



Changes to the STAR Program Personal Income Tax Rate Reduction for Certain New York City Residents

Chapter 59 (Part C) of the Laws of 2017 amended Tax Law §§ 606(ggg) and 1304(a) and § 11-1701(a) of the Administrative Code of the City of New York. The amendments eliminate the personal income tax rate reduction relating to the STAR Program for New York City taxpayers with city taxable income of \$500,000 or less, offset by an expansion of the existing New York City school tax credit to provide an additional amount to individuals with New York City taxable income of \$500,000 or less. These amendments apply to tax years beginning on or after January 1, 2017.

Expanded New York City School Tax Credit

The prior version of Tax Law § 606(ggg) established a school tax reduction credit for New York City (NYC) residents and part-year city residents with income (defined for this purpose as federal adjusted gross income minus taxable IRA distributions) of no more than \$250,000. Originally, the amount of the credit was \$125 for married taxpayers filing jointly and surviving spouses, and \$62.50 for all others. These "fixed" credit amounts remain in place, but in lieu of the rate reduction benefit, NYC residents and part-year city residents are also allowed a "rate reduction" credit amount as shown in the tables below. However, taxpayers with NYC taxable income of more than \$500,000 are not eligible for this rate reduction credit amount.

Table with 2 columns: If your NYC taxable income is: and Your credit amount is: for Married filing joint taxpayers.

Table with 2 columns: If your NYC taxable income is: and Your credit amount is: for Head of household taxpayers.

Table with 2 columns: If your NYC taxable income is: and Your credit amount is: for Single or married filing separate taxpayers.

2017 New York City withholding tables

New 2017 withholding tables will take effect July 1, 2017.¹ These new tables will provide the amounts required to be withheld for an employee based on the new city tax rates.

2017 estimated tax for New York City individual taxpayers

The new city rates are reflected in the New York City tax rate schedules on page 8 of the May 2017 (5/17) version of Form IT-2105-I, *Instructions for Form IT-2105, Estimated Tax Payment Voucher for Individuals*. The form was also updated with information about estimating the New York City school tax rate reduction credit for 2017.

2017 estimated tax for New York City estates and trusts

Since the amendments eliminate the New York City income tax rate reduction benefit relating to the STAR program, estates and trusts with New York City taxable income of \$500,000 or less will see a small increase in city tax rates.²

The new city tax rates are reflected in the New York City tax rate schedules on page 6 of the May 2017 (5/17) version of Form IT-2106-I, *Instructions for Form IT-2106, Estimated Income Tax Payment Voucher for Fiduciaries*.

To avoid a penalty for underpayment of estimated tax for tax year 2017, the total amount of estimated tax and withholding tax paid must be:

- at least 90% (66 2/3% for farmers and fishermen) of the amount of income tax due as shown on the taxpayer's 2017 return; **or**
- 100% of the tax shown on the taxpayer's 2016 return (110% of that amount if the estate's or trust's New York adjusted gross income shown on that return is more than \$150,000, and less than two-thirds of the total federal gross income for 2016 or 2017 is from farming or fishing). To qualify under this provision, the taxpayer must have filed a return for 2016, and it must have been for a full 12-month year.

No penalty will apply to any shortage in an estate's or trust's estimated tax payment due before or within 30 days after the effective date of the Tax Law change (April 10, 2017) that is attributable to the eliminated STAR Program rate reduction, provided the taxpayer includes any underpayment in the estate's or trust's next quarterly estimated tax payment (due June 15, 2017, for calendar year taxpayers).

Note: An N-Notice is generally issued to announce a singular event, such as an update to a previously issued tax form or instruction, or to announce a new due date for filing returns and making payments of tax because of a natural disaster. The department does not revise previously issued N-Notices.

¹ 2018 New York City withholding tables will be issued before January 1, 2018.

² The credit provided by Tax Law § 606(ggg) is only available to individuals.