



# New York State Senate Democratic Majority

# 2023 Economic & Revenue Report

## Senate Majority Conference Finance Committee

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President Pro Tempore  
NYS Senate Majority Leader

**Senator Liz Krueger**

Chair, Senate Finance Committee

**David Friedfel**

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RULES  
BUDGET & REVENUE

February 28, 2023

Dear Colleagues:

I am pleased to provide you with the 2023 New York State Senate Finance Committee's Economic and Revenue Report. This report offers a general overview of the status of the national and New York State economies. It also specifies revenue projections for State Fiscal Years (SFY) 2022-23 and 2023-24.

Section 23 of the State Finance Law requires the issuance of an annual Consensus Economic and Revenue Report. This report serves as the basis for the joint annual New York State Consensus Report that contains the results of the consensus economic and revenue forecasting process, which is released each year on March 1.

As we transition away from Covid-19 restrictions, the State economy is well-positioned to maintain continued growth. Revenues are projected to increase in SFY 2023-24, but inflation remains a concern, along with the destabilizing effect of international tensions that continue to negatively impact the global economy and the State.

The Senate Finance Committee staff projects that All Funds receipts, including federal sources, will total \$226.3 billion in SFY 2022-23, which is \$1.2 billion or 0.9 percent above the level estimated by the Executive Budget Financial Plan. For SFY 2023-24, Senate Finance Committee staff forecasts that All Funds receipts, including federal sources, will total \$226.0 billion, which is \$1.3 billion or 1.0 percent higher than the Executive Budget Financial Plan forecast.

This analysis, prepared by the Senate Finance Committee staff, will support our careful deliberation of the revenue and economic projections contained in the SFY 2023-24 Executive Budget. I look forward to working with you to construct an enacted State Budget that serves the needs of all New Yorkers.

Sincerely,

A handwritten signature in black ink that reads "Liz Krueger". The signature is written in a cursive, flowing style.

Liz Krueger  
Chair  
Senate Finance Committee

# Senate Finance Committee Democratic Conference Members

Senator Liz Krueger, Chair

Senator Jamaal T. Bailey

Senator Neil D. Breslin

Senator Leroy Comrie

Senator Jeremy Cooney

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Senator Brad Hoylman-Sigal

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Senator Kevin S. Parker

Senator Gustavo Rivera

Senator Julia Salazar

Senator James Skoufis

Senator Toby Ann Stavisky

Senator Kevin Thomas

# **2023 Economic and Revenue Report**

## **Senate Majority Conference Finance Committee**

**Senator Liz Krueger  
Chair**

*Prepared by Senate Majority Finance Committee Staff*

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Jonas Shaende, Deputy Secretary

Chrysanthe Cholakis, Director of Fiscal Studies

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## EXECUTIVE SUMMARY

The Senate Majority Conference Finance Committee has produced this State Fiscal Year (SFY) 2023-24 Economic and Revenue Forecast as part of the revenue and economic consensus process mandated by Chapter 309 of the Laws of 1996.

Section 23 of the State Finance Law requires that the Chairperson and Ranking Minority Member of the Senate Finance Committee, the Chairperson and Ranking Minority Member of the Assembly Ways and Means Committee, and the Director of the Budget jointly convene a consensus economic and revenue forecasting conference in the form of a joint Legislative-Executive public hearing by the end of February each year for the purpose of assisting the Governor and the Legislature in reaching the New York State Consensus Revenue Forecast.

The conveners of the Conference invite the New York State Comptroller and other participants to provide guidance on current United States (U.S.) and New York State (NYS) economic conditions and their effect on State receipts.

Each year, on or before March 1, the Director of the Budget, the Secretary of the Senate Finance Committee, and the Secretary of the Assembly Ways and Means Committee issue a joint report containing a consensus forecast of the economy and estimates of receipts for the current and ensuing State Fiscal Years.

### State Revenue

The State has a variety of tax revenues dedicated to specific purposes that are deposited in the General Fund as well as in special revenue funds, capital projects funds, and debt service funds. Additionally, certain tax revenues (*e.g.*, petroleum business taxes and highway use taxes) are deposited exclusively in funds other than the General Fund.

The Senate Majority Conference Finance Committee staff SFY 2022-23 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$517.2 million more than the Executive Budget Financial Plan estimate of \$49.3 billion. The committee staff's SFY 2023-24 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$703.3 million more than the Executive Budget Financial Plan estimate of \$50.7 billion. The committee staff's two-year aggregate projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$1.2 billion more than the Executive Budget Financial Plan projections.

The committee staff's SFY 2022-23 estimate for All Funds receipts, excluding Federal funding, is \$1.2 billion more than the Executive Budget Financial Plan receipts estimate of \$122.6 billion. The committee staff's SFY 2023-24 projection for All Funds receipts is \$1.3 billion above the Executive Budget Financial Plan receipts estimate, excluding Federal funding of \$124.7 billion. The committee staff's two-year aggregate All Funds receipts projection is \$2.5 billion more than the Executive Budget Financial Plan projections.

## **U.S and New York State Economic Outlook**

On the whole, the economic outlook for the United States and New York is on the upswing, albeit at a slower pace, due mostly to the impact of inflation and the Federal Reserve's monetary tightening. At the national level, the economy is measured by the Gross Domestic Product (GDP), a representation of the combination of goods and services produced and consumed in a year. Prior to the COVID-19 pandemic, the U.S. was in its longest period of economic expansion. In 2020, the impact of COVID-19 caused a widespread economic downturn. In 2021, the economy began showing signs of significant recovery. However, in 2022, faced with high levels of inflation, the Federal Reserve began tightening monetary policy. Inflation, represented by the Consumer Price Index (CPI), was 8.0 percent in Calendar Year (CY) 2022. This is expected to fall to 3.9 percent in CY 2023 and 2.4 percent in CY 2024.

Real GDP in the U.S. is estimated to have increased by 2.1 percent in Calendar Year (CY) 2022, but is projected to grow at a slower rate of 1.3 percent in CY 2023, reflecting the impact of the Federal Reserve policy in response to the high level of inflation. Committee staff estimate a continuation of growth in CY 2024 of 2.2 percent, 0.5 percent above the Executive estimate of 1.7 percent. Nominal U.S. wages are estimated to have increased by 8.4 percent in CY 2022. Committee staff expects wages to continue growing by 6.3 percent and 5.1 percent in CY 2023 and CY 2024 correspondingly. The Executive estimates wage growth to advance at 4.1 percent in CY 2023 and 3.5 percent in CY 2024.

The Federal Reserve Bank of St. Louis's coincident economic activity index for the United States, which includes the indicators of nonfarm payroll employment, unemployment rate, average hours worked in manufacturing, and wages and salaries, increased by 5.42 points or 4.1 percent, to end the year at 136.72. (This index's benchmark score of 100 points reflects the state of these economic indicators in 2007.) The same measurement for New York State increased by 6.15 points or 4.9 percent over that same period.

Changes in personal income are projected to differ between the U.S. and the State. For Calendar (CY) 2023 and 2024, U.S. personal income is expected to grow at 5.8 percent and 4.9 percent, respectively. For CY 2023, New York State personal income is estimated to experience growth of 5.4 percent, followed by growth of 4.4 percent in CY 2024.

For Calendar Year (CY) 2022, the U.S. unemployment rate is expected to average 3.6 percent, before dropping to 3.5 percent in CY 2023 and increasing to 3.9 percent in CY 2024. The State unemployment rate, which averaged 4.5 percent for Calendar Year (CY) 2022, is expected to average 4.1 percent by the end of CY 2023 and 4.1 percent through CY 2024.

## **REVENUE FORECAST HIGHLIGHTS**

### **General Fund Receipts SFY 2022-23 and SFY 2023-24**

The Senate Majority Conference Finance Committee staff conclude that:

- General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, in SFY 2022-23 will total \$49.6 billion. This estimate represents a decrease of \$792.6 million or 1.6 percent from SFY 2021-22.
- The SFY 2022-23 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$517.2 million more than the Executive Budget Financial Plan estimate of \$49.3 billion.
- The SFY 2023-24 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$51.4 billion. This estimate represents an increase of \$1.7 billion or 3.5 percent from the committee staff's SFY 2022-23 estimate.
- The SFY 2023-24 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers is \$703 million more than the Executive Budget Financial Plan receipts estimate of \$50.7 billion.

### **All Funds Receipts SFY 2022-23 and SFY 2023-24**

The Senate Majority Conference Finance Committee staff conclude that:

- The SFY 2022-23 estimate for All Funds receipts, excluding federal receipts, is \$123.1 billion. This estimate represents a decrease of \$9.5 billion or 7.2 percent from the SFY 2021-22 receipts of \$132.6 billion.
- The SFY 2022-23 estimate for All Funds receipts is \$517.6 million more than the Executive Budget Financial Plan receipts estimate of \$122.6 billion, excluding federal receipts.
- The SFY 2023-24 projection for All Funds receipts, excluding federal receipts, is \$125.4 billion. This estimate represents an increase of \$2.3 billion or 1.9 percent from the committee staff's SFY 2022-23 estimate.
- The SFY 2023-24 projection for All Funds receipts, excluding federal receipts, is \$739.2 million more than the Executive Budget Financial Plan receipts estimate of \$124.7 billion.

## REVENUE TABLES

General Fund Receipts (amounts in millions of dollars)			
Receipts	SFY 2022-23 Estimate		
	DOB	SFC	Difference
<b>Personal Income Tax</b>			
Withholding	51,888	52,669	781
Estimated Payments	18,145	18,370	225
Final Payments	5,259	5,259	0
Other Payments	1,832	1,832	0
<b>Gross Collections</b>	<b>77,124</b>	<b>78,130</b>	<b>1,006</b>
Refunds/Offsets	(18,753)	(19,626)	(873)
<b>Reported Collections</b>	<b>58,371</b>	<b>58,504</b>	<b>133</b>
STAR (Dedicated Deposits)	(1,781)	(1,781)	0
RBTF (Dedicated Transfers)	(29,184)	(29,184)	0
<b>Total</b>	<b>27,406</b>	<b>27,539</b>	<b>133</b>
<b>User Taxes and Fees</b>			
Sales and Use	17,635	17,752	117
Cigarette/Tobacco	281	281	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage	280	280	0
Opioid Excise Tax	29	29	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Peer to Peer Car Sharing Tax	2	2	0
<b>Gross Collections</b>	<b>18,227</b>	<b>18,344</b>	<b>117</b>
LGAC/STBF (Dedicated Transfers)	(11,013)	(11,013)	0
<b>Total</b>	<b>7,214</b>	<b>7,331</b>	<b>117</b>
<b>Business Taxes</b>			
Corporation Franchise Tax	7,178	7,178	0
Corporation and Utilities Tax	410	410	0
Insurance Taxes	2,355	2,355	0
Bank Tax	60	301	241
Petroleum Business Tax	0	0	0
<b>Total</b>	<b>10,003</b>	<b>10,244</b>	<b>241</b>
<b>Other Taxes</b>			
Estate Tax	2,025	2,079	54
Real Estate Transfer Tax	1,491	1,593	102
Emp. Comp. Expense Program	13	13	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
<b>Gross Collections</b>	<b>3,544</b>	<b>3,699</b>	<b>155</b>
Real Estate Transfer Tax (Dedicated)	(1,491)	(1,593)	(102)
RBTF (Dedicated Transfers)	(6)	(6)	0
<b>Total</b>	<b>2,047</b>	<b>2,101</b>	<b>54</b>
<b>Total Tax Receipts</b>	<b>46,670</b>	<b>47,214</b>	<b>544</b>
<b>Miscellaneous Receipts</b>	<b>2,660</b>	<b>2,634</b>	<b>(26)</b>
<b>Total</b>	<b>49,330</b>	<b>49,847</b>	<b>517</b>

General Fund Receipts (amounts in millions of dollars)			
Receipts	SFY 2023-24 Forecast		
	DOB	SFC	Difference
<b>Personal Income Tax</b>			
Withholding	52,558	53,350	792
Estimated Payments	16,314	16,389	75
Final Payments	4,830	4,830	0
Other Payments	1,609	1,609	0
<b>Gross Collections</b>	<b>75,311</b>	<b>76,178</b>	<b>867</b>
Refunds/Offsets	(13,999)	(14,749)	(750)
<b>Reported Collections</b>	<b>61,312</b>	<b>61,429</b>	<b>117</b>
STAR (Dedicated Deposits)	(1,717)	(1,717)	0
RBTF (Dedicated Transfers)	(30,653)	(30,653)	0
<b>Total</b>	<b>28,942</b>	<b>29,059</b>	<b>117</b>
<b>User Taxes and Fees</b>			
Sales and Use	18,532	18,577	45
Cigarette/Tobacco	218	218	0
Vapor Excise Tax	0	0	0
Motor Fuel Tax	0	0	0
Alcoholic Beverage	284	284	0
Opioid Excise Tax	29	29	0
Medical Cannabis Excise Tax	0	0	0
Adult-Use Cannabis Tax	0	0	0
Highway Use Tax	0	0	0
Auto Rental Tax	0	0	0
Peer to Peer Car Sharing Tax	6	6	0
<b>Gross Collections</b>	<b>19,069</b>	<b>19,108</b>	<b>39</b>
LGAC/STBF (Dedicated Transfers)	(9,266)	(9,266)	0
<b>Total</b>	<b>9,803</b>	<b>9,842</b>	<b>39</b>
<b>Business Taxes</b>			
Corporation Franchise Tax	6,071	6,281	210
Corporation and Utilities Tax	361	361	0
Insurance Taxes	2,384	2,384	0
Bank Tax	0	0	0
Petroleum Business Tax	0	0	0
<b>Total</b>	<b>8,816</b>	<b>9,026</b>	<b>210</b>
<b>Other Taxes</b>			
Estate Tax	1,257	1,391	134
Real Estate Transfer Tax	1,366	1,447	81
Emp. Comp. Expense Program	14	14	0
Pari-Mutuel Taxes	13	13	0
Other Taxes	2	2	0
<b>Gross Collections</b>	<b>2,652</b>	<b>2,867</b>	<b>215</b>
Real Estate Transfer Tax (Dedicated)	(1,366)	(1,447)	(81)
RBTF (Dedicated Transfers)	(7)	(7)	0
<b>Total</b>	<b>1,279</b>	<b>1,413</b>	<b>134</b>
<b>Total Tax Receipts</b>	<b>48,840</b>	<b>49,341</b>	<b>501</b>
<b>Miscellaneous Receipts</b>	<b>1,811</b>	<b>2,014</b>	<b>203</b>
<b>Total</b>	<b>50,651</b>	<b>51,354</b>	<b>703</b>

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2022-23 Estimate		
	DOB	SFC	Difference
<b>Personal Income Tax</b>			
Withholding	51,888.0	52,668.5	780.5
Estimated Payments	18,145.0	18,370.0	225.0
Final Payments	5,259.0	5,259.0	0.0
Other Payments	1,832.0	1,832.0	0.0
<b>Gross Collections</b>	<b>77,124.0</b>	<b>78,129.5</b>	<b>1,005.5</b>
Refunds/Offsets	(18,753.0)	(19,626.0)	(873.0)
<b>Net Collections</b>	<b>58,371.0</b>	<b>58,503.5</b>	<b>132.5</b>
<b>User Taxes and Fees</b>			
Sales and Use	18,852.0	18,976.9	124.9
Cigarette/Tobacco	886.0	886.0	0.0
Vapor Excise Tax	27.0	27.0	0.0
Motor Fuel Tax	184.0	184.0	0.0
Alcoholic Beverage	280.0	280.0	0.0
Opioid Excise Tax	29.0	29.0	0.0
Medical Cannabis Excise Tax	12.0	12.0	0.0
Adult-Use Cannabis Tax	2.0	2.0	0.0
Highway Use Tax	139.0	139.0	0.0
Auto Rental Tax	122.0	122.0	0.0
Peer to Peer Car Sharing Tax	2.0	2.0	0.0
<b>Total</b>	<b>20,535.0</b>	<b>20,659.9</b>	<b>124.9</b>
<b>Business Taxes</b>			
Corporation Franchise Tax	8,855.0	8,855.0	0.0
Corporation and Utilities Tax	540.0	540.0	0.0
Insurance Taxes	2,627.0	2,627.0	0.0
Bank Tax	71.0	356.0	285.0
Petroleum Business Tax	1,071.0	1,078.8	7.8
<b>Total</b>	<b>13,164.0</b>	<b>13,456.8</b>	<b>292.8</b>
<b>Other Taxes</b>			
Estate Tax	2,025.0	2,078.5	53.5
Real Estate Transfer Tax	1,491.0	1,592.9	101.9
Emp. Comp. Expense Program	13.0	13.0	0.0
Pari-Mutuel	13.0	13.0	0.0
Other (Racing and Combative Sports)	2.0	2.0	0.0
<b>Total</b>	<b>3,544.0</b>	<b>3,699.4</b>	<b>155.4</b>
<b>Total Tax Receipts</b>	<b>95,614.0</b>	<b>96,319.6</b>	<b>705.6</b>
<b>Miscellaneous Receipts</b>	<b>26,993.0</b>	<b>27,462.0</b>	<b>469.0</b>
<b>Total</b>	<b>122,607.0</b>	<b>123,781.6</b>	<b>1,174.6</b>

All Funds Receipts (amounts in millions of dollars)			
Receipts	SFY 2023-24 Forecast		
	DOB	SFC	Difference
<b>Personal Income Tax</b>			
Withholding	52,558.0	53,350.0	792.0
Estimated Payments	16,314.0	16,389.0	75.0
Final Payments	4,830.0	4,830.0	0.0
Other Payments	1,609.0	1,609.0	0.0
<b>Gross Collections</b>	<b>75,311.0</b>	<b>76,178.0</b>	<b>867.0</b>
Refunds/Offsets	(13,999.0)	(14,749.0)	(750.0)
<b>Net Collections</b>	<b>61,312.0</b>	<b>61,429.0</b>	<b>117.0</b>
<b>User Taxes and Fees</b>			
Sales and Use	19,801.0	19,849.5	48.5
Cigarette/Tobacco	721.0	721.0	0.0
Vapor Excise Tax	27.0	27.0	0.0
Motor Fuel Tax	495.0	495.0	0.0
Alcoholic Beverage	284.0	284.0	0.0
Opioid Excise Tax	29.0	29.0	0.0
Medical Cannabis Excise Tax	12.0	12.0	0.0
Adult-Use Cannabis Tax	133.0	133.0	0.0
Highway Use Tax	141.0	141.0	0.0
Auto Rental Tax	100.0	100.0	0.0
Peer to Peer Car Sharing Tax	7.0	7.0	0.0
<b>Total</b>	<b>21,750.0</b>	<b>21,798.5</b>	<b>48.5</b>
<b>Business Taxes</b>			
Corporation Franchise Tax	7,650.0	7,915.0	265.0
Corporation and Utilities Tax	479.0	479.0	0.0
Insurance Taxes	2,660.0	2,660.0	0.0
Bank Tax	0.0	0.0	0.0
Petroleum Business Tax	1,120.0	1,127.8	7.8
<b>Total</b>	<b>11,909.0</b>	<b>12,181.8</b>	<b>272.8</b>
<b>Other Taxes</b>			
Estate Tax	1,257.0	1,390.9	133.9
Real Estate Transfer Tax	1,366.0	1,447.3	81.3
Emp. Comp. Expense Program	14.0	14.0	0.0
Pari-Mutuel	13.0	13.0	0.0
Other (Racing and Combative Sports)	2.0	2.0	0.0
<b>Total</b>	<b>2,652.0</b>	<b>2,867.2</b>	<b>215.2</b>
<b>Total Tax Receipts</b>	<b>97,623.0</b>	<b>98,276.5</b>	<b>653.5</b>
<b>Miscellaneous Receipts</b>	<b>27,075.0</b>	<b>27,750.8</b>	<b>675.8</b>
<b>Total</b>	<b>124,698.0</b>	<b>126,027.2</b>	<b>1,329.2</b>

## ECONOMIC OUTLOOK

### **Economic Highlights:**

The Senate Majority Conference Finance Committee staff believes that:

- The U.S. economy expanded by an estimated 2.1 percent in CY 2022 and will continue to grow by 1.3 percent in CY 2023 and by 2.2 percent in CY 2024
- The U.S. unemployment rate, which averaged 5.3 percent in CY 2021, declined significantly to an estimated 3.6 percent in CY 2022. The rate is expected to reduce slightly to 3.5 percent in CY 2023 and increase to 3.9 percent in CY 2024
- U.S. Personal Income grew by 2.0 percent in CY 2022, and will continue to grow by 5.8 percent growth in CY 2023 and by 4.9 percent growth in CY 2024

### **U.S Gross Domestic Product**

The national economy is measured by the Gross Domestic Product (GDP), while the Gross State Product (GSP) is a similar annual measure at the state level. GDP and GSP are a combination of all the goods and services produced and consumed by the three major sectors of the economy – consumers, business, and the government. Increases in consumer spending usually directly translate into increased corporate sales and potentially higher business profits. Firms are expected to use these profits to make capital investments, hire workers, or increase wages for existing employees. Increases in the private sector, lead to larger tax revenues in the public sector, allowing for government spending growth or tax relief.

The consumer is the major driving force in the U.S. economy. Private consumption accounts for approximately 70 percent of U.S. GDP. Although business accounts for a relatively small share of GDP, it is still an important contributor to the economy as it directly supports aggregate employment and wages, which engender consumer spending. Government, through various spending and monetary policy, also plays a significant role in the economy. In the last quarter of 2022, U.S. GDP increased at an annual rate of 2.9 percent, according to the advance estimate released by the Bureau of Economic Analysis. The increase in real GDP reflected increases in private inventory investment, consumer spending, federal, state and local government spending, and nonresidential fixed investments. The primary drivers behind the increase in private inventory investments are manufacturing, mining, utilities, and construction industries. The increase in consumer spending reflects increases in both services, led by health care, housing, and utilities, and goods, primarily motor vehicles and auto parts. Non-defense expenditures lead the growth in federal government spending, while the increase in state and local government spending primarily reflects increased compensation of government employees. The increase in nonresidential fixed investment primarily reflects an increase in intellectual property products, offset by a decrease in equipment. While the overall real GDP increased, an offset to such increase was the result of decreases in residential fixed investment and exports.



## NEW YORK AND U.S. ECONOMIC TRENDS

### 2022 New York State Trends

#### Overview

##### Employment and Wages

The Federal Reserve reports that the labor market expanded at a moderate rate in late 2022. Staffing agencies across the state cite some improvement to the ease in attracting and retaining workers. Employers report that turnover has slowed and attrition rates fell below pre-pandemic levels in the first few weeks of 2023. There remains a strong demand for high-skilled workers especially in IT, finance, and sales. Despite recent layoff announcements in high-earning industries, overall hiring plans remain stable for the first half of 2023.

Wage growth in New York has been moderate, yet constant. The largest wage growth recently has been observed in the financial services industry. All major industries expect to raise wages in 2023, with the largest increase expected to be in the wholesale trade, transportation, and leisure and hospitality sectors.

##### Prices

According to the Federal Reserve Beige Book, price pressures have diminished greatly, particularly in trade, transportation, and manufacturing. In late 2022 the Federal Reserve's business contacts noted input prices were still increasing but at a subdued pace. Going forward, businesses expect weaker price increases as compared to 2021 and 2022.

Selling price increases are smaller if compared to the previous report. Transportation firms reported their prices remained constant, while retailers noted a decline in prices. Looking ahead, retailers and wholesalers plan to keep prices constant in the coming months, with most other industries expecting only moderate price increases.

##### Consumer Spending

Consumer spending in the state has had little change in late 2022 and early 2023. Holiday sales for non-auto retailers were fairly slow, mainly due to staffing difficulties and troubles acquiring supplies. Aided by supply chain improvements, auto dealers in upstate New York said their new vehicle sales increased, while used vehicle sales have decreased. Consumer confidence in New York reached its highest level in three years.

##### Manufacturing and Distribution

According to the Federal Reserve, manufacturing had its sharpest decline since the beginning of the global pandemic in late 2022. Wholesale distributors' activity remained the same, while transportation and warehousing activity decreased. Warehousing, transportation, and wholesale trade sectors are confident going forward. Conversely, manufacturers have a bleak outlook about their activity. Contacts report that supply disruptions have decreased.

## **Services**

The service sector continued to decline in late 2022. The negative dynamic has been mainly concentrated in professional and business services, as well as the education and health services sectors. The leisure and hospitality sector reported that activity is settling compared to a decrease in the last report. The information services sector reported an increase in business. Going forward, the Federal Reserve's business contacts expect most service industries activity to remain level or decrease, although the information sector expressed optimism.

New York City tourism has been faring well. Famous attractions have seen visits return to pre-pandemic levels, and on average, Broadway shows have made out well. Both hotel occupancy rates and room tariffs have increased 20 percent from the prior year. The stream of international visitors has remained solid, although tourists are spending less due to the relatively strong dollar.

## **Real Estate and Construction**

The rental and residential sales markets continued to show indications of decline. According to the Federal Reserve's real estate contacts in upstate New York, prices have plateaued against the backdrop of declining sales and buyer traffic. In New York City, single-family homes and apartment prices have remained stable or decreased and sales have declined. Throughout the State, the quantity of available homes remains low.

Rent prices in New York City are higher than a year earlier but have decreased some since peaking last summer. Beyond New York City, rents have stayed stable and the rental vacancy rates have risen only slightly.

Commercial real estate has settled albeit at low levels. New York City's office availability and vacancy rates have stabilized. Office rents outside of New York City are close to or above pre-pandemic levels. Rents have increased slightly and vacancy rates remain unchanged for the industrial market.

The Federal Reserve's construction contacts detailed worsening business conditions and expect no positive change in the future. New office construction in New York City and Long Island increased while the rest of the state remained constant. New York City multi-family housing starts increased, despite decreases across the rest of the state. New industrial construction has decreased greatly. Looking ahead, a large number of new apartment developments will be completed in 2023.

## **Banking and Finance**

The Federal Reserve's contacts in the finance sector reported that small and medium sized banks have seen a fall in loan demand. The largest decrease is in residential mortgages. Loan spreads saw minimal change apart from business loans where the spread increased. A majority of bankers documented an increase in deposit rates. Finally, delinquency rates increased slightly, especially on commercial mortgages.

## 2022 NATIONAL TRENDS

### **Overview**

According to the Beige Book, most Federal Reserve Districts reported that economic activity was steady or contracted slightly in the final weeks of 2022, constrained by ongoing high inflation. The manufacturing sector reported a modest decline in activity nationally, although some reported that supply chain disruptions had eased. The housing market continued to weaken, noting widespread declining sales and construction. Bankers reported continued low demand for residential mortgages alongside decreases to commercial lending, brought on by higher borrowing costs. Commercial real estate activity declined slightly, led by weakening in the office space market. Consumer spending continued to be a mixed bag with some retailers reporting robust holiday sales while others reporting that high inflation continued to reduce consumer purchasing power. Auto sales were mostly constant with some reports that increased vehicle availability led to increased sales. The tourism industry noted increased activity following strong holiday travel. Energy activity continued to increase and agriculture conditions were improving. Despite some arguably positive signs, the Federal Reserve contacts expect minimal growth in the near future.

### **Employment and Wages**

A majority of Federal Reserve Districts reported that employment continued to rise. While labor availability has increased, businesses continue to have difficulty filling open positions. Some employers noted they have continued to offer bonuses and enhanced benefits to attract and retain workers. Firms have been hesitant to lay off employees but have planned to reduce headcount through attrition if needed. Due to continued labor market tightness, wage pressures remained elevated.

### **Prices**

Almost all Districts saw solid increases in prices since the last report. However, some also noted that price increases had slowed a bit from the sustained growth experienced in recent months. Manufacturers had mixed reports, with some noting that prices continued to decrease for freight costs and commodities, while others reporting that input prices remain high. Retailers noted increased difficulty in pass through cost increases. Some retailers offered more discounts and promotions in an attempt to move merchandise and clear out excess inventories.

## ECONOMIC INDICATORS FORECAST – U.S. AND NEW YORK STATE

<b>U.S. and New York State Economies Calendar Year (CY)</b>			
<b>U.S Economy</b>	<b>2022 Estimate</b>	<b>2023 Forecast</b>	<b>2024 Forecast</b>
Real GDP	2.1	1.3	2.2
Personal Income	2.1	5.8	4.9
Non-Farm Employment	4.3	1.8	0.4
Consumer Price Index (CPI)	8.0	3.9	2.4
Wages	8.4	6.3	5.1
Unemployment Rate (Percent)	3.6	3.5	3.9
10-Year Treasury Yield	3.0	4.0	3.9
Corporate Profits	6.7	2.8	3.2
Government Spending	-0.7	0.9	0.5
<b>New York State Economy</b>			
Non-Farm Employment (Total)	4.5	2.0	0.6
Wages (Total)	7.7	6.2	5.3
Personal Income	0.5	5.4	4.4
Unemployment Rate (Percent)	4.5	4.1	4.0
Composite CPI of New York	6.7	4.2	3.0

Sources: Moody’s Analytics, New York State Division of Budget, Senate Majority Finance Committee staff calculations

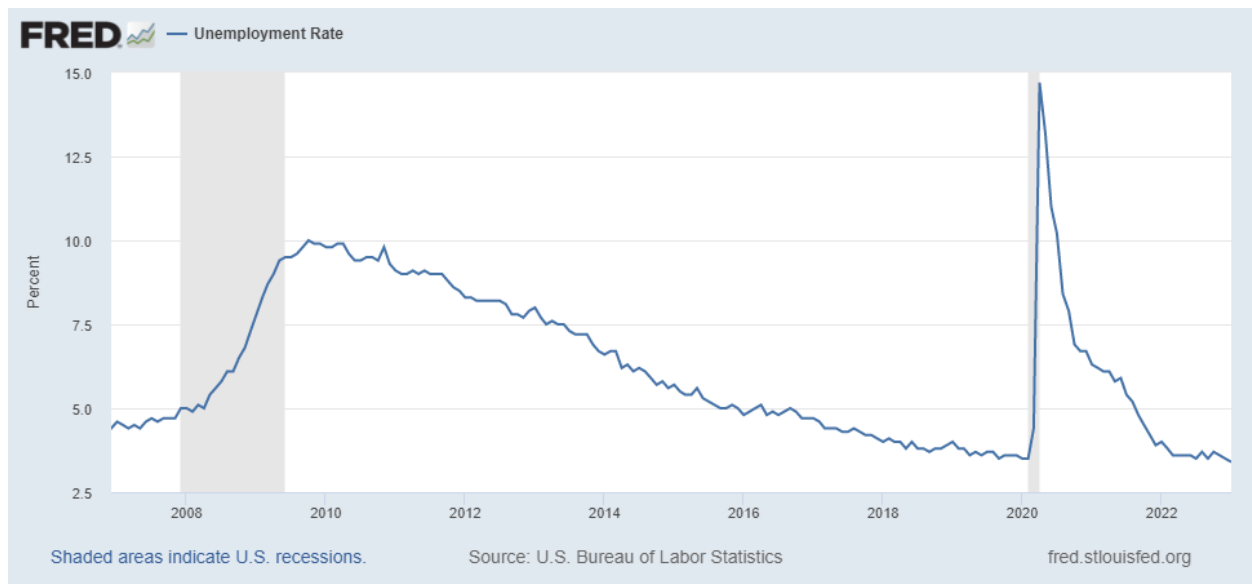
The COVID-19 pandemic has rapidly and drastically shifted the economic landscape both nationally and in New York. Prior to the economic downturn, the U.S. was in its longest period of economic expansion with some signs of slowing down. However, the actions taken to abate the spread of COVID-19, including the shuttering of entire industries, resulted in a changed economic picture. While the economy had shown signs of recovery, 2022 was marred with concerns over growing inflation and the monetary policy meant to curb such increase. Inflation represented by the Consumer Price Index (CPI), increased by 8.0 percent in 2022, the highest level in the U.S. in more than 40 years.

Wage growth in New York State was slightly weaker than the U.S., with CY 2022 estimates at 7.7 percent in the State compared to 8.4 percent for the U.S. on a national level. Nonfarm employment has seen moderate growth in CY 2022 for both the U.S. and the State. CY 2023 is forecast to have continued growth albeit at a slower rate. This is largely the result of labor market tightness, as businesses continue to struggle to fill vacant positions. Finally, the unemployment rate, which increased almost threefold because of the COVID-19 pandemic, has returned to pre-pandemic levels for the U.S. and New York State.

## U.S. LABOR MARKET AND INCOME

### U.S. Employment

According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate at 3.4 percent and the number of unemployed persons remained relatively unchanged in January 2023. Total nonfarm payroll employment increased by 517,000 in January 2023. Employment continued to trend upward in leisure and hospitality, professional and business services, and health care. The number of unemployed persons in January 2023 was 5.7 million. As the economic recovery continues, unemployment has reached its pre-pandemic levels of 3.5 percent and 5.7 million unemployed persons.



Source: Federal Reserve Bank of St. Louis

Among the unemployed, the number of persons on temporary layoff decreased slightly in January 2023 to 734,000. This measure is down 218,000 over the course of the year.

In January, the number of unemployed persons who were:

- Jobless less than five weeks decreased by 287,000 to 1.9 million.
- Jobless five to 14 weeks increased by 146,000 to 1.8 million.
- Jobless 15 to 26 weeks increased by 64,000 to 890,000.
- Jobless 27 weeks or more increased by 42,000 to 1.1 million.

Among the major worker groups, the following unemployment rates applied in January:

- 2.8 percent for Asian persons, which represented little change over the month.
- 3.1 percent for White persons, which represented little change over the month.
- 3.1 percent for adult women, which represented little change over the month.
- 3.2 percent for adult men, which represented little change over the month.
- 4.5 percent for Hispanics, which represented little change over the month.

- 5.4 percent for Black persons, which represented little change over the month.
- 10.3 percent for teenagers, which represented little change over the month.

The labor force participation rate and the employment to population ratio were both unchanged during January 2023 from the prior month at 62.4 percent and 60.2 percent, respectively.

In January 2023, the number of persons employed part-time for economic reasons was unchanged from the prior month at 4.1 million.

The number of persons not in the labor force who are seeking employment was little changed in January 2023 at 5.3 million. These individuals were not counted as unemployed because they were not actively looking for work during the last four weeks or were unavailable to take a job.

Among those not in the labor force who currently want a job - the number of persons marginally attached to the labor force - is at 1.4 million and changed little in January. These individuals were not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months but have not looked for work in the 4 weeks preceding the survey. The number of discouraged workers, a subset of the marginally attached who believe that no jobs were available to them, was 342,000 in January, also relatively unchanged from the previous month.

### **New York State Workforce Trends**

The COVID-19 pandemic has had a significant effect on the number of private sector jobs in New York State. The following table compares the year-over-year change in total nonfarm and private sector jobs that occurred in the United States, New York State, certain metropolitan areas, and non-metro areas in the state between December 2021 and December 2022.

<b>Change in Total Nonfarm and Private Sector Jobs by Area<sup>1</sup> December 2021 - December 2022</b>				
	<b>Total Nonfarm Jobs: (private sector + government)</b>		<b>Private Sector Jobs:</b>	
	<b>Net</b>	<b>Percent</b>	<b>Net</b>	<b>Percent</b>
<b>United States</b>	4,814,000	3.2	4,555,000	3.6
<b>New York State</b>	289,100	3.1	271,800	3.4
Albany-Schenectady-Troy	8,500	1.9	8600	2.4
Binghamton	3,500	3.6	2,700	3.6
Buffalo-Niagara Falls	16,700	3.1	12,900	2.9
Dutchess-Putnma	-200	-0.1	100	11.1
Elmira	600	1.7	500	0.3
Glens Falls	200	0.4	400	1.2
Ithaca	800	1.3	700	0.8
Kingston	1,400	2.4	900	1.5
Nassau-Suffolk	24,100	1.8	15,200	0.1
New York City	209,300	4.7	199,200	0.4
Orange-Rockland-Westchester	20,700	3.0	20,700	3.5
Rochester	6,400	1.2	5,300	4.7
Syracuse	5,900	1.9	5,300	2.1
Utica-Rome	2,100	1.7	1,500	5.8
Watertown-Fort Drum	500	1.2	200	5.2
Non-metropolitan counties	2,100	0.4	5,700	0.1
<p>Note: The sum of sub-state area job estimates will usually differ from the New York State total. This is because the State total is calculated separately from the sub-state areas and is estimated based on an independent sample.</p>				

Source: New York State Department of Labor

### **Change in Jobs by Major Industry Sector: December 2021 to December 2022**

The table below lists the change in jobs by major industry sector in New York State occurring between December 2021 and December 2022.

<b>Change in Jobs by Major Industry Sector in New York State December 2021 - December 2022</b>	
<b>Sectors:</b>	
Leisure and Hospitality	68,300
Professional and Business Services	48,500
Educational and Health Services <sup>1</sup>	95,500
Trade, Transportation, and Utilities	3,100
Information	7,400
Manufacturing	3,500
Government <sup>2</sup>	17,300
Natural Resources and Mining	15,700
Financial Activities	7,600
Construction	15,500
Other Services	22,200
<sup>1</sup> Educational and health services is in the private sector.	
<sup>2</sup> Government includes public education and public health services.	
Note: The data is not seasonally adjusted.	

Source: New York State Department of Labor

### Unemployment Rates

The U.S. Bureau of Labor Statistics utilizes a statistical regression model that primarily uses the results of a monthly telephone survey of households in New York State to calculate the State's unemployment rate. In December 2022, the statewide seasonally adjusted unemployment rate remained unchanged at 4.3 percent from the prior month. New York City's unemployment rate increased over the month to 5.9 percent from 5.8 percent. Outside of New York City, the unemployment rate decreased to 3.2 percent from 3.3 percent. The number of unemployed New Yorkers decreased over the year by 57,500 from 420,500 in December 2021 to 363,000 in December 2022.

<b>Unemployment Rates (%)<sup>1</sup></b>			
	<b>December 2022</b>	November 2022	December 2021
United States	<b>3.5</b>	3.6	3.9
New York State	<b>4.3</b>	4.3	5.4
New York City	<b>5.9</b>	5.8	7.4
NYS, outside of NYC	<b>3.2</b>	3.3	3.9
<sup>1</sup> Data is seasonally adjusted and are preliminary and subject to change			

Source: New York State Department of Labor



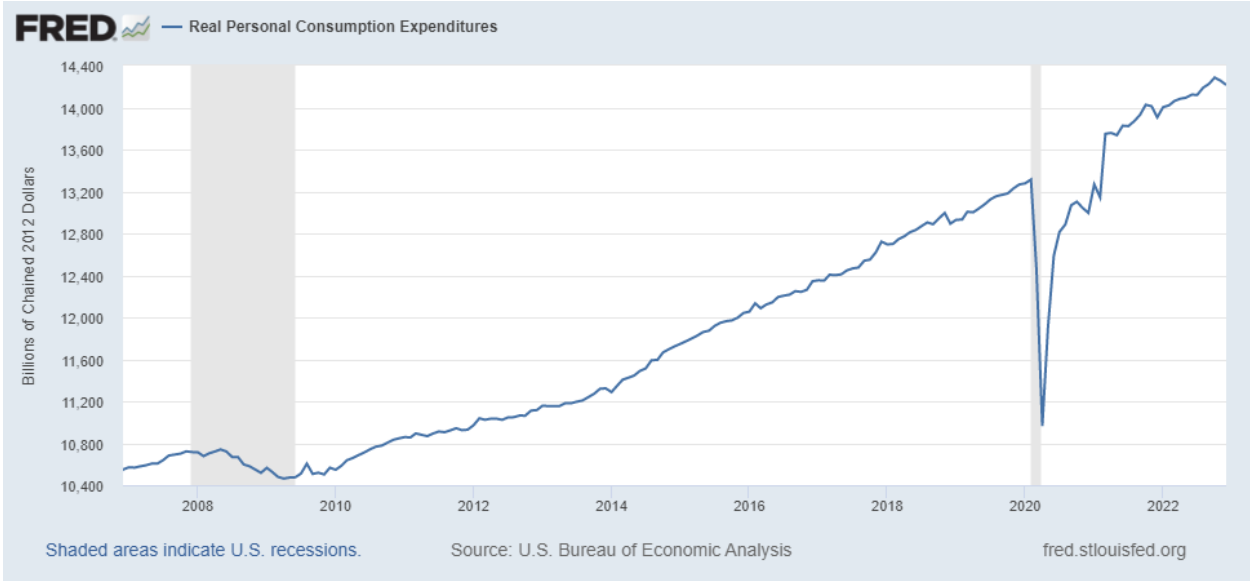
### Personal Income

According to the U.S. Bureau of Economic Analysis (BEA), personal income increased by \$311.0 billion or 1.4 percent, and disposable personal income (DPI) increased by \$297.0 billion or 1.6 percent in the fourth quarter of 2022. Personal consumption expenditures (PCE) increased by \$228.6 billion or 1.3 percent in December 2022.

The increase in personal income in December reflects growth in compensation, government social benefits, and personal interest income. Within compensation, the change includes increases in both private and government wages and salaries. Within government social benefits the increase is primarily in state stimulus payments to individuals in the form of one-time refundable tax credits.



Source: Federal Reserve Bank of St. Louis

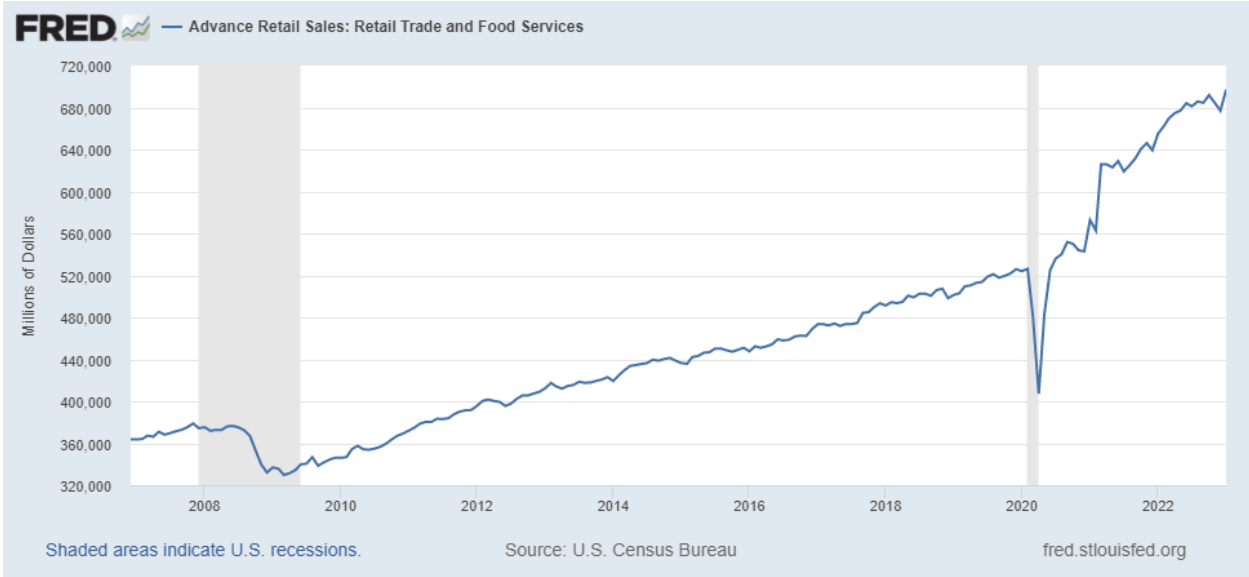


Source: Federal Reserve Bank of St. Louis

Personal outlays increased \$251.8 billion in December 2022. Personal saving was \$552.9 billion and the personal saving rate was 2.9 percent in the fourth quarter, compared to 2.7 percent in the third quarter of 2022. The personal saving rate is personal savings as a percentage of disposable personal income.

**Retail Sales**

According to the U.S. Census Bureau, the advance estimate of U.S. retail and food services sales for January 2023 was \$697.0 billion, which is an increase of 3.0 percent from December 2022, and an increase of 6.4 percent from January 2022. This figure adjusts for seasonal variation, holiday and trading-day differences but not for price changes.



Source: Federal Reserve Bank of St. Louis

Total sales for 2022 were up 3.9 percent from 2021. Total sales for November 2022 through January 2023 were up 6.1 percent from the same period last year. Retail trade sales from January 2023 were up 2.3 percent from December 2022 and up 3.9 percent from the previous year. Food service and drinking places were up 25.2 percent from last year, and general merchandise stores were up 4.5 percent from last year.

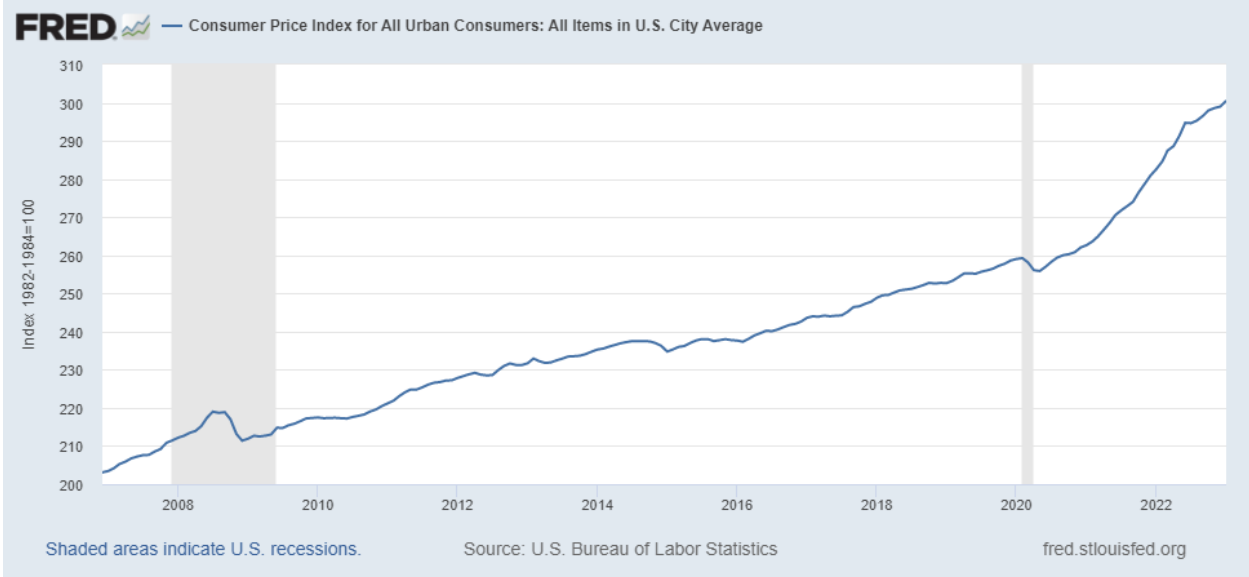
**Consumer Price Index (CPI)**

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI-U) rose 0.5 percent in January 2023 over the previous month on a seasonally adjusted basis. Over the last 12 months, the all items index, increased 6.4 percent before seasonal adjustment.

The driving force behind the increase of the all items index was the 0.7 percent increase in the shelter index. The energy index increased in January by 2.0 percent because of across-the-board increases in all major energy component indexes. The food index rose in January, as the food at home and the food away from home indices increased by 0.5 percent and 0.4 percent respectively.

The index for all items other than food and energy increased 0.4 percent in January after rising 0.4 percent in December. The indices for shelter, motor vehicle insurance, recreation, apparel, household furnishings and operations all rose in January. The indices for used cars and trucks, medical care, and airline fares were among those to decline over the month.

The all items index rose 6.4 percent for the 12 months ending in January, which represented the smallest increase since the period ending October 2021. The index for all items less food and energy rose 5.6 percent over the last 12 months, which was the smallest change since the period ending December 2021. The food index rose 10.1 percent over the last 12 months, while the energy index rose 8.7 percent over the same period.



Source: Federal Reserve Bank of St. Louis

**U.S. Gross Domestic Product, Fourth Quarter and Year 2022 (Advance Estimate)**

According to the U.S. Bureau of Economic Analysis (BEA) advance estimate, the real gross domestic product (GDP) increased at an annualized rate of 2.9 percent in the fourth quarter of 2022. In the third quarter, real GDP increased 3.2 percent, in line with the anticipated 3.2 percent increase from the third quarter advance estimate. The increase in real GDP reflected increases in private inventory investment, consumer spending, federal, state, and local government spending, and nonresidential fixed investments that were partly offset by decreases in residential fixed investment and exports.

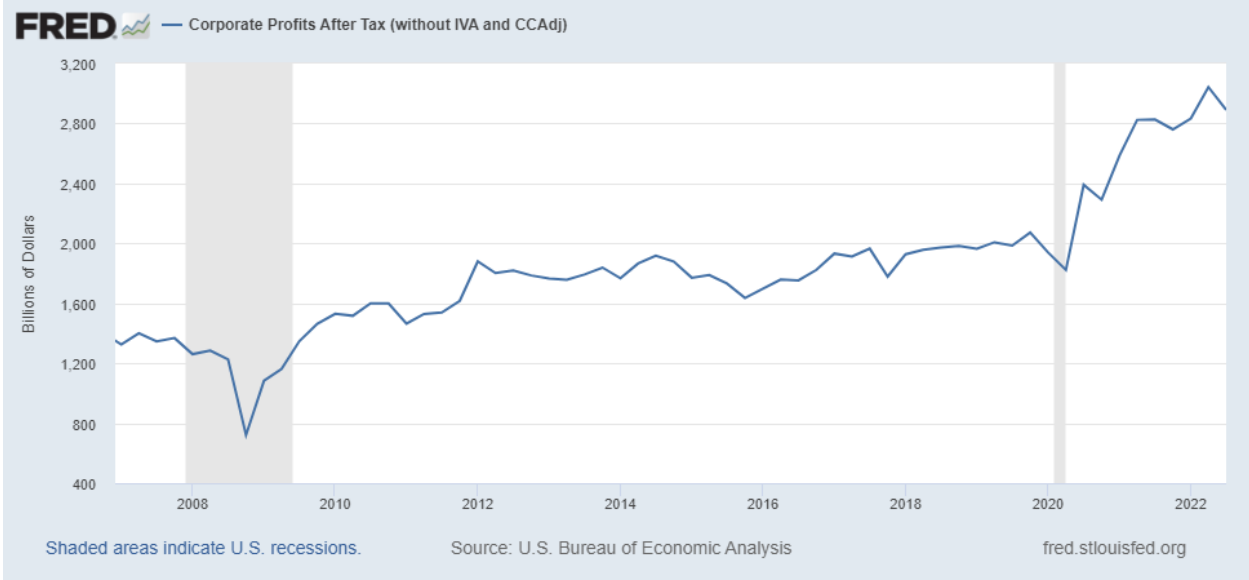
GDP rose 6.5 percent or \$408.6 billion in the fourth quarter to a level of \$26.13 trillion. In the third quarter, GDP increased 7.7 percent or \$475.4 billion.

**U.S. Corporate Profits (Third Quarter Estimate)**

According to the Bureau of Economic Analysis (BEA), profits from current production (corporate profits) with inventory valuation adjustment (IVA) and capital consumption adjustment (CCA) decreased \$1.3 billion in the third quarter, an upward revision of \$30.3 billion compared to the previous estimate.

Profits of domestic financial corporations decreased \$1.8 billion in the third quarter, an upward revision of \$31.1 billion. Profits of domestic nonfinancial corporations increased \$16.1 billion, an upward revision of \$10.0 billion.

The rest-of-the-world component of profits decreased \$1.8 billion, an upward revision of \$10.8 billion. In the third quarter, receipts increased \$1.0 billion, and payments increased \$16.5 billion. The rest-of-the-world component of profits is the difference between receipts from the rest of the world and payments to the rest of the world.



Source: Federal Reserve Bank of St. Louis

## FINANCIAL MARKETS

### Standard & Poor's 500 Index

The Standard & Poor's 500 stock index (S&P 500) finished 2022 at 3,839.50 points, which is a decrease of 19.4 percent from where the S&P 500 finished in 2021 at 4,766.18. As the Federal Reserve combats inflation, an overall downward trend was experienced in 2022 with some minor fluctuations. On February 2, 2023, the S&P 500 index closed at 4,179.76, the highest it has been since August 2022 but still below the all-time high of 4796.56 set on January 3, 2022.



Source: Federal Reserve Bank of St. Louis

### Dow Jones Industrial Average

For 2022, the Dow Jones Industrial Average (DJIA) ended at 33,147.25, a decrease of 8.8 percent from its 2021 close of 36,338.30. On January 13, 2023 the DJIA closed at 34,302.61. Much like the S&P 500, it was at its highest point since August 2022 but still below the all-time high of 36,585.06 also set on January 3, 2022.



Source: Federal Reserve Bank of St. Louis

### NASDAQ Composite

The NASDAQ Composite finished 2022 at 10,466.48, a decrease of 1.2 percent from the prior year, when it closed at 15,832.80. On February 3, 2023, the NASDAQ Composite closed at 12,006.95, which was the highest it had been since September 2022. Much like the S&P 500 and the DJIA, this is still well below the all-time high of 16,057.44 set on November 19, 2021.



Source: Federal Reserve Bank of St. Louis

## **RISKS TO THE U.S. AND NEW YORK STATE FORECASTS**

There are many unforeseen factors associated with forecasting the economy. Any sharp variation in expected performance of the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. This is evidenced by the COVID-19 pandemic that has markedly affected all sectors of the economy in unprecedented ways. As the strength of the economic recovery will continue to depend on the success in navigating inflation and the next phase of the COVID-19 pandemic, the economic outlook carries a broad range of potential outcomes.

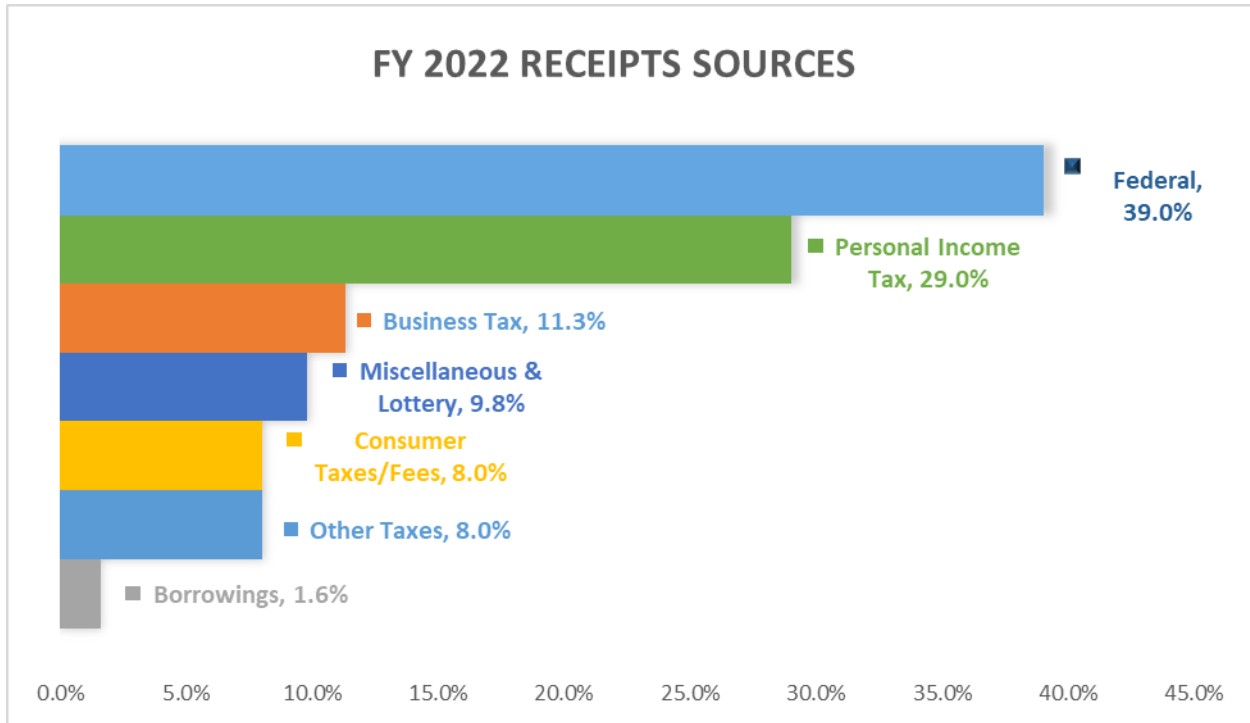
Inflation and the policy actions taken by the Federal Reserve to curb its impact, remain a risk to both the U.S. and New York State forecasts. If the high level of inflation continues longer than expected, the Federal Reserve could be forced to be more aggressive and continue monetary tightening beyond the current level. This is especially concerning for New York State due to the importance of the financial sector to the State economy.

Furthermore, as the economy continues to recover from the impact of COVID-19, new developments continue to pose a risk to the U.S. and New York State forecasts. The New York labor market remains vulnerable to the impacts of COVID-19 on consumers and businesses. A new and more severe COVID-19 variant could exacerbate these risks.

Finally, the global economic outlook continues to be a concern. Supply chain disruptions and heightened tensions in international relations could exacerbate price inflation worldwide. This can impact U.S. exports as well as New York's financial markets and tourism industry.

## REVENUE OUTLOOK

Revenues are primarily affected by economic changes and changes in Federal and State tax policies. The tax base is a measure of the State’s ability to generate revenue. Personal income tax receipts make up the largest share of total tax receipts (29.0 percent), followed by business taxes (11.3 percent), consumer taxes/fees (8.0 percent) and other taxes (8.0 percent). Of the non-tax categories of receipts, federal receipts make up the largest share of total receipts (39.0 percent), followed by miscellaneous and lottery receipts (9.8 percent), and borrowings (1.6 percent).



Source: Office of New York State Comptroller – 2022 Financial Condition Report

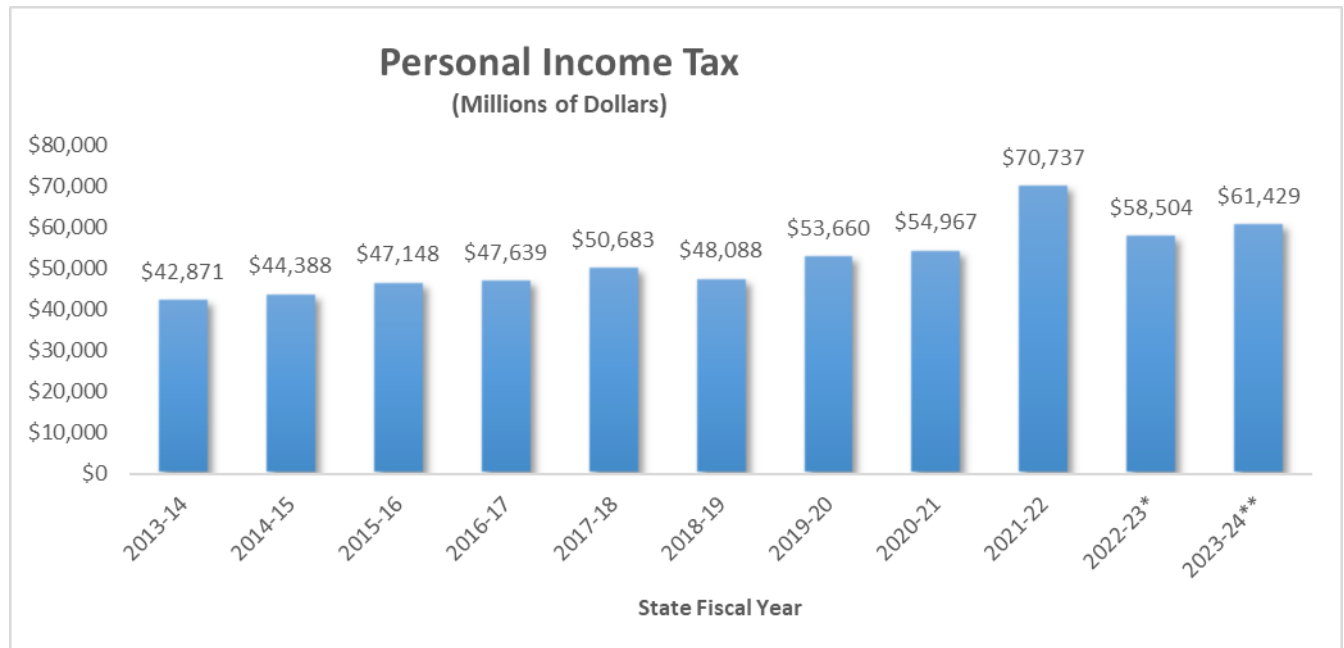


## **SENATE MAJORITY FINANCE COMMITTEE STAFF RECEIPTS PROJECTIONS**

The committee staff's SFY 2022-23 estimate for All Funds receipts, excluding federal receipts, is \$1.2 billion over the Executive Budget Financial Plan receipts estimate of \$122.6 billion. The committee staff's SFY 2023-24 projection for All Funds receipts, excluding federal receipts, is \$1.3 billion above the Executive Budget Financial Plan receipts estimate of \$124.7 billion.

The committee staff's SFY 2022-23 estimate for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$517.2 million over the Executive Budget Financial Plan estimate of \$49.3 billion. The committee staff's SFY 2023-24 projection for General Fund receipts, inclusive of miscellaneous receipts and dedicated transfers, is \$703.3 million over the Executive Budget Financial Plan receipts estimate of \$50.7 billion.

## PERSONAL INCOME TAX



\*2022-23 is estimated \*\*2023-24 is projected.

Source: Senate Majority Conference Finance Committee staff

Article 22 of the Tax Law establishes a tax on the income of individuals, estates and trusts. Personal Income Tax (PIT) receipts contributed approximately 52.6 percent of all tax collections deposited into the General Fund in SFY 2022-23. New York's definition of income closely follows Federal law, which includes wages, salaries, capital gains, unemployment compensation, and interest and dividend income. Those components comprise the Federal Adjusted Gross Income (FAGI). The New York State adjusted gross income (NYSAGI) is calculated by FAGI, from which certain income items are then added or subtracted. The New York standard deduction or itemized deductions are subtracted from NYSAGI to arrive at New York State taxable income. Finally, certain credits are then subtracted from the calculated tax to determine total personal income tax liability.

PIT is paid by the withholding of wages and other income payments, the payment of estimated taxes, the payment of unpaid taxes through final returns, and the payment of overdue taxes known as delinquencies through assessments. Any overpayment of PIT is refunded to the taxpayer. The manner of payment determines the income year to which the tax applies. For example, withholding is paid when the income is earned. Therefore, 2023 wages would be reflected in 2023 withholding. However, tax payments made with the final returns are based on the prior year's income. As a result, final payments made in 2023 reflect income earned in 2022. The same pattern holds true for refunds.

For SFY 2022-23, the committee staff estimate All Funds net PIT receipts to total \$58.5 billion, which is a decrease of \$12.2 billion or 17.3 percent from SFY 2021-22. For SFY 2023-24 committee staff project All Funds net PIT receipts to total \$61.4 billion, which is an increase of \$2.9 billion or 5.0 percent from SFY 2022-23.

For SFY 2022-23, the committee staff projects General Fund net PIT receipts to total \$27.5 billion, reflecting a decrease of \$5.9 billion or 17.7 percent from SFY 2021-22. For SFY 2023-24 General Fund net PIT receipts are projected at \$29.1 billion, which is \$1.5 billion or 5.5 percent more than the prior year.

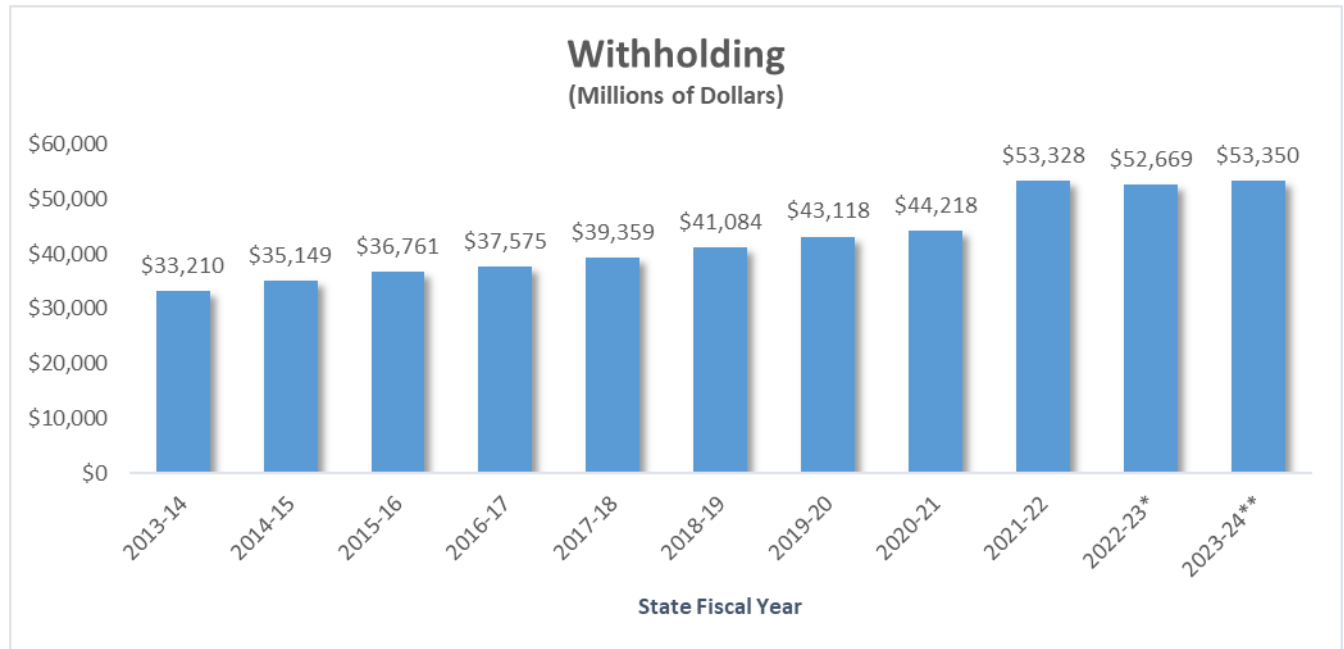
The SFY 2021-22 Enacted Budget contained a high-income personal income tax surcharge. The effects of this surcharge are included in the staff projection for SFY 2023-24. The high-income surcharge added \$3.3 billion in new receipts in SFY 2022-23 and will add approximately \$3.4 billion in new receipts in SFY 2023-24.

The Executive Budget Financial Plan projects the Pass-Through Entity Tax (PTET) enacted in 2021-22 to be revenue neutral for the State over the duration of the tax but it will not appear neutral within each fiscal year. The Executive Budget Financial Plan projects PTET to reduce PIT receipts by \$24.2 billion in SFY 2022-23.

The Executive Budget Financial Plan estimates net All Funds PIT receipts for SFY 2022-23 to total \$58.4 billion, which is a decrease of \$12.4 billion or 17.5 percent from SFY 2021-22. The Executive Budget Financial Plan projects All Funds net PIT receipts for SFY 2023-24 to total \$61.3 billion, reflecting an increase of \$2.9 billion or 4.8 percent from its SFY 2022-23 projections.

The Executive Budget Financial Plan estimates net General Fund PIT receipts for SFY 2022-23 to total \$27.4 billion which is \$6.1 billion less than SFY 2021-22 or a decrease of 18.1 percent. Net General Fund PIT receipts for SFY 2023-24, are projected at \$28.9 billion which is \$1.5 billion or 5.3 percent higher than what is projected for SFY 2022-23.

## WITHHOLDING



\*2022-23 is estimated \*\*2023-24 is projected.

Source: Senate Majority Conference Finance Committee staff

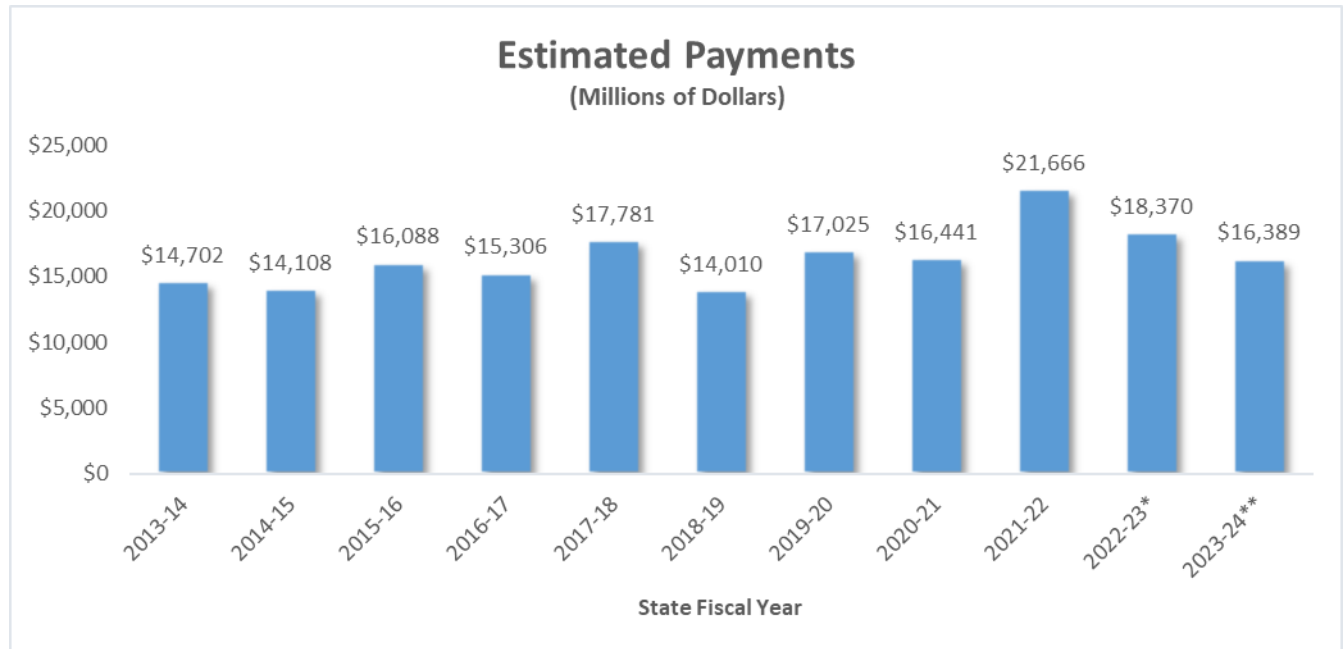
Employers are required to withhold a portion of employees' tax liability from their earnings to spread the payment of PIT over the tax year. Withholding has a slight lag from the period in which it is withheld to the time the State receives the payment from the employer. Withholding is closely correlated to wages and salaries earned during any given quarter. The withholding component of PIT is the most significant portion of aggregate State PIT receipts.

The SFY 2020-21 Enacted Budget contained a high-income personal income tax surcharge. The high-income surcharge added \$1.2 billion in new receipts impacting withholding in SFY 2022-23 and will add approximately \$1.3 billion in new receipts impacting withholding in SFY 2023-24.

For SFY 2022-23, committee staff estimates All Funds withholding payments to total \$52.7 billion, which is a decrease of \$659.5 million or 1.2 percent from SFY 2021-22. This projection is \$780.5 million or 1.5 percent higher than the Executive estimate of \$51.9 billion.

For SFY 2023-24, committee staff projects the All Funds withholding component of PIT to increase to \$53.4 billion, which is an increase of \$681.5 million or 1.3 percent from SFY 2022-23. This projection is \$792.0 million or 1.5 percent above the Executive estimate of \$52.6 billion.

## ESTIMATED PAYMENTS



\*2022-23 is estimated \*\*2023-24 is projected.

Source: Senate Majority Conference Finance Committee staff

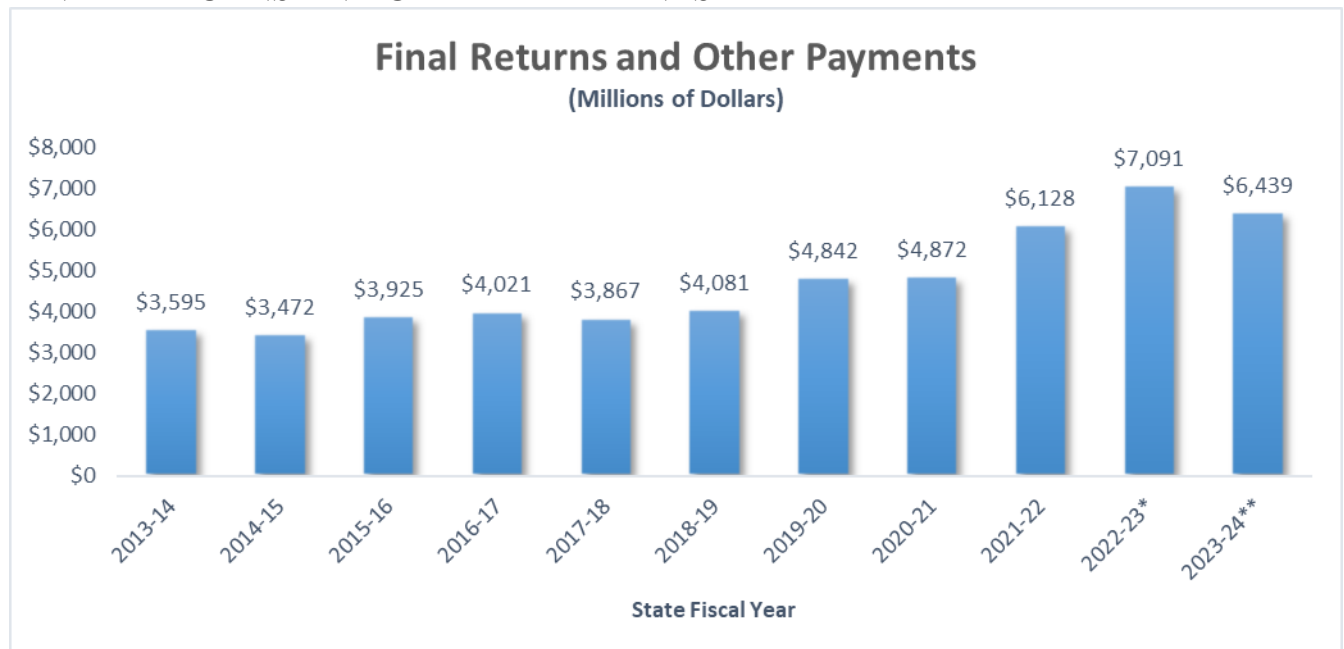
Individuals typically make estimated payments if the tax they will owe for the year is significantly more than the amount of tax being withheld from their wages. Individuals who have large amounts of non-wage income (*e.g.*, self-employment income, interest, dividends or capital gains) make these as quarterly payments. Estimated tax payments are due on the fifteenth of April, June, September, and January. Estimated payments are also made when a taxpayer files for an extension. When a taxpayer files for an extension, they are required to estimate their tax liability. If a payment is due, it is submitted with the extension.

For SFY 2022-23, committee staff project All Funds estimated payments to total \$18.4 billion, which is a decrease of \$3.3 billion or 15.2 percent from SFY 2021-22. This estimate is \$225 million above the Executive estimate of \$18.1 billion.

For SFY 2023-24, committee staff project All Funds estimated payments to be \$16.4 billion, which is a decrease of \$2.0 billion or 10.8 percent from SFY 2022-23. This estimate is \$75.0 million above the Executive estimate of \$16.3 billion.

The high-income surcharge added \$1.1 billion to estimated payments new receipts in SFY 2022-23 and will add approximately \$1.2 billion to estimated payments new receipts in SFY 2023-24.

## FINAL RETURNS AND OTHER PAYMENTS



\*2022-23 is estimated \*\*2023-24 is projected.

Source: Senate Majority Conference Finance Committee staff

Final returns are usually due on April 15 of every year. The final return is a reconciliation between a taxpayer's withholding and estimated payments, and the tax liability calculated on the total personal income received throughout the tax year. Payment is due when the combination of withholding and estimated payments result in an underpayment of the total tax liability.

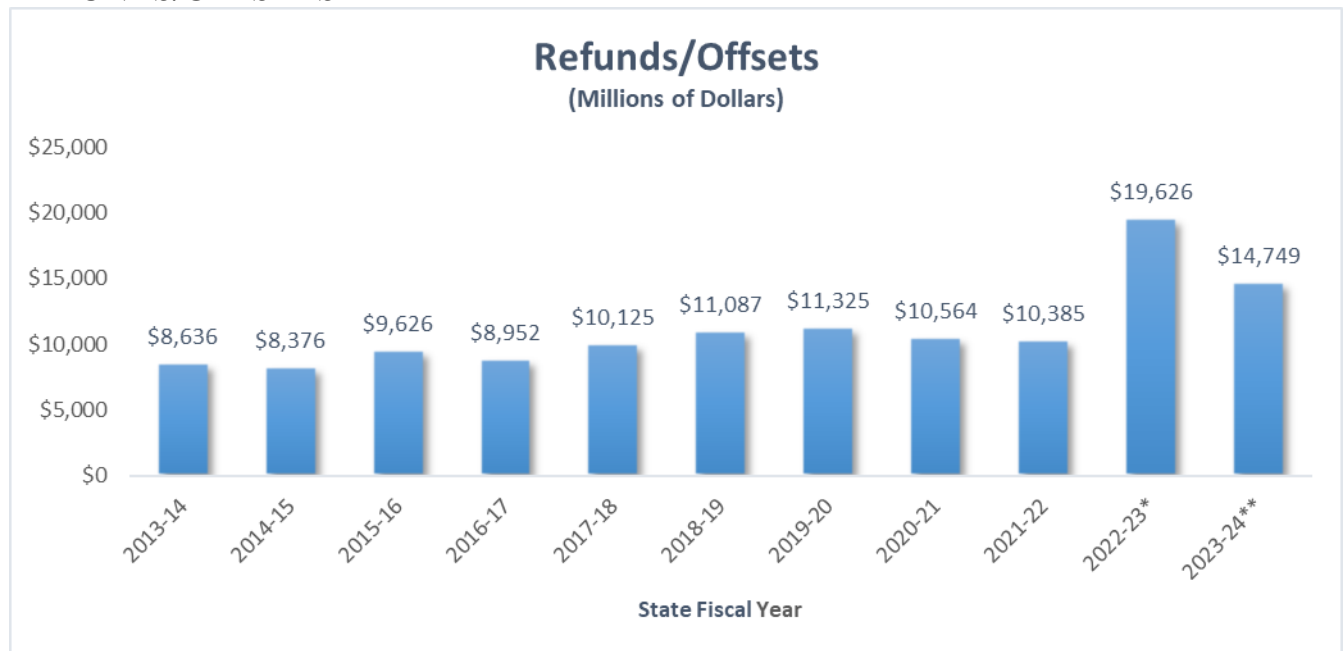
Other payments consist of: assessments due on late or audited returns, and filing fees paid by the State's limited liability companies (LLCs) and limited liability partnerships (LLPs).

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for final returns and other payments.

For SFY 2022-23, the Executive Budget Financial Plan estimates All Funds final returns and other payments collections to total \$7.1 billion. This projection reflects an increase of \$963 million or 15.7 percent from SFY 2021-22.

For SFY 2023-24, the Executive Budget Financial Plan projects All Funds collections from final returns and other payments to be \$6.4 billion. This projection reflects a decrease of \$652 million or 9.2 percent from SFY 2022-23.

## REFUNDS/OFFSETS



\*2022-23 is estimated \*\*2023-24 is projected.

Source: Senate Majority Conference Finance Committee staff

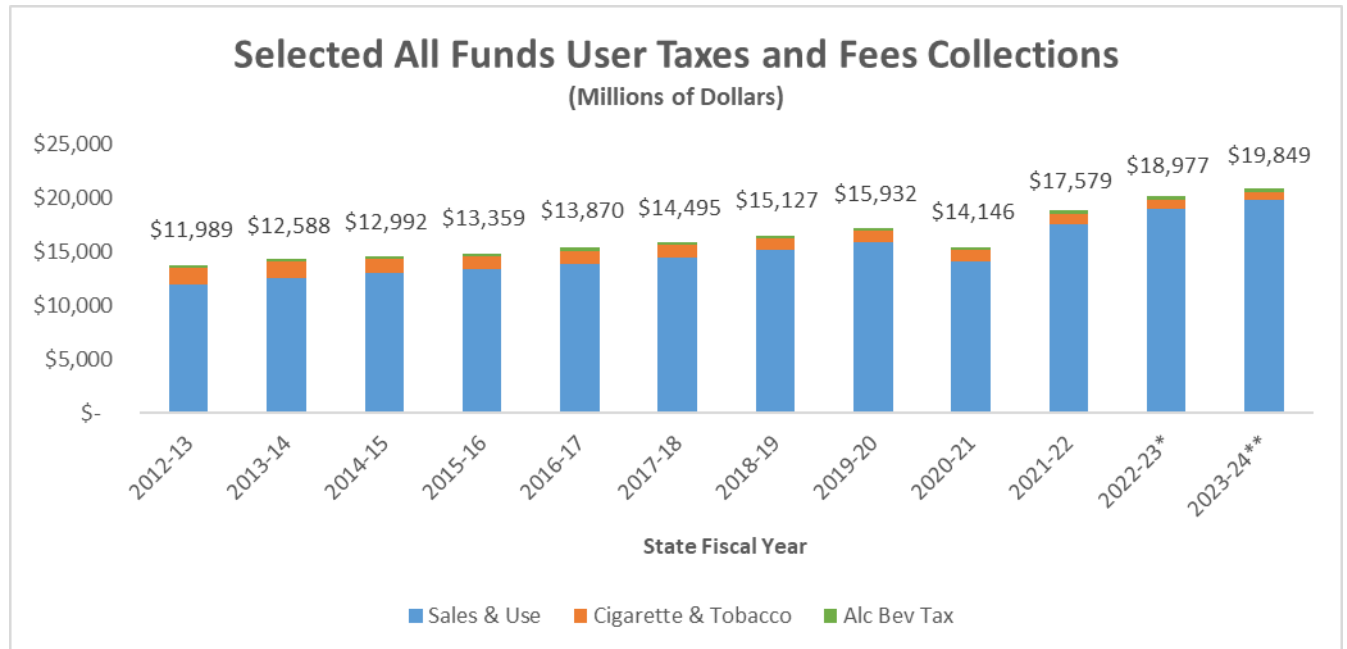
A refund occurs when a taxpayer overpays their personal income tax. This happens by either over-withholding or remitting excess estimated payments. Similar to payments made with final returns, refunds are a result of filing an annual return.

The Pass-Through Entity Tax (PTET) has a significant impact on refunds. Recent tax data suggests that unclaimed PTET credits from tax year 2021 were higher than anticipated. This could cause refunds to appear higher than expected. The impact would be offset by the use of monies held in the General Fund for the timing of PTET/PIT credits.

For SFY 2022-23, committee staff estimates that All Funds refunds and offsets will total \$19.6 billion, an increase of \$9.2 billion or 88.9 percent from SFY 2021-22. This estimate is \$873 million over the Executive estimate of \$18.8 billion.

For SFY 2023-24, the committee staff project All Funds refunds and offsets to be \$14.8 billion, this reflects a decrease of \$4.9 billion or 24.8 percent from SFY 2022-23. This projection is \$750 million above the Executive's projection of \$14.0 billion.

## CONSUMPTION AND USE TAXES

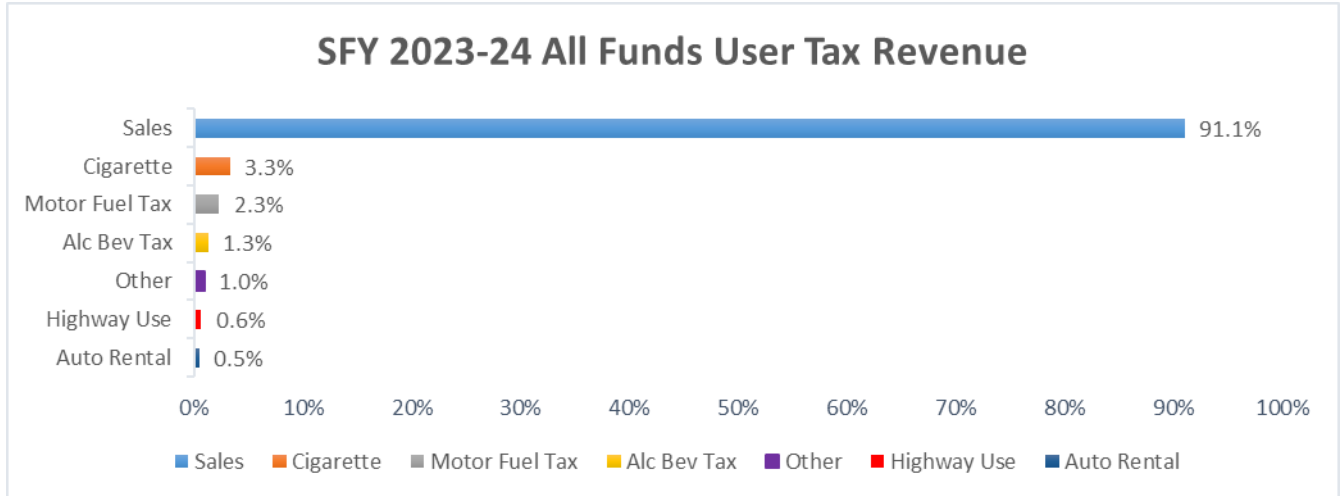


\*2022-23 is estimated \*\*2023-24 is projected.

Senate Majority Conference Finance Committee Staff

Consumption and use taxes in New York are primarily comprised of six separate taxes: Sales and Use Tax, Cigarette and Tobacco Tax, Motor Fuel Tax, Alcoholic Beverage Tax, Highway Use Tax, and Auto Rental Tax. Other taxes in total account for 0.4 percent of Consumption and Use Tax revenue.



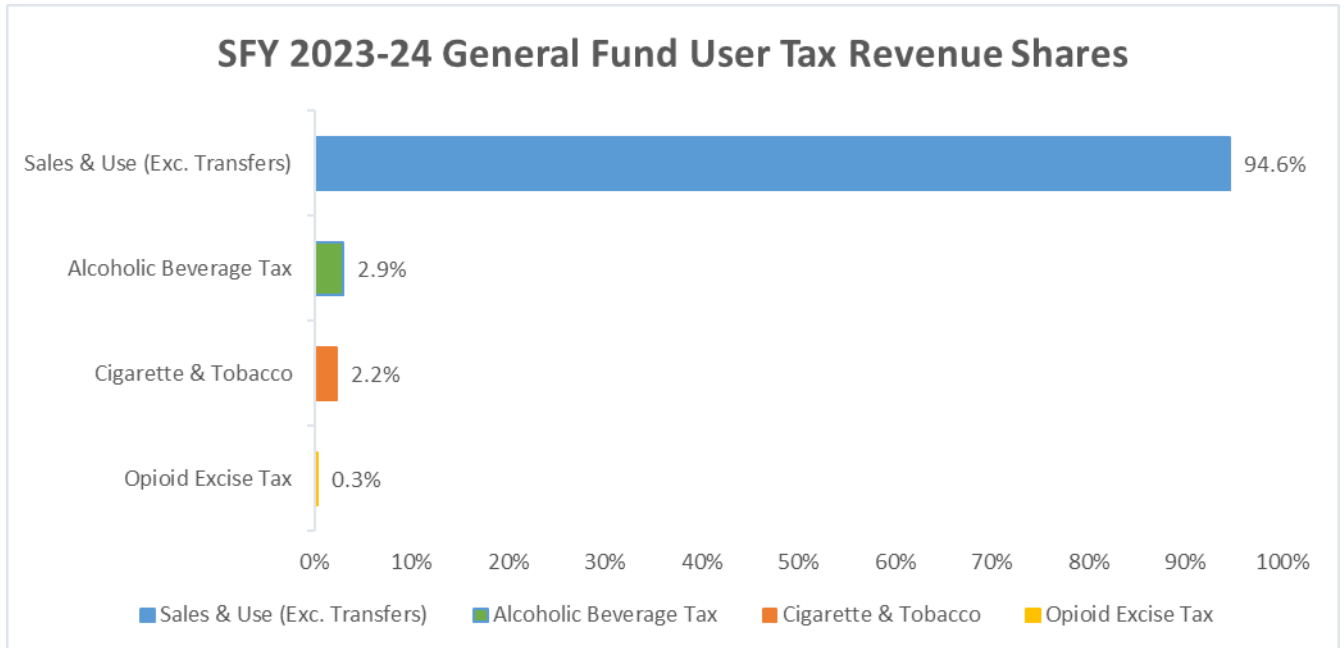


Source: Senate Majority Conference Finance Committee Staff Estimates

Sales and Use Tax dominates consumption and use tax collections with 91.1 percent of total user tax collections in SFY 2022-23.

For SFY 2022-23, committee staff estimate that All Funds consumption and use tax receipts will total \$20.7 billion, which is an increase of \$1.0 billion or 5.1 percent from SFY 2021-22. This estimate is \$124.9 million above the Executive estimate of \$20.5 billion.

For SFY 2023-24, the committee staff project All Funds consumption and use tax receipts to total \$21.8 billion, which is an increase of \$1.1 billion or 5.2 percent from the staff's SFY 2022-23 estimate. This projection is \$48.5 million above the Executive estimate of \$21.8 billion.



Source: Senate Majority Conference Finance Committee Staff

General Fund revenue from user taxes and fees are composed of Sales and Use Tax, Cigarette and Tobacco taxes, Alcoholic Beverage Tax, and Opioid Excise Tax. The Sales and Use Tax is the primary source of collections in this category, accounting for approximately 94.6 percent of such receipts.

The Executive Budget Financial Plan estimates net General Fund consumption and use tax receipts for SFY 2022-23 to be \$7.2 billion, this is an increase of \$2.5 billion or 52.8 percent from SFY 2021-22.

The Executive Budget Financial Plan projects net General Fund consumption and use tax receipts for SFY 2023-24 to be \$9.8 billion, which is an increase of \$2.6 billion or 35.9 percent from the estimate for SFY 2022-23.

### SALES AND USE TAX

The Sales and Use tax is the third largest tax revenue source for the State. In general, the sales of all tangible personal property are taxable unless statutorily exempt, but services are taxed only if they are enumerated in the Tax Law. The current State Sales Tax rate is four percent. Counties and cities are also authorized to impose general Sales Tax rates up to three percent in addition to the four percent State rate. Of the 20 cities that impose the general Sales Tax, only three cities (New York City, Oswego, and Yonkers) received legislative authority to impose additional rates of tax above the statutory three percent general Sales Tax rate. Over 95 percent of the State’s population resides in an area where the tax rate equals or exceeds 8 percent. A compensating use tax complements the sales tax and is imposed on the use of taxable property or services in- state, if the transaction has not already been subject to sales tax.

An additional 0.375 percent Sales and Use Tax is imposed in the Metropolitan Commuter Transportation District (MCTD). All proceeds from the additional MCTD tax are earmarked for the Mass Transportation Operating Assistance Fund for the benefit of the Metropolitan Transportation Authority (MTA).

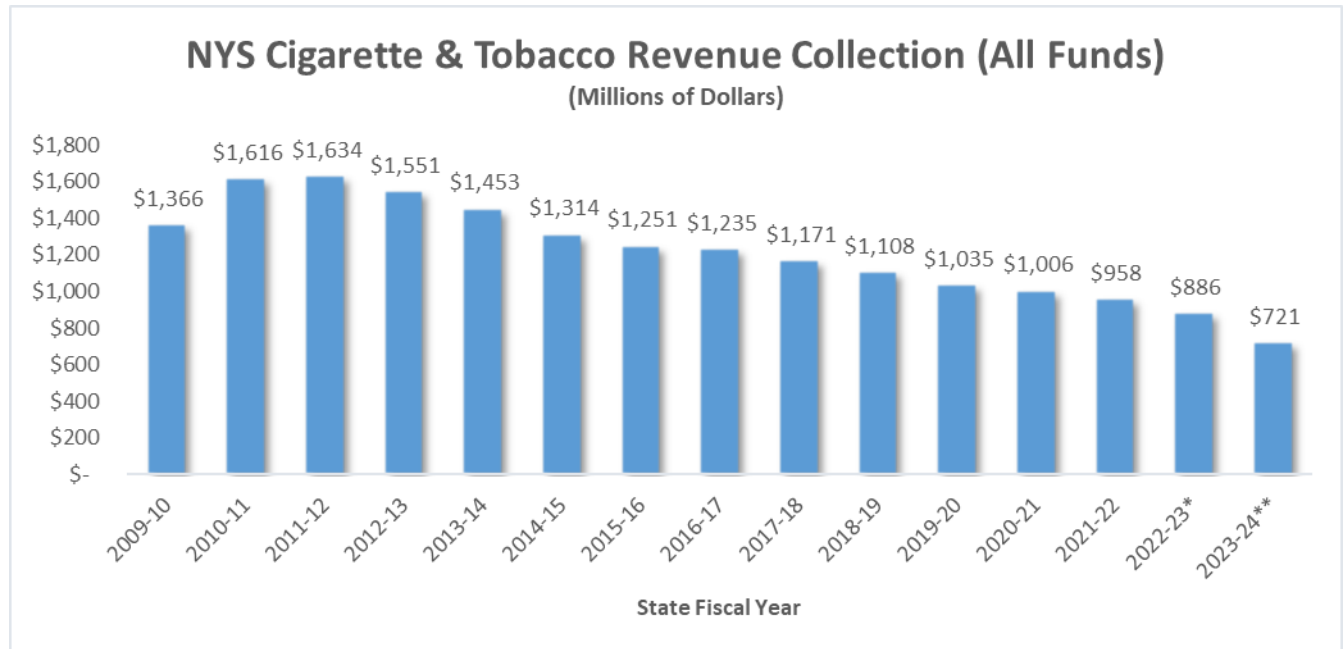
For SFY 2022-23, committee staff estimates All Funds Sales and Use Tax receipts at \$19.0 billion, which is an increase of \$1.4 billion or 7.4 percent from SFY 2021-22. This is \$124.9 million or 0.7 percent over the Executive's estimate of \$18.9 billion.

For SFY 2023-24, the committee staff projects All Funds Sales and Use Tax collections will be \$19.8 billion which is an increase of \$872.6 million or 4.4 percent from the staff's SFY 2022-23 estimate. This projection is \$48.5 million or 0.2 percent over the Executive's estimate of \$19.8 billion.

For SFY 2022-23, the committee staff estimates General Fund Sales and Use Tax collections to total \$17.8 billion, which is an increase of \$1.3 billion or 7.6 percent from SFY 2021-22. This is \$117 million or 0.7 percent over the Executive estimate of \$17.6 billion.

For SFY 2023-24, the committee staff projects General Fund Sales and Use Tax collections at \$18.6 billion, which is an increase of \$825 million or 4.4 percent from the staff's SFY 2022-23. This projection is \$45 million or 0.2 percent over the Executive's estimate of \$18.5 billion.

## CIGARETTE AND TOBACCO TAXES



\*2022-23 is estimated. \*\*2023-24 is projected

Source: Senate Majority Conference Finance Committee Staff

The New York State Cigarette Excise Tax is imposed by Article 20 of the State Tax Law on the import or use of cigarettes within the State. The tax is paid through the purchase of a tax stamp, which is attached to the package of cigarettes. The tax rate is currently \$4.35 per package of 20 cigarettes.

The Federal government imposes a Cigarette Excise Tax at a rate of \$1.01 per pack on manufacturers and first importers of cigarettes. New York City levies a separate Cigarette Excise Tax that is equal to \$1.50 per pack. In addition to the excise tax on cigarettes, the State imposes a tax on other tobacco products, such as chewing tobacco, snuff, and cigars. These products are taxed at a rate of 75 percent of the wholesale price. However, snuff products are taxed at a rate of \$2.00 per ounce.

Taxable cigarette consumption is partly a function of retail cigarette prices, tax evasion, as well as a long-term downward trend in consumption. The decline in consumption also reflects the impact of increased public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, cessation programs, and changes in consumer preferences toward other types of tobacco.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for cigarette and tobacco tax collections.

For SFY 2022-23, the Executive estimates All Funds cigarette and tobacco tax receipts to be \$886 million, which is a decrease of \$72 million or 7.5 percent from SFY 2021-22. The Financial Plan estimates General Fund collections at \$281 million in SFY 2022-23, which is a decrease of \$12 million or 4.1 percent from SFY 2021-22.

For SFY 2023-24, the Executive projects All Funds cigarette and tobacco tax receipts to be \$721 million, which is a decrease of \$165 million or 18.6 percent from the SFY 2022-23 estimate. The Financial Plan projects SFY 2023-24 General Fund cigarette and tobacco tax receipts at \$218 million, a decrease of \$63 million or 22.4 percent from the Executive's SFY 2022-23 estimate.

### **MOTOR FUEL TAX**

Gasoline Motor Fuel and Diesel Motor Fuel Taxes are enacted by Article 12-A of the State Tax Law upon the sale of motor fuel and diesel motor fuel, respectively. The Motor Fuel Tax is levied on fuel used in motor vehicles operating on State public highways or fuel used in recreational motorboats operating on the State's waterways. Currently, the tax is imposed at a rate of \$0.08 per gallon on both gasoline and diesel motor fuel.

Motor Fuel Tax collections are a function of the number of gallons of fuel imported into the State by distributors. Gallonage is determined in large part by fuel prices, the amount of fuel held in inventories, the fuel efficiency of motor vehicles and overall state economic performance.

All Motor Fuel Tax receipts are deposited into the Dedicated Highway and Bridge Trust Fund and Dedicated Mass Transportation Trust Fund. There are no General Fund receipts for this tax.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Motor Fuel Tax.

For SFY 2022-23 the Executive Budget Financial Plan estimates All Funds receipts from the State Motor Fuel Tax at \$184 million, a decrease of \$311 million or 62.8 percent from SFY 2021-22. This decrease is due to the temporary tax "holiday" that was included in the SFY 2022-23 Enacted Budget.

For SFY 2023-24, the Executive Budget Financial Plan projects All Funds receipts from the Motor Fuel Tax at \$495 million, which is an increase of \$311 million or 169.0 percent from the Executive's SFY 2022-23 estimate. This increase is due to the expiration of the temporary tax "holiday."

### **ALCOHOLIC BEVERAGE TAX**

New York State imposes excise taxes at various rates on liquor, beer, wine and specialty alcoholic beverages. Licensed distributors and non-commercial importers of such beverages remit the tax in the month following the month of delivery. All receipts from the alcoholic beverage tax are deposited in the General Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Alcoholic Beverage Tax.

For SFY 2022-23, the Executive Budget Financial Plan estimates All Funds Alcoholic Beverage Tax collections to be \$280 million, which is an increase of \$3 million or 1.1 percent from SFY 2021-22.

For SFY 2023-24, the Executive Budget Financial Plan projects All Funds Alcoholic Beverage Tax collections to be \$284 million, which is an increase of \$4 million or 1.4 percent from the SFY 2022-23 estimate.

### **AUTO RENTAL TAX**

New York State imposes a 6.0 percent tax on charges for the rental or use in New York State of a passenger car with a gross vehicle weight of 9,000 pounds or less. The tax does not apply to a car lease covering one year or more. The Auto Rental Tax applies to a vehicle rented by a resident or a non-resident, regardless of where the vehicle is registered.

The Auto Rental Tax supports mass transit and the Dedicated Highway and Bridge Trust Fund. All receipts from the supplemental tax on passenger cars in the MCTD are deposited to the MTA Aid Trust Account of the MTA Financial Assistance Fund. No revenue from this tax is directed to the General Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Auto Rental tax receipts

For SFY 2022-23, the Executive Budget Financial Plan estimate for All Funds Auto Rental tax receipts to total \$122 million, an increase of \$23 million or 23.2 percent over SFY 2021-22.

For SFY 2023-24, the Executive projection for All Funds Auto Rental tax receipts to total \$100 million, which reflects a decrease of \$22 million or 18.0 percent from SFY 2022-23.

### **HIGHWAY USE TAX**

Articles 21 and 21-A of the Tax Law establish a Highway Use Tax (HUT) on commercial vehicles using State public highways. HUT is made up of three components: the Truck Mileage Tax, which is levied on motor carriers who operate commercial vehicles on New York State public highways; the Fuel Use Tax, which ensures that motor carriers who purchase fuel out-of-State but operate a vehicle on New York State public highways are subject to the same taxes as fuel purchased in-State. The current Fuel Use Tax rate is \$0.24 per gallon. A HUT or Automotive Fuel Carrier (AFC) decal is required to be affixed to each vehicle. The cost of the certification and decal fee is \$1.50.

HUT receipts are generally a function of the demand for trucking, which fluctuates with national and State economic conditions. All proceeds from the HUT are directed to the Dedicated Highway and Bridge Trust Fund, as well as the HUT Administration Account.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Highway Use Taxes.

For SFY 2022-23, the Executive Budget Financial Plan estimates All Funds collections from the HUT at \$139 million, which is a decrease of \$3 million or 2.1 percent from SFY 2021-22.

For SFY 2023-24, the Financial Plan projects All Funds HUT collections at \$141 million, which is an increase of \$2 million or 1.4 percent from the prior year.

## **MEDICAL CANNABIS TAX**

A 7 percent excise tax is imposed when a New York dispensary sells medical cannabis to a patient or designated caregiver and is remitted by the dispensary. The tax amount cannot be added as a separate charge on a receipt given to the retail customer.

Revenues from the State excise tax are directed to the Medical Marijuana Trust Fund. Of the monies in the fund, 45 percent is transferred to individual counties where medical cannabis is manufactured and dispensed, while 5 percent goes to the Office of Addiction Services and Supports, and another 5 percent goes to the Division of Criminal Justice Services. The law is silent on the distribution of the remaining amount.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Medical Cannabis Excise tax.

For SFY 2022-23, the Financial Plan estimates All Funds receipts from the Medical Cannabis Excise Tax to total \$12 million, a decrease of \$1 million or 7.7 percent from SFY 2021-22.

For SFY 2023-24, the Financial Plan projects All Funds Medical Cannabis Excise Tax collections will remain unchanged at \$12 million.

## **ADULT-USE CANNABIS TAX**

Chapter 92 of the Laws of 2021 legalized the production, sale, and use of adult-use cannabis. It also shifted oversight of existing hemp and medical marijuana programs to a new Office of Cannabis Management. The legislation included in the SFY 2021-22 Enacted Budget established taxes on the distribution and sale of adult-use cannabis and imposed State and local sales taxes on retail purchases made on and after March 1, 2022. Revenues from this excise tax are directed to the Cannabis Revenue Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Adult-Use Cannabis Tax.

The Executive Budget Financial Plan projects All Funds receipts from the Adult-Use Cannabis Tax to total \$2 million for SFY 2022-23. This is the first year of Adult-Use Cannabis Tax receipts being collected.

The Executive Budget Financial Plan projects All Funds receipts from the Adult-Use Cannabis Tax to total \$133 million for SFY 2023-24, which is \$131 million or 6550.0 percent above SFY 2022-23.

## **OPIOID EXCISE TAX**

Beginning July 1, 2019, the State imposed an excise tax on the first sale of opioids within its borders. The tax is imposed at the manufacturer and distributor level. The tax rate varies based on the per-unit wholesale cost of an opioid. It is taxed at a quarter of a cent per morphine milligram

equivalent if the wholesale cost is less than 50 cents and one and one-half cents per morphine milligram equivalent if the wholesale cost is 50 cents or more.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Opioid Excise Tax.

For SFY 2022-23, the Financial Plan estimates All Funds receipts from the Opioid Excise Tax to total \$29 million, which reflects no change from SFY 2021-22.

For SFY 2023-24, Financial Plan projections for Opioid Excise Tax receipts to total \$29 million, which remains unchanged from SFY 2022-23.

### **VAPOR EXCISE TAX**

The SFY 2019-20 Enacted Budget imposed an excise tax of 20 percent on the retail sales of vapor products. Revenues from this excise tax are deposited into the Health Care Reform Act account.

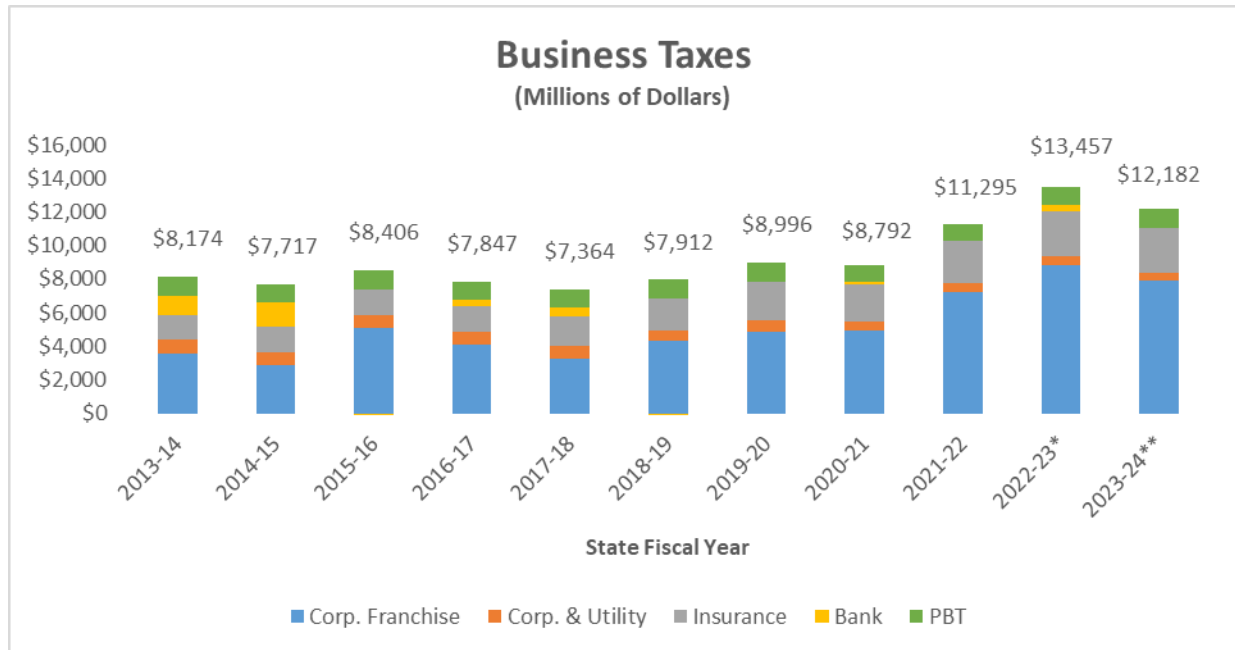
The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Vapor Excise tax.

For SFY 2022-23, the Executive Financial Plan estimates All Funds receipts from the Vapor Products Tax at \$27 million, which is a decrease of \$2 million or 6.9 percent from the prior year of collections.

For SFY 2023-24, the Executive Financial Plan projects All Funds Vapor Products Tax collections at \$27 million, which remains unchanged from SFY 2022-23.



## BUSINESS TAXES



\*2022-23 is estimated \*\*2023-24 is projected

Source: Senate Majority Conference Finance Committee staff

For SFY 2022-23, committee staff estimates All Funds aggregate business tax receipts to total \$26.4 billion, which reflects a decrease of \$1.3 billion or 4.8 percent from SFY 2021-22. For SFY 2022-23, the committee staff estimates General Fund aggregate business tax receipts to total \$16.7 billion, which reflects an increase of \$20.9 million or 0.1 percent from SFY 2021-22.

For SFY 2023-24, the committee staff projects All Funds aggregate business tax receipts to total \$23.6 billion which is a decrease of \$2.8 billion or 10.5 percent from SFY 2022-23 estimates. The committee staff projects General Fund aggregate business tax receipts for SFY 2023-24 at \$14.8 billion, which reflects a decrease \$2.0 billion or 11.7 percent from SFY 2022-23.

The Executive Budget Financial Plan estimates All Funds aggregate business tax receipts, excluding the PTET impact to total \$13.5 billion for SFY 2022-23, reflecting an increase of \$2.2 billion or 19.1 percent from SFY 2021-22. With the PTET impact, All Funds aggregate business tax receipts are estimated at \$26.1 billion, reflecting a decrease of \$1.6 billion or 5.8 percent from SFY 2021-22.

The Financial Plan estimates SFY 2022-23 General Fund aggregate business tax collections, excluding the PTET impact to total \$10 billion, representing an increase of \$1.5 billion or 17.9 percent from SFY 2021-22.

The Financial Plan estimates SFY 2023-24 All Funds aggregate business tax receipts, excluding the PTET impact to total \$11.9 billion, reflecting a decrease of \$1.3 billion or 9.5 percent from SFY 2022-23. With the PTET impact, All Funds aggregate business tax receipts are estimated at \$23.4 billion, reflecting a decrease of \$2.7 billion or 10.5 percent from SFY 2022-23.

The Financial Plan estimates SFY 2023-24 General Fund aggregate business tax collections, excluding the PTET impact to total \$8.8 billion, a decrease of \$1.2 billion or 11.9 percent from SFY 2022-23. With the PTET impact, General Fund aggregate business tax collections at estimated at \$14.5 billion which is a decrease of \$1.9 billion or 11.7 percent from SFY 2022-23.

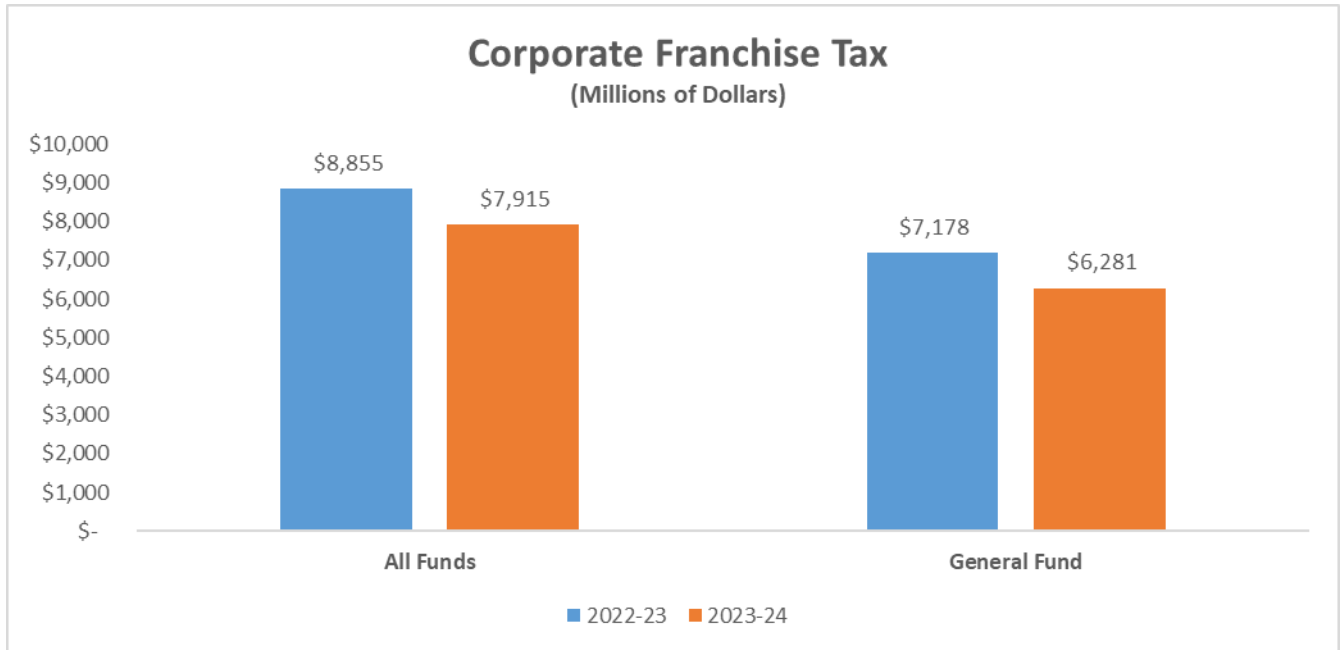
## **CORPORATION FRANCHISE TAX**

In 2014, New York State enacted corporate tax reform. It established a single system of taxation for general business corporations and banking corporations. As of January 1, 2015, the entire net income base was replaced with a similar business income base subject to a 6.5 percent tax rate that took effect on January 1, 2016. Since 2016, another corporate tax rate, the capital stock base rate, has been gradually reduced each year, eventually being repealed in 2021. Effective in tax year 2021 through tax year 2023, taxpayers with business income above \$5 million are subject to a tax rate of 7.25 percent and taxpayers with business income of \$5 million or less are subject to a tax rate of 6.5 percent. The tax rates will revert to 6.5 percent in 2024 after this temporary increase expires. The corporation franchise tax is levied by Articles 9-A and 13 of the Tax Law. Article 9-A imposes a franchise tax on domestic and foreign corporations for the privilege of exercising their corporate franchise or doing business, employing capital, owning or leasing property or maintaining an office in New York State. The Article 9-A tax is imposed on business entities classified as either C-Corporations or S-Corporations.

Article 13 of the State Tax Law imposes a 9 percent tax on certain not-for-profit entities for business income earned from activities that are non-related to their exempt purpose.

Current State Tax Law requires corporation franchise tax liability for C-Corporations to be computed under three alternative bases, with tax due based on the highest tax calculated under three alternative bases.

Finally, corporations conducting business in the Metropolitan Commuter Transportation District (MCTD) are subject to a surcharge on the portion of the total State tax liability allocated to the MCTD region. All collections from this surcharge are deposited into the Mass Transportation Operating Assistance Fund.



Source: Senate Majority Conference Finance Committee staff

For SFY 2022-23, the Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan estimates for All Funds Corporation Franchise Tax receipts to total \$8.9 billion, reflecting a decrease of \$1.6 billion or 22.4 percent from SFY 2021-22. The Financial Plan estimates SFY 2022-23 General Fund Corporate Franchise Tax receipts to total \$7.2 billion, which is an increase of \$1.4 billion or 23.4 percent from SFY 2021-22.

For SFY 2023-24, the committee staff projects All Funds Corporation Franchise Tax receipts to total \$7.9 billion, which reflects a decrease of \$940 million or 10.6 percent from the SFY 2022-23 estimate. This projection is \$265 million or 3.3 percent above the Executive’s estimate of \$7.7 billion. For SFY 2023-24, the committee staff projects General Fund Corporation Franchise Tax receipts at \$6.3 billion, which is a decrease of \$897 million or 12.5 percent from the staff estimate for SFY 2022-23. This projection is \$210 million or 3.3 percent over the Executive’s estimate of \$6.1 billion.

## CORPORATION AND UTILITIES TAX

Article 9 of the State Tax Law imposes taxes and fees on a number of specialized industries, including public utilities, transportation, transmission companies, and agricultural cooperatives. The telecommunications industry and regulated utilities are the primary collection sources.

Section 183 of the Tax Law provides for a franchise tax on the capital stock of transportation and transmission companies, including telecommunications, trucking, railroad, and other transportation companies. The tax is imposed at the highest of three statutorily defined calculations.

Section 184 of the Tax Law imposes an additional franchise tax of 0.375 percent on the gross receipts of transportation and transmission companies. As of July 1, 2000, gross receipts from

international, interstate, and Inter-Local Access Transport Areas (LATAs) services and 30 percent of intra-LATA gross receipts were excluded from the tax.

Railroad and trucking companies that elected to remain subject to Article 9 taxes (rather than to become subject to the corporation franchise tax imposed under Article 9-A) pay the tax at a rate of 0.375 percent of gross earnings, including an allocated portion of receipts from interstate-related transportation transactions.

Section 185 of the Tax Law imposes a franchise tax on farmers, fruit-growers and other agricultural cooperatives. The tax is imposed at the highest of three statutorily defined calculations.

Section 186-a of the Tax Law imposes a 2 percent gross receipts tax on charges for the transportation, transmission, distribution or delivery of electric and gas utility services for residential consumers. Section 186-e of the Tax Law imposes a 2.5 percent gross receipts tax on charges for telecommunications services. Article 9 taxpayers conducting business in the Metropolitan Commuter Transportation District (MCTD) are also subject to a 17 percent surcharge on their liability attributable to the MCTD. The collections from the surcharge are deposited into the Mass Transportation Operating Assistance Fund.

Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Corporation and Utilities Tax receipts.

For SFY 2022-23, the Financial Plan estimates All Funds Corporation and Utilities Tax receipts to total \$540 million, which is a decrease of \$14 million or 2.5 percent from SFY 2021-22. The Financial Plan estimates SFY 2022-23 General Fund Corporation and Utilities Tax receipts at \$410 million, reflecting a decrease of \$24 million or 5.5 percent from SFY 2021-22.

For SFY 2023-24, the Financial Plan projects All Funds Corporation and Utilities Tax receipts to total \$479 million, which is a decrease of \$61 million or 11.3 percent from its SFY 2022-23 estimate. The Financial Plan projects SFY 2023-24 General Fund Corporation and Utilities Tax receipts at \$361 million, which is a decrease of \$49 million or 12.0 percent from its SFY 2022-23 estimate.

## **INSURANCE TAX**

Under Article 33 of the Tax Law and under the Insurance Law, the State imposes taxes on insurance corporations, insurance brokers and certain insured for the privilege of conducting business or otherwise exercising a corporate franchise in New York.

Article 33 taxpayers conducting business in the Metropolitan Commuter Transportation District (MCTD) are subject to a 17 percent surcharge on the portion of their tax liability, which is attributable to the MCTD area. The collections from the surcharge are deposited into the Mass Transportation Operating Assistance Fund.

### Insurance Brokers

Non-life insurers are subject to a premiums-based tax. Accident and health premiums received by non-life insurers are taxed at the rate of 1.75 percent. All other premiums received by non-life insurers are taxed at the rate of two percent. A \$250 minimum tax applies to all non-life insurers.

The franchise tax on life insurers has two components. The first component is a franchise tax computed under four alternative bases, with tax due based on the highest tax calculated under the four alternative bases. In addition, a \$0.0008 tax rate applies to each dollar of subsidiary capital allocated to New York. The second component is an additional franchise tax on gross premiums, less returned premiums.

### Other Taxes on Insurers

There are other taxes imposed on insurers, including taxes imposed on independently procured insurance, a premiums tax on a licensed excess line (i.e. covering unique or very large risks) as well as, retaliatory insurance taxes on foreign insurance corporations.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for Insurance Tax receipts.

For SFY 2022-23, the Financial Plan estimates All Funds Insurance Tax receipts to total \$2.6 billion, reflecting an increase of \$174 million or 7.1 percent from SFY 2021-22. The Financial Plan estimates SFY 2022-23 General Fund Insurance Tax receipts to total \$2.4 billion, which is an increase of \$141 million or 6.4 percent from SFY 2021-22.

For SFY 2023-24, the Financial Plan projects All Funds Insurance Tax receipts to total \$2.7 billion, an increase of \$33 million or 1.3 percent from the Executive's SFY 2022-23 estimate. The Financial Plan projects General Fund Insurance Tax receipts at \$2.4 billion in SFY 2023-24, which is an increase of \$29 million or 1.2 percent from SFY 2022-23.

## **BANK TAX**

The Bank Tax (Article 32) was merged with the Corporation Franchise Tax (Article 9-A), applying to tax years beginning on and after January 1, 2015. However, the State still received revenue from this tax due to audit and reconciliation efforts. The last of these receipts will arrive in SFY 2022-23.

For SFY 2022-23, committee staff estimates that All Funds Bank Tax collections will total \$356 million, which is an increase of \$336 million or 1680.0 percent from the prior year and \$285 million above the Executive Budget Financial Plan projections. The Executive provided additional information related to Bank Tax collections after the release of the Executive Budget Financial Plan, which caused committee staff to increase projected revenues. General Fund Bank Tax collections will total \$301 million, reflecting an increase of \$285 million or 1780.3 percent from SFY 2021-22.

For SFY 2023-24 and thereafter, the Financial Plan no longer projects Bank Tax collections.

## **PETROLEUM BUSINESS TAX**

The Petroleum Business Tax (PBT), established by Article 13-A of the State Tax Law, is imposed on petroleum businesses. The tax is based on the quantity of various petroleum products imported for sale or use in the State. PBT rates have two components: the base tax, in which the rates vary by product type and the supplemental tax, which is imposed at a mostly uniform rate.

Tax rates are indexed with annual adjustments made on January 1 of each year to the base and supplemental tax rates to reflect the percent change in the producer price index (PPI) for refined petroleum products for 12 months ending August 31 of the preceding year. Tax rates cannot increase or decrease by more than 5 percent per year. This is done to prevent significant changes in tax rates resulting from large changes in the petroleum PPI.

PBT base tax receipts are distributed to the Mass Transportation Operating Assistance Fund (19.7 percent) and the Dedicated Funds Pool (80.3 percent). All of the receipts collected from the supplemental tax are directed to the Dedicated Pools Fund. Funds from the Dedicated Pools Fund are then distributed to the Dedicated Highway and Bridge Trust Fund (63 percent) and the Dedicated Mass Transportation Trust Fund (37 percent). Funds from the Mass Transportation Operating Assistance Fund are split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.

For SFY 2022-23, committee staff estimate All Funds Petroleum Business Tax receipts to total \$1.1 billion, which is an increase of \$47 million or 4.5 percent from SFY 2021-22. This estimate is an increase of \$7.8 million or 0.7 percent over the Executive's estimate of \$1.1 billion.

For SFY 2023-24, committee staff projects All Funds Petroleum Business Tax receipts at \$1.1 billion, which is an increase of \$49 million or 4.3 percent from the SFY 2022-23 estimate. This projection is an increase of \$7.8 million or 0.7 percent over the Executive's estimate of \$1.1 billion.

## **PASS-THROUGH ENTITY TAX**

The SFY 2021-22 Enacted Budget created an optional pass-through entity tax for partnerships, LLCs, and S-Corporations to pay a new State tax at 6.85 percent at the entity level in exchange for a personal income tax credit for the partners, members, and shareholders equal to 92 percent of the tax paid. The new pass-through entity tax authorizes partners, members, and shareholders of electing entities to deduct this State tax paid from their Federal returns, as a means to circumnavigate the current State and Local Tax (SALT) cap, resulting in savings on their Federal taxes. This applies to tax years beginning on or after January 1, 2022.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Pass-Through Entity Tax.

The Financial Plan projects the PTET to be revenue neutral for the State over the duration of the authorized tax period but not within each fiscal year.

For the SFY 2022-23 Financial Plan estimates All Funds Pass-Through Entity Tax (PTET) receipts to total \$12.9 billion, which represents a decrease of \$3.5 billion or 21.2 percent from the SFY 2021-22 estimate.

For the SFY 2023-24 Financial Plan estimates All Funds Pass-Through Entity Tax (PTET) receipts to total \$11.5 billion, which represents a decrease of \$1.5 billion or 11.5 percent from the SFY 2022-23 estimate.

**OTHER TAXES**

The “Other Taxes” category consists primarily of the Estate Tax, the Real Estate Transfer Tax, the Employer Compensation Expense Program, gaming, wagering, and pari-mutuel taxes.

**ESTATE TAX**

New York State imposes a tax on the estates of deceased New York State residents as well as on the part of a non-resident’s estate made up of real and tangible personal property located within New York State, less applicable deductions. New York State estate taxes are based on the Federal Internal Revenue Code estate tax provisions, with minor State-level modifications and are levied on a graduated scale with rates ranging from 3.06 to 16 percent of adjusted taxable estates.

In 2014, a “stand alone” New York State Estate Tax was created, with a basic threshold amount that increased over four years, which equaled the Federal basic exemption amount (pursuant to Federal Law as it existed on December 1, 2017) beginning January 1, 2019. The basic threshold amount, which is indexed to inflation on an annual basis, is \$6.11 million for the deceased dying on or after January 1, 2022. The entirety of the proceeds from the Estate Tax is deposited into the General Fund.

Estate tax is historically volatile and is heavily influenced by extra-large and super-large estates and the value of the equity market and corporate stocks.

For SFY 2022-23, committee staff estimate All Funds Estate Tax receipts to total \$2.1 billion, which is an increase of \$692.5 million or 50.0 percent from the SFY 2021-22 estimate. This estimate is an increase of \$53.5 million or 2.6 percent over the Executive’s estimate of \$2.0 billion.

In SFY 2023-24, committee staff projects All Funds Estate Tax receipts at \$1.5 billion, which is a decrease of \$587.6 million or 28.3 percent from the SFY 2022-23 estimate. This projection is \$233.9 million or 18.6 percent over the Executive’s estimate of \$1.5 billion.

**REAL ESTATE TRANSFER TAX**

Article 31 of the State Tax Law imposes a Real Estate Transfer Tax (RETT) on each conveyance of real property or interest therein, at a rate of 0.4 percent when the price is \$500 or greater. An additional one percent tax (also known as the “Mansion Tax”) is imposed on conveyances of residential real property when the consideration is \$1 million and above. The tax rate for conveyance of real property to existing real estate investment trusts is 0.2 percent.

In 2019, a 0.25 percent Real Estate Transfer Tax was imposed on commercial properties that were \$2 million and above and residential properties that were \$3 million and above in New

York City. Additionally, a progressive mansion tax was imposed on residential properties in New York City, which ranged from 0.25 percent for properties that were \$2 million to \$3 million and, 2.9 percent for properties that were \$25 million and above. Revenues from this tax benefit the MTA.

For SFY 2022-23, committee staff estimate All Funds RETT receipts to total, \$1.6 billion, which is a decrease of \$47.1 million or 2.9 percent from the SFY 2021-22. This projection is an increase of \$101.9 million or 6.4 percent over the Executive’s estimate of \$1.5 billion.

For SFY 2023-24, the committee staff projects All Funds RETT receipts to total \$1.5 billion, which reflects a decrease of \$145.6 million or 9.1 percent from the SFY 2022-23 estimate. This projection is \$81.3 million or 5.6 percent above the Executive’s estimate of \$1.4 billion.

**EMPLOYER COMPENSATION EXPENSE PROGRAM**

Article 24 of the Tax Law establishes the Employer Compensation Expense Program (ECEP) and imposes an optional tax on employers. Established in 2018, with tax year 2019 being the first year of participation eligibility, participating employers pay an optional tax intended to mitigate the tax burden for employees affected by the State and Local Tax (SALT) deduction limit. While the Tax Cuts and Jobs Act limits deductibility for individuals, it does not cap deductibility for ordinary and necessary business expenses paid or incurred by employers in carrying on a trade or business.

Employers that elect to participate in the ECEP are subject to a 5.0 percent State tax on all annual payroll expenses in excess of \$40,000 per employee. The tax rate is 1.5 percent in tax year 2019, 3.0 percent in 2020, and 5.0 percent thereafter. The State Comptroller is directed to deposit an amount equal to 50 percent of estimated monthly ECEP tax receipts (after payment of refunds) into the Revenue Bone Tax Fund (RBTF) to support payments for debt service. RBTF deposits in excess of debt service requirements are transferred to the General Fund.

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Employer Compensation Expense Program.

For SFY 2022-23, the Financial Plan estimates All Funds receipts from the ECEP to total \$13.0 million, which reflects no change from SFY 2021-22.

For SFY 2023-24, the Financial Plan projects All Funds receipts from the ECEP at \$14.0 million, which reflects an increase of \$1.0 million or 7.7 percent from the SFY 2022-23 estimate.

**PARI-MUTUEL TAX**

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan projections for the Pari-Mutuel Tax collections.

The Financial Plan estimates All Funds Pari-Mutuel Tax collections for SFY 2022-23 to be \$13 million, which reflects no changes from the SFY 2021-22 estimate.

In SFY 2023-24, the Financial Plan projects All Funds Pari-Mutuel Tax collections at \$13 million, which is consistent with the SFY 2022-23 estimate.



**OTHER TAXES**

The Senate Majority Conference Finance Committee staff concurs with the Executive Budget Financial Plan Projections for Other Taxes collections.

For SFY 2022-23, the Financial Plan projects All Funds Other Taxes collections, including transfers after payment of debt service on Clean Water/Clean Air Bonds to total \$3.2 billion. This reflects an increase of \$360 million or 12.7 percent from SFY 2021-22.

For SFY 2023-24, the Financial Plan projects All Funds Other Taxes collections, including transfers after payment of debt service on Clean Water/Clean Air Bonds to total \$2.4 billion. This reflects a decrease of \$889 million or 27.8 percent from SFY 2022-23.

**GAMING AND WAGERING TAXES**

Gaming and Wagering receipts are comprised of Tradition Lottery Games, Video Lottery Terminals (VLTs), Commercial Gaming (Casinos), Interactive Fantasy Sports (IFS), Tribal State Compact (TSC) and Mobile Sports Wagering.

GAMING RECEIPTS (\$ in millions)									
	FY 2022	DOB	SFC			DOB	SFC		
	Actuals	FY 2023	FY 2023	Difference	Percent	FY 2024	FY 2024	Difference	Percent
		Estimated	Estimated			Projected	Projected		
<b>TOTAL RECEIPTS</b>	<b>\$4,793</b>	<b>\$4,534</b>	<b>\$4,631</b>	<b>97.0</b>	<b>2.09%</b>	<b>\$4,394</b>	<b>\$4,480</b>	<b>85.8</b>	<b>1.91%</b>
<b>EDUCATION</b>	<b>\$4,105</b>	<b>\$4,269</b>	<b>\$4,365</b>	<b>95</b>	<b>2.18%</b>	<b>\$4,143</b>	<b>\$4,227</b>	<b>84</b>	<b>1.98%</b>
Traditional Lottery	\$2,601	\$2,513	\$2,523	10	0.41%	\$2,343	\$2,329	(14)	-0.62%
VLT Gaming	\$1,002	\$1,000	\$992	(8)	-0.78%	\$1,023	\$1,011	(12)	-1.16%
Mobile Sports Wagering	\$357	\$616	\$702	86	12.22%	\$635	\$737	102	13.83%
Commercial Gaming (School Aid)	\$138	\$134	\$141	7	4.93%	\$136	\$144	8	5.56%
Interactive Fantasy Sports	\$7	\$6	\$6	0	0.00%	\$6	\$6	0	
<b>All Other</b>	<b>\$687</b>	<b>\$265</b>	<b>\$266</b>	<b>2</b>	<b>0.65%</b>	<b>\$251</b>	<b>\$253</b>	<b>2</b>	<b>0.78%</b>
Tribal State Compact	\$650	\$220	\$220	0		\$206	\$206	0	
Commercial Gaming (Local)	\$34	\$34	\$35	2	4.88%	\$34	\$36	2	5.51%
Mobile Sports Wagering (Youth Sports)	\$2	\$5	\$5	0		\$5	\$5	0	
Mobile Sports Wagering (Problem Gambling)	\$2	\$6	\$6	0		\$6	\$6	0	

For SFY 2022-23, committee staff estimates All Funds receipts from Gaming to total \$4.6 billion, reflecting a decrease of \$162 million or 3.4 percent from SFY 2021-22. This estimate is \$97 million above the Executive estimate of \$4.5 billion.

For SFY 2023-24, committee staff projects All Funds receipts for Gaming to total \$4.5 billion, which is decrease of \$151 million or 3.3 percent from the SFY 2022-23 estimate. This projection is \$85.8 million above the Executive’s projection of \$4.4 billion.

**GENERAL FUND MISCELLANEOUS RECEIPTS**

Miscellaneous receipts cover a broad range of independent revenue sources with significant recurring income. These sources include abandoned property, investment earnings, fees, licenses, fines, and various reimbursements to the State’s General Fund. Each year, the reported receipts may be significantly impacted by various non-recurring transactions. Historically, General Fund license and fee revenues have grown modestly and consistently, aside from minimal peaks and troughs usually associated with law changes.

General Fund miscellaneous receipts in FY 2023 are projected to increase from FY 2022 results, largely due to the combination of rising interest rates and larger state fund balances, leading to much higher investment income receipts.

<b>Miscellaneous Receipts General Fund (\$ in millions)</b>			
	<b>SFY 2021-22 (Actuals)</b>	<b>SFY 2022-23 (Estimate)</b>	<b>SFY 2023-24 (Projected)</b>
Licenses, Fines, and Fees	\$640	\$529	\$580
Abandoned Property	\$568	\$450	\$450
Motor Vehicle Fees	\$306	\$238	\$225
Alcoholic Beverage License Fees	\$70	\$69	\$71
Reimbursements	\$241	\$70	\$66
Investment Income	\$14	\$1,135	\$600
Extraordinary Settlements	\$68	\$160	\$33
Other Transactions	\$418	\$381	\$376
<b>Total Miscellaneous Receipts</b>	<b>\$2,325</b>	<b>\$3,032</b>	<b>\$2,401</b>
Source: Executive Budget Financial Plan, Senate Majority Finance Committee staff calculations			

The Executive provided additional information related to miscellaneous receipts collections after the release of the Executive Budget Financial Plan. In light of this information, the committee staff estimate for total miscellaneous receipts exceeds the Executive Budget financial plan estimate for SFY 2022-23 by \$372 million and SFY 2023-24 by \$590 million.

For SFY 2022-23, committee staff estimates for General Fund miscellaneous receipts is \$3.0 billion, which is an increase of \$707 million or 23.3 percent from SFY 2021-22.

For SFY 2023-24, the Executive projects General Fund miscellaneous receipts to total \$2.4 billion, which is a decrease of \$631 million or 20.8 percent from SFY 2022-23.



