

NEW YORK STATE LEGISLATURE ADOPTS REVENUE BILL

On August 3, the New York State Legislature adopted for its 2010-11 fiscal year a revenue bill that raises a variety of taxes by approximately \$1 billion. Governor Paterson is expected to sign the bill shortly.

The key tax changes include:

- **Sales tax exemption for clothing and footwear** – The state sales tax exemption of \$110 per item is temporarily suspended from October 1, 2010 through March 31, 2011. Beginning April 1, 2011 the exemption would be reinstated at \$55 per item and would revert back to \$110 on April 1, 2012. Local governments have the option of maintaining their current exemptions or opting into the new exemption schedule.
- **Room remarketers** – Effective September 1, 2010, internet travel sites such as Expedia and Orbitz will be required to collect state and local sales taxes on hotel occupancies.
- **Vendor sales tax credit** – The current five percent vendor collection credit (limited to \$200 per quarter) is eliminated.
- **Business tax credit deferral** – For tax years 2010, 2011, and 2012, taxpayers with more than \$2 million in aggregated business tax credits will be required to defer the amounts above \$2 million until 2013. The total amount of deferred credits would be claimed by taxpayers in the years 2013 – 2015.
- **Itemized deduction limitation** – Taxpayers with New York adjusted gross income above \$10 million will see their deduction for charitable contributions drop from 50 percent to 25 percent.
- **Taxation of nonresidents** – The definition of New York source income is expanded to include income from businesses or occupations previously carried on in New York, including income from termination agreements and covenants not to compete. A controversial proposal that would have taxed the earnings of nonresident hedge fund managers was removed from the bill.

For more information about this legislation, please contact Neil Becourtney, CPA, via email at nbecourtney@jhcohn.com, or your J.H. Cohn professional at 877-704-3500.

Neil Becourtney, CPA, is a partner at J.H. Cohn and a member of the Firm's State and Local Tax Practice, where he maintains a concentration in tax advisory services. He has developed an expertise in representing clients facing tax examinations by the Internal Revenue Service as well as state taxing authorities.

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California

Los Angeles

11755 Wilshire Boulevard
17th Floor
Los Angeles, CA 90025
310-477-3722

San Diego

4180 Ruffin Road
Suite 235
San Diego, CA 92123
858-535-2000

Warner Center

21700 Oxnard Street
7th Floor
Woodland Hills, CA 91367
818-205-2600

Cayman Islands

P.O. Box 1748 GT
27 Hospital Road
George Town, Grand Cayman
877-704-3500 x7839

Connecticut

Glastonbury

180 Glastonbury Blvd.
Glastonbury, CT 06033
860-633-3000

New Jersey

Roseland

4 Becker Farm Road
Roseland, NJ 07068
973-228-3500

Eatontown

27 Christopher Way
Eatontown, NJ 07724
732-578-0700

Lawrenceville

997 Lenox Drive
Lawrenceville, NJ 08648
609-896-1221

Metro Park

333 Thornall Street
Edison, NJ 08837
732-549-0700

New York

Manhattan

1212 Avenue of the Americas
Suite 1200
New York, NY 10036
212-297-0400

Charles Brucia & Co.,
A Division of J.H. Cohn LLP
1212 Avenue of the Americas
New York, NY 10036
212-682-2459

Frederic Kantor & Company,
A Division of J.H. Cohn LLP
1212 Avenue of the Americas
New York, NY 10036
212-727-2300

Long Island

100 Jericho Quadrangle
Suite 223
Jericho, NY 11753
516-482-4200

White Plains

1311 Mamaroneck Avenue
White Plains, NY 10605
914-684-2700



877-704-3500
www.jhcohn.com

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