percent Change	5.1%	4.7%	4.9%

Numbers are based on CES data series.

Source of historic data: Bureau of Economic Analysis, Bureau of Labor Statistics

New York State Economic Outlook
State Fiscal Year Ending

	2020	2021
Nonagricultural Employment, Thousands		
Percent Change	1.4%	1.3%
Personal Income		
Percent Change	4.1%	4.3%
Wages and Salaries		
Percent Change	5.0%	4.9%

Numbers are based on CES data series.

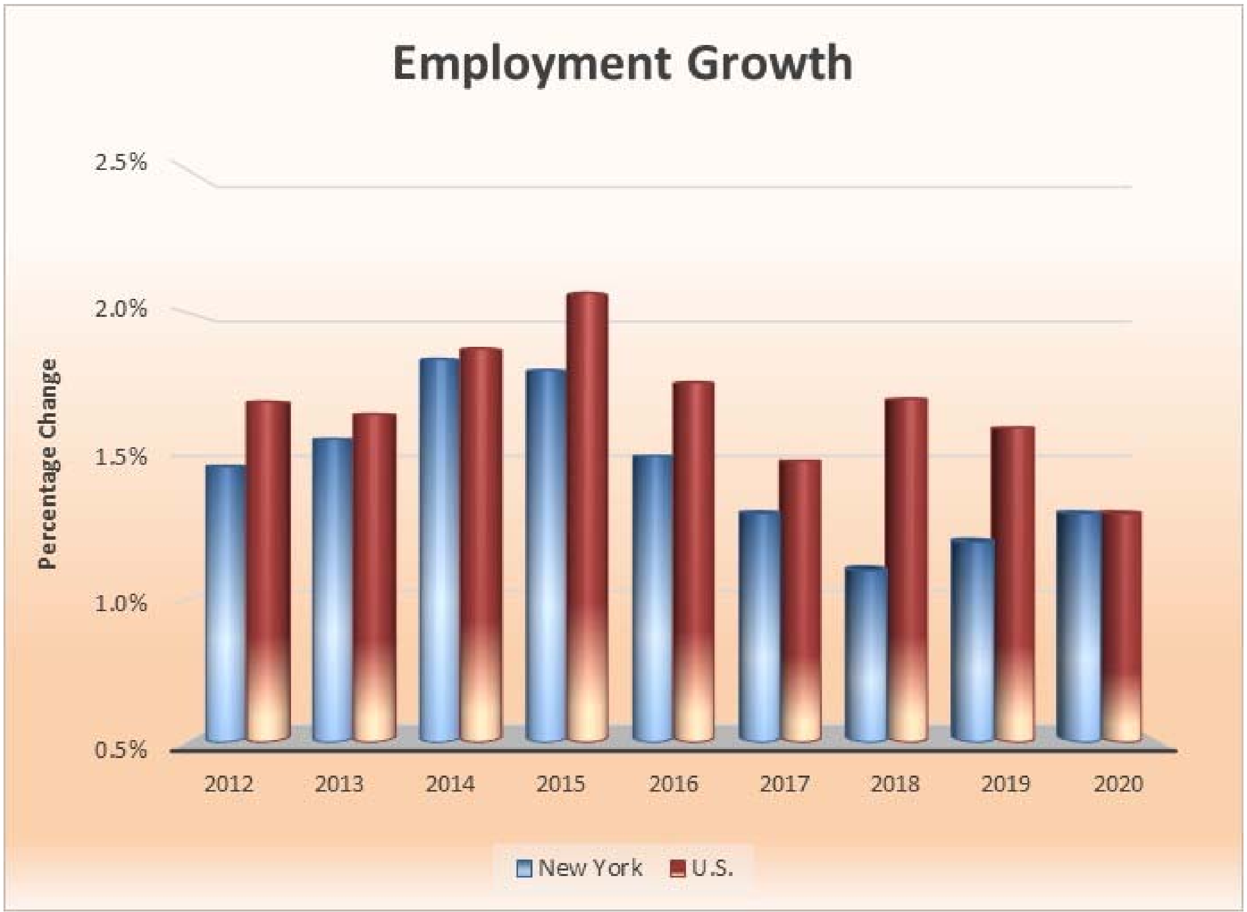
Source of historic data: Bureau of Economic Analysis, Bureau of Labor Statistics

The New York Economy

Gross Domestic Product is the total output of goods and services produced in the country. Similarly, Gross State Product (GSP) is the output of the various industries within a state since products made in the state are utilized and consumed both in the state as well as in other states. The outputs of all these industries are then combined to determine the aggregate GSP. Another measure to gauge how well the state is performing in relation to the rest of the country is measuring Real GDP by state. New York State's percentage of GDP has hovered between eight and nine percent over the past 15 years, but in the past two years of data has consistently slid closer to the eight percent mark.

LABOR MARKET

As a result of the economic downturn in 2008, many Wall Street jobs were lost and even though the profits of the Wall Street firms increased significantly in 2012, this did not translate into a significant increase in jobs. However, with the historic and consistent increases the stock market has seen since President Trump took office, Wall Street has also started to see an increase in job growth rates. The finance sector of recent years is a leaner business in both the way bonuses are given and the number of employees needed for operations. Wall Street is not likely to be the large job creator of the '80s and '90s but will remain an important source of state revenue.



Another industry that was significantly impacted by the economic downturn was the construction industry. After the housing market recovered in 2011, the robust growth in multi-family housing starts resulted in annual gains in construction jobs through 2016. However, since that time employment growth rates have been declining and are expected to continue to decline as the newly enacted transfer tax in New York City and the new rent regulations have a chilling effect on the real estate business.

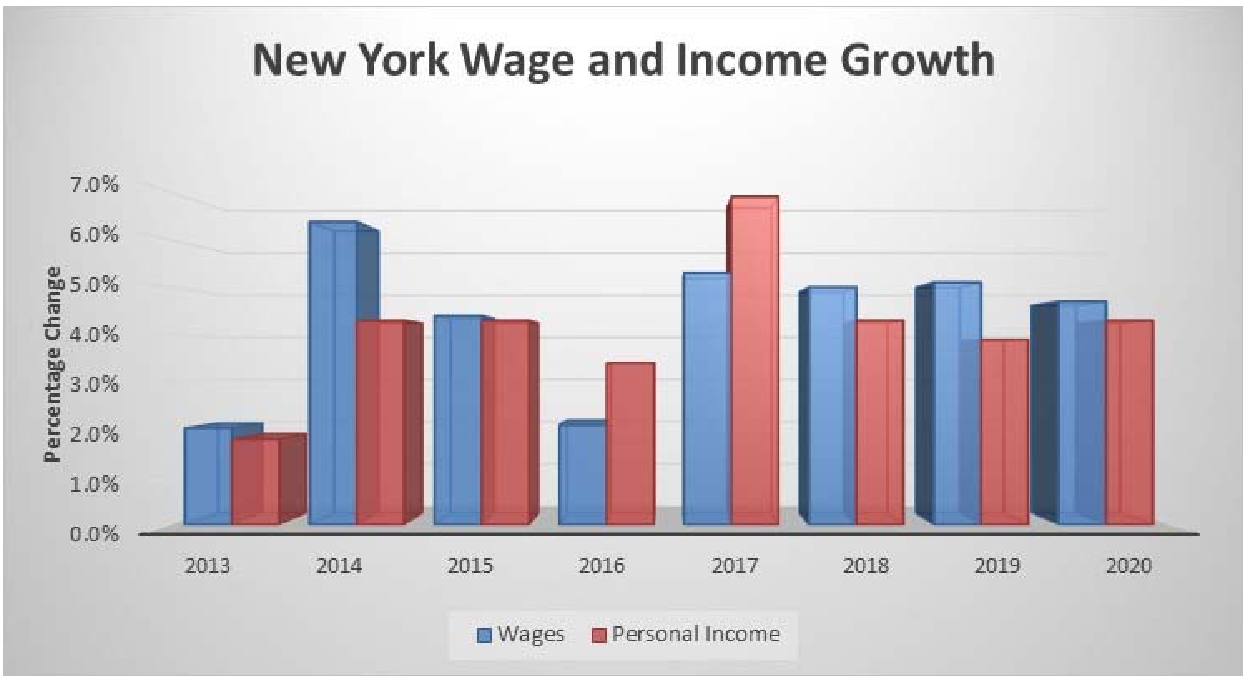
Manufacturing employment in New York has been declining since the late ‘60s. Even with stronger economic growth, especially at the national level, manufacturing employment continued to decrease, unfortunately that trend is expected to continue.

Every year since the Great Recession, New York has experienced employment growth, albeit at a slower rate than the United States as a whole. That streak is expected to be broken in 2020. When New York employment growth is projected to grow at the same 1.3 percent as the United States.

WAGES AND INCOME

Prior to 2011, the payment of year-end bonuses by the financial services industry played an important role in New York’s wage and income growth. Due to the timing of the payment of Wall Street bonuses, usually paid in the first quarter of the succeeding year, wage growth in New York was influenced by the performance of the industry in the previous year. Due to the public and political backlash over the payment of large bonuses during the financial market crisis and the subsequent bailout by the Federal government, there was a change in the method by which bonuses were paid. A larger percentage of bonus compensation is being paid with stock options by which the recipient must hold the stock for a specified number of years to exercise the options. As a result, wage growth was negatively impacted by these changes in 2011. However, this change in bonus payments also had the positive impact of reducing wage and income volatility.

Wage growth in New York is expected to increase by 5.1 percent in 2019 and continue to grow at a slightly lower rate of 4.7 percent in 2020. New York personal income is expected to grow by 3.9 percent in 2019 and post stronger growth in 2020 of 4.3 percent.



FY 2020 General Fund Receipts (Millions of Dollars)			
	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Gross Collections	**65,037**	**64,477**	**560**
STAR Special Revenue Fund	(2,176)	(2,176)	-
Refunds	(10,312)	(10,312)	-
Revenue Bond Tax Fund	(26,788)	(26,507)	(281)
City/State Offsets	(1,149)	(1,149)	-
Net Collections	**24,612**	**24,333**	**279**
User Taxes and Fees			
Sales and Use	7,506	7,505	1
Cigarette/Tobacco	308	303	5
Alcoholic Beverage	267	265	2
Opioid Excise Tax	17	50	(33)
Total	**8,098**	**8,123**	**25**
Business Taxes			
Corporate Franchise	3,939	3,906	33
Corporate Utilities	482	502	(20)
Insurance	2,060	1,995	65
Bank	(3)	(3)	-
Total	**6,478**	**6,400**	**78**
Other Taxes			
Estate and Gift	1,048	1,094	(46)
Employer Compensation Expense Program	2	1	1
Pari-mutuel	15	15	(0)
Other	3	3	-
Total	**1,068**	**1,113**	**(45)**
Total Tax Collections	**40,255**	**39,969**	**286**
Miscellaneous Receipts	2,979	2,979	-
Total Receipts	**43,234**	**42,948**	**286**

Note: Totals may not add due to rounding.

FY 2021 General Fund Receipts
(Millions of Dollars)

	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Gross Collections	**67,650**	**67,552**	**98**
STAR Special Revenue Fund	(2,000)	(2,000)	-
Refunds	(9,513)	(9,468)	(45)
Revenue Bond Tax Fund	(28,432)	(28,405)	(27)
City/State Offsets	(1,274)	(1,274)	-
Net Collections	**26,432**	**26,405**	**27**
User Taxes and Fees			
Sales and Use	7,818	7,828	(10)
Cigarette/Tobacco	302	299	3
Alcoholic Beverage	272	269	3
Opioid Excise Tax	100	100	-
Total	**8,492**	**8,496**	**4**
Business Taxes			
Corporate Franchise	4,603	4,578	25
Corporate Utilities	486	483	3
Insurance	2,099	2,092	7
Bank	75	75	-
Total	**7,263**	**7,228**	**35**
Other Taxes			
Estate and Gift	1,161	1,174	(13)
Employer Compensation Expense Program	3	3	-
Pari-mutuel	15	15	-
Other	3	3	-
Total	**1,182**	**1,195**	**(13)**
Total Tax Collections	**43,369**	**43,324**	**45**
Miscellaneous Receipts	2,107	2,106	1
Total Receipts	**45,476**	**45,430**	**46**

Note: Totals may not add due to rounding.

FY 2020 All Funds Receipts (Millions of Dollars)			
	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Withholding	43,058	42,574	484
Estimated Payments	17,008	16,982	26
Final Returns	3,463	3,413	50
Other Payments	1,508	1,508	-
Gross Collections	**65,037**	**64,477**	**560**
Refunds	(10,196)	(10,312)	116
City/State Offsets	(1,149)	(1,149)	-
Net Collections	**53,692**	**53,016**	**676**
User Taxes and Fees			
Sales and Use	16,034	16,032	2
Cigarette and Tobacco	1,030	1,013	17
Vapor Excise Tax	5	10	(5)
Motor Fuel Tax	519	523	(4)
Alcoholic Beverage	267	265	2
Opioid Excise Tax	17	50	(33)
Medical Marihuana Excise Tax	6	6	-
Adult Use Cannibis Tax	-	-	-
Highway Use tax	139	141	(2)
Auto Rental Tax	101	108	(8)
Total	**18,116**	**18,148**	**(32)**
Business Taxes			
Corporation Franchise	4,918	4,877	41
Corporation and Utilities	659	686	(27)
Insurance	2,317	2,244	73
Bank Tax	1	1	-
Petroleum Business	1,181	1,178	3
Total	**9,076**	**8,986**	**90**
Other Taxes			
Estate and Gift	1,048	1,094	(46)
Real Estate Transfer	1,110	1,127	(17)
Employer Compensation Expense Program	2	1	1
Pari-Mutuel	15	15	(0)
Other	3	3	-
Total	**2,178**	**2,240**	**(62)**
Total Taxes	**83,062**	**82,390**	**672**

Note: Totals may not add due to rounding.

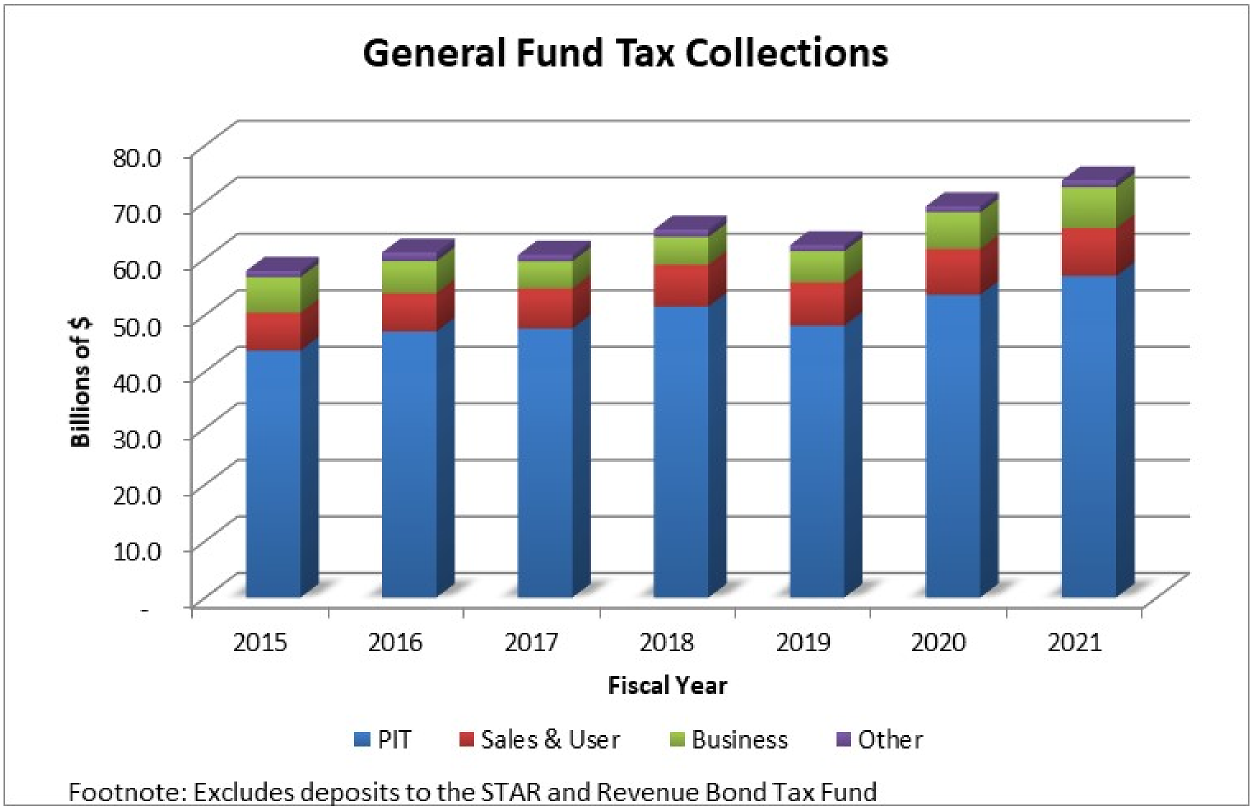
FY 2021 All Funds Receipts
(Millions of Dollars)

	Senate Finance	Executive Budget	Variance
Personal Income Tax			
Withholding	44,544	44,429	115
Estimated Payments	17,837	17,869	(32)
Final Returns	3,623	3,608	15
Other Payments	1,646	1,646	-
Gross Collections	**67,650**	**67,552**	**98**
Refunds	(9,513)	(9,468)	(45)
City/State Offsets	(1,274)	(1,274)	-
Net Collections	**56,863**	**56,810**	**53**
User Taxes and Fees			
Sales and Use	16,698	16,719	(21)
Cigarette and Tobacco	972	963	9
Vapor Excise Tax	14	14	-
Motor Fuel Tax	523	524	(1)
Alcoholic Beverage	272	269	3
Opioid Excise Tax	100	100	-
Medical Marihuana Excise Tax	6	6	-
Adult Use Cannabis Tax	20	20	-
Highway Use tax	141	143	(2)
Auto Rental Tax	108	115	(7)
Total	**18,854**	**18,873**	**(19)**
Business Taxes			
Corporation Franchise	5,671	5,640	31
Corporation and Utilities	661	657	4
Insurance	2,372	2,364	8
Bank Tax	90	90	-
Petroleum Business	1,161	1,159	2
Total	**9,955**	**9,910**	**45**
Other Taxes			
Estate and Gift	1,161	1,174	(13)
Real Estate Transfer	1,119	1,144	(25)
Employer Compensation Expense Program	3	3	-
Pari-Mutuel	15	15	-
Other	3	3	-
Total	**2,301**	**2,339**	**(38)**
Total Taxes	**87,973**	**87,932**	**41**

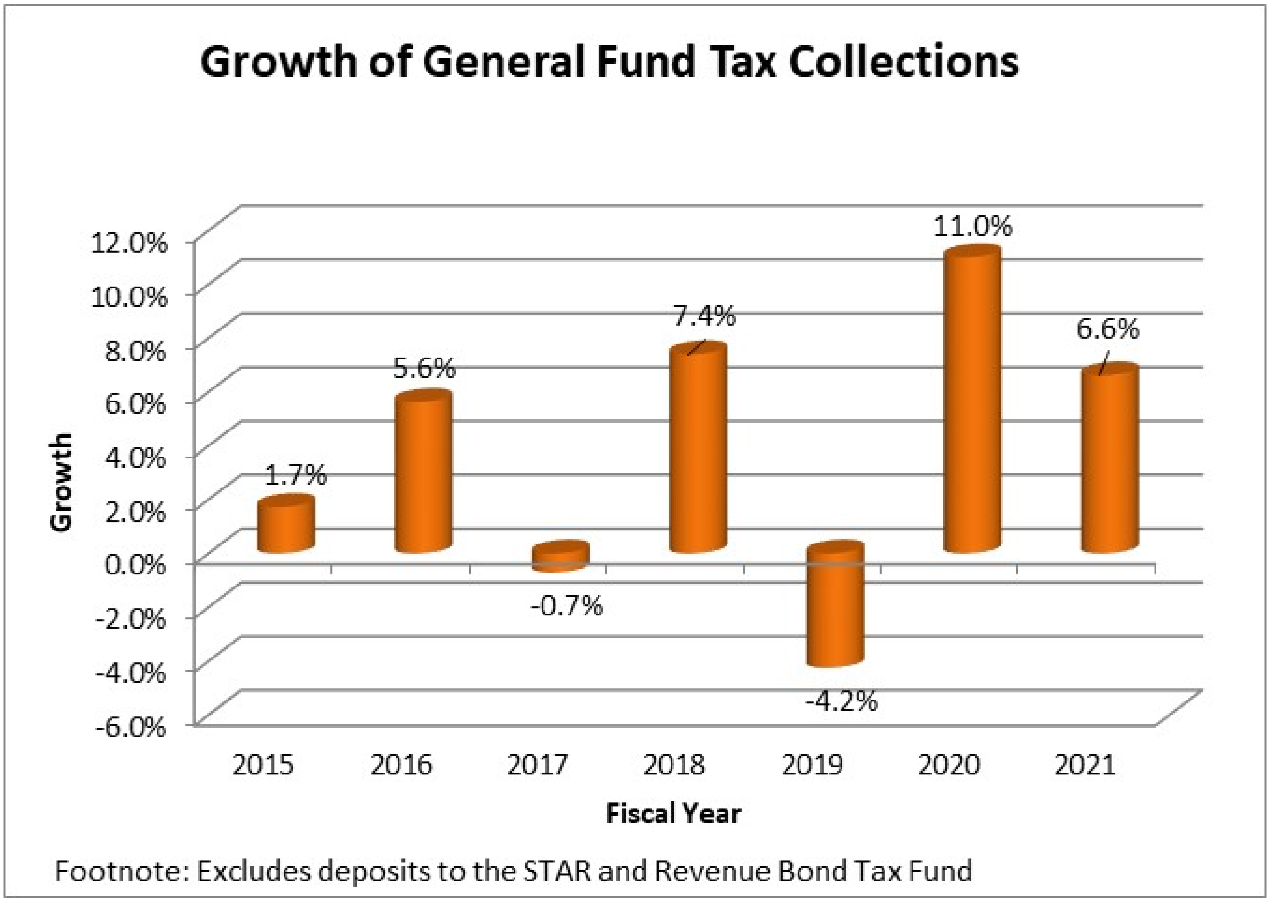
Note: Totals may not add due to rounding.

Revenue Outlook

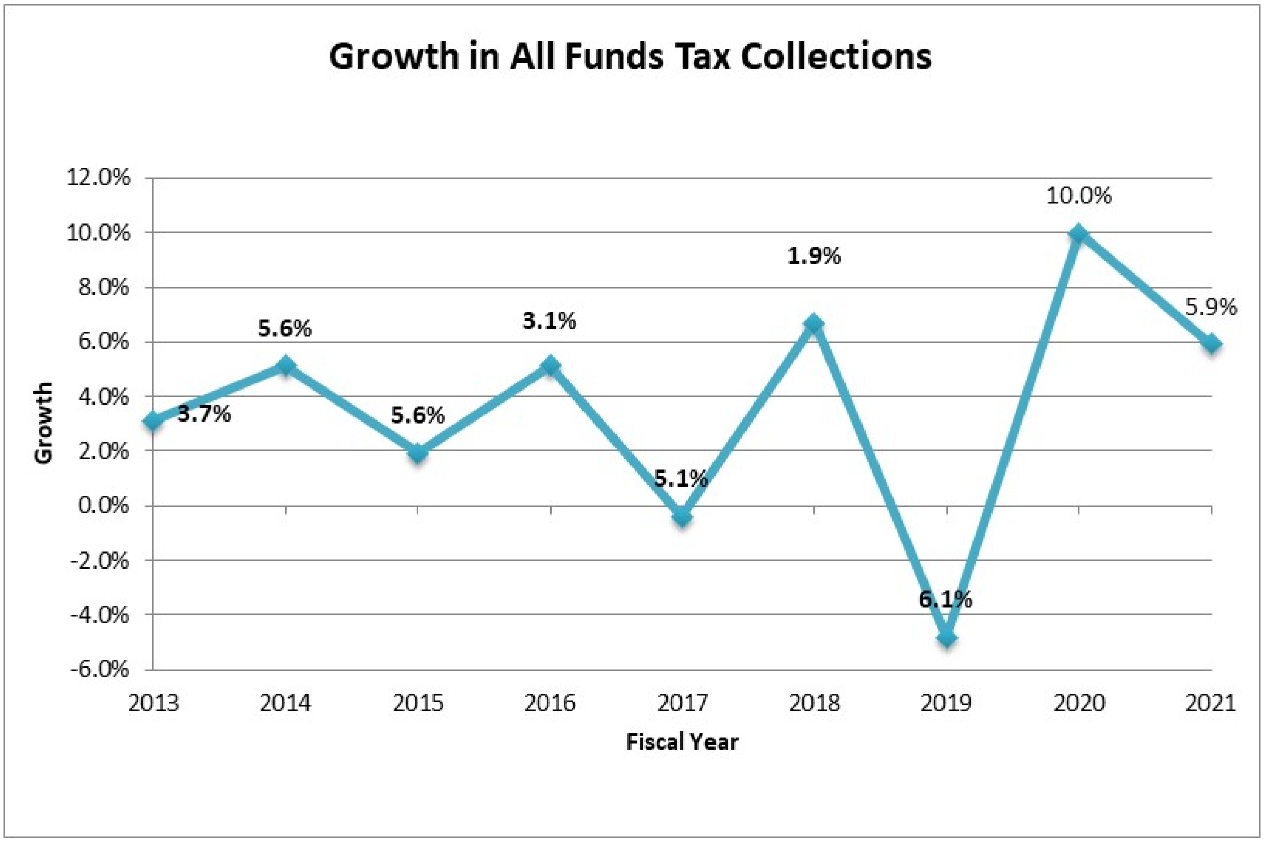
The New York State Senate Republican Minority Finance Committee generates its revenue estimates using forecasts of national and state economic growth. The economic data is utilized to generate the Committee's independent revenue estimates.



Using staff analysis, the Committee estimates gross General Fund tax collections in FY 2020, excluding the deposits to the STAR and Revenue Bond Tax Fund will increase by 11 percent to \$69.2 billion. All Funds collections will increase by 10 percent to \$83.1 billion. In FY 2019 there was a sharp decline in estimated payments caused by the timing of payments between tax years 2018 and 2019 in response to the Federal Tax Cuts and Jobs Act (TCJA). This timing issue seems to have been a temporary break in the pattern of income tax collections and from all indications the state is back in a more normal pattern of income tax growth. Strong growth in business taxes also contribute to the higher All Funds collections.



In FY 2021, the Senate Republican Minority Finance Committee projects that General Fund tax collections, excluding deposits to the STAR and Revenue Bond Tax Fund (RBTF), will increase by 6.6 percent to $73.8 billion. All Funds collections will increase by 5.9 percent to $88 billion. This increase reflects a return to a normal pattern of personal income tax receipts from an artificially low FY 2019 tax base and continued growth in Corporate Franchise taxes.

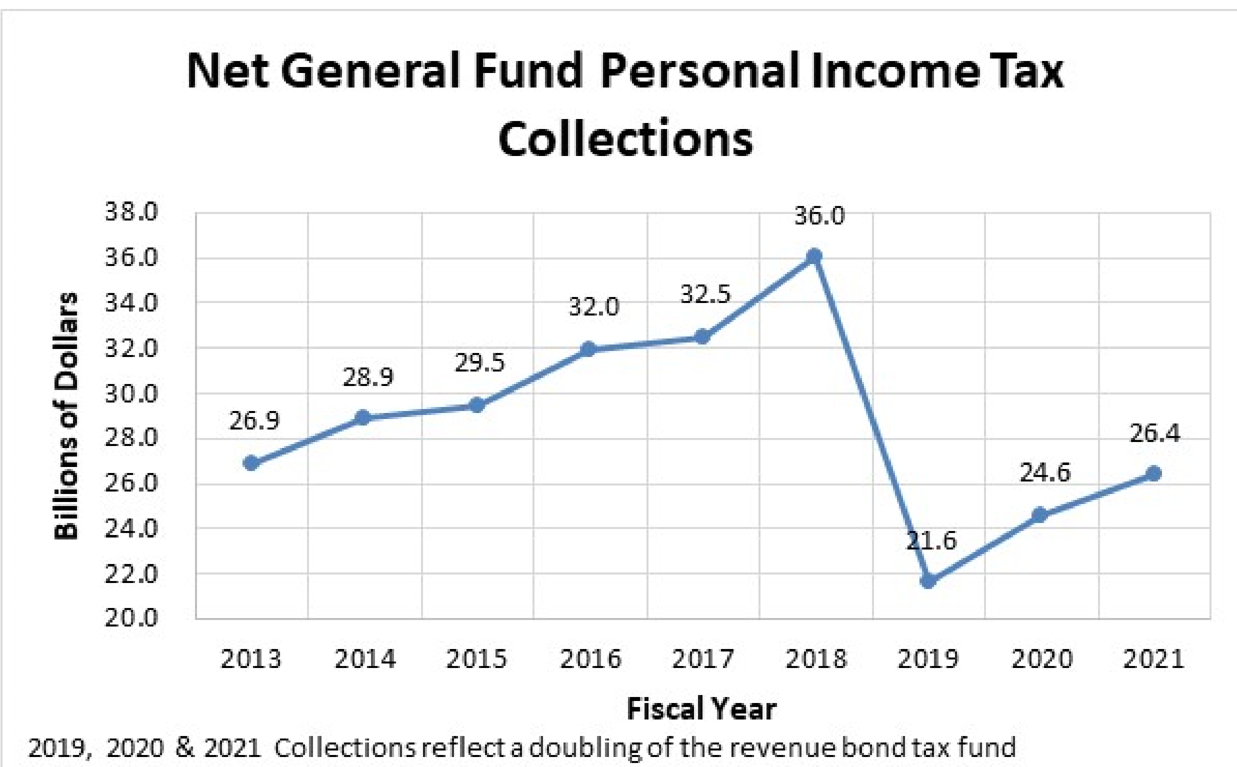


Personal Income Tax

Personal income tax collections account for over half of all New York tax collections and over two thirds of General Fund tax collections (net of reserves). The personal income tax is imposed on all types of income a person may receive (e.g. wages, interest income, dividends, and capital gains). In addition, the personal income tax is imposed on the income of many of New York's small businesses, such as sole proprietorships, partnerships, and limited liability companies. This income is subsequently offset by certain deductions as enumerated in either the Internal Revenue Code or the New York

State Tax Law. For FY 2020, gross General Fund personal income tax collections, without the $29 billion reduction in deposits to STAR and RBTF, are estimated to increase by 11.4 percent to $53.6 billion. This increase reflects a return to a normal pattern of taxpayer behavior and growth in withholding.

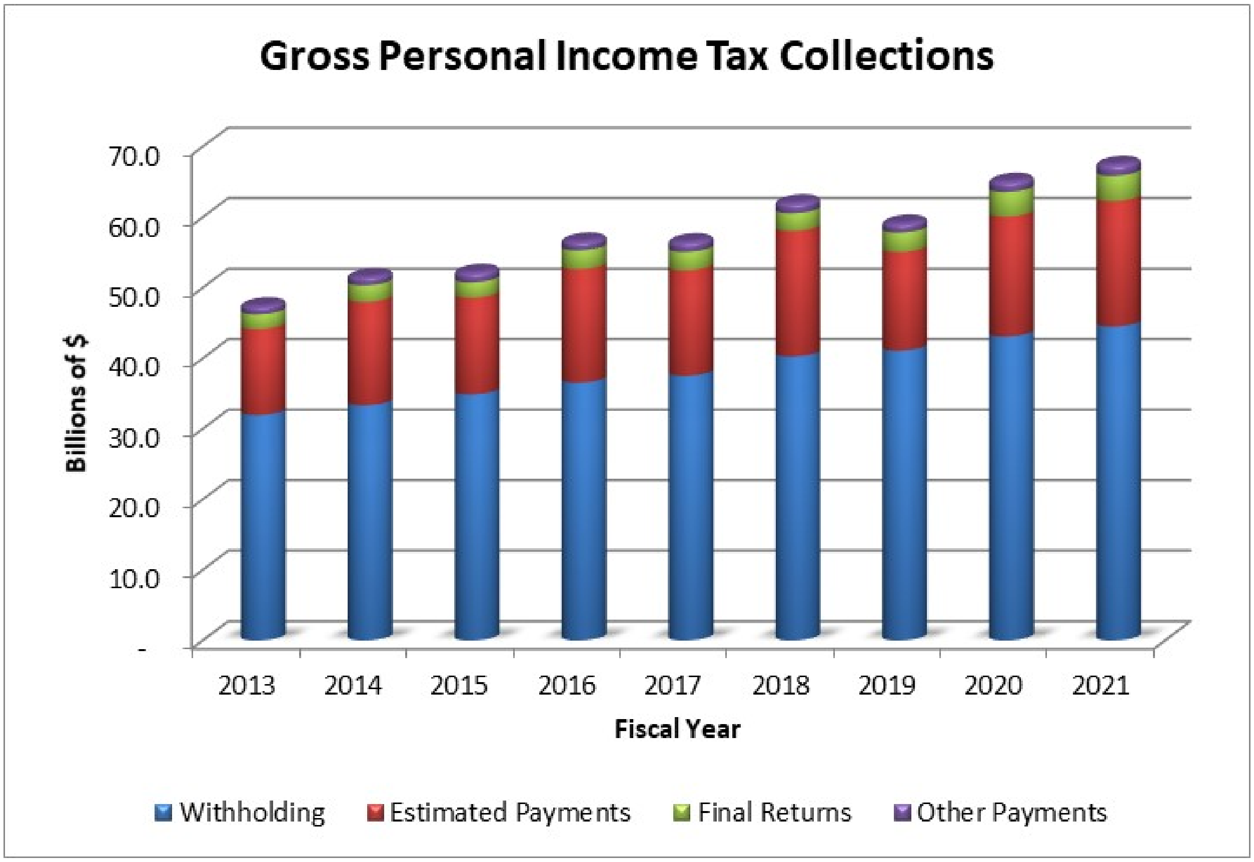
In FY 2021, total personal income tax collections, without the $30.4 billion reduction in deposits to STAR and RBTF, are projected to increase by 6.1 percent to $56.8 billion. This increase is a result of the return to a normal pattern of taxpayer behavior and by continued wage and personal income growth.



PIT Components

Withholding and estimated payments are methods by which the taxpayer can equalize personal income tax payments over the course of the tax year as opposed to being liable for one lump sum payment at the end of the year. When a person receives income, primarily wages, the appropriate tax is withheld and remitted to the State at the time the income is received. Withholding collections in the current fiscal year are estimated to increase by 4.8 percent to $43.1 billion, and by 3.5 percent to $44.5 billion in FY 2021.

Withholding collections in the fourth quarter of the fiscal year historically have accounted for over thirty percent of total withholding for the year, as a result of the payment of performance bonuses by the financial services industry in the previous calendar year. However, the compensation structure of financial services employees has changed since the public backlash over bonuses paid to financial companies that had received government support through the TARP. Many businesses in the industry have changed the method by which bonus compensation is paid by either: paying bonuses in the form of stock options where the recipient must hold the stock for a specified number of years to exercise the options; or incorporating into wages what they would have paid their employees in bonuses.



Another method by which the State collects the personal income tax throughout the tax year is through estimated payments. These payments are made when a taxpayer does not pay the income tax through withholding, such as a self-employed individual, and/or has a significant amount of non-wage income not subject to withholding but subject to the personal income tax. These payments are made quarterly throughout the fiscal year. These collections are the most volatile portion of the personal income tax due to the fact that a taxpayer must "forecast" their tax liability for the year.

Estimated tax payments are also made when a taxpayer requests an extension for the submission of their annual return. Upon the request of the extension, the taxpayer estimates what their final tax liability will be for the previous tax year and remits the estimated tax, net of any withholding or previous estimated tax payments.

The most common form of income that is paid through estimated tax payments is capital gains, which are incurred through the sale of an asset. Most people associate capital gains with the stock market. However, as a result of the significant growth in the housing market, the real estate market had been a major contributor to capital gains realizations during the economic expansion.

Another contributor to the strength or weakness of estimated payment growth is proprietor's income. This type of income includes all the self-employed businesses who earn their money through their business profits and not through the traditional withholding of wages.

Estimated tax payments in the current fiscal year are estimated to increase by 21.4 percent to $17 billion. This reflects return to normal taxpayer behavior that shifted estimated payments into FY 2018 and artificially lowered estimated payments in 2019. In FY 2021, estimated payments are projected to increase by 4.9 percent, to $17.8 billion.

The personal income tax is also collected through annual returns taxpayers must file. The annual return is essentially a reconciliation of a taxpayer's taxable income (gross income less deductions) and taxes paid through withholding or estimated payments throughout the preceding calendar year. As such, additional tax liability due or refunds are considered the "settlement" of a taxpayer's personal income tax. Payments made through the filing of annual returns are estimated to increase 26 percent in FY 2020. In FY 2021, collections from final returns are projected to increase by 4.6 percent, to $3.6 billion.

The amount of refunds to be paid to taxpayers is estimated to be 2.5 percent higher in FY 2020 than in the prior year. The amount of refunds paid in the final quarter of the fiscal year is constrained in order to maintain cash flow between fiscal years. Due to the advent of electronic filing, there have been a larger amount of refunds being claimed in the January through March period. In order to ensure that taxpayers receive their refunds in a timely manner, the amount of refunds to be issued was capped at $2.25 billion in FY 2020 but the Division of the Budget estimates this amount will be lowered to $1.75 billion in FY 2021 to push more liability into FY 2022. For FY 2021, refunds are projected to decrease by 6.7 percent, to $9.5 billion as a result.

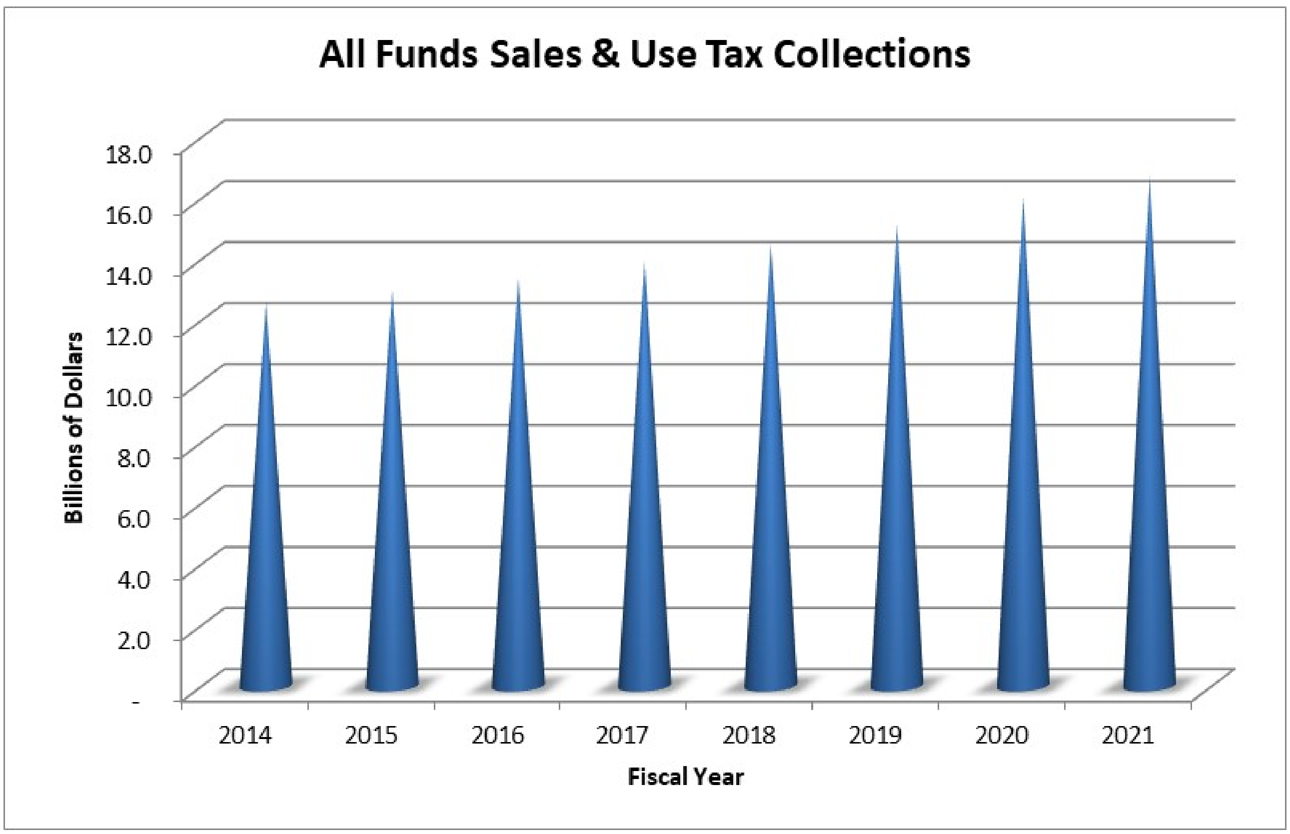
Lastly, personal income tax collections are composed of assessments imposed upon taxpayers as a result of the audit process and filing fees imposed on limited liability companies. Assessments consist of any overdue taxes and the interest and penalties imposed upon such liability. Other collections are estimated to increase 13.1 percent to $1.5 billion in FY 2020. In FY 2021, other payments are projected to increase by 9.2 percent, to $1.6 billion.

A portion of income tax collections are deposited to a special revenue fund and a debt service fund. The STAR reserve is a special revenue fund that receives a portion of personal income tax collections to reimburse school districts for the reduction in their property tax collections as a result of the STAR program. This number is expected to continue to decline as more property tax payers are moved from an exemption to an income tax refund.

The Revenue Bond Tax Fund (RBTF) is a debt service fund into which fifty percent of personal income tax receipts (net of refunds) are deposited. This fund is used to pay the debt service on the State's PIT revenue bonds. Any funds in excess of the required debt service payments are transferred back to the General Fund. Deposits to the RBTF are estimated to increase by 11.4 percent in FY 2020, reflecting growth in income tax collections. Deposits into the RBTF are projected to increase by 6.1 percent FY 2021 for the same reason listed above.

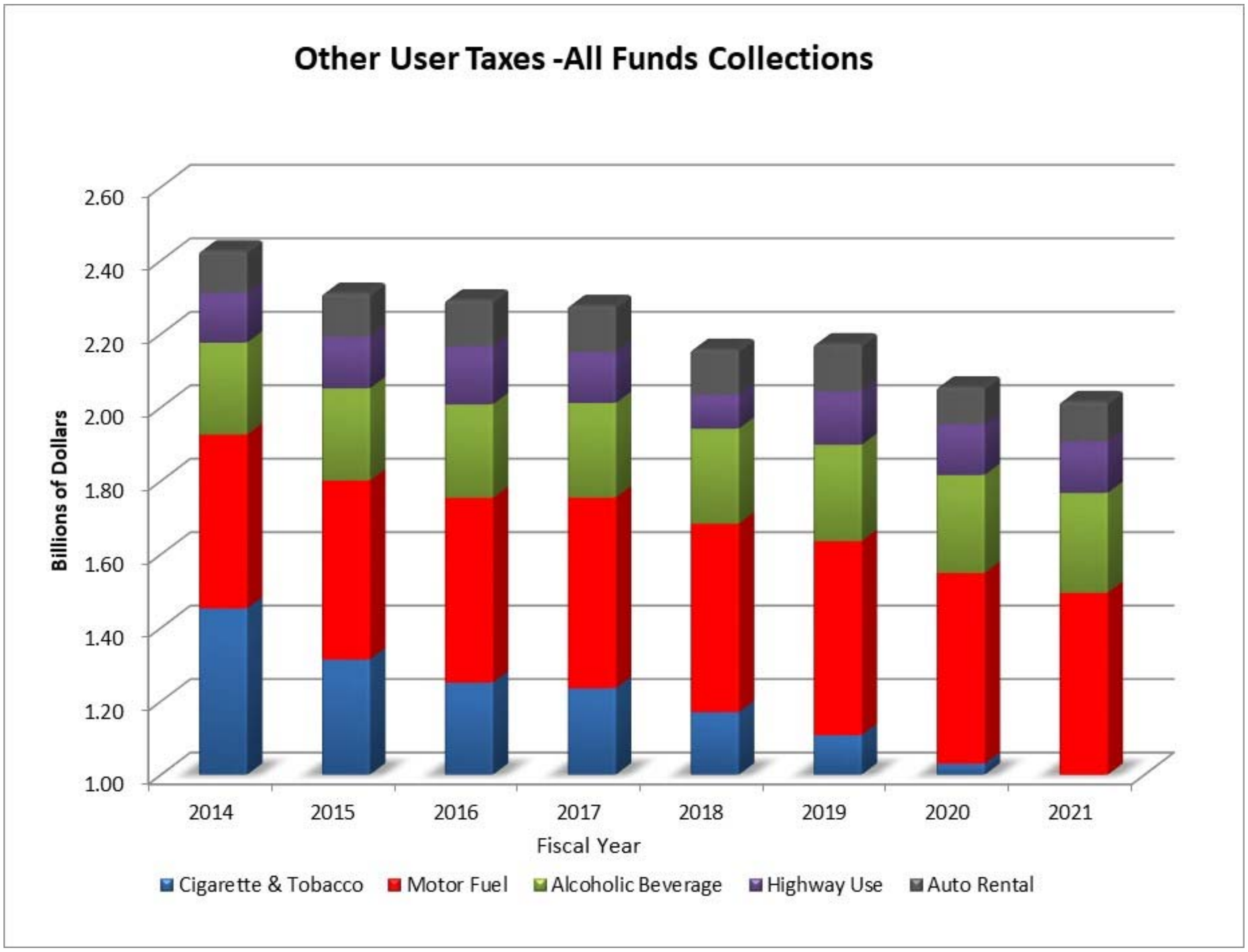
User Taxes and Fees

User taxes, also known as consumption taxes, are what their name implies - taxes on the use or consumption of different items in the State. These taxes consist of the sales and use tax, the auto rental tax, the cigarette tax, the motor fuel tax, alcoholic beverage taxes, the highway use tax, the vapor excise tax and the medical marihuana excise tax. Some of these taxes are only deposited to the General Fund; some are deposited only to Special Revenue Funds; some are partially deposited into Debt Service Funds; while others are deposited to a combination of funds.



Sales and use tax collections comprise a large portion of the tax collections in this category. Receipts from this tax are deposited into the General Fund, a Special Revenue fund (the Metropolitan Transportation Operating Account), and two Debt Service Funds (the Local Government Assistance Tax Fund and Sales Tax Revenue Bond Tax Fund). In FY 2020, General Fund Sales Tax receipts are estimated to increase by 5.9 percent to $7.5 billion. In FY 2021, General Fund sales and use tax receipts are projected to increase by 4.2 percent to $7.8 billion

On an All Funds basis, sales and use tax collections are estimated to increase by 6 percent to $16 billion in FY 2020. The increase in collections reflects growth in consumption as well as income growth. . This increase in collections reflects increased collections from Internet marketplace providers and collection of sales from out of state vendors due to the *Wayfair v. South Dakota* decision. All Funds sales and use tax receipts are projected to increase by 4.1 percent to $16.7 billion.



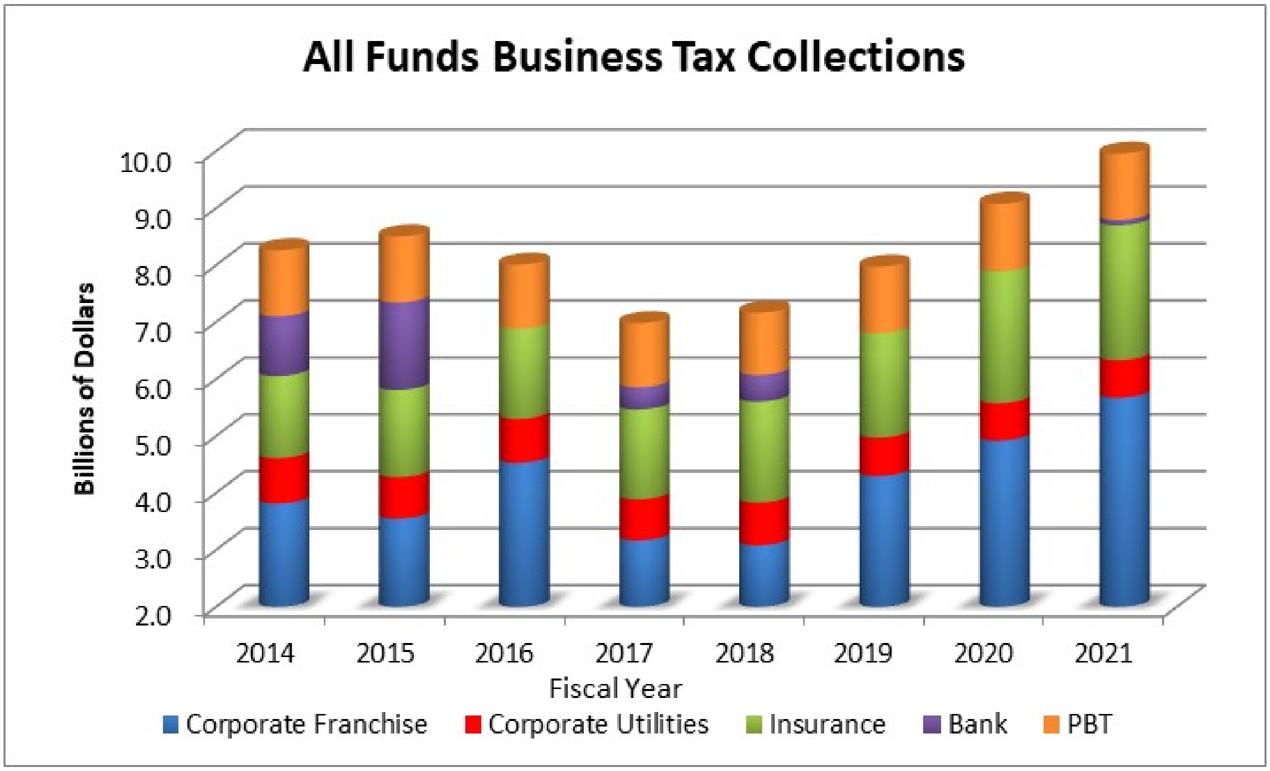
Receipts from the cigarette tax are deposited to the General Fund and the HCRA funds while receipts from the tobacco tax are deposited solely to the General Fund. General Fund collections for cigarette and tobacco taxes in FY 2020 are estimated to decrease by 6 percent to $308 million. All Funds collections for FY 2020 are estimated to decrease by 7.1 percent to $1.03 billion.

In FY 2021, General Fund cigarette and tobacco tax collections are projected to decrease by 2 percent to $302 million. All Funds cigarette and tobacco tax collections are projected to decrease by 5.6 percent to $972 million in FY 2021, reflecting the continued decline in taxable consumption.

The only other user tax that is deposited to the General Fund is the alcoholic beverage tax, which is estimated to increase by 1.7 percent to $267 million in FY 2020. In FY 2021, these tax collections are projected to increase by 1.9 percent to $272 million.

All Funds collections of the remaining user taxes are estimated to decrease by 11.1 percent to $759 million in FY 2020. For FY 2021, collections from these other taxes are projected to increase by 1.7 percent, to $772 million.

Business Taxes



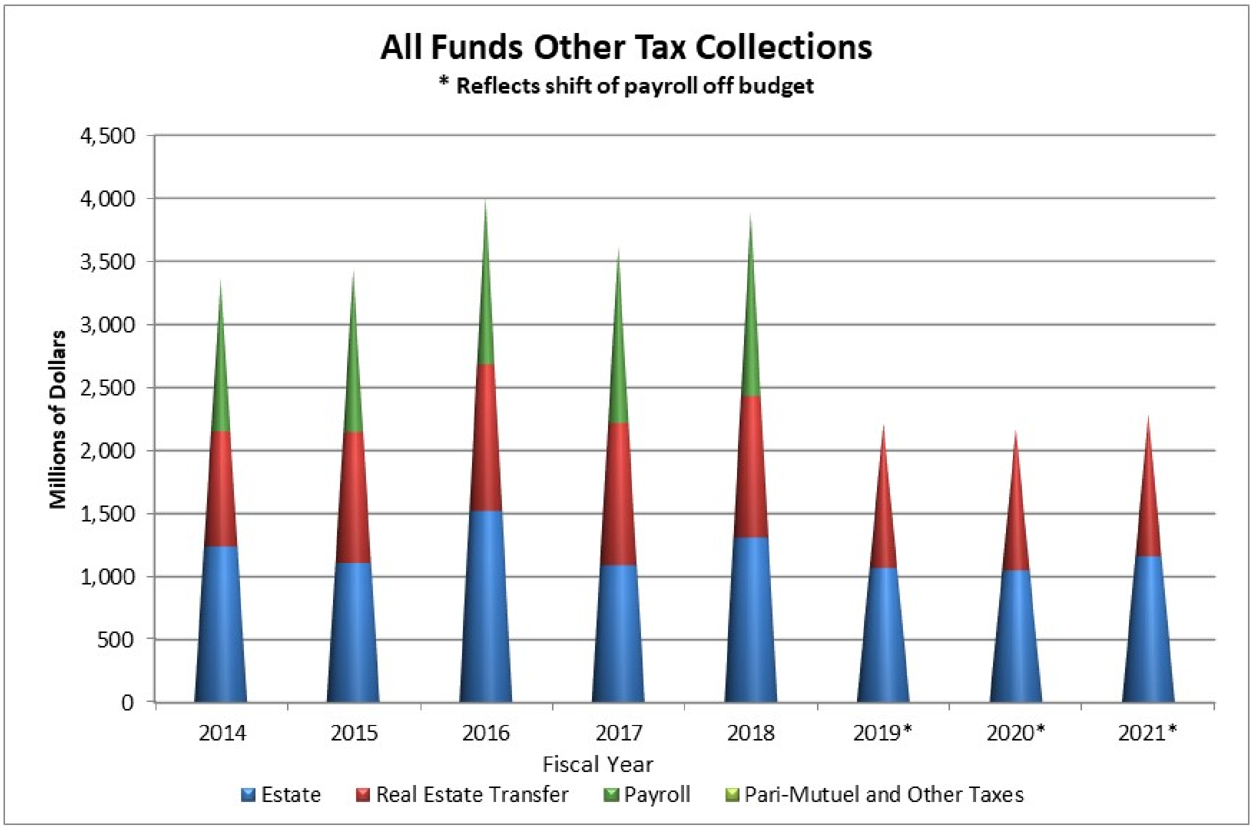
Business taxes in New York are imposed on various aspects of a business' income. The corporate franchise tax is imposed on a business' net income; the corporate utility tax is imposed on the gross receipts of the business; and the insurance tax is imposed on premiums. The petroleum business tax is imposed on the gross receipts from the sale of various petroleum products by the business. However, any increase/decrease in liability for the petroleum business tax is pegged to an inflation index.

General Fund business tax collections are estimated to increase by 17.8 percent to 6.5 billion in FY 2020 On an All Funds basis, business taxes are estimated to increase by 14.7 percent to $9.1 billion in FY 2020.

General Fund business tax collections are estimated to increase by 12.1 percent to $7.3 billion in FY 2021. This increase is attributable to strong growth in corporate profits. On an All Funds basis, business taxes are estimated to increase by 9.7 percent to $10 billion, due to the factors stated above.

Other Taxes

Other taxes consist of the estate tax, the real estate transfer tax, the pari-mutuel tax, and the boxing and wrestling exhibitions tax. The real estate transfer tax is deposited solely to special revenue fund while the remainders of the taxes are deposited solely to the General Fund.



All Funds receipts of these taxes are estimated to decrease by 2 percent to $2.2 billion in FY 2020. The FY 2020 Enacted Budget enacted a massive increase in the Real Estate Transfer tax for properties located within New York City which is deposited into a fund for the benefit of the MTA, which has stifled the real estate market in the City. In FY 2021, All Funds receipts are projected to increase by 5.7 percent to $2.3 billion.