

**Opening Statement
Amanda Hiller, Acting Commissioner
New York State Department of Taxation and Finance
Joint Senate & Assembly Budget Hearing
February 16, 2022, 1PM via Zoom**

Good afternoon Senator Kruger, Assembly Member Weinstein 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 % last year after contracting 3.4 % in 2020. We have a \$5 billion surplus, which is primarily due to strong tax receipts. We also have projected out-year surpluses. In fact, this is the first time in my memory that we have a financial plan with no out-year 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 driven by federal stimulus payments, have 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 health care, 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by 2023, allowing 6.1 million New Yorkers to receive approximately \$1.2 billion in tax relief two years earlier than originally enacted.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 dollars 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 re-evaluating 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.

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