

Governor Cuomo's FY 2022 Executive Budget Summary

On Tuesday, January 19, Gov. Andrew Cuomo presented his [FY 2022 Executive Budget](#) addressing a \$15 billion budget deficit. The governor's proposal presented two budget scenarios that are heavily dependent on federal aid. The first budget option outlines a "worst-case scenario" where New York receives \$6 billion in federal aid, triggering a series of spending cuts and tax increases, including a temporary income tax surcharge on high-income taxpayers through 2023 and a new sales tax on vacation rentals. The second option outlines a budget based on New York receiving \$15 billion in requested federal aid, which would fill the state's budget gap without having to increase taxes on high-income earners, according to the governor's office. No federal aid has been earmarked for New York at this point, however.

The governor's budget also proposes changes to STAR by closing the Enhanced STAR program to new applicants, permits electronic notarization, authorizes flexibility in zoning in parts of NYC to incentivize the conversion of commercial buildings into affordable residential housing, and seeks to prohibit sellers of real estate from passing the basic Real Estate Transfer Tax (RETT) through to buyers. The State Legislature [announced](#) it will hold budget hearings beginning next week, which allow for public input. Both houses of the legislature will then release their respective budget proposals, beginning the process of final budget negotiations with Governor Cuomo. Passage of a final on-time budget is due April 1, 2021.

You can read more details on the governor's budget proposals below or view the full budget on the Division of Budget [website](#).

FY 2022 Executive Budget Highlights

Vacation Rental Tax Proposal

Gov. Cuomo's Executive Budget proposes requirements for vacation rental platforms like AirBnB to collect local and state hotel taxes as part of his new budget proposal. It is estimated to raise about \$9 million in the coming fiscal year. AirBnB already collects local taxes in [many counties in New York](#). The state proposal would require all rental platforms to collect state and local taxes, plus a specific New York City fee.

Surcharge on NY's high-income earners and Delay Middle-Class Tax Cut

The Executive Budget includes a temporary income tax surcharge on high-income taxpayers through 2023. The surcharge would start with taxpayers earning \$5 million a year and would increase the current highest income tax rate from 8.82 percent to 10.82 percent. Affected taxpayers could prepay their surcharges for fiscal years 2022 and 2023 now for a corresponding deduction in fiscal 2024. The budget office estimates that the proposal would raise \$1.5 billion for the coming fiscal year. The Executive Budget would also delay previously scheduled middle class personal income tax cuts by one year.

STAR Changes: Close Enhanced STAR to new applicants

The Executive Budget proposes to close the Enhanced STAR exemption program to new applicants and moves the up the deadline to switch from the STAR exemption program to the

STAR credit program to May 1 rather than June 15 in order for the switch to be effectuated on the current year's school tax bills.

Protecting Renters and Homeowners

The Executive Budget advances the emergency rental assistance program supported by Federal funds. The program will support households in rental arrears that have experienced financial hardship, are at risk of homelessness or housing instability, and that earn less than 80 percent of area median income. The program would prioritize the unemployed and those with the lowest incomes. The Executive Budget also proposes legislation to ban fees for late and missed rent payments during the COVID-19 pandemic and allow tenants to use their security deposit as immediate rental payment and repay the deposit over time, through May 1, 2021.

A moratorium on residential foreclosures is in place until May 1. After that date, homeowners who can demonstrate financial hardship caused by COVID-19 will be eligible for 360 days of forbearance on their mortgage (pushing back the due date on the debt). In order to account for the missed payments, the financial institution that holds the note can extend the loan term.

Repurposing Underutilized Commercial Space for Residential Housing

The Executive Budget would authorize flexibility in zoning to incentivize the conversion of commercial buildings into affordable residential housing in specified areas in New York City to address high commercial vacancy rates and underutilized hotel properties. Owners would be required to set aside a percentage of units to be designated as affordable or supportive housing.

Enhance RETT Compliance

The Executive Budget would prohibit grantors (sellers) from passing the basic Real Estate Transfer Tax (RETT) through to grantees (buyers), and provide a technical fix to the LLC disclosure requirements enacted last year by exempting publicly traded companies, REITs, UPREITs, and mutual funds from the requirement to list all members/shareholders.

Permit Electronic Notarization

The Executive Budget would permit notaries to rely on approved technologies to verify identity and to notarize documents and exercise notarial authority remotely.

Create the Rail Advantaged Housing Act

The Executive Budget would establish the Rail Advantaged Housing Act to develop standard criteria and an accelerated review process for assessing the impact of a proposed zoning for new housing opportunities with minimal environmental impact along commuter rail transit corridors.

Expanding Homeownership

The Executive Budget proposes to expand the State of New York Mortgage Agency (SONYMA) partners to a broader pool of lenders to expand pathways to homeownership. SONYMA would also be permitted to modify its mortgages to assist financially distressed homeowners.