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## **CBC Urges State Leaders to Respond to the Federal Tax Cuts and Jobs Act To Promote Competitiveness and Protect New Yorkers**

**New York, NY - March 26, 2018** - With budget negotiations in the final push, the Citizens Budget Commission (CBC) urges State leaders to take a multistage approach to responding to the Federal Tax Cuts and Jobs Act. CBC recommends the following critical steps be taken immediately and over the next year to maintain New York's competitiveness and mitigate the impact of the federally driven State tax increase.

### **By April 1**

- Create charitable public education and health funds for the State and authorize localities to do the same, provided that a mechanism is included to ensure those funds are treated in a transparent and accountable manner.
- Decouple the personal exemption, enhanced child tax credit, and the state and local tax deduction cap from the federal definitions to mitigate \$740 million of the \$1 billion unplanned tax increase.
- Adopt the Governor's proposed technical business tax change clarifying that corporations may not reflect partial federal deduction on foreign income deemed repatriated on State tax returns.

### **By June 20 (End of Legislative Session)**

- Adopt an optional Employer Compensation Expense Tax (ECET) covering wages of high-salary employees; consider covering wages in excess of \$200,000 and phasing up to a 6.65 percent rate.
- Adopt an Unincorporated Business Tax (UBT) to preserve deductibility for pass-through entities; before finalizing, share proposal for public review and comment.

### **October - December**

- Identify and adopt reforms for 2019 that allow continued conformity to the federal definitions for the standard deduction, miscellaneous deductions, medical expense deduction, and alimony changes that eliminate the unplanned tax increases.

### **Ongoing**

- Consider broader reforms to improve competitiveness and streamline the tax system.

Read the full analysis in [Practical Policy in Challenging Circumstances: How NYS and NYC Should Respond to the Tax Cuts and Jobs Act](#).