

Anchin Alert

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Anchin, Block & Anchin LLP
Accountants and Advisors

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New York Budget to Have a Major Impact on 2014 Taxes

Last week's budget agreement brought significant tax developments that will greatly impact the 2014 tax picture for many companies and individuals. Here is a brief look at some of the key developments:

New York State Budget Ends Corporate Income Tax for Manufacturers

For the first time since 1917, manufacturers will no longer pay New York State's corporate income tax. Under a provision in the newly adopted state budget, income tax rates weren't slashed but instead were completely eliminated as the legislature felt the need to retain companies who were exiting New York State for lower tax burdens and lower costs. Local business leaders have applauded the budget, which eliminates the 5.9 percent corporate income tax manufacturers had been paying in New York State. The goal is to help manufacturers expand, hire, and invest in capital improvements, building local economies along the way. Additionally, the state also approved a 20 percent tax credit for manufacturers on the property taxes they pay for buildings, whether owned or rented in New York.

Overall, state income tax burdens were lowered on corporations, reducing the rate from 7.1 percent to 6.5 percent, making this year's New York State budget a positive development for local companies.

Broad Changes on New York State Estate and Gift Taxes

Also included in the New York State budget, legislation was signed making broad changes to the New York State estate and gift tax laws. These developments may necessitate a review of any estate plans currently in place.

The biggest change is the estate tax exclusion increase. Under the new law, the New York estate tax exclusion amount is being increased over the next five years to match state tax exclusion to the Federal estate tax exemption. For decedents passing in the following periods, the exclusion amount will be:

April 1, 2014 - April 1, 2015	\$2,062,500
April 1, 2015 - April 1, 2016	\$3,125,000
April 1, 2016 - April 1, 2017	\$4,187,500
April 1, 2017 - January 1, 2019	\$5,250,000
January 1, 2019	Equal to Federal Estate Tax Exemption

The top New York estate tax rate will remain 16%. There are very rapid phase outs of these exclusion levels, so you will need to consult with your tax advisor on whether these changes will affect you or not. Additionally the new law requires the add back of certain gifts when made within a three year window of death.

Planning is more important than ever, so consult with your advisors to make sure you are making the necessary changes to your estate plans.

For more information on these tax developments or any other tax issues, please contact your Anchin Relationship Partner or Clarence Kehoe, Chair of Anchin's Tax Department at 212.840.3456.



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