

## Income/Franchise:

### New York Budget Extends Top Personal Income Tax Rates, Increases MCTMT Payroll Tax Rate for Some; Enacts Rules for Reporting Federal Partnership Audit Adjustments

A3009C/S3009C, signed by gov. 5/9/25. New York Governor Kathy Hochul recently signed into law the revenue bill of New York's FY 2026 Budget ("Budget Bill"), which includes extending the top personal income tax rates through 2032 and increasing the top Metropolitan Commuter Transportation Mobility Tax ("MCTMT") payroll tax rate for certain taxpayers. The final version of the Budget Bill omits personal income tax rate increases that were proposed by the New York State Legislature, as well as the proposal to extend the New York State and New York City pass through entity tax (PTET) election deadlines to September 15 of the applicable tax year. Some highlights of the enacted Budget Bill include:

URL: <https://nyassembly.gov/leg/?bn=a3009c>

- Extending the highest personal income tax rates (i.e., extending the temporary top rates of 9.65% to 10.9% through 2032, which were previously set to sunset after 2027);
- Increasing the MCTMT payroll tax rate imposed on employer payroll attributable to the Metropolitan Commuter Transportation District (MCTD) for certain taxpayers;
- Enacting rules for reporting federal partnership audit adjustments;
- Enacting waiting period restrictions and deduction limitations on certain institutional real estate investors;
- Increasing the Article 9-A estimated tax threshold; and
- Numerous credits & incentives provisions, including extenders and technical updates of many existing programs and enacting new tax credit programs for the semiconductor industry.

See forthcoming Multistate Tax Alerts for more details on some of the tax-related provisions in the New York FY 2026 Budget, and please contact us with any questions in the meantime.

— Jack Trachtenberg (New York)  
Principal  
Deloitte Tax LLP  
[jtrachtenberg@deloitte.com](mailto:jtrachtenberg@deloitte.com)

Robert Waldow (Minneapolis)  
Principal  
Deloitte Tax LLP  
[rwaldow@deloitte.com](mailto:rwaldow@deloitte.com)

Don Roveto (New York)  
Partner  
Deloitte Tax LLP  
[droveto@deloitte.com](mailto:droveto@deloitte.com)

Jackie Hakimian (Jericho)  
Managing Director  
Deloitte Tax LLP  
[jhakimian@deloitte.com](mailto:jhakimian@deloitte.com)

Josh Ridiker (New York)  
Managing Director  
Deloitte Tax LLP  
jridiker@deloitte.com

Mary Jo Brady (Jericho)  
Senior Manager  
Deloitte Tax LLP  
mabrady@deloitte.com

Alyssa Keim (Philadelphia)  
Senior Manager  
Deloitte Tax LLP  
jridiker@deloitte.com

Olivia Chatani (Washington, DC)  
Senior Manager  
Deloitte Tax LLP  
ochatani@deloitte.com

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