

Individuals with Low Income, Maximum Tax on Personal Service Income
and Tax Rate Changes
1985 Legislation

Chapter 29 of the Laws of 1985, signed into law on April 8, 1985, amends various sections and also adds two new sections to the New York State Tax Law and the Administrative Code of the City of New York.

Individuals with Low Income

Section 601(a)(2) of the New York State Tax Law and section T46-101.0(a)(2) of the Administrative Code of the City of New York, as amended, increase the low-income allowance for single taxpayers from \$2,500 to \$4,000 and for married persons, heads of households and surviving spouses from \$5,000 to \$8,000. This amendment is effective for taxable years beginning on or after January 1, 1986.

Revision of Requirements to File a Return
for Low-Income Taxpayers

Sections 651(a)(1) and (3), as amended, provide for an additional provision that a resident or a nonresident individual including husband or wife, head of household, or surviving spouse who is not required to pay a tax pursuant to section 601(a)(2) (low-income allowance) is no longer required to file a return. This amendment is effective for taxable years beginning on or after January 1, 1986.

Maximum Tax on Personal Service Income

Section 603-A(a) of the New York State Tax Law, as amended, reduces the maximum tax rate on personal service income for individuals. The maximum tax rate is reduced from 10% to 9½% on personal service income for taxable years beginning on or after January 1, 1985 and before January 1, 1987. The maximum tax rate is reduced to 9% on personal service income for taxable years beginning on or after January 1, 1987.

A new sentence added to the closing paragraph of section 603-A(c) provides that personal service net income is to be computed prior to any allowable family adjustment.* Personal service taxable income will reflect the family adjustment, to the extent it is used in computing New York taxable income.

Income Tax Rate Changes

Section 602(d) of the New York State Tax Law, as amended, lowers the New York State tax rate on taxable income over \$23,000 from 14% to 13.5%.

*Technical Services Bureau memorandum on the family adjustment will be issued shortly.

This amendment is effective July 1, 1985 for the 1985 calendar year and the first day of the seventh month for the fiscal year beginning in 1985. For purposes of implementation of the reduced tax rate, a 13 3/4% tax rate is effective on New York taxable income over \$23,000 for all of 1985, whether or not such taxable year is a taxable year of twelve months. However, for purposes of payment of estimated tax, for calendar years filers no tax rate reduction is taken into account for installments due prior to July 1, 1985; that is, the 14% tax rate is applicable. The full tax rate reduction is taken into account for installments due after June 30, 1985; that is the 13½% tax rate is applicable.

Section 602(f) is relettered section 602(h) and new sections 602(f) and 602(g) are added.

New section 602(f) provides for the widening of the tax brackets from \$2,000 to \$2,500 beginning at taxable incomes over \$11,000. This amendment is effective for taxable years beginning in 1986. The expanded tax rate schedule commencing at the \$11,000 bracket to read as follows:

Over \$11,000 but not over \$13,500	-	\$520 plus 8% of excess over \$11,000
Over \$13,500 but not over \$16,000	-	\$720 plus 9% of excess over \$13,500
Over \$16,000 but not over \$18,500	-	\$945 plus 10% of excess over \$16,000
Over \$18,500 but not over \$21,000	-	\$1,195 plus 11% of excess over \$18,500
Over \$21,000 but not over \$23,500	-	\$1,470 plus 12% of excess over \$21,000
Over \$23,500 but not over \$26,000	-	\$1,770 plus 13% of excess over \$23,500
Over \$26,000	-	\$2,095 plus 13.5% of excess over \$26,000

New section 602(g) provides for the widening of the tax brackets from \$2,500 to \$3,000 beginning at taxable incomes over \$11,000. This amendment is effective for taxable years beginning after 1986. The expanded tax rate schedule commencing at the \$11,000 bracket to read as follows:

Over \$11,000 but not over \$14,000	-	\$520 plus 8% of excess over \$11,000
Over \$14,000 but not over \$17,000	-	\$760 plus 9% of excess over \$14,000
Over \$17,000 but not over \$20,000	-	\$1,030 plus 10% of excess over \$17,000
Over \$20,000 but not over \$23,000	-	\$1,330 plus 11% of excess over \$20,000
Over \$23,000 but not over \$26,000	-	\$1,660 plus 12% of excess over \$23,000
Over \$26,000	-	\$2,020 plus 13% of excess over \$26,000