



## **Summary of Budget Bill Personal Income Tax Changes Enacted in 2013 – Effective for Tax Years 2013 and After**

This memorandum contains a summary of the personal income tax changes that are part of the 2013-2014 New York State budget (Chapters 57 and 59 of the Laws of 2013). The changes contained in this memorandum are effective for tax years 2013 and after. A separate memorandum will be issued containing the budget bill personal income tax changes first effective for tax years after 2013. The following legislative changes are summarized in this memo:

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### **Amendments to the related members royalty expense add-back and income exclusion provisions**

Chapter 59 of the Laws of 2013 (Part E) made technical changes to the computation of New York adjusted gross income (individuals) and New York taxable income (estates and trusts) that address the related members royalty expense add-back and income exclusion. The income exclusion for royalty payments paid to related members has been repealed, and the related members royalty expense add-back has been amended.

Under the new law, a New York personal income taxpayer must now add back royalty payments directly or indirectly paid, accrued, or incurred in connection with one or more direct or indirect transactions with one or more related members during the tax year. These royalty payments must be added back to the extent deductible in calculating federal adjusted gross income (individuals) or federal taxable income (estates and trusts). This add-back applies unless the taxpayer meets one of the following four exceptions:

- The add-back will not apply to the portion of the royalty payment for which the taxpayer establishes by clear and convincing evidence of the form and type specified by the Commissioner of the Tax Department that:
  - the related member was subject to tax in New York or another state or possession of the United States, a foreign nation, or a combination of these on a tax base that included the royalty payment paid, accrued, or incurred by the taxpayer;
  - the related member during the same tax year directly or indirectly paid, accrued, or incurred the portion of the royalty payment to a person who is not a related member; and
  - the transaction giving rise to the royalty payment between the taxpayer and the related member was undertaken for a valid business purpose.
  
- The add-back will not apply if the taxpayer establishes by clear and convincing evidence of the form and type specified by the commissioner that:
  - the related member was subject to tax on, or measured by, its net income in New York, another state or possession of the United States, or a combination of these;
  - the tax base for the tax included the royalty payment paid, accrued, or incurred by the taxpayer; and
  - the aggregate effective rate of tax applied to the related member in those jurisdictions is not less than 80% of the statutory rate of tax that applied to the taxpayer under section 601 of the Tax Law for the tax year.
  
- The add-back will not apply if the taxpayer establishes by clear and convincing evidence of the form and type specified by the commissioner that:
  - the royalty payment was paid, accrued, or incurred to a related member organized under the laws of a country other than the United States;
  - the related member's income from the transaction was subject to a comprehensive income tax treaty between that country and the United States;
  - the related member was subject to tax in a foreign nation on a tax base that included the royalty payment paid, accrued, or incurred by the taxpayer;
  - the related member's income from the transaction was taxed in that country at an effective rate of tax at least equal to that imposed by New York; and
  - the royalty payment was paid, accrued, or incurred pursuant to a transaction that was undertaken for a valid business purpose and using terms that reflect an arms-length relationship.
  
- The add-back will not apply if the taxpayer and the commissioner agree in writing to the application or use of alternative adjustments or computations. The commissioner may, in his or her discretion, agree to the application or use of alternative adjustments

or computations if he or she concludes that the income of the taxpayer would not be properly reflected in the absence of such an agreement.

The definition of a related member under the Tax Law has been amended. A *related member* is a related person as defined by section 465(b)(3)(C) of the IRC, except 50% is substituted for the 10% ownership threshold.

The *effective rate of tax*, as to any state or possession of the United States, is defined as the maximum statutory rate of tax imposed by the state or possession on or measured by a related member's net income multiplied by the apportionment percentage, if any, applicable to the related member under the laws of that jurisdiction. For purposes of this definition, the effective rate of tax as to any state or possession is zero if the related member's net income tax liability in that jurisdiction is reported on a combined or consolidated return including both the taxpayer and the related member where the reported transactions between the taxpayer and the related member are eliminated or offset.

When computing the effective rate of tax for a jurisdiction in which a related member's net income is eliminated or offset by a credit or similar adjustment that is dependent upon the related member either maintaining or managing intangible property or collecting interest income in that jurisdiction, the maximum statutory rate of tax imposed by that jurisdiction must be decreased to reflect the statutory rate of tax that applies to the related member as effectively reduced by that credit or similar adjustment.

*Example 1: A related member is subject to the tax in another jurisdiction. The other jurisdiction's rate of tax on apportioned net income is 9%. The related member's New York adjusted gross income of \$100,000 is reduced by a \$20,000 modification that is dependent upon the related member managing intangible property in that jurisdiction. The effective rate of tax would be computed as follows:*

$$(\$100,000 - \$20,000) \times 9\% = \$7,200$$

$$\$7,200 / \$100,000 = 7.2\%$$

*The related member's effective rate of tax is 7.2%.*

*Example 2: Assume the same facts as in Example 1, except the tax on the related member's New York taxable income is reduced by a \$2,000 credit that is dependent upon the related member managing intangible property in that jurisdiction. The effective rate of tax would be computed as follows:*

$$\$100,000 \times 9\% = \$9,000$$

$$\$9,000 - \$2,000 = \$7,000$$

$$\$7,000 / \$100,000 = 7\%$$

*The related member's effective rate of tax is 7%.*

These amendments apply to tax years beginning on or after January 1, 2013.

**Note:** Article 9-A (franchise tax on business corporations), Article 13 (unrelated business tax), Article 32 (franchise tax on banking corporations), and Article 33 (franchise tax on insurance corporations) of the Tax Law have also been similarly amended with regard to the related members royalty expense add-back and income exclusion.

(Tax Law sections 208.9(o), 292(a)(6), 612(r), 1453(r), and 1503(b)(14))

### **Credit for alternative fuel vehicle refueling property and electric vehicle recharging property**

Chapter 59 of the Laws of 2013 (Part G) established a credit for the installation of alternative fuel vehicle refueling property and electric vehicle recharging property. The credit applies to qualified property placed in service in New York State during the tax year. The credit is allowed for tax years beginning on or after January 1, 2013, but before January 1, 2018.

The credit may be claimed by resident and nonresident individuals, estates, and trusts. This includes an individual, estate, or trust that is a partner in a partnership (including a member of a limited liability company (LLC) that is treated as a partnership for federal income tax purposes), a shareholder of a New York S corporation, or the beneficiary of an estate or trust.

The credit for each installation of alternative fuel vehicle refueling property and electric vehicle recharging property is equal to the lesser of \$5,000 or 50% of the cost of the property that:

- is placed in service in New York State during a tax year beginning on or after January 1, 2013, but before January 1, 2018;
- constitutes qualified alternative fuel vehicle refueling property or electric vehicle recharging property; and
- has not been paid for, **totally or in part**, from the proceeds of grants, including grants from the New York State Energy Research and Development Authority or the New York Power Authority.

**Note:** The credit may also be claimed by certain corporations that are taxable under Article 9 (corporation tax) and Article 9-A (franchise tax on business corporations) of the Tax Law.

For additional information, see [TSB-M-13\(5\)C, \(3\)I](#), *Credit for Alternative Fuel Vehicle Refueling Property and Electric Vehicle Recharging Property*.

(Tax Law sections 187-b, 210.24, and 606(p))

### **Empire State film production and post-production tax credits**

Chapter 59 of the Laws of 2013 (Part B) made several changes to the Empire State film production and post-production tax credits. These changes are summarized below.

***Extension and reallocation of credits.*** The Empire State film production and post-production credits have been extended to allow an additional \$420 million per year in tax credits for tax years 2015 through 2019. In addition, the annual allocation to the Empire State film post-production credit is increased from \$7 million to \$25 million for tax years 2015 through 2019. The Commissioner of Economic Development has the authority to redirect post-production credit funds to the film production credit if there are insufficient claims for the post-production credit, and applications for the film production credit exceed the allotted total. In addition, the commissioner may redirect film production credit funds to the post-production credit if there are insufficient claims for the film production credit, and applications for the post-production credit exceed the allotted total.

***Relocated television production added to definition of a qualified film.*** The definition of a qualified film has been amended to include a relocated television production.

*A relocated television production* means a television production:

- that is a talk or variety program that filmed at least 5 seasons outside New York State prior to its first relocated season in New York;
- whose episodes are filmed in New York State before a studio audience of 200 or more; and
- that incurs at least \$30 million in annual production costs in New York State, or at least \$10 million in capital expenditures at a qualified production facility in New York.

This provision is effective as of March 28, 2013.

***Additional credit for upstate film production projects and post-production projects.*** For tax years 2015 through 2019, there is an additional credit available for both film production projects and post-production projects in upstate New York. Each credit is equal to 10% of the wages or salaries paid to individuals directly employed by a qualified film or qualified independent film production company for services performed by those individuals in the production or post-production work on a qualified film in one of the following counties:

Alleghany, Broome, Cattaraugus, Cayuga, Chautauqua, Chemung, Chenango, Clinton, Cortland, Delaware, Erie, Essex, Franklin, Fulton, Genesee, Hamilton, Herkimer, Jefferson, Lewis, Livingston, Madison, Monroe, Montgomery, Niagara, Oneida, Onondaga, Ontario, Orleans, Oswego, Otsego, Schoharie, Schuyler, Seneca, St. Lawrence, Steuben, Tioga, Tompkins, Wayne, Wyoming, or Yates.

Partners in partnerships and shareholders of New York S corporations are allowed a credit equal to their pro rata share of the partnership's or S corporation's credit.

Wages and salaries of individuals directly employed as writers, directors, music directors, producers, and performers (including background actors with no scripted lines) are excluded from both credits. In addition, the qualified film must have a minimum budget of \$500,000.

Post-production services must be performed at a qualified post-production facility located in one of the above counties.

The additional credits are funded from the annual allocations of the film production credit and the film post-production credit. However, the combined aggregate amount of the additional credit for both film and post-production projects may not exceed \$5 million per year.

***Changes to post-production credit eligibility.*** To be eligible for the post-production credit, the qualified post-production costs, excluding visual effects and animation (VFX) costs, at a qualified post-production facility must meet or exceed 75% of the total post-production costs, excluding VFX costs, paid or incurred in the post-production of a qualified film at any post-production facility.

Qualified post-production costs for VFX are eligible for the post-production credit if the costs for VFX at a qualified post-production facility meet or exceed the lesser of:

- \$3 million, or
- 20% of the total post-production costs for VFX paid or incurred in the post-production of a qualified film at any post-production facility.

A taxpayer may claim a credit for qualified post-production costs, excluding VFX costs, and for qualified post-production costs for VFX, if the criteria in the previous paragraphs are satisfied for both costs.

The eligibility changes to the post-production credit apply to taxpayers submitting initial applications to the Governor's Office for Motion Picture and Television Development on or after March 28, 2013.

The eligibility changes to the post-production credit also apply to taxpayers who filed an initial application before March 28, 2013, but who had not yet submitted a final application to the Governor's Office for Motion Picture and Television Development as of March 28, 2013, if the taxpayers agree to the additional reporting requirements added to section 3 of Part Y-1 of Chapter 57 of the Laws of 2009<sup>1</sup>.

***Film post-production credit limitation.*** If the amount of the film post-production credit allowed is:

- at least \$1 million, but less than \$5 million, the credit must be claimed over a two-year period beginning in the first tax year in which the credit may be claimed and in the next succeeding tax year. One-half of the credit allowed is claimed in each year.

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<sup>1</sup> Section 3 of Part Y-1 of Chapter 57 of the Laws of 2009 was amended to include additional reporting requirements such as names and location information of taxpayers who are allocated a tax credit, corresponding credit amounts, and project identifying information. A report including this information must be provided to the Director of the Division of Budget, the Chairman of the Assembly Ways and Means Committee, and the Chairman of the Senate Finance Committee.

- at least \$5 million, the credit must be claimed over a three-year period beginning in the first tax year in which the credit may be claimed and in the next two succeeding tax years. One-third of the credit allowed is claimed in each year.

This provision is effective as of March 28, 2013.

For more information about the film production credit and the post-production credit, visit the New York State Governor's Office for Motion Picture and Television Development Web site ([www.nylovesfilm.com](http://www.nylovesfilm.com)).

(Tax Law sections 24(a)(5), 24(b)(1), 24(b)(3), 24(b)(8), 24(e)(4), 31(a)(3), and 31(a)(5))

### **Extension of the electronic filing and electronic payment provisions**

Chapter 59 of the Laws of 2013 (Part H) extended the revised electronic filing and electronic payment mandate provisions established under Part U of Chapter 61 of the Laws of 2011. These provisions have been extended through December 31, 2016. Under existing law, the provisions were set to expire on December 31, 2013.

The revised provisions apply to tax preparers and individual taxpayers using tax software to prepare any tax returns or authorized tax documents.

***Individual taxpayer e-file mandate.*** The e-file mandate for individuals applies to any authorized tax document prepared by individuals using tax software and required to be filed after January 1, 2012, and before January 1, 2017. Individuals are required to e-file their personal income tax returns if:

- they use tax software to prepare their returns,
- the tax software supports e-filing, and
- they have broadband Internet access.

***Tax preparer e-file mandate.*** A tax preparer who prepares authorized tax documents for more than ten different taxpayers during any calendar year, and in a succeeding year prepares one or more authorized tax documents using tax software, must file all authorized tax documents electronically in that succeeding tax year as well as each year thereafter. These provisions apply to tax preparers who first become subject to the mandate for calendar years beginning on or after January 1, 2012, but before January 1, 2017.

**Note:** Tax preparers who met a prior e-file mandate requirement in a previous year must still electronically file all authorized tax documents in succeeding tax years if they prepare one or more returns using tax software.

For the most up-to-date information on the e-file mandate for tax preparers, visit the Tax Department Web site ([www.tax.ny.gov](http://www.tax.ny.gov)).

### **Income executions (wage garnishments)**

Chapter 59 of the Laws of 2013 (Part Q) added new section 174-c to the Tax Law. The new law allows the Commissioner of Taxation and Finance to serve income executions (wage garnishments) without filing a warrant in the office of a county clerk or with the Department of State.

Under section 174-c, any individual taxpayer liable for the payment of any tax or other imposition administered by the Tax Department, including applicable penalties and interest, who fails to pay (or collect and pay over) the tax or imposition within 21 calendar days after a notice and demand is issued (10 business days if the amount due is \$100,000 or more), is subject to an income execution without a warrant being filed.

For purposes of serving an income execution under section 174-c, the following will apply:

- The commissioner is deemed to have obtained judgment against the individual for the tax or other imposition administered by the commissioner, including any additions to tax, penalties, and interest in connection with the tax or other imposition, and there will be a lien on the amount of the individual's income that may be garnished.
- The commissioner must serve the income execution within 6 years after the first date a warrant could be filed under section 174-b of the Tax Law. (Generally the day after the last day specified for payment by a *Notice and Demand* is the first date a warrant can be filed).
- When serving an income execution without filing a warrant, the commissioner will follow the procedures set forth in section 5231 of the Civil Practice Law and Rules (CPLR), with references to *sheriff* to be read as referring to the *Commissioner of Taxation and Finance* or the *Tax Department*.

The income execution will first be sent to the taxpayer. It will specify:

- the name and address of the employer or person from whom the taxpayer is receiving or will receive money,
- the amount of the money to be received,
- the frequency of the payment of the money, and
- the amount of the installments to be collected.

The income execution will allow the taxpayer at least 21 days from the date of the income execution to begin making the required installment payments on his or her own. If the taxpayer fails to make the installment payments on time, or defaults in making any of the installment payments as specified, the income execution will be served directly on the employer or person from whom the taxpayer is receiving or will receive money.

An income execution served under section 174-c of the Tax Law will continue to be in effect until the liability is satisfied, or until 20 years from the first date a warrant could have been



filed by the commissioner, whether or not a warrant is filed. In addition, the commissioner must electronically file with the Department of State a list of the names of taxpayers who have been served with an income execution notice under section 174-c of the Tax Law. This list must be filed periodically, but not less than quarterly, and will also include the names of taxpayers whose income executions have been canceled or discharged during the period. This list will also be published on the Department of State Web site.

**Note:** Nothing in section 174-c of the Tax Law will prevent the commissioner from timely filing a warrant in order to pursue any enforcement or collection method authorized under Article 52 of the CPLR, including the serving of income executions.

The new law applies to income execution notices issued on or after March 28, 2013, and before April 1, 2015.

(Tax Law section 174-c)

### **Limit on the New York itemized deduction**

Chapter 59 of the Laws of 2013 (Part D) amended section 615(g) of the Tax Law and section 11-1715(g) of the Administrative Code of the City of New York to extend the New York itemized deduction limitation for taxpayers whose New York adjusted gross income is more than \$1 million. Effective for tax years 2013, 2014, and 2015, the amount of the New York itemized deduction allowed for these taxpayers is limited as follows:

- If an individual's New York adjusted gross income is more than \$1 million, but not more than \$10 million, the itemized deduction is limited to 50% of the individual's federal itemized deduction for charitable contributions.
- If an individual's New York adjusted gross income is more than \$10 million, the itemized deduction is limited to 25% of the individual's federal itemized deduction for charitable contributions.

No other federal itemized deductions will be allowed for these individuals for New York purposes. Prior to the amendment, this limitation was due to expire for tax years beginning after 2012.

(Tax Law section 615(g) and section 11-1715(g) of the Administrative Code of the City of New York)

### **New York State Business Incubator and Innovation Hot Spot Support Act**

Chapter 59 of the Laws of 2013 (Part C) created the New York State Business Incubator and Innovation Hot Spot Support Act (the Act) to support companies in New York State that are in the early stages of development. The Act provides for operating grants and other assistance to New York State incubators and New York State innovation hot spots for the purpose of developing successful businesses in the state by providing technical assistance, direct

mentorship, entrepreneurial education, and business development services. In addition, new section 38 has been added to the Tax Law to provide for New York State innovation hot spot program tax benefits.

Under the Act, Empire State Development (ESD) is authorized to issue an annual request for proposals for grants and assistance based on available appropriations and to designate qualified applicants as New York State incubators. In addition, in each of state fiscal years 2013 and 2014, ESD is authorized to designate five qualified New York State incubators as New York State innovation hot spots. These New York State innovation hot spots can certify certain clients as a *qualified entity* eligible for tax benefits under section 38 of the Tax Law.

The tax benefits available to a taxpayer subject to tax under Article 22 of the Tax Law (personal income tax) are described below. These tax benefits are allowed for five tax years beginning with the first tax year a qualified entity becomes a tenant in (or is part of) a New York State innovation hot spot.

- An individual who is the sole proprietor of a qualified entity will be allowed a deduction (in the form of a subtraction modification) for the amount of income or gain included in his or her federal adjusted gross income (FAGI), to the extent that the income or gain is attributable to the operations of the qualified entity at (or is part of) an innovation hot spot.
- A member of a limited liability company (LLC) treated as a partnership, a partner in a partnership, or a shareholder in a New York S corporation (where the LLC, partnership, or New York S corporation is a qualified entity), will be allowed a deduction (in the form of a subtraction modification) for the amount of income or gain included in his or her FAGI to the extent that the income or gain is attributable to the operations of the qualified entity at (or is part of) an innovation hot spot.

In addition, a qualified entity that is a tenant in (or is part of) a New York State innovation hot spot is eligible for a credit or refund for the 4% state sales and use tax and the 3/8% tax imposed by the state in the Metropolitan Commuter Transportation District on the retail sale of tangible personal property and certain taxable services. The credit or refund will be allowed for sixty months beginning with the first full month after the qualified entity becomes a tenant or becomes part of an innovation hot spot.

**Note:** A taxpayer that claims any of the tax benefits described above is no longer eligible for any other New York State exemption, deduction, credit, or refund to the extent attributable to the business operations of a qualified entity at (or as part of) a New York State innovation hot spot. The election to claim any of the tax benefits described above is not revocable.

A qualified entity subject to tax under Article 9-A of the Tax Law (franchise tax on business corporations) is also eligible for tax benefits under section 38 of the Tax Law.

(Tax Law sections 38, 208.9(a)(18), 209.11, 612(c)(39), 1119(d)(1); section 11-1712(c)(35) of the Administrative Code of the City of New York; and section 1(16-v) of the Urban Development Corporation Act)

### **New York State Teen Health Education Fund**

Chapter 59 of the Laws of 2013 (Part GG) created the New York State Teen Health Education Fund. This fund has been created for the purpose of supplementing educational programs in schools that deal with certain health and awareness issues facing teenagers. Eligible health programs are those with an established curriculum providing instruction on alcohol, tobacco, and other drug abuse prevention; causes and problems associated with teen obesity; and awareness of the symptoms of teen endometriosis.

New section 630-c has been added to the Tax Law to require a space on New York State personal income tax returns for the purpose of allowing taxpayers to make voluntary contributions to the fund for tax years 2013 and after.

(Tax Law section 630-c and State Finance Law section 99-u)

### **Rehabilitation of historic properties credit**

Chapter 59 of the Laws of 2013 (Part F) made several amendments to the Tax Law with regard to the rehabilitation of historic properties credit.

The following amendments are effective for tax years beginning on and after January 1, 2013:

- The enhanced credit allowed under section 606(oo) of the Tax Law has been extended to tax years beginning before January 1, 2020. The enhanced credit amount is equal to 100% of the federal credit allowed under subsection 47(a)(2) of the Internal Revenue Code (IRC). However, the credit cannot exceed \$5 million per structure. Prior to the amendments, the enhanced credit was due to expire for tax years beginning on or after January 1, 2015.

**Note:** For tax years beginning on or after January 1, 2020, the credit will equal 30% of the federal credit allowed under subsection 47(a)(2) of the IRC and cannot exceed \$100,000 per structure.

- To be eligible for the credit, all or part of a rehabilitation project must be located within a census tract that is identified as being at or below 100% of the state median family income. The state median family income is computed as of January 1 of each year using the most recent five-year estimate from the American Community Survey published by the United States Census Bureau. (The determination of eligibility is made by the [New York State Office of Parks, Recreation and Historic Preservation](#).)

The following amendment is effective for tax years beginning on and after January 1, 2015, and applies to qualified rehabilitation projects placed in service on or after January 1, 2015:

- If the credit allowed for a tax year exceeds the amount of tax owed by a taxpayer subject to tax, any excess will be treated as an overpayment of tax to be credited or refunded. Interest will not be paid on the overpayment.

The credit is only refundable for qualified rehabilitation projects placed in service on or after January 1, 2015. For qualified rehabilitation projects placed in service before January 1, 2015, the credit is not refundable, but any excess can be carried over to the following year or years.

These amendments also apply to taxpayers subject to tax under Article 9-A (franchise tax on business corporations), Article 32 (franchise tax on banking corporations), and Article 33 (franchise tax on insurance corporations) of the Tax Law. See [TSB-M-13\(4\)C, \(2\)I](#), *Amendments to the Rehabilitation of Historic Properties Credit*.

(Tax Law sections 606(oo), 210.40, 1456(u), and 1511(y))

### **Suspension of drivers' licenses of persons with delinquent tax liabilities**

Chapter 59 of the Laws of 2013 (Part P) requires the Department of Taxation and Finance (Tax Department) and the Department of Motor Vehicles (DMV) to establish a driver's license suspension program. This program will aid in the collection of past-due state tax liabilities by suspending the drivers' licenses of taxpayers with past-due tax liabilities of \$10,000 or more. However, taxpayers holding a commercial driver's license and taxpayers making certain child support payments or combined child and spousal support payments will be excluded from the program.

For purposes of the license suspension program, the following definitions apply:

- *Tax liabilities* means any tax, surcharge, or fee administered by the Commissioner of Taxation and Finance, or any penalty or interest due on these amounts owed by an individual with a New York State driver's license.
- *Driver's license* means any license issued by the DMV, except for a commercial driver's license as defined in section 501-a of the Vehicle and Traffic Law.
- *Past-due tax liabilities* means any tax liability or liabilities that have become fixed and final, and the taxpayer no longer has any right to administrative or judicial review.

The Tax Department and DMV are authorized to share certain taxpayer identifying information (such as names, addresses, and social security numbers) in order to carry out the enforcement provisions of the program. (Neither the Tax Department nor DMV may re-disclose

any information to any other entity or person, except to inform the taxpayer that his or her driver's license has been suspended.)

The Tax Department will provide taxpayers who have been identified as having past-due tax liabilities of \$10,000 or more with a letter that includes a *Consolidated statement of the tax liabilities*. This letter will include information about how the taxpayer can pay the liabilities and/or request additional information. The letter will also serve as notification that the taxpayer's driver's license can be suspended by DMV.

An individual who receives this notification letter **must** do one of the following to avoid the suspension of his or her driver's license:

- Pay the past-due amount in full or enter into an installment payment agreement (IPA)<sup>2</sup> or other payment arrangement satisfactory to the Commissioner of Taxation and Finance to satisfy the past-due tax liabilities.
- Provide the Tax Department with proof of any one of the following:
  - The individual to whom the notification was sent is not the taxpayer with the past-due liability.
  - The past-due tax liability has been satisfied.
  - The taxpayer's wages are being garnished by the Tax Department for the payment of the past-due tax liabilities at issue.
  - The taxpayer's wages are being garnished by the Tax Department (or the taxpayer has a satisfactory payment arrangement with a support collection unit in place) for the payment of child support or combined child and spousal support.
  - The taxpayer's driver's license is a commercial driver's license as defined in Vehicle and Traffic Law section 501-a.
  - The taxpayer is seeking relief from joint and several liability under Tax Law section 654 (innocent spouse relief).
  - Enforcement of the past-due tax liabilities has been stayed by the filing of a petition under the Bankruptcy Code (Title 11 of the United States Code).

An individual has 60 days to respond to the Tax Department letter. If the individual fails to respond in one of the ways described above by the date specified, the Tax Department will notify DMV to proceed with the suspension. DMV is authorized to suspend the taxpayer's driver's license within 15 days of receiving notification from the Tax Department.

Once a taxpayer's driver's license is suspended, he or she will have no right to a court action, proceeding, hearing, or appeal with the DMV regarding the suspension. The suspension will remain in effect until DMV receives Tax Department notification that the taxpayer has satisfied his or her past-due tax liabilities or has entered into an IPA or other payment

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<sup>2</sup> If a taxpayer enters into an IPA to avoid suspension, and then fails to comply with the terms of the IPA more than once in a twelve-month period, the department may immediately notify DMV to suspend the driver's license of the taxpayer.

arrangement satisfactory to the Commissioner of Taxation and Finance. However, a taxpayer who has his or her driver's license suspended under this program may apply for a restricted use license under section 530(5-b) of the Vehicle and Traffic Law.

**Note:** If a taxpayer is not currently licensed, the suspension will apply to the privilege of obtaining a New York State driver's license.

Any taxpayer whose driver's license has been suspended for past-due tax liabilities is still subject to all other provisions of the Tax Law with regard to enforcement and collection activity except for the garnishment of wages.

(Tax Law section 171-v and Vehicle and Traffic Law sections 510(4-f), 511(7), and 530(5-b))

### **Veterans Remembrance and Cemetery Maintenance and Operation Fund**

Chapter 57 of the Laws of 2013 (Part W) created the Veterans Remembrance and Cemetery Maintenance and Operation Fund. This fund has been created for the purpose of the construction, establishment, expansion, improvement, support, operation, maintenance, and provision of perpetual care of veterans cemeteries in New York State.

New section 627-a has been added to the Tax Law to require a space on New York State personal income tax returns for the purpose of allowing taxpayers to make voluntary contributions to the fund for tax years 2013 and after.

(Tax Law sections 627-a, State Finance Law section 97-mmmm, and Executive Law sections 353.12 and 365)

**NOTE:** A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.