New York State Comptroller
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Tax Provisions Under The Federal Reconciliation Bill

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Introduction

In July, the federal reconciliation bill was signed into law as Public Law (PL) No: 119-21. In addition to cutting federal spending, the law made significant tax changes. According to the Joint Committee on Taxation (JCT), the enacted tax provisions will reduce federal revenues by $131.4 billion in federal fiscal year (FFY) 2025, with revenues projected to decline by over $5.1 trillion over the next 10 years.[1]

According to JCT, the benefits of the tax provisions will overwhelmingly flow to high-income individuals and businesses. PL- 119-21 addressed the expiring tax provisions of the 2017 Tax Cuts and Jobs Act (TCJA) which largely affected individuals. One significant provision of PL 119-21 was to make permanent the individual tax rates established by the TCJA, which represented a reduced rate for nearly all income brackets except for the lowest income bracket, which remained unchanged. As a result, all other things being equal, New Yorkers would see neither a tax increase nor decrease because of this extension.

PL-119 also made most expiring tax provisions permanent law, amending some, while also adding new provisions, many of which take effect in the current year. In sum, while some changes may benefit some working-class Americans, according to JCT estimates, over one-third of the net tax reductions will be for those with incomes over $500,000 in calendar year 2027, more than 10 percentage points higher than benefits under the TCJA.

This report focuses on the tax provisions of the federal legislation that have widespread impact on New York's individuals and businesses. Based on the information available to the Office of the State Comptroller (OSC), and given the complexity of the tax code, the interaction effect among numerous provisions and the inability to predict how taxpayers may alter behavior in response to these provisions, OSC is unable to estimate the average savings or costs to New York taxpayers or the aggregate potential impact on tax collections should the State not decouple from the federal tax code.

The calculation of adjusted gross income (AGI) for purposes of New York's personal income tax is closely based on the federal calculation. As noted in the Comptroller's April 2025 report, legislation enacted in State Fiscal Year (SFY) 2019 decoupled New York from many TCJA provisions. However, some new federal tax changes, such as the deductions for tip income and overtime pay, will affect New York's personal income tax collections as early as next fiscal year should no action be taken to decouple from those provisions.

Individual Income Tax Provisions

Extensions of TCJA Provisions

PL 119-21 made permanent several TCJA personal income tax provisions which were due to sunset at the end of 2025, including:

- lower individual income tax rates;
- the elimination of the personal exemptions; and
- the elimination of miscellaneous itemized deductions that were subject to the floor of 2 percent of adjusted gross income (e.g. tax preparation fees, jobs expenses, legal fees).

Other temporary provisions of the TCJA were subject to minor revisions and made permanent:

- In addition to limiting the itemized deduction for mortgage interest to mortgages less than $750,000 and eliminating the deductibility of interest on home equity loans, mortgage insurance premiums can also no longer be deducted.
- The itemized deduction for casualty losses was expanded to include those from state-declared disasters as well as federally declared disasters.
- The estate tax exemption was increased from the current level of $13.99 million to $15 million beginning in 2026.[2]
- Indexing of the income threshold to which the exemption under the Alternative Minimum Tax (AMT) applies was postponed from tax year 2017 under TCJA to tax year 2026, and the income threshold was reduced from $1.25 million to $1 million in tax year 2025.[3]

Standard Deduction Increased

Prior to the enactment of the TCJA, the standard deduction for married, joint filers was $13,000 ($6,500 and $9,550 for single and head of household filers, respectively). The TCJA nearly doubled these amounts, partly by consolidating the personal exemption with the standard deduction: $12,000 for a single household; $18,000 for head of households; and $24,000 for married, joint filers.[4]

PL 119-21 further increased the standard deduction above TCJA levels, beginning in tax year 2025, and made the higher standard deduction permanent. As shown in Figure 1, the higher amount will benefit over 8.6 million resident filers in New York that currently claim the standard deduction. The increase will also likely result in approximately 57,827 New York filers shifting from itemizing deductions to claiming the standard deduction.[5]

Figure 1
Federal Standard Deduction, Amount and Number of New York Resident Filers, by Filing Status

Filing Status	Amount		Number of Filers	
	TCJA Tax Year 2025	PL 119-21	Currently Claiming Standard Deduction	Potentially Shifted to Standard Deduction
Single	$15,000	$15,750	4,788,047	25,243
Married, Joint	$30,000	$31,500	2,471,235	29,143
Head of Household	$22,500	$23,625	1,356,520	3,441
Total			8,615,802	57,827

Note: Current standard deduction amounts are the inflation-adjusted amounts under the TCJA. Single filers include those filing as married, separate while surviving spouses are incorporated with, married, joint filers. The number of filers potentially shifting to the standard deduction are those who reported itemized deductions were higher than the TCJA amounts but less than the new amounts under PL 119-21. Number of filers is for tax year 2023 and is approximate; actual number of filers varies from year to year based on the income circumstances of the taxpayer.

Source: NYS Department of Taxation and Finance, Tax Year 2023 Personal Income Tax Study File.

New Deductions Added

PL 119-21 added five “above the line” deductions that the taxpayer does not need to itemize to claim the deduction. These include deductions for seniors, tip income, overtime pay, and interest on new car loans, all of which are only in effect for tax years 2025 to 2028. The above-the-line deduction for charitable contributions will be permanent beginning in tax year 2026. All are limited to taxpayers with Social Security numbers.

Senior Exemption

Taxpayers aged 65 and older will be allowed to claim a deduction of $6,000 per senior. However, the deduction begins to phase out at incomes of $75,000; no deduction will be allowed for incomes over $175,000. For married, joint filers, the deduction will phase out at incomes above $150,000 and be eliminated at incomes above $250,000.

According to the Internal Revenue Service, more than 2.5 million New York filers were seniors in 2022; 58.9 percent would be eligible for the full deduction while approximately 90 percent would receive at least a partial deduction.[6]

Tip Income

Taxpayers will be allowed to deduct up to $25,000 in tip income with the deduction phasing out at incomes over $150,000 ($300,000, married joint). To qualify for the deduction, the taxpayer must work in an occupation that customarily and regularly receives tips; employees in financial or professional services do not qualify.[7] In addition, the tips must be cash tips (paid in cash or charged) which are voluntarily paid and whose amount is determined by the customer.

Approximately 6.2 percent of the jobs in New York are in occupations that are commonly associated with tip income, such as wait staff, bartenders, personal care workers (e.g. hair stylists, barbers, manicurists), delivery drivers, and hotel staff. The median annual income of these workers ranges from a low of $32,960 to a high of $62,476.[8]

The deduction may meaningfully decrease the tax liability for some of these workers. In New York, the greatest number of tipped employees are waiters and waitresses, with a median wage of $47,783. An individual earning the median wage as waitstaff with tip income could be eligible for the standard deduction of $15,750 and a deduction of up to $25,000, for a total of $40,750, leaving very little income subject to tax and reducing their federal tax liability to $703. Workers with $25,000 in tip income and total income below $40,750 who claim the standard deduction could have no federal tax liability.[9]

In contrast, individuals who work in occupations that have similar median wages but do not receive tips, such as home health aides, child care workers, and receptionists, would have a federal tax liability of at least $2,000 (See Figure 2).[10] There is also a larger number of jobs in these occupations.

Figure 2
Median Wages, Employment, and Federal Tax Liability for Select Occupations, New York

TIPPED OCCUPATIONS	Median Wage	Federal Tax Liability	Number of Jobs
Manicurists	$34,343	$0	19,770
Hairdressers	$34,929	$0	20,300
Locker Room and Coat Room Attendants	$35,681	$0	1,560
Parking Lot Attendants	$36,122	$0	11,680
Tour and Travel Guides	$38,577	$0	2,250
Taxi Drivers	$41,614	$86	1,950
Maids and Housekeeping Cleaners	$44,108	$336	45,640
Baggage Porters and Bellhops	$46,484	$573	4,320
Light Truck or Delivery Services Drivers	$47,159	$641	52,290
Waiters and Waitresses	$47,783	$703	140,890
Bartenders	$62,476	$2,369	42,550

NON-TIPPED OCCUPATIONS	Median Wage	Federal Tax Liability	Number of Jobs
Laundry and Dry-Cleaning Workers	$34,760	$2,043	13,270
Cooks, Fast Food	$35,136	$2,088	21,210
Cashiers	$35,816	$2,169	163,700
Physical Therapist Aides	$35,968	$2,188	4,080
Fast Food and Counter Workers	$36,270	$2,224	183,810
Childcare Workers	$37,675	$2,393	42,780
Retail Salespersons	$37,848	$2,413	233,740
Home Health & Personal Care Aides	$39,059	$2,559	623,000
Receptionists and Information Clerks	$42,466	$2,967	76,590
Preschool Teachers	$46,816	$3,489	25,180
Secretaries and Administrative Assistants	$50,257	$3,902	127,620

Note: Median wages published under the Occupational Employment and Wage Statistics include those from tips. Tax liability is on wage income only and assumes the taxpayer claims the standard deduction and has $25,000 in tip income. On September 3, 2025, the Treasury Department published a preliminary list of occupations eligible for the deduction.

Sources: Bureau of Labor Statistics/NYS Department of Labor, Occupational Employment and Wage Statistics, May 2024, Internal Revenue Service, OSC analysis

Overtime Pay

Under the Fair Labor Standards Act (FLSA), employees are entitled to overtime pay equal to one and one-half times their regular rate of pay for all hours worked more than 40 hours in the work week. Most "white-collar" jobs, those that are office or non-manual work, are exempt from overtime if certain conditions are met, particularly if the employee receives a predetermined amount of compensation each pay period (a "salary basis") at a rate of $684 or more per week and works in certain exempt occupations or, if the employee is performing office or non-manual work and has total annual compensation of $107,432 or more ("highly compensated exclusion").[11]

However, the overtime rules apply to "blue-collar" workers, those who perform work involving repetitive operations with their hands, physical skill and energy, or police, firefighters, or other first responders. The highly compensated exclusion also does not apply.[12]

Among the private sector industries, manufacturing, utilities, and mining and logging were likely to pay overtime wages, consistently having average weekly hours in excess of 40 hours per week in 2024.[13]

In terms of occupations, approximately 20 percent of the jobs in New York are considered "blue-collar" and are eligible for overtime pay under the FLSA. Median annual wages in these jobs range from $36,122 to $148,200 (See Figure 3).

Figure 3
Occupations Eligible for Overtime Pay, by Occupational Group, New York, 2024

Occupations with Overtime Pay				
Occupation Group	**Number of Jobs**	**Average Annual Wages**		
		Total	**Low Wage**	**High Wage**
Transportation and Material Moving	616,760	$57,055	$37,468	$297,222
Installation, Maintenance, and Repairs	326,220	$68,741	$44,090	$148,201
Construction and Extraction	322,480	$78,422	$43,334	$121,460
Protective Service	319,360	$67,226	$38,413	$131,590
Production	295,050	$54,204	$37,533	$143,478
Paramedics, Emergency Medical Technicians	20,910	$55,965	$39,028	$70,888

Note: Wages shown do not include any overtime pay.
Source: U.S. Bureau of Labor Statistics/NYS Department of Labor, Occupational Employment and Wage Statistics, May 2024

Under PL 119-21, taxpayers will be allowed to deduct up to $12,500 ($25,000 for married, joint filers) for overtime pay earned; however, only the amount above the regular rate of pay is eligible for the deduction (the "half" of "time and a half"). Like that for tip income, this deduction will phase out at incomes over $150,000 ($300,000 married, joint).[14]

Interest on Car Loans

PL 119-21 allows taxpayers to deduct up to $10,000 in interest paid on new car and motorcycle loans. The deduction phasing out at incomes over $100,000 ($200,000, married, joint) and fully eliminated at $150,000 ($300,000).

Besides the income limitation, there are additional criteria relating to the deduction:

- Only loans incurred between January 1, 2025 and December 31, 2028 are eligible.
- Only personal use vehicles.
- Leases are ineligible.
- Only vehicles with a gross vehicle weight of less than 14,000 pounds.
- Final assembly of the vehicle must occur within the U.S.

At the end of 2024, auto loan originations totaled $175.1 billion nationally; the average amount financed for new car loans was nearly $39,400.[15] Based on the average annual interest rate of 6.2 percent imposed on new car loans in 2024, an average of $2,440 in interest payments could be deducted.[16] Among the states, New York ranks as one of the lowest (47th) for auto loan debt per capita.[17]

Charitable Contributions

Under the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the Taxpayer Certainty and Disaster Tax Relief Act, taxpayers who do not itemize were allowed to deduct the charitable contributions they made. However, the deduction was only allowed for tax years 2020 and 2021. Nearly 2.6 million New York filers claimed $683.6 million in deductions in tax year 2020 and over $1.1 billion was reported by 3.1 million filers in tax year 2021.[18]

PL 119-21 permanently authorizes an above-the-line deduction for up to $1,000 ($2,000 married, joint) in charitable contributions beginning in tax year 2026; the deduction applies to cash contributions only.

In addition to the above-the-line deduction, PL 119-21 amends the itemized deduction for charitable contributions by imposing a minimum amount at which taxpayers can claim the deduction; contributions must exceed 0.5 percent of adjusted gross income. For example, a taxpayer with an income of $50,000 would have to make charitable contributions in excess of $250 to take the itemized deduction; one with $1 million in income would have to have at least $5,000.

In tax year 2023, over 1.1 million New York resident filers who itemized their deductions had charitable contributions. While a portion of the filers who would no longer qualify for the deduction may substitute the above-the-line deduction, 31,319 filers would no longer be able to fully deduct their contributions (See Figure 4).[19]

Figure 4
New York Resident Filers Impacted by Charitable Contribution Minimum

	Number of Filers
New York Filers with Charitable Contributions	1,155,679
Qualify for Deduction	955,352
Do Not Qualify for Deduction	
Potentially Shift to Above-the-Line Deduction	168,964
Deduction Eliminated	31,358

Source: New York State Department of Taxation and Finance, 2023 Personal Income Tax Study File

SALT Deduction Limit Temporarily Raised

PL 119-21 permanently limits the amount of state and local taxes (SALT) paid that can be claimed as an itemized deduction to $10,000. However, for tax years 2025 through 2029, the limit is temporarily increased for some taxpayers. In tax year 2025, the limit is increased to $40,000 for taxpayers with $500,000 or less in income, phasing down to $10,000 for incomes between $500,000 and $600,000. For tax years 2026 to 2029, both the deduction amount and income limits increase by 1 percent annually from these levels.[20]

In tax year 2023, 16.4 percent of New York residents itemized deductions for the purpose of filing the State personal income tax. More than 1.5 million filers claimed some state and local taxes; 76 percent reported taxes in excess of the $10,000 cap. Of total itemizers, less than one-quarter, or 369,293 filers, reported state and local taxes paid within the $10,000 federal limit; most of these taxpayers earned less than $100,000. Under the higher temporary limit, nearly all taxpayers with incomes under $100,000 will be able to fully deduct their taxes paid and nearly 88 percent of those with incomes between $100,000 and $500,000 will, as well (See Figure 5).[21]

Figure 5
State and Local Taxes Reported by New York Resident Filers, by Income Level, TY 2023

Federal Adjusted Gross Income	State and Local Taxes Reported					
	$10,000 or Less		$10,000 - $40,000		More than $40,000	
	Number	Share of Itemizers	Number	Share of Itemizers	Number	Share of Itemizers
Less than $50,000	133,771	67.1%	64,089	32.1%	1,503	0.8%
$50,000 - $100,000	165,702	45.4%	197,494	54.1%	2,193	0.6%
$100,000 - $500,000	69,403	7.8%	710,576	80.2%	106,862	12.1%
$500,000 - $1 million	317	0.5%	5,362	8.4%	58,445	91.2%
$1 million or more	100	0.5%	886	4.5%	18,899	95.3%
Total	369,293	24.1%	978,407	63.8%	187,902	12.2%

Note: Number of taxpayers are those who itemize their deductions for purposes of the New York personal income tax.
Sources: NYS Department of Taxation and Finance, 2023 Personal Income Tax Study File, OSC Analysis

Despite having state and local taxes paid in excess of $10,000, the higher SALT limit will likely have no effect on over 445,000 New York resident filers. This is a result of the higher federal standard deduction enacted in the TCJA and increased under PL 119-21 exceeding their total itemized deductions reported, inclusive of total taxes paid (See Figure 6). Nearly one-third of the married filers who reported taxes paid within the temporary SALT limit had total itemized deductions less than the federal standard deduction.

Figure 6
New York Resident Filers Who Qualify for Federal Standard Deduction, by Filing Status and Taxes Paid, TY 2023

State and Local Taxes Paid	Single	Married	Head of Household	Total
$10,000 or Less	119,505	48,758	27,001	195,264
$10,000 - $20,000	31,643	155,135	26,379	213,157
$20,000-$30,000	-	35,924	607	36,531
$30,000-$40,000	-	408	-	408
Total Qualifying for Federal Standard Deduction	151,148	240,225	53,987	445,360
Share of New York Itemizers	23.8%	32.5%	33.6%	29.0%

Note: Single filers include those who file as married, separate; married filers include surviving spouses
Sources: NYS Department of Taxation and Finance, 2023 Personal Income Tax Study File, OSC Analysis

Overall Itemized Deductions Limited

The TCJA temporarily imposed limits on certain itemized deductions that were subsequently made permanent under PL 119-21. PL 119-21 allows this provision to sunset, and makes additional changes to individual itemized deductions, such as adding one for expenses made by elementary and secondary school educators,[22] all of which are permanent.

Figure 7 shows how the overall limit on itemized deductions will be treated under PL 119-21 and compares it to the limit in place prior to TCJA. For example, under PL 119-21, a married taxpayer with an income of $1 million and $40,000 in itemized deductions will have their deductions reduced by $2,160; in comparison, deductions would have decreased by approximately $18,450 under the pre-TCJA limit.[23]

Figure 7
Comparison of Reductions to Itemized Deductions, Pre-TCJA and PL 119-21

Pre-TCJA	PL 119-21
Deductions Reduced by Lesser of:	
3% of AGI Over Income Threshold or 80% of Total Itemized Deductions	5.4% of Taxable Income Plus Itemized Deductions Over Income Threshold or 5.4% of Total Itemized Deductions
Income Thresholds:	
$385,100 - Married, Joint $353,000 - Head of Household $320,900 - Single	$751,600 - Married Joint $626,350 - Head of Household $626,350 - Single
Exclusions:	
Medical expenses, investment interest, and casualty/theft losses	Business income

Note: Pre-TCJA levels were increased for inflation from 2017 levels.

Changes to Tax Credits Related to Children

Child Tax Credit

Under the TCJA, the child tax credit was temporarily increased from $1,000 to $2,000 per child; TCJA also increased the income thresholds at which to qualify for the credit.[24] PL 119-21 makes the higher income thresholds permanent and permanently increases the credit to $2,200 per child starting in tax year 2025. Other changes include indexing the credit to inflation and requiring Social Security numbers for both the parents and children; under prior law, only children were required to have Social Security numbers.

The child tax credit is nonrefundable; that is, it cannot reduce a taxpayer's liability below zero. However, there is a refundable, additional child tax credit, which, in some cases, allows the taxpayer the benefit of the full amount of the credit. Under TCJA, the refundable credit was limited to taxpayers with earned income over $2,500, temporarily lowered from $3,000.[25] This lower limit was allowed to sunset. In addition, the maximum refundable credit is lowered from $1,700 per child to $1,400 per child and will no longer be indexed to inflation.

In tax year 2022, nearly 2.1 million New York taxpayers claimed $6.1 billion in child tax credits, $1.8 billion of which was refundable.[26]

Child and Dependent Care Credit Expanded

Taxpayers are allowed to claim a nonrefundable credit for a portion of the expenses associated with the provision of childcare or the care of a dependent. Under current law, the credit is equal to 35 percent of care expenses for those with incomes of $15,000 or less, phased down to 20 percent for incomes over $45,000. The amount of care expenses that are eligible for the credit is capped at $3,000 for one child or dependent and $6,000 for two or more; these caps have not been changed since 2003.[27]

Effective tax year 2026 and thereafter, the share of expenses that can be claimed as the credit is increased, as shown in Figure 8. However, the caps on the amount of eligible expenses remain the same.

In tax year 2023, nearly 310,000 resident New York taxpayers claimed the federal child and dependent care credit, just 3.3 percent of total filers. As shown in Figure 9, the largest number of claimants are those with incomes over $105,000.[28] Because the credit is nonrefundable, the higher credit percentage will likely have little to no impact on those at the lower income levels, particularly for those with incomes within the standard deduction threshold.

Figure 8
Child and Dependent Care Credit, Current Law and PL 119-21, by Select Incomes (percentage of eligible expenses)

Adjusted Gross Income	Current Credit	New Credit
$15,000 or less	35%	50%
$25,000	30%	45%
$35,000	25%	40%
$45,000	20%	35%
$55,000	20%	35%
$75,000	20%	35%
$95,000	20%	25%
$105,000 or more	20%	20%

Note: For married, joint filers, the credit is equal to 35% of expenses for incomes up to $150,000; phasing down to 20% for incomes between $150,000 and $210,000.

Sources: Internal Revenue Code, PL 119-21

Figure 9
Claimants of the Child and Dependent Care Credit, New York Resident Filers, by Income Level and Filing Status, Tax Year 2023

Adjusted Gross Income	Single	Married	Head of Household	All Filers
$15,000 or less	518	425	2,812	3,755
$15,000 - $25,000	654	1,335	4,198	6,187
$25,000 - $35,000	980	2,462	9,346	12,788
$35,000 - $45,000	991	2,957	15,325	19,273
$45,000 - $75,000	1,654	9,900	39,982	51,536
$75,000 - $105,000	705	15,383	20,425	36,513
Greater than $105,000	833	156,785	22,313	179,931
Total	6,335	189,247	114,401	309,983

Note: Number of claimants is based on those who filed for the Claim for Child and Dependent Care Credit (IT-216) under the New York State personal income tax.

Source: NYS Department of Taxation and Finance, 2023 Personal Income Tax Study File

Key Business Tax Provisions

Business Income Deduction Made Permanent

The TCJA temporarily authorized pass-through businesses, those other than corporations, to deduct 20 percent of business income. In tax year 2022, over 1.5 million New York taxpayers claimed $11.4 billion in deductions.[29]

PL 119-21 makes this deduction permanent with some changes. The maximum taxable income threshold to which the deduction applies is increased from $207,500 to $232,500 ($415,000 to $465,000, married, joint); the deduction phases out at higher income levels. To claim the deduction, the taxpayer must have regular and substantial involvement in the operations of the business.

In addition, taxpayers with business income of $1,000 or more will be allowed a minimum deduction of $400; both the business income threshold and minimum deduction will be indexed to inflation. This deduction is excluded from the itemized deduction limit.

Business Expensing

PL 119-21 includes provisions that permanently increase the amount of business expenses that can be deducted, particularly those associated with capital assets; of note, the permanent authorization for “bonus depreciation” or full expensing of the cost of assets with useful lives of 20 years or less. Full expensing is also authorized for certain research and development (R&D) expenditures as well as the cost of certain structures. For most of the provisions, the enhanced deductions are only allowed for domestic assets; multinational companies cannot deduct costs incurred outside the United States.

Impact on New York Personal Income Tax

With the passage of the TCJA, the State chose to de-couple from many of the provisions that impact either the New York taxpayers or tax collections. As a result, provisions in PL 119-21 that made policies in the TCJA permanent are not expected to have a revenue impact. In addition, the new personal exemption for seniors will not apply to New York as the State has statutorily established its own exemption.[30]

However, those that were not included as part of the TCJA could affect New York collections in SFY 2026-27 as taxpayers file their annual tax year 2025 returns if the State does not pass legislation to de-couple. These primarily include the new "above-the-line" deductions for overtime pay, tip income, and interest on car loans. While the State had de-coupled from the above the line deduction for charitable contributions that were authorized for tax year 2020 and 2021, it only applied to tax years prior to 2022.[31]

While the change in the child tax credit is not expected to impact New York's tax collections as a result of previous legislation de-coupling from federal provisions, the child and dependent care credit is calculated as a percentage of the federal credit, which could result in a decline in State revenues.

Whether or not the temporary increase in the SALT limit will influence collections from the State's Pass-Through Entity Tax (PTET) or Employee Compensation Expense Tax (ECET) is unclear. Both taxes are voluntary and businesses are required to annually elect to pay the tax. Unlike previous versions of the bill which limited the use of either tax, the enacted legislation did not. In addition, since both taxes were enacted as substitutes to the personal income tax (PIT), any decline in collections from decreased participation would be offset with higher PIT collections.[32]

Conclusion

The TCJA included a number of provisions, such as the higher standard deduction and increased child tax credit, that alleviated the federal tax burden for many New Yorkers. PL 119-21 permanently extended and enhanced many of the provisions of the TCJA. However, many of the “enhancements” benefit those at higher income levels or are offset by the impact of other enacted provisions.

Of the new provisions which were purportedly aimed at the working class, most are temporary and limited in scope, targeting just a small portion of the population and/or treating taxpayers with the same wages or even in the same business unequally. Childcare workers and home health aides will still have a federal tax burden whereas parking lot and coat room attendants could potentially have theirs eliminated..

Taxpayers with children will see limited relief. Although the amount of the child tax credit is increased, the refundable portion is lowered, decreasing the benefit for lower income taxpayers. Similarly, the percentage of care expenses eligible for the child and dependent care tax credit is increased but has not been commensurate with the rising cost of childcare; the average cost of childcare for one child in New York in 2023 was nearly five times the $3,000 cap.[33] Also, because the credit is nonrefundable, low-income taxpayers receive little benefit from the higher credit percentage, even as the child poverty rate in the U.S. was 16.0 percent (and 18.6 percent in New York in 2023).

In addition, the new provisions are likely to result in increased administrative burdens. Prior to PL 119-21, wages from overtime and tips were aggregated into total wages. Now, the employer must track and report them separately; for overtime pay, the burden is higher since the employer will have to disaggregate the “half” rate of pay from time and a half. For the deduction for car loan interest, taxpayers will be required to report vehicle identification numbers and know whether their vehicle was assembled in the U.S.

Taxpayer behavior may also change in response to the new provisions. Employers may choose to limit overtime rules to reduce the recordkeeping burden or employees may abuse overtime. Restaurant patrons or other customers of tipped workers may choose to reduce the amount they tip.

As a result of the new or enhanced provisions, PL 119-21 further skews tax benefits to individuals and businesses at higher incomes. In 2031, when the temporary provisions have expired, those with incomes less than $30,000 will see their federal tax liability increase.[34] The minimal tax benefits, coupled with the significant cuts in spending included in this legislation, will put a heavier burden on working-class New Yorkers trying to make ends meet.

Endnotes

[1] Revenue impact stated does not include the impacts of Chapter 5 of Subtitle A (Ending Green New Deal Spending) or Chapter 3 of Subtitle B (Health Tax). Joint Committee on Taxation, Congress of the United States, *Estimated Revenue Effects Relative to the Present Law Baseline of the Tax Provisions in "TITLE VII - FINANCE"* accessed on July 9, 2025.

[2] The estate tax exemption was increased from $5 million to $10 million and indexed for inflation as part of the TCJA. Under PL 119-21, the $15 million exemption will be inflation adjusted beginning in 2026.

[3] The TCJA increased the exemption amount under the Alternative Minimum Tax from $78,750 to $109,400. In addition, the income levels at which the exemption started to phase out was increased to $1 million from $150,000 (to $500,000 from $112,500, single or head of household). Both of these items had been adjusted for inflation annually since 2018.

[4] The standard deduction is indexed to inflation.

[5] New York State Department of Taxation and Finance, *2023 Personal Income Tax Study File*. The number of filers is those whose returns are settled as of June 2025 and, as a result, may not encompass all filers for the tax year.

[6] Internal Revenue Service, Statistics of Income, Table 2. Individual Income and Tax Data, by State, Tax Year 2022, accessed on July 16, 2025. The number of returns reflect those where the primary taxpayer is age 60 or over.

[7] According to the Fair Labor Standards Act, a tipped employee is one who customarily and regularly receives more than $30 a month in tips. Within 90 days of enactment (as of October 2, 2025), the Secretary of the Treasury is required to publish a list of occupations eligible for the deduction; on September 3, 2025, a preliminary list of occupations was released.

[8] NYS Department of Labor/U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics, May 2024, accessed on July 18, 2025.

[9] Example liability is for single filers. For married, joint filers, there would potentially be no tax liability on incomes up to $56,500.

[10] Tax liability is before the application of any tax credits; tax liability assumes the taxpayer only claims the standard deduction.

[11] See Section 13 of the Fair Labor Standards Act, https://www.dol.gov/agencies/whd/overtime/fact-sheets.

[12] Ibid.

[13] U.S. Bureau of Labor Statistics, Current Employment Statistics, *Table B-2 Average weekly hours and overtime of all employees on private nonfarm payrolls by industry sector, seasonally adjusted*, accessed on July 18, 2025.

[14] For both tip income and overtime pay, the deductions are eliminated at incomes of $275,000 and over ($550,000 for married, joint). Taxpayers who file as married, separate are not allowed to claim the deductions. Qualifying income excludes any deduction for income earned outside the U.S.

[15] Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit and G.19 – Consumer Credit, accessed on July 21, 2025. Average amount for new car loans financed is the annual average of quarterly, non-seasonally adjusted amounts.

[16] Federal Reserve Bank of New York, G.19 – Consumer Credit, accessed on July 21, 2025 . Average interest rate is the annual average of quarterly, non-seasonally adjusted amounts.

[17] Per capita auto loan debt was $4,460 at the end of 2024. In comparison, for top ranked Texas, per capita debt was $7,920. State Level Household Debt Statistics 2003-2024, Federal Reserve Bank of New York, April 2025. For additional information, see Office of the NYS Comptroller, Household Debt In New York State, September 2022.

[18] Internal Revenue Service, Statistics of Income, Historic Table 2, accessed on July 22, 2025. For tax year 2020, the deduction was limited to $300 for all filers. In 2021, the deduction was increased to $600 for married, joint filers.

[19] New York State Department of Taxation and Finance, *2023 Personal Income Tax Study File*.

[20] For example, for tax year 2026, the deduction limit increases to $40,400 and income threshold to $505,000.

[21] New York State Department of Taxation and Finance, *2023 Personal Income Tax Study File*. The number of taxpayers itemizing deductions at the State level are higher than those at the federal level due to the lower

standard deduction in New York. While state and local income taxes are not allowed to be deducted, they are reported on the tax form and subsequently subtracted in the calculation of itemized deductions reported.

[22] Currently, elementary and secondary educators are allowed an above-the-line deduction for the purchase of instructional supplies, up to $300. PL 119-21 authorizes an itemized deduction for these expenses and expands to the deduction to include expenses of coaches and interscholastic sports administrators. In order to claim the itemized deduction, the amount of the expenses must exceed 2 percent of the taxpayer's adjusted gross income. See Internal Revenue Service, Tax Topic 458.

[23] Assumes itemized deductions subject to the limit are the same for both scenarios.

[24] For a full discussion of the child tax credit provisions under the TCJA, see Office of the NYS Comptroller, *Federal Income Tax Provisions Under the Tax Cuts and Jobs Act*, April 2025.

[25] The refundable portion of the credit is calculated as 15 percent of earned income in excess of the threshold ($2,500 under TCJA).

[26] Internal Revenue Service, Statistics of Income, Historic Table 2, accessed on July 22, 2025. Amount includes the $500 per dependent credit authorized under the TCJA which was made permanent under PL 119-21.

[27] Section 203 of the Economic Growth and Tax Relief Reconciliation Act of 2001. The cap was increased for tax year 2021 to $8,000 for one child and $16,000 for two or more as part of the American Rescue Plan Act (ARPA).

[28] New York State Department of Taxation and Finance, *2023 Personal Income Tax Study File*.

[29] Ibid.

[30] Section 616 of the New York State Tax Law.

[31] Section 607(b) of the New York State Tax Law.

[32] Pass-through businesses, such as partnerships and S-corporations, allocate the business income to its members. If the business chooses not to pay the PTET, business income is fully allocated to the members which is subject to the personal income tax.

[33] See Office of the NYS Comptroller, Lingering Challenges in the Child Care Sector, February 2025

[34] Joint Committee on Taxation, Congress of the United States, Distribution of the Effects Relative to the Present Law Baseline of the Tax Provisions in Public Law 119-21. Not all provisions of PL 119-21 are included in the estimate.

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