
Tax Alert

New York City Announces Proposal to Reform the City's Corporate Tax



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On January 12, 2015 Mayor de Blasio announced a proposal to reform the City's corporate tax structure to bring consistency with the changes that were passed in last year's New York State budget. The proposal, which is intended to be revenue neutral, would be retroactive to January 1, 2015.

On March 31, 2014, Governor Cuomo signed the 2014-2015 budget which contained dramatic changes to the state taxation of corporations. (See our alert [here](#).) Mayor de Blasio's proposal would incorporate many of the state changes, including:

- Merging the bank tax into the City's Corporate Franchise Tax.
- A change to a single sales factor using market-based sourcing for corporate apportionment.
- Adoption of an economic nexus standard.
- Conformity with the State's unitary combined reporting rules.
- Adoption of a new method of computing net income by treating most income as business income.
- Targeted relief to small businesses and manufacturers, including:
 - Excluding the first \$10,000 of the capital tax base.
 - A reduction of the tax rate for small non-manufacturers with less than \$1 million in allocated net income from 8.85% to 6.5%.
 - A reduction of the tax rate for small manufacturers with less than \$10 million in allocated net income from 8.85% to 4.425%. A smaller rate reduction will be provided to manufacturers with income between \$10 million and \$20 million.

The de Blasio administration feels these changes will ensure corporations will not need to maintain separate records for City and State tax purposes, creating consistency in taxation that will prevent administrative burdens for both taxpayers and the City, and moving the City forward while protecting their long-term fiscal health. The administration also views the changes as reinforcing the City's status as the global center of commerce and making the City more attractive for business investment and job growth.

The City is planning to move their tax reform legislation through the Governor's executive budget that is expected to be released in the upcoming weeks.

Similar to the State changes, the City's proposal is geared toward corporate taxpayers and did not address changes to the City's Unincorporated Business Tax.

The changes described above are only some of the proposed tax law modifications. Businesses should be aware of the changing landscape in New York City and reach out to their WeiserMazars professional for specific guidance.

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