

New York State Department of Taxation and Finance

2004-2005

Annual Report

George E. Pataki
Governor

Andrew S. Eristoff
Commissioner

www.tax.state.ny.us

Message from the Commissioner



Andrew S. Eristoff
Commissioner
New York State Department
of Taxation and Finance

The Annual Report prepared by the Department of Taxation and Finance serves two purposes: The first is to disclose information mandated by law or organizational policy; the second is to offer an opportunity to reflect upon our organization's mission and whether we've met the goals that we and others set for the Department. This report covers State Fiscal Years 2002-2003, 2003-2004, and 2004-2005.

Employees of this Department have set a lofty goal - to be the nation's premiere revenue collection agency. This isn't measured solely by how much revenue the Department collects, but also by the level of service Department employees provide our constituency, the taxpayers of New York State. Since the mid-1990s the Department has been undertaking a continuous self-assessment that has resulted in many positive changes in how we operate and interact with the public. We have simplified our forms and publications, reduced regulations, established state-of-the-art call centers to address immediate taxpayer needs and, most importantly, listened to what taxpayers had to say. Where possible, we've integrated their suggestions into our operations.

On behalf of all the employees of the Department of Taxation and Finance, I hope you find the information contained in this report to be helpful and that it provides some insight as to the change in institutional culture that has occurred since Governor George E. Pataki took office in 1995. I thank you for your continued support in making our tax system as fair and equitable as possible.

In 1997, the Department of Taxation and Finance embarked on a comprehensive strategic planning process which culminated in the release of a Strategic Plan in August, 2000. The Strategic Plan articulated for the first time, vision and mission statements for the agency and listed specific strategies, tactics, and projects in furtherance of the mission. In 2002, the Department updated the Strategic Plan and issued a “Blueprint for the Future” that set forth key strategies, actions for the future, desired results, and performance indicators for 2002-2005. In 2004, the Department issued a *Strategic Plan Three Year Update: 2005-2007* to bring the Strategic Plan forward and chart the Department’s course over the next three years.

Vision & Mission

As articulated in our Strategic Plan, the Department’s Vision is:

“An agency that provides a fair system of tax administration, is accessible and responsive to taxpayers, and contributes to a favorable economic climate.”

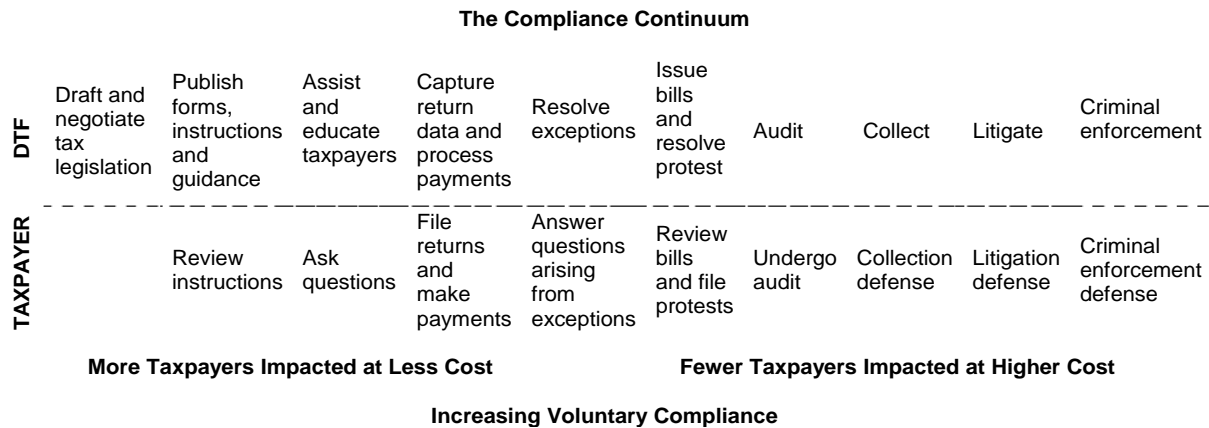
The Department’s Mission is to:

“Collect tax revenues and provide associated services in support of government services in New York State.”

Further, the Strategic Goal of the Department is:

“That all taxpayers voluntarily pay the correct tax timely.”

New York’s tax system is based on the concept of voluntary compliance and the Department engages in a wide range of activities that directly or indirectly promote this concept, stretching from activities that occur before the taxpayer begins to fill out a return, such as designing forms and issuing guidance, to activities that occur much later in tax administration, such as auditing and criminal enforcement. Similarly, taxpayers’ interactions with the Department cover a broad range of parallel activities, from reviewing instructions and filling out forms through potential litigation and criminal defense. The illustration below places the range of both Department and taxpayer activities on a *Compliance Continuum* that depicts these relationships:



The Compliance Continuum illustrates two important points. First, the cost of tax administration and compliance --- for both the Department and taxpayers --- generally increases as one moves from left to right. Criminal enforcement against a minority of taxpayers is critical but an inherently inefficient means of raising revenue. Second, activities on the left side of the continuum directly impact a much larger number of taxpayers acting voluntarily, and hence are more efficient.

To meet the strategic goal that all taxpayers voluntarily pay the correct tax timely, the Department should pursue activities that move taxpayers “up” the Compliance Continuum to achieve greater voluntary compliance. This conceptual framework helps us determine our priorities on both an enterprise and a division level. DTF should always seek to move taxpayers “up” the Compliance Continuum to achieve greater voluntary compliance.

Strategic Objectives

In support of our Strategic Goal, the Department’s Executive Leadership has identified three Strategic Objectives for 2002-2005:

- Improve processing of taxpayer information, returns, and payments.
- Enhance customer service.
- Improve and better coordinate audit, collection, and criminal enforcement activities.

The first of the Strategic Objectives focuses on improvements to the way the Department processes taxpayer data, returns, and payments. Each year, millions of taxpayers interact with the Department’s processing organization in the course of filing returns, making payments, requesting assistance, and resolving account questions. Successful interaction by the processing organization is critical to assuring voluntary compliance.

The second of the Strategic Objectives continues the Department’s focus on customer service and ensures the Department will continue to find ways to expand and enhance customer service to promote voluntary compliance. To achieve this Objective, the Department is focused on providing timely, accurate, and simplified forms and publications. Additionally, the Department aims to issue timely, accurate, and understandable notices and advice, and to improve self-help and web-based service options.

The third Strategic Objective addresses the fact that not all taxpayers are voluntarily compliant. Effective and coordinated audit, collection, and criminal investigation activities deter tax avoidance and abuse. Improved audit selection, increased rate of collections, and effective pursuit of fraudulent filers are important elements in providing a fair tax system for all taxpayers.

Enterprise Priorities

The Department’s Executive Leadership has also identified key activities as important to achieving the Strategic Objectives. These Enterprise Priorities are:

- Continuing the development of e-MPIRE (e-Managed Processes for an Integrated Revenue Enterprise), the ongoing replacement of the Department’s outdated information management systems and processes with a new integrated tax system.
- Refining the management of the new project selection process to ensure that limited information technology resources are in alignment with the Department’s Strategic Objectives.
- Providing timely and accurate legal support and guidance to internal and external customers.
- Providing timely and accurate analytical data and information to internal and external customers.

These Priorities further indicate the Department’s commitment to timely and accurate customer service and promotion of a fair system of tax administration.

General Description of the Department of Taxation & Finance

The New York State Department of Taxation and Finance is responsible for two major functions: the administration of the state's tax laws, including the administration of related local taxes, and the management of the State Treasury. In the fiscal year ending March 31, 2005, the Department collected over \$47 billion in state revenue and more than \$30 billion on behalf of localities.

The Department continually promotes and facilitates voluntary compliance. The majority of revenue, approximately 95%, is collected through taxpayer voluntary compliance. When it is necessary to determine liability and collect tax, the Department uses the most efficient and fair means possible.

In total, the Department is responsible for the tax administration of approximately 40 different taxes including a personal income tax, business taxes, and sales and use taxes. The Department also administers the collection of local sales tax, the personal income taxes for New York City and Yonkers, the Metropolitan Transportation Authority surcharge on business taxes and the New York City Cigarette Tax. Additionally, the Department administers the collection activity for delinquent child support payments.

Description of Taxes Administered

Personal Income Tax (Article 22)

New York's personal income tax is imposed on the entire income of New York residents, and on the New York-source income of nonresidents. The computation of tax starts from federal adjusted gross income (FAGI). Certain items of income not subject to federal tax, such as interest on bonds issued by other states, are taxed by New York and must be added back to FAGI. Other items of income subject to federal tax are not taxed by New York and may be subtracted from FAGI. Some examples of these items are U.S. government bond interest, taxable social security benefits, and all qualifying federal, New York State, and local pension income.

After the net of additions and subtractions, the result is the New York Adjusted Gross Income (NYAGI). Taxpayers may then choose either the standard deduction or New York itemized deductions. However, taxpayers using the federal standard deduction must use the New York standard

deduction.

Taxpayers who itemize federal deductions may itemize deductions for New York. Taxpayers use their federal itemized deductions as the starting point for calculating their New York itemized deductions. They must then make certain adjustments. The most common is the disallowance of state and local income taxes paid and the allowance of deductions for expenses incurred to carry other states' bonds. In addition, high income taxpayers face limitations on their New York itemized deductions.

Taxpayers are also permitted an exemption for each dependent who qualifies for a federal personal exemption. The exemption does not apply to taxpayers and their spouses, including dependents filing their own tax returns.

New York imposes a graduated income tax with rates ranging between 4 and 7.7 percent of taxable income. Taxable income equals NYAGI less the deductions and exemptions described above.

A supplemental income tax, for the purpose of recapturing the benefits conferred to taxpayers through tax brackets with rates lower than the maximum rate, applies to all taxpayers with NYAGI over \$100,000. Once taxpayers' NYAGI exceeds \$500,000, all of their taxable income becomes effectively subject to a flat 7.7 percent tax rate.

Many credits, both fully refundable and nonrefundable, are available against personal income tax liability. Some of the most commonly used credits are the Household Credit, Real Property Tax Circuit Breaker Credit, Child Care Credit, Earned Income Credit, College Tuition Credit, Investment Credit, Resident Credit, Farmers School Tax Credit, Emerging Technology Company Credits, Empire Zone Credits, Long-Term Care Insurance Credit, and Empire State Film Production Credit.

The personal income tax also applies, at the individual level, to persons receiving income from business entities in which they perform services or hold an interest. For example, while sole proprietorships do not pay an entity-level tax, they pay tax on their business net earnings. Also, partnerships do not pay an entity-level tax, but individual partners pay tax on their distributive share of the partnership's income.

New York State also allows for the formation of limited liability companies (LLCs) and limited liability partnerships (LLPs). LLCs classified as partnerships for federal income tax purposes are treated as partnerships for New York State tax purposes. LLCs and LLPs, whether foreign or domestic, with New York source income must pay an annual filing fee determined by multiplying the number of members (partners) of the LLC/LLP by \$100. The LLC/LLP cannot pay less than the annual minimum payment of \$500 (\$100 for single-member LLCs) or more than the annual maximum payment of \$25,000.

Nonresident individuals, estates and trusts pay New York State income tax if they derive income from New York sources. They first compute a base tax using the same rates, exemptions, deductions, and most credits applicable to residents. Next, nonresidents multiply this base tax by the ratio of New York source NYAGI to total NYAGI as a resident. The result ensures that nonresidents pay tax only on income earned or derived within New York.

Employers are required to withhold and remit personal income taxes on wages, salaries, bonuses, commissions and similar income. The remittance schedule is determined by the cumulative amount of withholding and type of business.

Additionally, under certain conditions New York residents, part-year residents, and nonresidents with New York source income, may be required to make payments of estimated tax.

Business Taxes

Typically, general business corporations pay taxes computed under the corporation franchise tax. Separate taxes apply to banks and insurance companies, as well as: transportation and transmission corporations (except airlines), utility companies, telecommunications services, and agricultural cooperatives. In addition, there is a tax on the unrelated business income of non-stock not-for-profit corporations. Finally, a gross receipts tax applies to petroleum businesses.

Corporate Franchise Tax (Article 9-A)

A corporate franchise tax is imposed on corporations for the privilege of exercising their corporate franchise in New York. It applies to general business corporations not taxed under another article of the Tax Law.

Corporations compute tax under four bases, and pay tax on the base yielding the highest liability. The four bases are:

1. 7.5 percent tax on allocated entire net income with reduced rates for small businesses.
2. 0.178 percent tax on business and investment capital allocated to New York subject to a cap depending on the type of business.
3. 2.5 percent tax on the alternative minimum taxable base.
4. A separate minimum tax at fixed dollar amounts ranging from \$100 to \$10,000 depending on gross payroll.

The entire net income base equals federal taxable income modified for income and deduction items that New York treats differently such as the exclusion for subsidiary income items and deductions directly and indirectly attributable to subsidiary capital.

New York uses a three-factor formula to allocate business income. The factors include property, payroll (excluding general executive officers) and receipts, with the receipts factor being more heavily weighted. A single receipts factor is being phased in and will become fully effective on and after January 1, 2008.

The alternative minimum taxable income base equals entire net income plus certain federal items of tax preference and adjustments. Taxpayers may use a Net Operating Loss Deduction (NOLD) in computing alternative minimum taxable income. This deduction is comprised of all Net Operating Losses (NOLs) existing at the start of the 1994 tax year and any accumulated thereafter. The law limits the deduction to 90 percent of alternative minimum taxable income without regard to the NOLD.

General business corporations that file as S corporations for federal tax purposes may also elect S corporation status for New York State franchise tax purposes. This election requires the shareholders to report their proportionate share of S corporation income, gain, or loss and deductions on their personal income tax returns. S corporations are subject only to the fixed dollar minimum tax.

New York provides tax incentives in the form of tax credits, deductions, and allocation formula adjustments. These incentives encourage business investment and economic development within the State. Major provisions include an investment tax credit (ITC), a refundable ITC for certain new businesses, an ITC on research and development property, an ITC for taxpayers that are brokers or dealers in securities, an employment incentive credit, various credit provisions for *Empire Zone* businesses, credits for qualified emerging technology companies, and a credit for qualified film production companies.

Corporation & Utility Tax (Article 9)

Article 9 taxes apply to a variety of specialized businesses and impose initial taxes and fees on domestic and foreign corporations.

An organization tax and tax on changes in capital (§180) is imposed on the total amount of authorized capital stock of domestic (in-state) corporations. The rate equals 0.05 percent for stock with par value and 5 cents per share of stock without par value.

License and maintenance fees on foreign (out-of-state) corporations (§181) are imposed for the privilege of exercising its corporate franchise or conducting business in New York. The rate equals 0.05 percent for stock with par value and 5 cents per share of stock without par value. An additional annual maintenance fee of \$300 is imposed on all foreign corporations incorporated outside New York, including foreign S corporations.

A franchise tax on transportation and transmission corporations and associations (§183) is imposed on corporations, joint stock companies, or associations *principally engaged* in transportation, telephone, or other transmission businesses. The tax equals the highest of the following calculations: 1) 1.5 mills on each dollar of net value of issued capital stock; 2) if the share of dividends paid on capital stock is 6 percent or more, 0.375 mills per dollar of par value for each one percent of dividends paid; or 3) \$75.

Trucking and railroad companies are subject to the corporate franchise tax (Article 9-A) unless they had elected to remain taxable under the corporate utility tax.

An additional franchise tax on transportation and transmission corporations and associations (§ 184) is imposed on corporations, joint stock companies, or associations *principally engaged* in transportation, local telephone business, or other transmission businesses. It applies a rate of 0.375 percent on gross earnings from all sources in the State.

A franchise tax on agricultural co-operatives (§185) is imposed on farmers, fruit growers and other like agricultural corporations operated on a co-operative basis. The maximum tax is \$10.00.

A gross receipts tax on the furnishing of utility services (§186-a) was imposed on any business selling utility services such as gas, electricity, steam, water, or refrigeration. Tax rates under §186-a were phased down until January 1, 2005 when the tax was eliminated for receipts from the sale of utility services other than those receipts derived from the transportation and distribution components of these services. These receipts are subject to tax at a rate of two percent.

A tax on telecommunication services (§186-e) is imposed at a rate of 2.5 percent on receipts from the sale of telecommunication services. Receipts from telecommunications services are allocated to New York if the call originates or terminates in this State and is charged to a New York service address.

A privilege tax on importation of gas services for consumption (§189) was applied for the consideration given by a gas importer for gas services imported into the State for its own use or consumption. Tax rates were phased-down until a complete phase-out on January 1, 2005.

Bank Tax (Article 32)

A franchise tax applies to banking corporations doing business in the State. Banking corporations compute tax under four bases, and pay tax on the base yielding the highest liability. The four bases are:

1. 7.5 percent of allocated entire net income.
2. 3 percent of such income without regard to certain specified exclusions.

3. \$250.
4. One-tenth of 1 mill upon each dollar of taxable assets allocated to New York.

The asset alternative (base 4) applies to institutions with a net worth exceeding 5 percent of total assets. It also provides lower tax rates for institutions having both mortgages comprising 33 percent or more of total assets and lower net worth ratios.

Banks conducting business both inside and outside New York allocate their income and assets by applying a three-factor allocation formula consisting of payroll, deposits and receipts. The weights of the factors vary with the different tax bases.

Banks are able to claim many of the same tax credits as corporation franchise taxpayers and are subject to many of the same modifications to entire net income which apply under Article 9-A, although at different rates.

Insurance Tax (Article 33)

Article 33 imposes tax on insurance corporations. Life insurers are subject to a franchise tax, which includes an income tax component as well as a tax on premiums. Non-life insurers are subject only to a premiums tax.

A franchise tax is imposed on life insurance companies. There are two components of the tax: 1) a tax computed on the higher of four bases plus a tax on subsidiary capital, and 2) a tax computed on gross direct premiums written on State-located risks or residents in the State.

The first component of the tax is determined from one of four alternative bases. An insurance corporation's tax liability for this component is based on the alternative that results in the largest tax, plus an additional 0.08 percent tax on subsidiary capital allocated to New York. The four bases are:

1. 7.5 percent of allocated entire net income.
2. 0.16 percent of allocated business and investment capital.
3. 9 percent of allocated entire net income plus officers' salaries basis.
4. Minimum tax of \$250.

The second component of the franchise tax is a tax on gross premiums, less return premiums thereon, written on risks located or resident in New York. Premiums written by corporations licensed as life insurers, including premiums on accident and health contracts, are taxed at the rate of 0.7 percent.

The total tax equals the sum of the largest of the four alternative bases, plus the tax on subsidiary capital, and the sum of the premiums based taxes. However, this total cannot exceed 2 percent of taxable premiums. This cap represents the maximum tax on life insurers. In addition, the total tax cannot be less than 1.5 percent of taxable premiums, which constitutes a floor amount of tax for life insurers.

A premiums tax is imposed on non-life insurance corporations. The tax is imposed on gross premiums, less return premiums, written on risks located or residing in New York. Premiums written on accident and health contracts are taxed at a rate of 1.75 percent. Premiums written on all other non-life risks are taxed at a rate of 2 percent. Non-life insurers are also subject to a minimum tax of \$250.

A special premiums tax is imposed on captive insurance companies. Captive insurers are subject to tax on gross premiums, less return premiums, written on risks located in New York. The top tax rate is 0.4 percent on direct premiums and 0.225 percent on reinsurance premiums. A minimum tax of \$5,000 applies.

Insurance companies are able to claim some of the same tax credits as corporation franchise taxpayers. However, they are also able to claim certain credits specific to the insurance tax such as a credit for retaliatory taxes paid to other states and a credit for investments in certified capital companies (CAPCOs).

Insurance – Direct Writings Tax (Article 33-A)

The direct writings tax equals 3.6 percent tax on premiums paid by persons who buy or renew insurance policies from companies not authorized to do business in New York. The tax exempts insurance premiums purchased from unauthorized carriers through a New York-licensed excess line broker, because the Insurance Law taxes those premiums at the same rate of 3.6 percent. Where insurance covers risks located or residing both in and out of New York, the Commissioner of Taxation and Finance regulates allocation of the tax.

Unrelated Business Income Tax (Article 13)

An unrelated business income tax is imposed on the income of tax-exempt organizations derived from the conduct of a trade or business, at a rate of 9 percent of the unrelated business income allocated to New York. The tax base equals federal unrelated business taxable income with certain modifications. Taxpayers may subtract net operating losses and tax credits. A fixed dollar minimum tax of \$250 applies. The tax does not apply to corporations subject to the corporate franchise tax, certain nonprofit organizations providing insurance, and certain income derived from operating licensed games of chance.

Petroleum Business Tax (Article 13-A)

The petroleum business tax (PBT) is a privilege tax on petroleum businesses operating in New York State. This tax is in addition to other corporate taxes that may be due. Imposition of the tax occurs at different points in the distribution chain depending upon the type of petroleum product.

The PBT also applies to motor carriers on the fuel they purchase outside New York State, but consume in the operation of motor vehicles within the State. The carriers pay this tax, with their fuel use tax, at a per gallon rate equal to the rate for motor fuel or automotive-type diesel motor fuel. This tax is administered with the fuel use tax.

The PBT excludes sales of kerosene, crude oil, and liquefied petroleum gas from the tax. It also excludes sales of petroleum for export, sales of fuel oil for residential use, sales to government entities for their own use, sales of fuel oil to exempt organizations for use in exempt purposes, and sales to manufacturers (fuel oil) and farmers (diesel) for use in production. In addition, the PBT provides exemptions, reimbursements and credits based on certain uses of petroleum.

Also, there is a full reimbursement of the PBT paid on diesel motor fuel and residual oil used in mining and/or extracting processes. Finally, there is a full reimbursement for diesel motor fuel and residual fuel oil used in passenger commuter ferries and buses engaged in local transit, and gasoline used by farmers in production.

Sales & Use Tax (Article 28)

New York State imposes a 4 percent sales and compensating use tax (sales tax). Cities and counties are authorized by the Tax Law to impose a local sales tax in one-half percent increments, up to a maximum of 3 percent. In addition, cities and counties may seek legislative authority to impose tax at additional rates, ranging from 0.5 percent to 1.25 percent. Towns and villages may not impose a sales tax, although they often share in the distribution of county sales tax proceeds.

An additional 5 percent tax applies to charges for some passenger car rentals. Also, an additional 5 percent State tax applies to information and entertainment services heard over the telephone (e.g., "900" numbers). These taxes are in addition to the regular State and local sales tax on such services.

The sales tax applies to retail sales of tangible personal property (unless specifically exempted) and to certain services. A compensating use tax applies to the use within the State of tangible personal property and services purchased outside the State. Specifically, the sales tax is applied to receipts from the retail sale of:

- tangible personal property (unless specifically exempt).
- certain gas, electricity, refrigeration and steam, and telephone service.
- selected services.
- food and beverages sold by restaurants, taverns and caterers.
- hotel occupancy.
- certain admission charges and dues.

In New York, like many other states, the retail sales tax is a destination tax. The point of delivery or the point at which possession is transferred by the vendor to the purchaser determines the rate of tax to be collected. Sales delivered outside New York State are exempt from tax.

Sales and use taxes do not apply to sales or rentals of real property. The Tax Law also exempts purchases for resale, most sales to or by federal and New York

State governments, charitable organizations and certain other exempt organizations, sales of most food for home consumption, and sales of both prescription and nonprescription medicines. Also, the sales tax does not apply to most services. Examples of services not subject to tax include medical care, transportation, education, and personal and professional services.

New York State and its localities exempt machinery, equipment, parts, tools, and supplies used directly and predominantly in manufacturing property for sale. The State and its localities exempt fuels and utility services used in manufacturing property. An exemption applies to tangible personal property used directly and predominantly in experimental research and development activity. Also, gas, electricity, refrigeration and steam (and related services) used or consumed directly and exclusively for research and development is exempt from sales and use taxes.

The *Qualified Empire Zone Enterprise* program encourages the development of businesses in Empire Zones throughout the State. In addition to property tax and income tax reductions, this program provides a State sales tax exemption for tangible personal property and most services used or consumed by a zone enterprise. In addition, the law permits a refund or credit for sales and use taxes paid on materials used to expand, construct or restore certain industrial and commercial projects within designated Empire Zones.

Sales tax does not apply to purchases of materials incorporated into buildings owned by an industrial development agency (IDA). Recipients of IDA funding may also claim exemption for certain other purchases made as agents of an IDA.

Every person who sells tangible personal property or taxable services must register with the Department before commencing business. Generally, sales tax vendors must file quarterly tax returns with the Department.

Sales tax vendors with an annual sales and use tax liability exceeding \$500,000 or with an annual liability for prepaid sales tax on motor fuel and diesel motor fuel exceeding \$5 million are required to participate in the Department's electronic funds transfer (EFT) program, known as "PrompTax." Other vendors may request to participate in the PrompTax program on a voluntary basis.

Vendors who timely file their sales tax return and remit full payment of tax due with the return are entitled to claim a vendor collection credit equal to 3.5 percent of the 4.25 percent State portion of the sales tax collected. The maximum credit is \$150 each quarter.

Excise Taxes

New York State imposes various excise taxes. These include cigarette and tobacco products taxes, motor fuel taxes and fees, alcoholic beverage taxes, highway/fuel use taxes, pari-mutuel (horse racing) taxes, and the boxing and wrestling tax.

Cigarette & Tobacco Products Taxes & Fees (Article 20)

New York collects the cigarette excise tax through the sale of tax stamps to licensed agents. Agents must affix the tax stamps to each package of cigarettes before sale can occur in New York State. The tax rate is \$1.50 per pack of 20 cigarettes. New York City also imposes a separate excise tax of \$1.50 per pack, which brings the combined per pack tax rate in the City to \$3.00. In addition to the excise tax, a prepaid sales tax is paid by the agent at the time the cigarette tax stamp is purchased.

Distributors of other tobacco products such as cigars, snuff, chewing tobacco, pipe, and loose tobacco pay a 37 percent excise tax on the wholesale price. Distributors include persons importing, manufacturing or possessing for sale such products in New York.

Sellers of cigarettes and other tobacco products must pay an annual \$100 registration fee for every location in the State where they sell product at retail, and \$25 yearly registration fees for every vending machine handling these products. Vendors must also display valid permits.

Alcoholic Beverage Tax (Article 18)

The alcoholic beverage tax imposes liquor, beer, and wine taxes at various rates upon registered distributors and noncommercial importers of alcoholic beverages.

Motor Fuel Tax (Article 12-A)

Article 12-A imposes an 8 cents per gallon tax on diesel motor fuel at the point of first taxable sale or

use in New York. An 8 cents per gallon tax also applies to other motor fuel, including gasoline, upon first import into or production within New York.

The law requires the pass-through of these taxes to consumers. It also exempts from tax purchases by federal, New York State and local government agencies.

An exporter of motor fuel must be registered as a licensed distributor in the jurisdiction to which the fuel is exported in order to qualify for an export credit or refund.

Highway/Fuel Use Taxes (Articles 21 and 21-A)

The Tax Law imposes three separate highway and fuel use taxes, as described below. Exemptions from these taxes include motor vehicles owned and operated by governmental entities, fire companies, farmers, U.S. mail delivery, and household goods movers. The highway use tax also exempts buses.

The Highway Use Tax (HUT) generally applies to any motor vehicle with a gross weight over 18,000 pounds. Rates increase according to vehicle weight, and apply to miles traveled on public highways; however, the tax does not apply to mileage on the toll-paid portion of the New York State Thruway.

Highway use permits identify vehicles subject to the highway use tax. Permit fees equal \$15 per truck or tractor. Each trailer used to haul automotive fuel requires a \$5 permit. A special \$25 single-trip permit, available to a carrier no more than 10 times per year, exempts a carrier from the HUT and fuel use taxes for a single 72-hour period. Separate permits must be obtained for the two taxes.

The fuel use tax applies to fuel bought outside New York State by truck, tractor and bus carriers, but used while traveling on New York highways. The fuel use tax consists of two components: the fuel tax component and the sales tax component.

Pari-Mutuel & Horse Racing Taxes (Racing, Pari-Mutuel Wagering & Breeding Law)

The Racing, Pari-Mutuel Wagering and Breeding Law imposes a tax on pari-mutuel wagering at horse racetracks and at off-track betting parlors throughout the State for the privilege of conducting pari-mutuel wagering on horse races. The Department of Taxation and Finance administers this tax. Each racing association or corporation pays to the State a portion of

the commission withheld from wagering pools. Tax rates vary by type of race and wager.

Boxing & Wrestling Exhibitions Tax (Article 19)

The Tax Law imposes a boxing and wrestling exhibitions tax on the total gross receipts of promoters of professional or amateur boxing, sparring and wrestling matches. The tax rate equals three percent of gross receipts. Each tax (admission charges, broadcasting) is capped at \$50,000 per match or exhibition resulting in a combined maximum imposition of \$100,000. Exemptions apply for certain military matches, amateur scholastic and collegiate events, and official U.S. Amateur and Olympics events.

Property Transfer Taxes

Estate Tax (Article 26)

The estate tax is based on the maximum federal credit for state estate tax as it existed prior to 2002. Because this credit was reduced for estates of decedents dying after 2001, this means that the federal credit offsets 25 percent of the New York estate tax for estates of decedents dying in 2004. Taxable estates under \$1 million are exempt from tax, and returns and payments are due within nine months of the decedent's death.

Real Estate Transfer Tax (Article 31)

The real estate transfer tax applies to the transfer of any interest in real property, including a deed, where the consideration is over \$500. The tax is due within 15 days of the conveyance. The tax equals \$2.00 for each \$500 or additional fraction of \$500. The tax is to be paid by the grantor (*i.e.*, the seller). However, if the grantor has failed to pay the tax or is exempt from the tax, the grantee has the duty to pay the tax.

The tax also applies to transfers of economic interest such as shares in cooperatively owned apartments, transfers of long-term leaseholds, and transfers of controlling interest in entities which have an interest in real property.

Also, an additional tax of one percent of the consideration paid for residences selling for \$1 million or more is imposed upon the transfer of a one, two, or three-family house. The person receiving the real property interest, the grantee must pay this additional tax. If the grantee is exempt, the grantor must pay the tax.

The real estate transfer tax rate is reduced by 50 percent for qualifying transfers of real property to, or acquisition of real property by, a real estate investment trust (REIT) upon its initial formation.

Other Taxes

New York City Personal Income Tax

A tax is imposed on residents and part-year residents of the City. Using the same filing statuses as under the State income tax, the starting point is State taxable income, with rates for tax year 2004 ranging from 2.907 percent to 4.45 percent. As with the State tax, a supplemental tax that recaptures the value of the graduated rate structure also applies, generally resulting in a flat tax of 4.45% of taxable income when New York adjusted gross income exceeds \$500,000.

Similar to the State income tax, a nonrefundable household credit is allowed for low and moderate-income taxpayers. Also similar to State law, an earned income credit equal to five percent of the federal credit applies, though unlike the State credit, no household credit offset is required.

Yonkers Income & Earnings Taxes (Articles 30-A & 30-B)

Yonkers is authorized by State law to impose a personal income tax on its residents and an earnings tax on its nonresidents with wage or self-employment earnings from working in Yonkers. The resident income tax equals five percent of State tax liability after nonrefundable credits. The nonresident earnings tax equals 0.25 percent of wages and self-employment earnings, after an allowable exclusion of \$3,000 which phases out

when earnings exceed \$30,000.

Metropolitan Transportation Authority (MTA) Surcharge

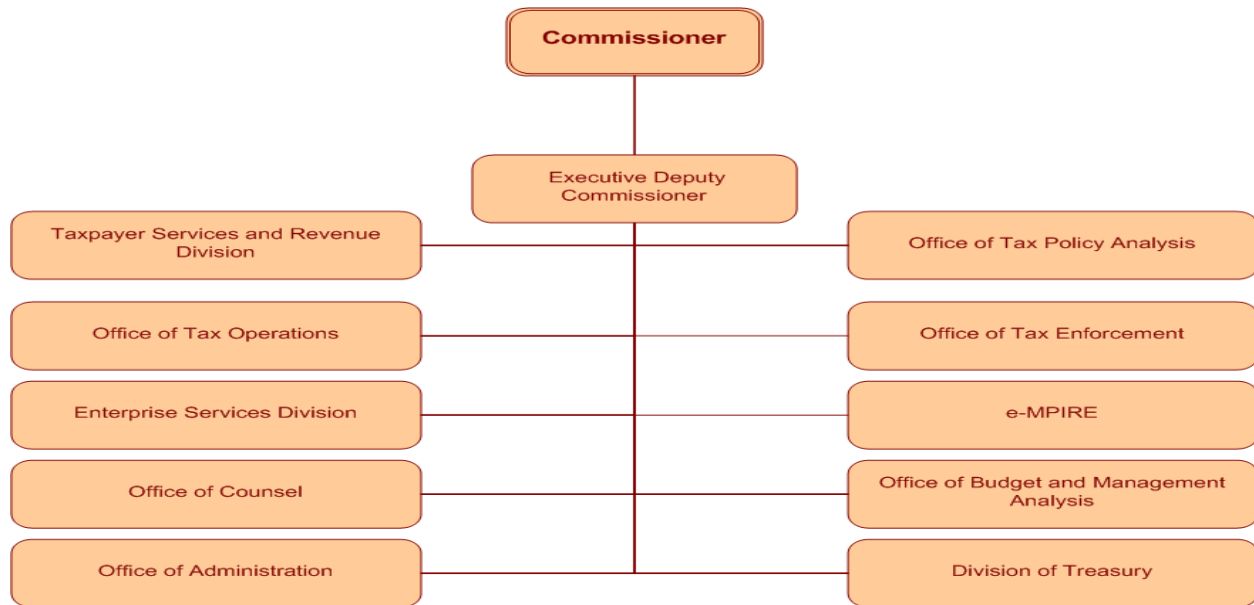
The Metropolitan Transportation Authority (MTA) surcharge applies, at a rate of 17 percent, to business taxes otherwise due (except the petroleum business tax), after deduction of credits and allocable to the 12-county Metropolitan Commuter Transportation District. This region includes the City of New York, Long Island, and the mid-to-lower Hudson River Valley. The MTA surcharge remains in effect through tax years ending before December 31, 2009.

Local Taxes – Sales Taxes (Articles 28 & 29)

Local governments are authorized to impose sales and compensating use taxes. These taxes are generally levied by counties and are largely linked to the State sales tax base and administered by the Department of Taxation and Finance, which distributes the local portion to local governments. Cities and counties may choose to impose a selective sales tax on certain items instead of conforming to the overall State sales tax base. These include utility services, “restaurant” food and drink, hotel room occupancy, and certain amusement charges.

The maximum allowed rate is three percent, with approval by the State Legislature required for rates in excess of three percent. Within counties, cities may impose sales taxes that pre-empt the county tax, meaning that the municipal tax is in place of rather than in addition to the county tax.

Department Structure



Office of the Commissioner

The Office of the Commissioner oversees management and coordinates policy development and implementation at the enterprise level. In addition to the Executive Deputy Commissioner, the office includes the Office of the Deputy Inspector General, the Bureau of Internal Audit and Quality Control, the Bureau of Conciliation and Mediation Services, the Public Information Office, the Office of Legislative Affairs, and the Office of Special Assistant to the Commissioner for Business.

Taxpayer Services & Revenue Division

The Taxpayer Services and Revenue Division (TSRD) is responsible for providing services and customer support to taxpayers seeking to fulfill their tax obligations. The mission of TSRD is to provide information and assistance to taxpayers and process and maintain taxpayer data in order to accurately determine and collect tax liabilities.

TSRD is organized into three operational and two staff Bureaus. These Bureaus are the Taxpayer Contact Center Bureau which acts as the public's primary point of contact with the Department for tax information, registration, licensing, problem resolution and account management services. The Taxpayer Services Strategy Bureau provides strategic planning, research, evaluation, and training services to support TSRD's operation. The Revenue Services Bureau manages the bank services for the Department. The Returns, Deposits, Overpayments & Control Bureau

provide return and remittance processing functions and validation and issuance of manual refunds. The Protest and Exceptions Bureau is responsible for working with taxpayers to resolve taxpayer protests and return and refund exceptions.

Office of Tax Policy Analysis

The Office of Tax Policy Analysis (OTPA) provides analysis and advice to the Department and to the Division of Budget and Executive Chamber, as well as others internally and externally, in the areas of tax policy, revenue estimation and economic analysis. OTPA issues a wide range of tax policy studies and statistical reports. This Office also reconciles revenue accounts and issues financial statements and certifications, including those relating to the distribution of tax revenues to local governments and special revenue funds. OTPA is organized into the Technical Services Division, the Bureau of Tax and Fiscal Studies, Accounting Bureau, and the Bureau of Revenue Reporting.

Technical Services Division

The Technical Services Division of the Office of Tax Policy Analysis is responsible for the development and technical accuracy of forms and instructions, issuing Notices, Advisory Opinions, and Memorandums setting forth the applicability of the Tax Law, and drafting regulations.

Office of Tax Operations

The Office of Tax Operations consists of two key divisions - the Audit Division and the Tax Compliance Division.

Audit Division

The Audit Division performs traditional audit activities to verify the accuracy of completeness of taxpayers' returns. The Division conducts audit activity in a timely manner that is least burdensome for both the taxpayer and audit staff. Additionally, the Audit Division attempts to detect and pursue non-filing taxpayers.

Tax Compliance Division

The Tax Compliance Division (TCD) collects New York State tax receivables, serving as the in-house collection branch for the Department. TCD attempts to collect on delinquent returns through correspondence, a call center, and field visits.

Office of Tax Enforcement

The primary mission of the Office of Tax Enforcement (OTE) is the enforcement of the New York State Tax Laws and accompanying regulations. This is accomplished by a two-pronged regulatory and investigative approach aimed at increasing voluntary compliance. Case development and monitoring activities are closely coordinated with the enforcement and prosecutorial offices of other jurisdictions and with other offices of the Department who share the responsibility for the proper payment of tax.

OTE is comprised of two operational bureaus and one legal unit. The two operational bureaus are the Petroleum, Alcohol, and Tobacco Bureau (PATB) and the Revenue Crimes Bureau (RCB). The Petroleum, Alcohol, and Tobacco Bureau is primarily responsible for the monitoring, development and investigation of controlled commodities which include cigarettes, tobacco, alcohol and motor fuel as well as other taxes subject to evasion by the regulated industries. The Revenue Crimes Bureau is responsible for developing criminal tax evasion cases for prosecution in all State tax areas except taxes on alcohol, tobacco and various petroleum products and businesses. The Legal Unit provides legal guidance and interpretation to both bureaus.

Enterprise Services Division

The Enterprise Services Division (ESD) purpose is to apply technology and knowledge of Department programs, processes, and applications to support business functions and provide new business solutions, in partnership with clients. The Division provides system and communications resources to customers and keeps them functioning efficiently, reliably, and securely. Additionally, ESD designs, builds, and maintains information systems to advance and support Department objectives.

e-MPIRE

e-MPIRE (*e-Managed Processes for an Integrated Revenue Enterprise*) is the new, custom designed, integrated tax system being developed by the Department to replace all major tax processing systems currently in use. When fully implemented, the system will provide a single, more efficient method for capturing, storing, and retrieving taxpayer data.

Office of Counsel

The Office of Counsel provides an array of legal services to the Commissioner, the Department, the Executive Chamber, and the Division of Budget. The Office's services include drafting, reviewing, and commenting on legislative proposals, as well as opinions and Department regulations, forms, and publications; advising the Department on all legal matters; advising taxpayers and providing Tax Law guidance; assisting in the development of tax policy; negotiating complex settlements and litigating tax matters before the Division of Tax Appeals; and providing litigation support to the Attorney General and others.

Office of Budget and Management Analysis

The Office of Budget and Management Analysis (OBMA) provides a wide range of services to the Department. The primary responsibilities of OBMA are management of the Department's budget and oversight of Department expenditures. Additionally, OBMA provides planning analysis, research, accounts payable, purchasing and records management for the Department.

Office of Administration

The Office of Administration consists of two organizations - the Operations Support Bureau (OSB) and the Office of Human Resources Management. The two organizations provide the Department with a wide range of support functions, from traditional human resource functions such as payroll, employee benefits, training, and employee communications to technology services and management, reception services, fleet management, and parking services.

Division of the Treasury

The Division of the Treasury manages the funds of State agencies and authorities for which it has an assigned fiduciary role. Treasury also acts as the joint custodian of the State's general checking account. The Division's key activities are cash management, accounting, reconciliation, reporting, and investments.

Significant Department Actions

e-File



The Personal Income Tax Electronic Filing Program, commonly referred to as e-File, continues to have strong growth. The Program offers many benefits such as reduction of filing errors, confirmation of receipt, shorter processing time, and a generally more convenient method to file. e-File's popularity is evident in the increase in participants. In processing year 2002, 1.8 million taxpayers e-Filed returns. In 2003 the number climbed to 2.2 million and 2004 was 2.5 million.

To encourage the use of e-File, New York State participates in the Free File Alliance, which provides free electronic filing for lower income taxpayers.

The e-File program continues to grow in functionality as well. Taxpayers are now able to file extensions electronically. In processing year 2003, the Department received 19,000 electronic extension applications. Electronic extension applications for 2004 were 29,000.

Additionally, taxpayers may choose to have their refunds directly deposited into their bank account. Coupled with the e-File, direct deposit provides one of the fastest and least expensive ways for taxpayers to obtain their money quickly. For tax processing year 2003 & 2004, the Department issued more than 1.5 million and 1.7 million direct deposits, respectively.

Business Tax Answer Center



The Taxpayer Services and Revenue Division (TSRD) undertook an initiative to improve the way that businesses could protest assessments. To better serve business taxpayers the Business Tax Answer Center was created on the Department's website following the already available Individual Taxpayer Answer Center. The Business Tax Answer Center allows taxpayers with business tax assessment issues to more easily obtain answers and resolve potential issues. The initiative has dramatically sped the resolution of disputes and afforded the Department the opportunity to provide targeted taxpayer education.

New Hire On-Line Reporting

In October 2002, the Department introduced on-line reporting for newly hired employees. The website (<http://www.nynewhire.com>) provides employers with an efficient method of reporting new employees and accessing information about the New York State Directory of New Hires. The New Hire program was created to facilitate the accurate and prompt determination of child support obligations. The on-line reporting not only provides employers with an efficient method of reporting, it also strengthens New York's ability to identify non-custodial parents who have failed to pay child support obligations.

World Trade Center Relief Fund

The Department was charged with administering the World Trade Center Relief Fund. The Department's role included the receipt and processing of applications as well as the mailing of fund checks. This fund, supported by individual donations, provided approximately \$70 million in payments to nearly 3,000 families (spouses, children, domestic partners, fiancés, parents) of those who died or were injured in the terrorist attacks of September 11, 2001. The fund was established in 2001, but payments from the fund continued into 2005.

Amnesty



Chapter 85 of the Laws of 2002 authorized New York State's third general tax amnesty program which subsequently took place between November 18, 2002, and January 31, 2003. The tax amnesty offered an opportunity for eligible taxpayers to satisfy certain unpaid liabilities for income, withholding, corporation, sales and use, and other designated taxes administered by the New York State Department of Taxation and Finance.

In exchange for full payment of tax and a portion of the interest due, taxpayers received a waiver of any unpaid penalty, a reduction in the applicable rates of interest by two percentage points for tax periods covered under the amnesty, and immunity from future administrative, civil, and criminal actions relating to liabilities for which amnesty was granted.

Over 285,000 responses were granted amnesty, totaling over \$525 million in gross revenues. After deducting expenses and mandated items from gross revenues, the estimate of net new revenues generated from the amnesty program is \$82.9 million.

Significant Legislative Actions

2002-2003

The following are significant legislative actions for State fiscal year 2002-2003:

- Provided a State, New York City, and Yonkers personal income tax exemption for tax years 2000 and 2001 (and 2002 for deaths occurring in 2002) for persons dying as a result of the terrorist actions of September 11, 2001. The legislation also conformed the estate tax to the federal Victims of Terrorism Tax Relief Act of 2001.
- Created an amnesty program where taxpayers with unpaid liabilities under the personal income tax, sales and compensating use tax, some corporate franchise taxes, estate tax, and various excise taxes were eligible for penalty waivers and reduced interest rates.
- Enacted a cost-of-living adjustment to the maximum income allowed under the enhanced School Tax Relief (STAR) exemption for persons age 65 and over.
- Conformed State and local sales taxes and the telecommunications excise tax to the Federal Mobile Telecommunications Sourcing Act.

2003-2004

The following are significant legislative actions for State fiscal year 2003-2004:

- Temporarily increased New York State personal income tax rates by adding two new brackets for tax years 2003 through 2005.
- Temporarily increased the New York City Resident personal income tax by adding two New York City resident income tax rates and brackets for tax years 2003 through 2005.
- Decoupled New York's tax code from the federal tax code for both corporate and personal income tax purposes with respect to the 30 percent depreciation bonus contained in the federal *Job Creation and Worker Assistance Act of 2002* (P.L. 107-147).
- Increased the State sales and use tax rate from 4 percent to 4.25 percent from June 1, 2003 through May 31, 2005.



2004-2005

The following are significant legislative actions for State fiscal year 2004-2005:

- Increased the credit for long-term care insurance premiums from 10 to 20 percent.
- Established a credit for film production activity in New York.
- Increased the Statewide annual aggregate limit for the low-income housing credit from \$4 million to \$6 million.
- Postponed reinstatement of the clothing and footwear sales tax exemption, while providing two one-week exemption periods.

New York State Taxes Collected by the Department of Taxation and Finance

Fiscal Years 2002 and 2003

Tax	2002	2003	Percent Change
Personal Income Tax	\$27,413,649,936	\$23,698,334,558	(13.6)
Business Taxes, Total	\$4,656,708,249	\$4,399,897,228	(5.5)
Business Corporations Art. 9-A	1,504,830,824	1,402,643,581	(6.8)
Corporations, Art. 9, Total	1,051,209,792	928,049,371	(11.7)
Foreign Corporation Licenses, Sec. 181	24,060,636	25,997,793	8.1
Transportation, Transmission, Sec. 183	19,347,130	18,665,148	(3.5)
Transportation, Transmission, Sec. 184	84,299,081	70,208,166	(16.7)
Agricultural Co-operatives, Sec. 185	131,446	35,139	(73.3)
Light, Water, Power, Sec. 186	(4,093,091)	550,206	113.4
Utilities, Sec. 186-a	412,416,452	360,175,334	(12.7)
Telecommunications, Sec. 186-e	502,537,105	435,834,702	(13.3)
Importers of Natural Gas, Sec. 189	12,511,033	16,582,883	32.5
Corporations, Art. 13	10,151,390	4,671,057	(54.0)
Banks, Art. 32, Total	495,762,142	409,044,722	(17.5)
Commercial	486,577,188	398,414,102	(18.1)
Savings	4,557,081	5,007,371	9.9
Savings and Loan Associations	4,627,873	5,623,249	21.5
Insurance, Art. 33	585,444,455	624,220,538	6.6
Direct Writings, Art. 33-A	6,828,780	8,392,092	22.9
Petroleum, Total	1,002,480,867	1,022,875,868	2.0
Lubricating Oils, Art. 24	4,198	(25,702)	(712.2)
Oil Users, Art. 9, Sec. 182-a	(79,589)	0	100.0
Petroleum Businesses, Art. 13-A	1,002,556,257	1,022,901,571	2.0
Sales and Compensating Use Tax - State Share	\$8,247,755,984	\$8,471,206,723	2.7
Excise and Use Taxes and Fees, Total	\$1,870,492,320	\$2,031,277,729	8.6
Motor Fuel - N.Y.S. Total	489,396,235	543,780,765	11.1
Diesel	58,551,357	65,035,502	11.1
Gasoline	430,844,878	478,745,263	11.1
Petroleum Testing Fees	2,789,482	3,064,690	9.9
Cigarette and Tobacco Products	1,010,948,881	1,116,655,155	10.5
Cigarette License Fees	3,233,654	3,126,783	(3.3)
Cigarette Stickers	124,504	128,466	3.2
Alcoholic Beverage Tax - N.Y.S. Total	178,153,413	179,762,383	0.9
Non-Refillable Beverage Containers	213	1,145	437.4
Highway Use, Total	148,297,789	146,839,396	(1.0)
Truck Mileage Tax	116,542,381	113,398,285	(2.7)
Vehicle Permits	3,232,211	6,702,614	107.4
Fuel Use	28,523,197	26,738,496	(6.3)
Hotel/Motel Room Occupancy	3,409	7,660	124.7
Auto Rental	37,544,739	37,911,285	1.0
Property Transfer Taxes, Total	\$1,143,026,295	\$1,160,431,146	1.5
Estate Tax	761,392,171	700,967,464	(7.9)
Gift Tax	6,296,660	7,043,434	11.9
Real Estate Transfer Tax	370,624,821	447,560,166	20.8
Real Property Transfer Gains Tax	4,712,643	4,860,083	3.1
Other Taxes and Fees, Total	\$38,707,172	\$38,701,485	(0.0)
Pari-Mutuel Tax, Total	13,523,999	13,579,232	0.4
Flat Racing, Total	12,120,395	12,228,990	0.9
Flat Racing Tax	10,525,233	10,559,441	0.3
N.Y.R.A. Franchise Fee	0	0	NA
Uncashed Tickets	1,595,162	1,669,549	4.7
Harness Racing, Total	1,403,604	1,350,242	(3.8)
Harness Racing Tax	851,652	803,245	(5.7)
Uncashed Tickets	551,952	546,997	(0.9)
Off-Track Betting, Total	24,509,973	24,543,658	0.1
Commissions and Breakage	18,269,116	18,094,067	(1.0)
Uncashed Tickets	6,240,856	6,449,591	3.3
Racing Admissions Tax (includes OTB Teletheater)	285,497	319,163	11.8
Boxing Tax	387,704	259,431	(33.1)
TOTAL COLLECTED BY TAX DEPARTMENT	\$43,370,339,957	\$39,799,848,868	(8.2)

New York State Taxes Collected by the Department of Taxation and Finance

Fiscal Years 2003 and 2004

Tax	2003	2004	Percent Change
Personal Income Tax, Before Refund Reserve	\$22,648,364,295	\$24,647,225,527	8.8
Personal Income Tax, After Refund Reserve	\$23,698,334,558	\$24,050,011,832	1.5
Business Taxes, Total	\$4,399,897,228	\$4,436,463,824	0.8
Business Corporations Art. 9-A	1,402,643,581	1,484,866,772	5.9
Corporations, Art. 9, Total	928,049,371	771,311,608	-16.9
Foreign Corporation Licenses, Sec. 181	25,997,793	27,662,147	6.4
Transportation, Transmission, Sec. 183	18,665,148	23,233,482	24.5
Transportation, Transmission, Sec. 184	70,208,166	48,468,167	-31.0
Agricultural Co-operatives, Sec. 185	35,139	89,652	155.1
Light, Water, Power, Sec. 186	550,206	2,439,753	343.4
Utilities, Sec. 186-a	360,175,334	195,191,556	-45.8
Telecommunications, Sec. 186-e	435,834,702	466,477,856	7.0
Importers of Natural Gas, Sec. 189	16,582,883	7,748,995	-53.3
Corporations, Art. 13	4,671,057	-2,989,001	-164.0
Banks, Art. 32, Total	409,044,722	285,949,624	-30.1
Commercial	398,414,102	280,629,277	-29.6
Savings	5,007,371	1,757,750	-64.9
Savings and Loan Associations	5,623,249	3,562,597	-36.6
Insurance, Art. 33	624,220,538	833,073,288	33.5
Direct Writings, Art. 33-A	8,392,092	11,872,762	41.5
Petroleum, Total	1,022,875,868	1,052,378,772	2.9
Lubricating Oils, Art. 24	-25,702	5,741	122.3
Oil Users, Art. 9, Sec. 182-a	0	0	NA
Petroleum Businesses, Art. 13-A	1,022,901,571	1,052,373,031	2.9
Sales and Compensating Use Tax - State Share	\$8,471,206,723	\$9,652,844,192	13.9
Excise and Use Taxes and Fees, Total	\$2,031,277,729	\$1,906,423,625	-6.1
Motor Fuel - N.Y.S. Total	543,780,765	515,530,418	-5.2
Diesel	65,035,502	52,682,421	-19.0
Gasoline	478,745,263	462,847,996	-3.3
Petroleum Testing Fees	3,064,690	3,025,564	-1.3
Cigarette and Tobacco Products	1,116,655,155	1,009,595,664	-9.6
Cigarette License Fees	3,126,783	2,987,857	-4.4
Cigarette Stickers	128,466	45,545	-64.5
Alcoholic Beverage Tax - N.Y.S. Total	179,762,383	191,364,128	6.5
Non-Refillable Beverage Containers	1,145	643	-43.8
Highway Use, Total	146,839,396	146,621,879	-0.1
Truck Mileage Tax	113,398,285	113,243,832	-0.1
Vehicle Permits	6,702,614	4,170,791	-37.8
Fuel Use	26,738,496	29,207,257	9.2
Hotel/Motel Room Occupancy	7,660	64,517	742.2
Auto Rental	37,911,285	37,187,409	-1.9
Property Transfer Taxes, Total	\$1,160,431,146	\$1,250,161,896	7.7
Estate Tax	700,967,464	732,294,754	4.5
Gift Tax	7,043,434	3,709,425	-47.3
Real Estate Transfer Tax	447,560,166	510,442,500	14.1
Real Property Transfer Gains Tax	4,860,083	3,715,217	-23.6
Other Taxes and Fees, Total	\$38,701,485	\$36,637,025	-5.3
Pari-Mutuel Tax, Total	13,579,232	12,851,306	-5.4
Flat Racing, Total	12,228,990	11,486,157	-6.1
Flat Racing Tax	10,559,441	9,998,839	-5.3
N.Y.R.A. Franchise Fee	0	0	NA
Uncashed Tickets	1,669,549	1,487,318	-10.9
Harness Racing, Total	1,350,242	1,365,149	1.1
Harness Racing Tax	803,245	796,291	-0.9
Uncashed Tickets	546,997	568,858	4.0
Off-Track Betting, Total	24,543,658	23,215,767	-5.4
Commissions and Breakage	18,094,067	16,694,220	-7.7
Uncashed Tickets	6,449,591	6,521,547	1.1
Racing Admissions Tax (includes OTB Teletheater)	319,163	344,374	7.9
Boxing Tax	259,431	225,578	-13.0
TOTAL COLLECTED BY TAX DEPARTMENT, BEFORE REFUND RESERVE	38,749,878,605	41,929,756,088	8.2
TOTAL COLLECTED BY TAX DEPARTMENT, AFTER REFUND RESERVE	\$39,799,848,868	\$41,332,542,393	3.9

New York State Taxes Collected by the Department of Taxation and Finance

Fiscal Years 2004 and 2005

Tax	2004	2005	Percent Change
Personal Income Tax, Before Refund Reserve	\$24,647,225,527	\$28,100,047,032	14.0
Personal Income Tax, After Refund Reserve	\$24,050,011,832	\$27,996,685,115	16.4
Business Taxes, Total	\$4,436,463,824	\$5,112,635,094	15.2
Business Corporations Art. 9-A	1,484,866,772	1,856,640,618	25.0
Corporations, Art. 9, Total	771,311,608	696,680,872	-9.7
Foreign Corporation Licenses, Sec. 181	27,662,147	28,376,802	2.6
Transportation, Transmission, Sec. 183	23,233,482	22,861,596	-1.6
Transportation, Transmission, Sec. 184	48,468,167	57,821,309	19.3
Agricultural Co-operatives, Sec. 185	89,652	118,738	32.4
Light, Water, Power, Sec. 186	2,439,753	16,760,277	587.0
Utilities, Sec. 186-a	195,191,556	134,878,230	-30.9
Telecommunications, Sec. 186-e	466,477,856	432,540,962	-7.3
Importers of Natural Gas, Sec. 189	7,748,995	3,322,960	-57.1
Corporations, Art. 13	-2,989,001	1,098,656	136.8
Banks, Art. 32, Total	285,949,624	586,695,996	105.2
Commercial	280,629,277	577,134,938	105.7
Savings	1,757,750	4,769,567	171.3
Savings and Loan Associations	3,562,597	4,791,492	34.5
Insurance, Art. 33	833,073,288	872,731,674	4.8
Direct Writings, Art. 33-A	11,872,762	13,729,413	15.6
Petroleum, Total	1,052,378,772	1,085,057,865	3.1
Lubricating Oils, Art. 24	5,741	2,488	-56.7
Oil Users, Art. 9, Sec. 182-a	0	0	NA
Petroleum Businesses, Art. 13-A	1,052,373,031	1,085,055,377	3.1
Sales and Compensating Use Tax - State Share	\$9,652,844,192	\$10,572,931,594	9.5
Excise and Use Taxes and Fees, Total	\$1,906,423,625	\$1,889,356,710	-0.9
Motor Fuel - N.Y.S. Total	515,530,418	529,773,648	2.8
Diesel	52,682,421	66,304,191	25.9
Gasoline	462,847,996	463,469,457	0.1
Petroleum Testing Fees	3,025,564	2,914,193	-3.7
Cigarette and Tobacco Products	1,009,595,664	975,948,282	-3.3
Cigarette License Fees	2,987,857	2,909,587	-2.6
Cigarette Stickers	45,545	75,628	66.1
Alcoholic Beverage Tax - N.Y.S. Total	191,364,128	184,893,893	-3.4
Non-Refillable Beverage Containers	643	921	43.2
Highway Use, Total	146,621,879	151,393,467	3.3
Truck Mileage Tax	113,243,832	115,412,992	1.9
Vehicle Permits	4,170,791	3,748,878	-10.1
Fuel Use	29,207,257	32,231,597	10.4
Hotel/Motel Room Occupancy	64,517	6,399	-90.1
Auto Rental	37,187,409	41,440,692	11.4
Property Transfer Taxes, Total	\$1,250,161,896	\$1,628,898,516	30.3
Estate Tax	732,294,754	895,289,667	22.3
Gift Tax	3,709,425	3,192,592	-13.9
Real Estate Transfer Tax	510,442,500	729,740,514	43.0
Real Property Transfer Gains Tax	3,715,217	675,742	-81.8
Other Taxes and Fees, Total	\$36,637,025	\$32,235,428	-12.0
Pari-Mutuel Tax, Total	12,851,306	11,770,530	-8.4
Flat Racing, Total	11,486,157	10,868,849	-5.4
Flat Racing Tax	9,998,839	9,257,129	-7.4
N.Y.R.A. Franchise Fee	0	0	NA
Uncashed Tickets	1,487,318	1,611,720	8.4
Harness Racing, Total	1,365,149	901,681	-33.9
Harness Racing Tax	796,291	426,111	-46.5
Uncashed Tickets	568,858	475,571	-16.4
Off-Track Betting, Total	23,215,767	19,733,976	-15.0
Commissions and Breakage	16,694,220	16,345,883	-2.1
Uncashed Tickets	6,521,547	3,388,093	-48.0
Racing Admissions Tax (includes OTB Teletheater)	344,374	378,779	10.0
Boxing Tax	225,578	352,143	56.1
TOTAL COLLECTED BY TAX DEPARTMENT, BEFORE REFUND RESERVE	41,929,756,088	47,336,104,373	12.9
TOTAL COLLECTED BY TAX DEPARTMENT, AFTER REFUND RESERVE	\$41,332,542,393	\$47,232,742,457	14.3

Consolidated Statement of Securities and Cash funds in Joint and Sole Custody

MARCH 31, 2003

JOINT CUSTODY FUNDS	SECURITIES - PAR VALUE	CASH	TOTAL
GENERAL CHECKING ACCOUNT (a)	4,797,097,600.00	(1,247,254,488.85) *cr	3,549,843,111.15
COMMON RETIREMENT SYSTEM (b)	95,598,305,000.00	(32,614.42) *cr	95,598,272,385.58
UNEMPLOYMENT INSURANCE FUND			
Benefits Account	0.00	3,789,971.43	3,789,971.43
Individual & Family Grant Program	0.00	3,474,821.26	3,474,821.26
Occupational Training Account Fund	0.00	(44,381.50) *cr	(44,381.50) *cr
TOTAL JOINT CUSTODY FUNDS	100,395,402,600.00	(1,240,066,692.08)	99,155,335,907.92

SOLE CUSTODY FUNDS	SECURITIES - PAR VALUE	CASH	TOTAL
COMMUNITY COLLEGE TUITION & INSTRUCTIONAL INCOME FUND	19,255,000.00	86,769.79	19,341,769.79
DORMATORY AUTHORITY OF THE STATE OF NEW YORK	29,150,000.00	686,053.59	29,836,053.59
HOMELESS HOUSING ASSISTANCE CORPORATION	27,105,000.00	74,063.20	27,179,063.20
NELSON A ROCKEFELLER ESP PERFORMING ARTS CORPORATION	0.00	24,817.86	24,817.86
NY CONVENTION CENTER OPERATING CORPORATION	28,300,000.00	2,665,688.06	30,965,688.06
NYS AFFORDABLE HOUSING DEVELOPMENT ACCOUNT	11,575,000.00	688,253.19	12,263,253.19
NYS ENERGY RESEARCH & DEVELOPMENT AUTHORITY	276,712,371.11	(214,824.41) *cr	276,497,546.70
NYS HOUSING FINANCE AGENCY	81,170,000.00	1,969,279.89	83,139,279.89
NYS HOUSING TRUST FUND	64,365,000.00	3,206,430.12	67,571,430.12
NYS INSURANCE DEPARTMENT	155,600,000.00	402,898.14	156,002,898.14
NYS JOB DEVELOPMENT AUTHORITY	27,425,000.00	312,775.56	27,737,775.56
NYS PROJECT FINANCE AGENCY	1,255,000.00	25,973.26	1,280,973.26
NYS TAX & FINANCE			
Excelsior Linked Deposit	36,326,607.00	0.00	36,326,607.00
Exchange Account	0.00	7,123.98	7,123.98
Off-Track Parimutuel Bet Tax Revenue Transfer Account	0.00	0.00	0.00
Parimutuel Revenue Transfer Account	0.00	0.00	0.00
Stock Transfer Incentive Fund	1,275,037.86	83,197.51	1,358,235.37
Stock Transfer Tax Fund	0.00	641,345.66	641,345.66
NYS TEACHERS' RETIREMENT SYSTEM	22,324,610,811.00	30,341.89	22,324,641,152.89
STATE INSURANCE FUND	0.00	6,188,171.49	6,188,171.49
STATE UNIVERSITY CONSTRUCTION FUND	20,623,020.92	133,202.60	20,756,223.52
WORKERS' COMPENSATION BOARD	647,522,899.07	(5,276,635.97) *cr	642,246,263.10
TOTAL SOLE CUSTODY FUNDS	23,752,270,746.96	11,734,925.41	23,764,005,672.37

TOTAL JOINT CUSTODY AND SOLE CUSTODY FUNDS **124,147,673,346.96** **(1,228,331,766.67)** **122,919,341,580.29**

The following General Checking Account funds had investment balances as of 03/31/2003:

FUND	PAR VALUE BALANCE
SHORT TERM INVESTMENT POOL (c)	3,057,031,600.00
DEBT ACCUMULATION RESERVE - REGULAR	0.00
DEBT ACCUMULATION RESERVE - NEW YORK CITY	1,581,279,000.00
ENVIRONMENTAL PROTECTION BOND FUND	1,577,000.00
MENTAL HEALTH SERVICES FUND (c)	23,339,000.00
OTHER	133,871,000.00

(*cr) MANAGED OVERDRAFT - Sufficient funds are deposited to pay checks as presented.

(a) The investments for essentially all joint custody funds within the General Checking account of the State are made on a consolidated basis through the Short Term Investment Pool. The overall cash needs of the various funds are determined on a daily basis and the investment holdings of the Pool are adjusted accordingly to meet such needs. The Short Term Investment Pool was designed to provide a more comprehensive approach to the cash management and investment of the various funds of the State.

(b) Includes reinvestment of funds. Value for securities for the Common Retirement System reflect total investable assets are reported at fair value as of March 31, 2003.

(c) Repurchase agreements are shown at par value of collateralized amount.

Consolidated Statement of Securities and Cash funds in Joint and Sole Custody

MARCH 31, 2004

JOINT CUSTODY FUNDS	SECURITIES -		
	PAR VALUE	CASH	TOTAL
GENERAL CHECKING ACCOUNT (a)	7,058,249,321.00	(549,613,871.19) *cr	6,508,635,449.81
COMMON RETIREMENT SYSTEM (b)	119,245,006,000.00	(108,780.10) *cr	119,244,897,219.90
UNEMPLOYMENT INSURANCE FUND			
Benefits Account		42,671,850.53	42,671,850.53
Individual & Family Grant Program		5,811,403.75	5,811,403.75
Occupational Training Account Fund		55,142.04	55,142.04
TOTAL JOINT CUSTODY FUNDS	126,303,255,321.00	(501,184,254.97)	125,802,071,066.03
SOLE CUSTODY FUNDS	SECURITIES -		
	PAR VALUE	CASH	TOTAL
COMMUNITY COLLEGE TUITION & INSTRUCTIONAL INCOME FUND	19,270,000.00	293,788.39	19,563,788.39
DORMATORY AUTHORITY OF THE STATE OF NEW YORK	35,600,000.00	579,190.47	36,179,190.47
HOMELESS HOUSING ASSISTANCE CORPORATION	15,725,000.00	73,209.88	15,798,209.88
NELSON A ROCKEFELLER ESP PERFORMING ARTS CORPORATION	0.00	59,082.04	59,082.04
NY CONVENTION CENTER OPERATING CORPORATION	36,700,000.00	(1,602,959.97) *cr	35,097,040.03
NYS AFFORDABLE HOUSING DEVELOPMENT ACCOUNT	20,275,000.00	845,443.46	21,120,443.46
NYS ENERGY RESEARCH & DEVELOPMENT AUTHORITY	292,029,983.02	(1,181,726.96) *cr	290,848,256.06
NYS HOUSING FINANCE AGENCY	106,375,000.00	1,765,284.95	108,140,284.95
NYS HOUSING TRUST FUND	81,280,094.92	2,838,014.62	84,118,109.54
NYS INSURANCE DEPARTMENT	132,600,805.19	477,598.40	133,078,403.59
NYS JOB DEVELOPMENT AUTHORITY	44,105,000.00	855,022.72	44,960,022.72
NYS PROJECT FINANCE AGENCY	1,235,000.00	33,618.88	1,268,618.88
NYS TAX & FINANCE			
Excelsior Linked Deposit	46,272,313.00	0.00	46,272,313.00
Exchange Account	0.00	(429.05) *cr	(429.05) *cr
Off-Track Parimutuel Bet Tax Revenue Transfer Account	0.00	0.00	0.00
Parimutuel Revenue Transfer Account	0.00	0.00	0.00
Stock Transfer Incentive Fund	1,275,037.86	57,739.12	1,332,776.98
Stock Transfer Tax Fund	0.00	863,313.00	863,313.00
NYS TEACHERS' RETIREMENT SYSTEM	19,855,605,444.00	(1,237,164.83) *cr	19,854,368,279.17
STATE INSURANCE FUND	0.00	11,237,376.75	11,237,376.75
STATE UNIVERSITY CONSTRUCTION FUND	20,210,000.00	223,034.48	20,433,034.48
WORKERS' COMPENSATION BOARD	615,947,319.17	(2,573,432.11) *cr	613,373,887.06
TOTAL SOLE CUSTODY FUNDS	21,324,505,997.16	13,606,004.24	21,338,112,001.40
TOTAL JOINT CUSTODY AND SOLE CUSTODY FUNDS	147,627,761,318.16	(487,578,250.73)	147,140,183,067.43

The following General Checking Account funds had investment balances as of 03/31/2004:

FUND	PAR VALUE BALANCE
SHORT TERM INVESTMENT POOL (c)	5,224,474,321.00
DEBT ACCUMULATION RESERVE - REGULAR	0.00
DEBT ACCUMULATION RESERVE - NEW YORK CITY	1,682,893,000.00
ENVIRONMENTAL PROTECTION BOND FUND	0.00
MENTAL HEALTH SERVICES FUND (c)	21,882,000.00
OTHER	129,000,000.00
TOTAL	7,058,249,321.00

(*cr) MANAGED OVERDRAFT - Sufficient funds are deposited to pay checks as presented.

(a) The investments for essentially all joint custody funds within the General Checking account of the State are made on a consolidated basis through the Short Term Investment Pool. The overall cash needs of the various funds are determined on a daily basis and the investment holdings of the Pool are adjusted accordingly to meet such needs. The Short Term Investment Pool was designed to provide a more comprehensive approach to the cash management and investment of the various funds of the State.

(b) Includes reinvestment of funds. Value for securities for the Common Retirement System reflect total investable assets are reported at fair value as of March 31, 2004.

(c) Repurchase agreements are shown at par value of collateralized amount.

Summary of Cash

04/01/2002 - 03/31/2003

	BALANCE 04/01/2001	RECEIPTS AND TRANSFERS	DISBURSEMENTS AND TRANSFERS	BALANCE 03/31/2002
JOINT CUSTODY				
GENERAL CHECKING ACCOUNT	(4,245,845,424.75) *cr	382,216,928,041.50	379,218,337,105.60	(1,247,254,488.85) *cr
COMMON RETIREMENT SYSTEM FUND	(217,806.74) *cr	65,970,371.21	65,785,178.89	(32,614.42) *cr
UNEMPLOYMENT INSURANCE FUND				
Benefits Account	51,502,588.15	4,233,275,400.00	4,280,988,016.72	3,789,971.43
Individual & Family Grant Program	564,556.71	90,715,905.00	87,805,640.45	3,474,821.26
Occupational Training Account	2,035,722.16	6,144,256.45	8,224,360.11	(44,381.50) *cr
TOTAL JOINT CUSTODY FUNDS	(4,191,960,364.47)	386,613,033,974.16	383,661,140,301.77	(1,240,066,692.08)
TOTAL SOLE CUSTODY FUNDS (d)	(18,861,230.19)	59,612,717,277.25	59,597,936,044.76	(4,079,997.70)
TOTAL ALL FUNDS	(4,210,821,594.66)	446,225,751,251.41	443,259,076,346.53	(1,244,146,689.78)

(*cr) MANAGED OVERDRAFT - Sufficient funds are deposited to pay checks as presented.

(d) Comprised of the following Sole Custody Funds: Stock Transfer Funds, Workers' Compensation, State Insurance Fund-Disability Benefits Tax Escrow, Insurance Department, Teachers' Retirement System and NYS Exchange

Summary of Cash

04/01/2003 - 03/31/2004

	BALANCE 04/01/03	RECEIPTS AND TRANSFERS	DISBURSEMENTS AND TRANSFERS	BALANCE 03/31/04
JOINT CUSTODY				
GENERAL CHECKING ACCOUNT	(1,247,254,488.85) *cr	444,844,810,712.32	444,147,170,094.66	(549,613,871.19) *cr
COMMON RETIREMENT SYSTEM FUND	(32,614.42) *cr	70,207,726.93	70,283,892.61	(108,780.10) *cr
UNEMPLOYMENT INSURANCE FUND				
Benefits Account	3,789,971.43	3,669,758,000.00	3,630,876,120.90	42,671,850.53
Individual & Family Grant Program	3,474,821.26	63,422,078.27	61,085,495.78	5,811,403.75
Occupational Training Account	(44,381.50) *cr	8,733,982.49	8,634,458.95	55,142.04
TOTAL JOINT CUSTODY FUNDS	(1,240,066,692.08)	448,656,932,500.01	447,918,050,062.90	(501,184,254.97)
TOTAL SOLE CUSTODY FUNDS (d)	(4,079,997.70)	62,864,984,262.63	62,863,288,619.55	(2,384,354.62)
TOTAL ALL FUNDS	(1,244,146,689.78)	511,521,916,762.64	510,781,338,682.45	(503,568,609.59)

(*cr) MANAGED OVERDRAFT - Sufficient funds are deposited to pay checks as presented.

(d) Comprised of the following Sole Custody Funds: Stock Transfer Funds, Workers' Compensation, State Insurance Fund-Disability Benefit Fund-Tax Escrow Account, Insurance Department, Teachers' Retirement System and NYS Exchange

LIST OF DEPARTMENT PUBLICATIONS

Office of Tax Policy Analysis Publications (As of May 10, 2005)

The following publications (unless indicated) are available
on the Web @ www.nystax.gov

2005

2005-2006
New York State Tax Expenditure Report
(February 2005)

Taxable Sales and Purchases
County and Industry Data for March 2001-February 2002
(March 2005)

Analysis of Article 9-A
General Business Corporation Franchise Tax Credits for 2001
(March 2005)

2001 New York State Corporate Tax Statistical Report
(March 2005)

2003-2004 New York State Tax Collections
Statistical Summaries and Historical Tables
(March 2005)

New York State Tax Sourcebook
(April 2005)

Earned Income Tax Credit
Analysis of Credit Claims for 2003
(April 2005)

2004

2002-2003 New York State Tax Collections
Statistical Summaries and Historical Tables
(January 2004)

2004-2005
New York State Tax Expenditure Report
(February 2004)

New York Adjusted Gross Income and Tax Liability
Analysis of 2000 State Personal Income Tax Returns
by Place of Residence
(March 2004)

Tax Amnesty
Review of New York State's 2002-2003 Amnesty Program
(March 2004)

Taxable Sales and Purchases
County and Industry Data for March 2000-February 2001
(April 2004)

Earned Income Tax Credit
Analysis of Credit Claims for 2002
(June 2004)

New York State Tax Sourcebook
(June 2004)

Analysis of 2001 Personal Income Tax Returns
(June 2004)

Analysis of Article 9-A
General Business Corporation Franchise Tax Credits for 2000
(June 2004)

2000 New York State Corporate Tax Statistical Report
(July 2004)

Summary of Tax Provisions 2004-2005
(July 2004)

Handbook of New York State and Local Taxes
(August 2004)

New York Adjusted Gross Income and Tax Liability
(September 2004)

Real Property Circuit Breaker Tax Credit
2002 Credit Use by County
(December 2004)

2003

1998 - New York State Corporate Tax
Statistical Report
(January 2003)

Real Property Circuit Breaker Tax Credit
2000 Credit Use by County
Includes 1999 Credit Use
(January 2003)

2001-2002 New York State Tax Collections
Statistical Summaries and Historical Tables
(January 2003)

Handbook of New York State and Local Taxes
(February 2003)

New York State Tax Sourcebook
(March 2003)

2003-2004
New York State Tax Expenditure Report
(March 2003)

Analysis of Article 9-A
General Business Corporation Franchise Tax Credits for 1999
(May 2003)

Taxable Sales and Purchases
County and Industry Data for
March 1999 - February 2000
(May 2003)

LIST OF DEPARTMENT PUBLICATIONS (cont'd)

- New York Adjusted Gross Income and Tax Liability
Analysis of 1998 State personal income tax returns
by place of residence
(May 2003)
- 1999 - New York State Corporate Tax
Statistical Report
(June 2003)
- Handbook of New York State and Local Taxes
(July 2003)
- New York State Clothing Exemption
(September 2003)
- Earned Income Tax Credit
Analysis of Credit Claims for 2001
(September 2003)
- Analysis of 2000 Personal Income Tax Returns
(September 2003)
- Real Property Circuit Breaker Tax Credit
2001 Credit Use by County
(November 2003)
- New York State Child and Dependent Care Credit
Background and Statistical Analysis for 2001
(December 2003)
- 2002**
- 2000-2001 New York State Tax Collections
Statistical Summaries and Historical Tables
(January 2002)
- New York Adjusted Gross Income and Tax Liability
Analysis of 1998 State Personal Income Tax Returns
by Place of Residence
(January 2002)
- Taxable Sales and Purchases
County and Industry Data for
September 1999 - February 2000
(January 2002)
- 2002-2003
New York State Tax Expenditure Report
(February 2002)
- Handbook of New York State and Local Taxes
(February 2002)
- Analysis of Article 9-A
General Business Corporation Franchise Tax Credits for 1998
(March 2002)
- New York State Tax Sourcebook
(March 2002)
- Summary of Tax Provisions in SFY 2002-03 Budget
(June 2002)
- Earned Income Tax Credit
Analysis of Credit Claims for 2000
(June 2002)
- New York State Estate Tax
SFY 2000-01
Analysis of Tax Returns
(June 2002)
- Handbook of New York State and Local Taxes
(August 2002 - Revised)
- Summary of Tax Provisions in SFY 2002-03 Budget
(October 2002)
- Analysis of 1999 Personal Income Tax Returns
(November 2002)
- 2001**
- Local Telecommunications Taxes and Fees
in New York State
(January 2001)
- 2001-2002
New York State Tax Expenditure Report
(February 2001)
- Analysis of Article 9-A
General Business Corporation Franchise Tax Credits for 1997
(February 2001)
- Taxable Sales and Purchases
County and Industry Data for
September 1998 - February 1999
(February 2001)
- Real Property Circuit Breaker Tax Credit
1998 Credit Use by County
Includes 1996 and 1997 Credit Use
(February 2001)
- 1999-2000 New York State Tax Collections
Statistical Summaries and Historical Tables
(March 2001)
- 1996 New York State Corporate Tax Statistical Report
(March 2001)
- Taxable Sales and Purchases
County and Industry Data for
March 1999 - August 1999
(June 2001)
- New York State Tax Sourcebook
(July 2001)
- Analysis of 1998 Personal Income Tax Returns
(August 2001)

LIST OF DEPARTMENT PUBLICATIONS (cont'd)

New York State Estate Tax SFY 1999-00 Analysis of Tax Returns (August 2001)	Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1995 (January 1999)
Earned Income Tax Credit Analysis of Credit Claims for 1999 (October 2001)	Small Business Report Statistics for Tax Year 1995 (January 1999)
2000	New York State 1999-2000 Tax Expenditure Report (February 1999) (Available in Hard Copy Only)
2000-2001 New York State Tax Expenditure Report (February 2000)	New York Adjusted Gross Income and Tax Liability Analysis of 1996 State Personal Income Tax Returns by Place of Residence (February 1999)
1998-99 New York State Tax Collections Statistical Summaries and Historical Tables (March 2000)	1997-98 New York State Tax Collections Statistical Summaries and Historical Tables (February 1999)
Small Business Report: Statistics for Tax Year 1996 (March 2000)	Earned Income Tax Credit Analysis of Credit Claims for 1997 (March 1999)
Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1996 (April 2000)	New York State Estate Tax SFY 1997-98 Analysis of Tax Returns (April 1999)
Summary of Tax Provisions in SFY 2000-01 Budget (May 2000)	Analysis of 1996 Personal Income Tax Returns Profile of Income, Deductions, Credits and Tax (May 1999)
Analysis of 1997 Personal Income Tax Returns (June 2000)	Taxable Sales and Purchases County and Industry Data for September 1997 - February 1998 (June 1999)
Income Tax Reduction Act of 1995 Benefit to New Yorkers (June 2000)	1995 New York State Corporate Tax Statistical Report (August 1999)
Earned Income Tax Credit Analysis of Credit Claims for 1998 (July 2000)	Real Property Circuit Breaker Tax Credit 1995 Credit Use by County (August 1999)
New York State Estate Tax SFY 1998-99 Analysis of Tax Returns (August 2000)	Summary of Tax Provisions in SFY 1999-2000 Budget (September 1999)
Summary of Tax Provisions in SFY 2000-01 Budget (Including Multi-Year Revenue Impacts of Tax Actions) (August 2000)	Taxable Sales and Purchases County and Industry Data for March 1998 - August 1998 (November 1999)
New York Adjusted Gross Income and Tax Liability Analysis of 1997 State Personal Income Tax Returns by Place of Residence (October 2000)	New York State Tax Sourcebook (November 1999)
1999	
The Temporary Clothing Exemptions Statistical Analysis of the Temporary Sales Tax Exemptions for Clothing Sales in New York State (January 1999)	

LIST OF DEPARTMENT PUBLICATIONS (cont'd)

1998	1997
New York Adjusted Gross Income and Tax Liability Analysis of 1995 State Personal Income Tax Returns by Place of Residence (January 1998)	Improving New York State's Telecommunications Taxes Final Report and Recommendations (January 1997)
Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1994 (January 1998)	Taxable Sales and Purchases County and Industry Data for March 1995 - February 1996 (January 1997)
New York State 1998-1999 Tax Expenditure Report (February 1998) (Available in Hard Copy Only)	New York State Estate Tax SFY 1995-96 Analysis of Tax Returns (January 1997)
1990-1994 New York State Corporate Tax Statistical Report (February 1998)	New York State 1997-1998 Tax Expenditure Report (February 1997) (Available in Hard Copy Only)
Taxable Sales and Purchases County and Industry Data for August 1996 - February 1997 (February 1998)	Earned Income Tax Credit Analysis of Credit Claims for 1995 (February 1997)
Earned Income Tax Credit Analysis of Credit Claims for 1996 (February 1998)	New York Adjusted Gross Income and Tax Liability Analysis of 1994 State Personal Income Tax Returns by Place of Residence (April 1997)
New York State Estate Tax SFY 1996-97 Analysis of Tax Returns (April 1998)	Analysis of 1994 Personal Income Tax Returns Profile of Income, Deductions, Credits and Tax from Taxable Returns (April 1997)
Real Property Circuit Breaker Tax Credit 1994 Credit Use by County (April 1998)	New York State Tax Sourcebook (May 1997) (Available in Hard Copy Only)
Analysis of 1995 Personal Income Tax Returns Profile of Income, Deductions, Credits and Tax from Taxable Returns (May 1998)	Taxable Sales and Purchases County and Industry Data for March 1995 - August 1996 (July 1997)
New York State Tax Sourcebook (July 1998) (Available in Hard Copy Only)	Summary of 1997-98 Tax Provisions (September 1997)
Summary of 1998-99 Tax Provisions (August 1998)	1996-97 New York State Tax Collections Statistical Summaries and Historical Tables (October 1997)
Tax Amnesty Review of New York State's 1996-97 Amnesty Program (August 1998)	The Temporary Clothing Exemption Analysis of the Effects of the Exemption on Clothing Sales in New York State (November 1997)
Taxable Sales and Purchases County and Industry Data for March 1997 - August 1997 (September 1998)	1996
	State Tax on Motor Vehicle Damage Awards Evaluating the Impact and Cost-Effectiveness of Article 15 (January 1996)

LIST OF DEPARTMENT PUBLICATIONS (cont'd)

New York State 1996-1997 Tax Expenditure Report (January 1996) (Available in Hard Copy Only)	Recent Trends in Article 9-A Collections and Liability (November 1996) (Available in Hard Copy Only)
New York State Estate Tax SFY 1994-95 Analysis of Tax Returns (January 1996)	Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1993 (December 1996)
Analysis of Article 9-A General Business Corporation Franchise Tax Credits for 1992 (January 1996)	1995
The Effectiveness of the ITC An Evaluation of New York's Investment Tax Credit (February 1996)	New York State Tax Source Book (January 1995) (Available in Hard Copy Only)
Earned Income Tax Credit Analysis of Credit Claims for 1994 (February 1996)	State of New York Tax Expenditure Report 1995-1996 (February 1995) (Available in Hard Copy Only)
Real Property Circuit Breaker Tax Credit 1993 Credit Use By County (April 1996)	New York State Adjusted Gross Income and Tax Liability for 1992 By County of Residence (February 1995) (Available in Hard Copy Only)
New York State Tax Source Book (April 1996) (Out of Print)	1992 Real Property Circuit Breaker Tax Credit Use in New York State (April 1995)
Taxable Sales and Purchases County and Industry Data for September 1994 - August 1995 (June 1996) (Available in Hard Copy Only)	Franchise Tax on Banking Corporations Analysis of Tax Return and Audit Data (April 1995)
New York Adjusted Gross Income and Tax Liability Analysis of 1993 State Personal Income Tax Returns by Place of Residence (July 1996)	New York State Corporate Tax Statistical Report (May 1995)
Summary of 1996-97 Tax Provisions (August 1996) (Available in Hard Copy Only)	Analysis of 1992 Personal Income Tax Returns (May 1995)
Analysis of 1993 Personal Income Tax Returns Profile of Income, Deductions, Credits and Tax from Taxable Returns (August 1996)	State of New York 1995-96 Tax Provisions (June 1995) (Available in Hard Copy Only)
Improving New York State's Telecommunications Taxes A Background Study and Status Report (August 1996)	Taxable Sales and Purchases Subject to Use Tax By County and Industry For Selling Periods September 1993 Through August 1994 (June 1995) (Available in Hard Copy Only)
1995-96 New York State Tax Collections Statistical Summaries and Historical Tables (November 1996)	State Tax on Motor Vehicle Damage Awards Preview of Compliance Issues and Taxpayer Impacts Under Study in Article 15 (November 1995) (Available in Hard Copy Only)
New York State Corporate Tax Statistical Report (November 1996)	Targeted Tax Amnesty Review of New York State's 1994 Amnesty Program (December 1995)

LIST OF DEPARTMENT PUBLICATIONS (cont'd)

Progressive Improvement
The Impact of Income Tax Cuts on New York's Taxpayers
and Tax Competitiveness
(December 1995)
(Available in Hard Copy Only)

1994-95 New York State Tax Collections
Statistical Summaries and Historical Tables
(December 1995)

Taxable Sales and Purchases
County and Industry Data for
March 1994 - February 1995
(December 1995)
(Available in Hard Copy Only)

DEPARTMENT MILESTONES

April 2002

- Commissioner Arthur J. Roth announces kickoff of multi-year e-Managed Processes for an Integrated Revenue Enterprise (e-MPIRE) project to develop an integrated tax system.
- Tax and the Albany County District attorney announce that two Capital District Businessmen and 15 current and former employees of the MTA face criminal charges as part of a major tax enforcement sweep.
- The Audit Division implements a major reorganization, creating the Income Franchise Field Audit and the Income Franchise Desk Audit Bureaus.

July 2002

- Tax begins to note a significant increase in use tax return payments as a result of recent media attention on alleged tax fraud involving purchases of expensive artwork from New York City galleries.

August 2002

- Audit creates Abusive Tax Shelter Desk Audit Unit.

September 2002

- Tax commemorates first anniversary of 9/11; announces “Spirit of 9/11 Award” to recognize significant commitment to volunteerism by employees and their children.

October 2002

- The IRS, New York City Finance and Tax sign a Memorandum of Understanding authorizing cooperative audit examinations of banking corporations.
- Electronic New Hire Reporting made available through Online Reporting Center.

January 2003

- Tax says “good-bye” to about 160 coworkers under Targeted Retirement Incentive program.
- Tax Amnesty Program ends January 31.
- Individual Taxpayer Answer Center launched.
- Tax offers Braille Transcription Services to all NYS agencies.
- Tax completes the re-licensing of all cigarette stamping agents and wholesalers conducting business in the state.
- 2-D bar coding technology added to income tax returns.
- Enterprise Services Division (ESD) forms Project Portfolio Review Board, a committee of executives that evaluates, approves/disapproves, prioritizes, and monitors the division’s portfolio of information technology projects.
- Withholding tax exception process reengineered, enabling a significant reduction in inventories.

February 2003

- Andrew S. Eristoff joins Tax as Executive Deputy Commissioner.
- *Governing* Magazine lauds Tax’s services as “excellent.”

March 2003

- Tax elects to continue into development phase of e-MPIRE without a single contract systems integrator.

DEPARTMENT MILESTONES (cont'd)

April 2003

- Tracking IRS, Tax announces New York State Offshore Voluntary Compliance Initiative, with October 15, 2003 deadline.
- Legislature makes New York a Streamlined Sales Tax Project Implementing State.
- Executive Portfolio Review Board (PRB) holds its first meeting. Project charters (core project documentation setting forth justifications and proposed schedule and budget information) are required for all new information technology projects initiated after April 1.
- Over 2.1 million taxpayers e-file their Personal Income Tax (PIT) returns, a 20 percent increase over previous year.
- Over 19,000 taxpayers file personal income tax extensions through the Tax website.

May 2003

- Tax's Internet-based One Stop Credentialing and Registration System (OSCAR) moves from pilot phase to full-service operation.
- Office of Tax Enforcement's (OTE) Operation Phoenix culminates in the arrest of 12 tobacco bootleggers and the destruction of a major smuggling operation.
- Tax partners with industry to create working group on the taxation of corporate partners.

June 2003

- Tax Appeals Tribunal rules in Tax's favor in *Sherwin-Williams* case involving combined filing and intangible holding companies.
- Reorganization reallocates former Client Services Division (CSD) functions and resources and includes creation of a new Office of Budget and Management Analysis.
- At the request of industry, Tax begins comprehensive review of guidance with respect to withholding tax audits.
- State Archive Records Administration approves Tax's proposed records management strategy that leverages the use of imaged PIT return records.
- Tax launches e-Learning program.
- Office of Tax Policy Analysis (OTPA) begins overhaul of the primary PIT returns, featuring a four-page "sequential" format that tracks IRS forms.

July 2003

- New Green Island Printing, Mailing and Supply Services facility opens.
- LATS (electronic Leave and Accrual Tracking System) rollout begins.
- Following the IRS model, Tax decides to permit taxpayers to use a self-selected PIN during the 2004 processing season.
- New credit card payment facility for accounts receivable payments becomes operational.
- Tracking IRS, Tax announces "Son of BOSS" tax shelter voluntary compliance initiative.

August 2003

- Commissioner Arthur Roth announces his retirement; Andrew S. Eristoff named Acting Commissioner.
- Barbara G. Billet named Executive Deputy Commissioner.
- Tax is the first state tax agency to enter into a Memorandum of Understanding with the IRS' Small Business/Self-Employed Division regarding cooperative efforts to fight abusive tax avoidance transactions.
- Call center begins handling Hunting and Fishing Licenses for the Department of Environmental Conservation (DEC).
- Tax awards contract for payment coupon processing to BankOne.

DEPARTMENT MILESTONES (cont'd)

September 2003

- New York State Senate confirms Andrew S. Eristoff as Tax Commissioner.
- As mandated by the Legislature's adopted budget (Chapters 62 and 63 of the Laws of 2003), Tax proposes regulations regarding the collection of sales and excise taxes on retail sales of cigarettes and motor fuel made to non-Indians on Indian reservations.
- Tax launches Internet service allowing authenticated taxpayers to view their statement of account and make electronic payments on open assessments using ACH debit.
- Commissioner Eristoff designates Deputy Commissioner for Tax Policy Analysis Michelle A. Cummings as his representative to the Streamlined Sales Tax Project's Implementing States
- e-MPIRE and Taxpayer Services and Revenue Division (TSRD) launch automated workflow pilot in Sales Tax Exceptions.
- The Bureau of Conciliation and Mediation Services (BCMS) completes its third Customer Survey (its second for taxpayers/representatives) which again provides overwhelmingly positive feedback and support for both the professionalism and expertise of our conferees, and for the effectiveness of the conciliation conference process in general in resolving formal taxpayer disputes.
- OTPA publishes *The New York State Clothing Exemption – Statistical Analysis of the State Tax Exemption for Clothing in New York State*.

October 2003

- Capping a major OTE investigation that included a host of local and federal law enforcement agencies, Page Martin and A.D. Bedell Company, Inc. plead guilty to racketeering charges arising from massive illegal cigarette smuggling operation in Western New York.
- Administrative Law Judge rules that Tax may not mandate proration of pass through items for a year in which a change of residence occurs between resident and nonresident periods if the actual date of receipt was ascertainable (*Matter of Falberg*). Separately, Governor Pataki vetoes S.3941, which would have imposed a policy similar to the ALJ's decision in *Falberg* retroactively, and directs Tax to draft alternative legislation to achieve S.3941's policy objectives.
- State Comptroller approves the Multiple Award Standby Agreement for e-MPIRE and ESD.
- Records Access Office (under the Freedom of Information Law) becomes a part of the Office of Counsel.
- Commissioner Eristoff inaugurates Employee of the Month program.

November 2003

- Court of Appeals upholds "convenience of the employer" income apportionment rule (*Matter of Edward A. Zelinsky*).
- Appellate Division, Third Department holds that 1997 retroactive "legislative fix" to Article 13-A Petroleum Business Tax in response to *Tug Buster Bouchard v. Wetzler* does not violate due process (*Moran Towing*).
- Tax selects BankOne's proposals for Singlefile and PrompTax programs.
- E-traveler launched.
- Pursuant to adopted budget, Tax implements new Waste Tire Management Fee.

December 2003

- Tax and Department of Health enter MOU allowing Health to verify the accuracy of income information relating to Child Health Plus recertifications.
- Electronic sales tax filing for PrompTax vendors pilot begins.
- Treasury issues over 2,300 \$1,000 checks to children of WTC victims from the World Trade Center Relief Fund.
- Tax hosts the Federation of Tax Administrators Advanced Motor Fuel Training Session.

DEPARTMENT MILESTONES (cont'd)

January 2004

- Leveraging new electronic process for sharing tax warrant information, New York Department of State begins posting of tax warrant information on its website.
- Content Manager image viewer moves to production.
- The Office of the Deputy Inspector General launches new computer forensics lab.
- TSRD adds a Spanish version to Taxpayer Contact Center's refund status interactive voice response (IVR) system.
- First phase of IRS Income Tax Examination Changes automation completed.
- The Executive PRB approves a prioritized portfolio of information technology projects.

February 2004

- Administrative Law Judge rules in Tax's favor in *Disney Enterprises*, an important combination case.
- Tax files a notice of continuation extending the expiration of proposed Indian sales tax regulations for 180 days.
- First phase of Case Identification Selection System (CISS) implemented, providing auditors with new case selection and workflow tools with respect to fraudulent credit claims.
- OTPA coordinates first meeting of the reconstituted joint State/City Financial Services Modernization Task Force.
- Tax employee Mary Joyce Robinson honored at Governor's Fourth Annual Tribute to African American Leaders in State Service.
- Tax employees mourn passing of former Tax Commissioner Michael Urbach.

March 2004

- Tax and the California Franchise Tax Board spearhead development of a new information-sharing agreement regarding abusive state-level tax shelters. Tax agrees to develop and maintain a Web-accessible Multistate Tax Shelter Application.
- Court of Appeals upholds Tax regulation that precludes third-party assignees of debts from receiving a "bad debt" credit or refund of sales tax when the debt becomes uncollectible (*Matter of General Electric Capital Corp.*).
- Tax awards paper processing of the Personal Income Tax to Fleet Bank while deciding to in-source electronic filing.
- Tax and Department of Labor execute MOU governing exchange of withholding tax, wage reporting and unemployment insurance information.
- Tax begins participating in Governor Pataki's Operation IMPACT (Integrated Municipal Police Anti-Crime Teams) Task Force.
- Tax revises refund procedures for cigarette agents, wholesalers and retailers to reflect changes to tobacco manufacturer refund policies.
- Sales tax quarterly return e-file option offered to all qualifying PrompTax vendors.

April 2004

- Tax signs Sharing Agreement allowing the Division of Motor Vehicles (DMV) to share data for child support collection purposes.
- OTPA publishes statutory report, *Tax Amnesty – Review of New York State's 2002-2003 Amnesty Program*. The program generated approximately \$580 million in adjusted gross revenues and \$82.9 million in net revenues.
- OTPA completes Regulations on the Web project along with implementation of a public website subscription service to notify subscribers of any new regulatory actions.
- Revenue collected so far in response to a letter sent out in relation to the *Sherwin-Williams* combination case already exceeds \$200 million.
- ESD Project Management Office presents the first Project Portfolio Dashboard report (a consolidated, color-coded status report) to the Executive PRB.

DEPARTMENT MILESTONES (cont'd)

- Tax initiates the development of business continuity plans.

May 2004

- NYS-1 processing at BankOne in Binghamton begins.
- PIT e-filing increases 15.5 percent over prior year.

June 2004

- Tax and NYC Finance present “vision” for the future taxation of investment income to the Financial Services Modernization Task Force.
- Tax issues new tax stamps for cigarette packs sold in New York City, and packs sold outside the City, to coincide with the implementation of the fire-safe cigarette law.
- Parties enter into stipulations terminating *Moran Towing* litigation involving a constitutional challenge to the Article 13-A Petroleum Business Tax.
- Following IRS’ lead, Tax announces “Son of Boss” tax shelter settlement initiative.
- Tax joins IRS and California in coordinating a Corporation Tax Shelter Focus Group.
- Fully automated Sales Tax electronic funds transfer assessment process goes into production.

July 2004

- Tax completes project for electronic delivery of child support enforcement warrants to the Department of State, enabling on-line search of warrants.
- OTE enters into MOU for access to federal Financial Crimes Enforcement Network (FinCEN).
- Article 20/Certificate of Registration compliance project begins.
- Tax eliminates requirement that new federal electronic return originators (EROs) file a separate application for PIT e-File.

August 2004

- State Comptroller issues positive draft report on protest resolution process, noting Tax’s “commendable” progress since previous review in 1994.
- Tax Appeals Tribunal holds that Tax properly included New York receipts of non-taxpayer combined group members in the numerator of the group’s receipts factor (*Matter of Alpha Inc.*).
- Upstate Cigarette Investigation Tax Enforcement (CITE) investigators reassigned from OTE to the Audit Division.
- The NYS World Trade Center Relief Fund issues \$4,000 checks to each of 300 injured victims of the September 11 terrorist attacks.
- Tax launches new online Business Taxpayer Answer Center.
- Tax becomes an Associate Member of the Multistate Tax Commission.

September 2004

- Administrative Law Judge hands Tax another significant combination case victory (*Matter of Lowe’s Home Centers, Inc.*).
- Tax issues a Three Year Update of its Strategic Plan for 2004-2007, identifying a single strategic goal: *That all taxpayers voluntarily pay the correct tax timely.*
- Singlefile processing at BankOne in Binghamton begins.

October 2004

- e-MPIRE Release 1 (Taxpayer Identification) deployed successfully.
- Appellate Division, Third Department, upholds Tax Appeals Tribunal’s landmark *Sherwin-Williams* decision.
- TSRD begins in-house imaging of documents.

DEPARTMENT MILESTONES (cont'd)

November 2004

- Governor vetoes S.6822-A, a bill to codify proposed regulations for the taxation of cigarettes and fuel on sales to non-Indians.
- Tax receives IRS corporate affiliation information for the first time.
- Multistate Tax Shelter Application deployed to production.
- As a result of a major OTE undercover sting operation, eight individuals and one retailer plead guilty to a variety of federal offenses related to cigarette smuggling.
- OTE and federal law enforcement agencies seize approximately 200,000 cartons of untaxed cigarettes from Switzerland at JFK Airport.

December 2004

- OTE reorganizes its two bureaus.
- Tax begins publishing selected performance indicators to the Internet.

January 2005

- Learning Academy portal launched as part of succession management initiative.
- Article 20 Project concludes; 109 retailers paid \$861,000, a notable success.
- United State Postal Service awards Tax's Mail Processing Center the Best in Class "Smooth Operator Award" for the Northeast.
- IRS Transcript Delivery System pilot program begins; Tax is one of six state tax agencies selected to participate.
- ESD completes "in-sourcing" of electronic PIT returns processing.
- Conforming to federal practice, Tax removes the manual signature requirement for paid preparers from the PIT regulations.
- Treasury completes relocation of the Income Tax Refund Unit from Building 8 to 110 State Street.

February 2005

- Executive Conference Room renamed in honor of the late Commissioner Michael Urbach; new program to recognize employee excellence in customer service is established in his memory.
- Tax mails dunning letters to approximately 2,200 New York State customers of several Virginia-based on-line cigarette sellers seeking to recover unpaid cigarette taxes.

March 2005

- U.S. Supreme Court rules that the Oneida Nation's acquisition of property within the bounds of its historic reservation did not revive the Nation's sovereignty over the land (*City of Sherrill*).
- New York Court of Appeals again affirms convenience test in *Matter of Huckaby*.
- The Audit Framework Extension (AFE) application upgraded to offer comprehensive 'one-stop' case management functionality.
- First "Leadership Forum" for senior managers held.
- e-MPIRE adopts phased deployment strategy for Release 2 (Corporation Tax).
- Audit Division finishes the fiscal year with new records for assessments (\$2.3 billion) and collections (\$1.75 billion); collections exceed the prior record by more than 15 percent.
- OTPA releases a preliminary report on small business for Tax Year 2001.

April 2005

- Tax commits to extending Project Management enterprise-wide.
- Taxpayers e-file more than 3 million returns, an annual 20 percent increase.

DEPARTMENT MILESTONES (cont'd)

May 2005

- State Ethics Commission awards annual Theodore Roosevelt Ethics Award to Tax.
- Tax and Division of the Lottery enters into an MOU allowing for the exchange of data and information to assist each agency in discharging administrative responsibilities.