



MULTISTATE INCOME/FRANCHISE TAX

## New York fiscal year 2026 budget bill highlights Tax Alert

### Overview

On May 9, 2025, New York's FY 2026 Budget [A3009C/S3009C](#) (the "Budget Bill") was enacted into law, extending the top personal income tax rates through 2032 and increasing the top Metropolitan Commuter Transportation Mobility Tax ("MCTMT") payroll tax rate, among other provisions. The Budget Bill omits personal income tax rate increases that were proposed by the New York State Legislature and the proposal to extend the New York State and New York City pass through entity tax election deadline to September 15th of the applicable tax year.

This Tax Alert summarizes certain provisions enacted in the Budget Bill, including notable changes to credit programs. Please refer to the [Tax Alert](#) issued on May 16, 2025 for additional details related to newly enacted New York State and New York City reporting and payment requirements for federal partnership audit adjustments.

### Highlights on tax rate changes

The Budget Bill includes the following provisions, among others:

- Extends the highest personal income tax temporary top rates of 9.65% to 10.9% through 2032, which were previously set to sunset after 2027.
- Increases the MCTMT payroll tax rate imposed on employer payroll attributable to the Metropolitan Commuter Transportation District ("MCTD").
  - For tax quarters beginning on and after July 1, 2025, for employers within MCTD zone one (i.e., the five New York City boroughs), the top rate is 0.895% of the payroll expense for employers with payroll expense in excess of \$2.5 million in any calendar quarter (with increased percentages at intervals below the top rate; the top rate previously was 0.6%).
  - For tax quarters beginning on and after July 1, 2025, for employers within MCTD zone two (the seven counties outside of New York City included in the MCTD), the tax is imposed at a top rate of 0.635% of the payroll expense for employers with payroll expense in excess of \$2.5 million in any calendar

- quarter (with increased percentages at intervals below the top rate; the top rate previously was 0.34%).
- Changes the threshold for individuals with net earnings from self-employment in the MCTD in calendar years beginning on and after January 1, 2026.
    - The MCTMT is imposed at a rate of 0.60% of the net earnings from self-employment of individuals that are attributable to MCTD zone one, if such earnings attributable to the MCTD exceed \$150,000 for the tax year (rate previously was 0.60%; earnings threshold previously was \$50,000).
    - The tax is imposed at a rate of 0.34% of the net earnings from self-employment of individuals that are attributable to MCTD zone two, if such earnings attributable to the MCTD exceed \$150,000 for the tax year (rate previously was 0.34%; earnings threshold previously was \$50,000).
  - Enacts waiting period restrictions and deduction limitations on institutional real estate investors.
    - As of July 1, 2025, certain institutional real estate investors and their funded entities generally may not purchase, acquire, or make an offer to purchase or acquire a single-family residence or a two-family residence unless the home has been listed for sale to the general public for at least ninety days.
    - For tax years beginning on or after January 1, 2025, certain institutional real estate investors and their partners, members, and S corporation shareholders may not deduct depreciation and interest expense with respect to single-family or two-family residences located in New York.
  - Clarifies taxpayer notification and protest rights.
    - Amendments, effective upon enactment, clarify which electronic notices, documents, or information accessed through a taxpayer's online services account with the New York State Department of Taxation and Finance are statutory notices that confer protest rights to taxpayers.
  - Increases the Article 9-A estimated tax threshold.
    - The threshold for making estimated payments of tax under Article 9-A is raised so that for tax years beginning on or after January 1, 2026, estimated payments are required only if a corporation estimates its tax will exceed \$5,000 (increased from \$1,000).

## Other changes

- Provides relief from sales tax liability for certain limited partners and limited liability company members.
  - New York Tax Law imposes personal responsibility for payment of sales and use taxes on certain partners and LLC members and others (responsible persons) of businesses that have outstanding sales tax liabilities. Under the new law, effective upon enactment, if a limited partner or member's ownership interest or distributive share of such limited partnership or LLC are each less than 50%, and the limited partner or member meets additional requirements, the commissioner may reduce the portion of sales tax otherwise due by the partner or member.
- Extends the Excelsior Jobs Program by an additional five years, with refundable income tax credits available through tax year 2034.
  - Amends the program to include enhanced benefits for semiconductor supply chain projects. Increased benefits include 7% Excelsior Jobs Credit component, 3% Excelsior

Investment Tax Credit component, and 7% Excelsior Research and Development Tax Credit.

- Establishes two new refundable income tax credits for semiconductor industry businesses expanding in New York State, which require application and pre-approval for future expansion projects:
  - Semiconductor Research & Development Project Credit of up to 15% of qualified investments in semiconductor research and development facilities in New York State with a committed capital investment of at least \$100 million.
  - Semiconductor Manufacturing Workforce Training tax credit equal to 75% of eligible wages, training costs and other qualified costs, with a tax credit of up to \$25,000 per employee and up to \$1,000,000 per eligible non-semiconductor manufacturing business, and up to \$5,000,000 per eligible semiconductor manufacturing business.
- The Budget Bill did not include a proposed extension of the New York City Relocation and Employment Assistance Program (“REAP”) job tax credit which is generally set to expire on July 1, 2025. Companies that have recently relocated to or expanded operations in the outer boroughs may still qualify for these benefits, but they must perform an eligibility assessment and prepare and submit an initial application for a certificate of eligibility for the REAP before July 1, 2025.
- Enhances and extends the New York State Film Production Tax Credit Program, including extends the Musical and Theatrical Production Credit for qualified expenditures incurred through December 31, 2027.
- Extends the Hire a Vet Tax Credit through taxable years beginning before January 1, 2029.

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