

Governor Hochul Releases 2025-26 Executive Budget Proposal

On January 21, Governor Kathy Hochul presented her FY 2025-26 Executive Budget proposal. The \$252 billion state budget increases overall spending 3.6 percent over last year's budget, which includes a 7.9 percent increase in state operating funds and a 6.4 percent reduction in federal funding. The Executive Budget also proposes to extend for five years a higher tax rate for New Yorkers earning over \$1.1 million, which was implemented in 2021. Affordability, public safety, and housing were the main focuses of the Governor's budget proposal. The release of the Governor's budget formally begins the state budget negotiation process between the Governor and State Legislature.

Senate and Assembly Each Release One-House Budget Proposals

On March 10, the Senate and Assembly each released their one-house budget proposals, which are responses to the Governor's Executive Budget and outline budget priorities for each house of the state legislature. The Governor, Senate and Assembly will now engage in negotiations to pass a final state budget, which is due April 1, 2025.

A summary of relevant proposals included in the Executive Budget, and Senate and Assembly One-House Budgets is included below.

Housing

- Executive: Create a \$100 million Pro-Housing Supply fund, along with \$10.5 million for technical assistance grants for certified Pro-Housing Communities to assist with critical infrastructure projects necessary to create new housing, such as sewer and water infrastructure upgrades. This is in addition to the \$650 million in state discretionary programs approved in 2024.
 - Senate & Assembly: Accepts the Executive's proposal
- Executive: Provide \$1.025 billion to support New York City's City of Yes for Housing Opportunity initiative
 - Senate & Assembly: Accepts the Executive's proposal
- Executive: Providing \$50 million in new state funding under the NYS Division of Housing and Community Renewal (DHCR) to support New Yorkers save for down payments.
 - Senate & Assembly: Accepts the Executive's proposal
- Executive: Providing \$50 million in new capital funding to incentivize the building of more starter and modular homes.
 - Senate & Assembly: Accepts the Executive's proposal
- Executive: Proposing an affordable homebuyer property tax incentive at local opt-in for homes built with assistance from governmental entities, nonprofits, land banks, or community land trusts, and sold to low-income homebuyers (income not exceeding 80% of AMI).
 - Senate: Accepts the Executive's proposal
 - Assembly: Rejects the Executive's proposal
- Executive: Creating the State's first revolving loan fund to spur mixed-income rental development outside New York City. The fund will fill construction financing gaps by

providing a lower-cost and more flexible form of capital than is generally available in market financing.

- Senate & Assembly: Accepts the Executive's proposal
- Executive: Proposing actions to make discriminatory appraisal practices unlawful, enforce anti-discrimination principles in appraisals and diversify the appraiser workforce.
 - Senate: Accepts the Executive's proposal
 - Assembly: Rejects the Executive's proposal
- Executive: Proposing legislation to limit landlords using price-fixing algorithms to drive up housing costs.
 - Senate & Assembly: Excludes the Executive's proposal
- Executive: Combatting blight in communities by strengthening municipalities' authority to acquire abandoned properties.
 - Senate: Accepts the Executive's proposal
 - Assembly: Rejects the Executive's proposal
- Executive: Authorizing cities, towns, and villages statewide to opt-in to the redevelopment inhibited property exemption in section 485-r of the Real Property Tax Law to incentivize the redevelopment of vacant, abandoned, or blighted one- to four family homes.
 - Senate: Accepts the Executive's proposal
 - Assembly: Rejects the Executive's proposal

Other Senate Housing Proposals

- Establish a property tax exemption for veterans with a service-connected disability
- Provide homeownership opportunities in New York City from the conversion of rental buildings to condominiums, in exchange for property owners maintaining the affordability of housing units
- \$20 million to establish a small rental housing development initiative to support the construction of developments with fewer than 20 units
- \$20 million to establish a mobile and manufacturing home replacement program
- Establish the NY State First Home Grant Program to provide grants of \$10,000 to first time homebuyers (unclear whether this is tied to the Executive's \$50 million appropriation, which establishes an income cap for grantees of 120% of AMI)
- \$250 million to establish a housing access voucher program that would provide financial support to housing insecure individuals or those at risk of homelessness to help them secure housing
- Establish the shelter arrears eviction forestallment act, which would aid for rent or mortgage arrears for the purpose of preventing eviction
- Codify the homeowner protection program to help individuals & families avoid foreclosure
- \$50 million to establish the vacant rental improvement program for communities outside of New York City to provide grants for owners of 5 or fewer units to bring their properties up to code

- \$50 million to establish the block-by-block homeownership program, which would provide for the construction of 1-2 family homes in upstate cities
- Establish the green affordable pre-electrification program to help homeowners & tenants bring their homes up to existing building codes so they can become eligible for additional state & federal energy efficiency, weatherization & electrification programs.

Other Assembly Housing Proposals

- Establishing the Homeowner Protection Program to provide annual funding to distribute state grants to not-for-profit housing counseling organizations to provide free housing counseling and legal services to homeowners to preserve homeownership.
- Establishing the Housing Access Voucher Program to provide rental assistance in the form of housing vouchers for eligible individuals and families who are homeless or face an imminent loss of housing.
- Establishing the Homeownership Opportunity Connection Program to direct DHCR and SONYMA to utilize existing homeownership assistance programs and funding to promote the availability of such programs to communities with below-average homeownership rates and connect residents with not-for-profit housing organizations.
- Mitigation of contaminants in private wells to authorize DEC to utilize up to \$15 million to address & mitigate contamination in private wells to ensure drinking water meets quality standards, including costs of connection to a public water system & reimbursement of testing costs.
- Amend current cease and desist law restricted solicitation form real estate brokers and agents making it an opt-out program, rather than the current opt-in program when a cease-and-desist zone is established by the Secretary of State.

Taxes/Revenue

- Executive: Cut middle class tax rates for the State's first five tax brackets by 20 basis points each over two years. This would reduce taxes for joint filers earning up to \$323,200 per year.
 - Senate & Assembly: Accepts the Executive's Proposal
- Executive: Send one-time inflation refund checks of up to \$500 for joint filers earning less than \$300,000 per year and \$300 checks for single filers earning less than \$150,000 per year.
 - Senate: Modifies the Executive proposal to focus relief on seniors and provide refunds for 3 years
 - Assembly: Accepts the Executive's proposal
- Executive: Extends for five years the higher personal income tax rate on New Yorkers earning more than \$1.1 million a year.
 - Senate: Modifies the Executive's proposal to increase rates for the top 2 income brackets by 0.5 percent
 - Assembly: Accepts the Executive's proposal
- Executive: Allows for the expiration of the higher corporate tax rate for corporations with over \$5 million in profits.
 - Senate: Increases the corporate franchise tax on these entities to 9% for 5 years.

- Assembly: Rejects the Executive's proposal
- Executive: Expand New York's child tax credit from \$330 for children under 4 and \$500 for children ages 4-16 to provide up to \$1,000 per child.
 - Senate: Replaces the Executive's proposal with a "working families tax credit" that caps eligibility for the child tax credit at \$75,000 for individuals and \$110,000 for families, while phasing it out after 5 years.
 - Assembly: Accepts the Executive's proposal
- Executive: Prohibit institutional investors from seeking to buy a single-or two-family home unless it has been on the market for at least 75 days and prohibit these investors from claiming interest and depreciation deductions with regard to one- and two-family homes.
 - Senate: Modifies the Executive's proposal to clarify that it does not apply to mortgage lenders
 - Assembly: Modifies the Executive proposal to extend the waiting period to 90 days
- Executive: Double the low-income housing tax credit from the current \$15 million annual allocation to \$30 million and extend the program an additional 4 years.
 - Senate & Assembly: Accepts the Executive's Proposal
- Executive: Decoupling the use of Federal and State Historic Tax Credits and removes geographic restrictions on their use for projects that include affordable housing to better support investment in affordable housing projects.
 - Senate: Modifies the Executive's proposal to expand the use of the credit for affordable housing
 - Assembly: Accepts the Executive's proposal
- Executive: Simplify the STAR income definition by updating age eligibility so that only one resident owner needs to be 65 or older for Enhanced STAR; income requirements would be updated so only the income of primary owner is considered; consolidate and standardize the eligibility determination process; clarify the residency cutoff date for income eligibility; and make it easier for taxpayers who do not file tax returns to retain eligibility by using prior year income.
 - Senate & Assembly: Accepts the Executive's proposal
- Executive: Make permanent the estate tax three-year gift add-back rule to ensure there is no future concern over potential revenue losses in the event that the higher Federal estate tax threshold level is extended or increased at a later time.
 - Senate: Modifies the Executive's proposal to make addbacks deductible as debt for federal estate purposes
 - Assembly: Accepts the Executive's proposal

Other Senate Tax/Revenue Proposals

- Decouple the state from the federal opportunity zones program
- Expand the state homeowner historic tax credit to include homes that were previously eligible in census tracts that are no longer eligible for the credit
- Impose a 50% tax on the fair market value of homes acquired by institutional investors

Other Assembly Tax/Revenue Proposals

- Establishing a New York City renter tax relief credit to provide a tax credit not to exceed \$750 to qualified renter households with an annual household income under \$200k.
- Extending the higher corporate tax rate for corporations with a business income base between \$5 million-\$10 million at 7.25%, and increasing the corporate tax rate for corporations with a business income base over \$10 million to 9.25%.
- Extending and increasing the residential solar energy system equipment tax credit to up to \$10k for qualified equipment placed in service by 1/1/26.

Other Budget Proposals

- Executive: Building on the state's \$5.5 billion commitment, the Governor proposes investing an additional \$500 million in water infrastructure to reduce water bills, combat flooding, restore waterways, and replace lead service lines to protect vulnerable populations. To further address gaps, she will launch a pilot program providing financial assistance for private well owners to replace or treat contaminated wells.
 - Senate: Modifies to include \$15 million for PFAS treatment of private wells
 - Assembly: Accepts the proposal & separately addresses the mitigation of contaminants in private wells
- Executive: Dedicating \$50 million to expand and strengthen the Rapid Response Home Repair Program and the Resilient Retrofits Program, which makes permanent retrofits and rapid home repairs to respond to future natural disasters.
 - Senate & Assembly: Accepts the Executive's proposal
- Executive: Expediting the process for the acquisition and transfer of land for conservation purposes and exempt land trust organizations from the Mansion Tax.
 - Senate: Accepts the Executive's proposal
 - Assembly: Rejects the Executive's proposal
- Senate: Includes the NY Home Energy Affordable Transition (HEAT) Act, which would authorize the Public Service Commission to discontinue portions of the state's gas distribution system and impose a 6 percent cap on a ratepayer's energy burden (excluded from the Executive Budget and Assembly One House).