



GMS Flash Alert

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United States – New York Implements New Tax Rates for Top Earners

On April 19, 2021, the Governor of New York, Andrew Cuomo, signed the FY 2022 budget bills (Chapter 59 of the 2021 Laws of New York) into law.¹ One of the provisions contained in the enacted legislation, which provides for \$212 billion in state spending, temporarily increases the current top personal income tax rate of 8.82% to 10.9% for individual filers whose taxable income is over \$25,000,000. The new rates are retroactive to the beginning of the 2021 tax year and are effective through the 2027 tax year. Absent any additional legislation, the rates will revert back to the pre-2021 schedule beginning with the 2028 tax year.

WHY THIS MATTERS

The new marginal income tax rate brackets may require global mobility programs that have employees who work in, or are residents of, New York State to reassess assignment costs, hypothetical income tax withholding, and gross-up calculations, especially considering that the new rates are retroactive to the beginning of the 2021 tax year.

New York City

New York City's tax laws generally are not affected by New York State budget legislation. New York City's fiscal year, which starts on July 1, is different than the state's fiscal year that begins April 1. Whether New York City enacts any significant tax changes in the next few months remains to be seen.

Overview of Income Tax Rate Changes

The legislation establishes three new marginal income tax rate brackets for individuals that are effective for the 2021-2027 tax years. Previously, the highest individual income tax rate of 8.82% was imposed on joint filers with income over \$2,155,350 (\$1,077,550 for single filers; \$1,616,450 for head of household filers).

The new rate brackets and rates are as follows:

- 9.65% for joint filers with New York taxable income in excess of \$2,155,350 (\$1,077,550 for single filers; \$1,616,450 for head of household filers) but not more than \$5,000,000.
- 10.30% for all taxpayers (regardless of filing status) with New York taxable income in excess of \$5,000,000 but not greater than \$25,000,000.
- 10.90% for all taxpayers (regardless of filing status) with New York taxable income in excess of \$25,000,000.

KPMG NOTE

The combined New York State and New York City maximum individual income tax rate imposed on residents is now the highest in the nation, at 10.90% (State) + 3.876% (New York City) = 14.776%. By contrast, California, until now the highest, tops out at 13.3% for income over \$1 million.

New York State Income Tax Brackets (2021)

The table below² contains the updated New York State individual income tax brackets and applicable income tax rates for the 2021 tax year.

Taxable Income	Filing status		
	Single/Married Filing Separately	Married Filing Jointly	Head of Household
4% on Taxable Income (TI) up to	\$8,500	\$17,150	\$12,800
4.5% on TI over that amount up to	\$11,700	\$23,600	\$17,650
5.25% on TI over that amount up to	\$13,900	\$27,900	\$20,900
5.90% on TI over that amount up to	\$21,400	\$43,000	\$32,200
5.97% on TI over that amount up to	\$80,650	\$161,550	\$107,650
6.33% on TI over that amount up to	\$215,400	\$323,200	\$269,300
6.85% on TI over that amount up to	\$1,077,550	\$2,155,350	\$1,616,450
9.65% on TI over that amount up to	\$5,000,000	\$5,000,000	\$5,000,000
10.30% on TI over that amount up to	\$25,000,000	\$25,000,000	\$25,000,000
10.90% on TI over the above amount			

Source: KPMG LLP (U.S.)

FOOTNOTES:

- 1 For the text and status of the legislation, see: https://nyassembly.gov/leg/?default_fld=%0D%0A&leg_video=&bn=A03009&term=&Summary=Y&Actions=Y&Memo=Y&Text=Y. For additional information on the tax provisions contained in the enacted budget bills, please see [TaxNewsFlash No. 2021-174](#) (April 20, 2021), a publication of KPMG LLP (U.S.).
- 2 Amounts and rates per the New York Budget Bill for fiscal year 2022 ([S2509-C/A3009-C](#)).

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Please join us for a webcast on Thursday, May 6, 2021! "Global Mobility Reimagined: Finding the right target operating model for your talent mobility program"

In the webcast, topics covered will include:

- Best practices on developing a Target Operating Model (TOM) that is right for your organization
- How to align your mobility strategy and TOM with your organization's talent and business strategy
- How to build a business case to support a managed services strategy
- How to design a managed services operating model including agreed services scope, processes, and partner governance model
- How to draft managed services contracts to include flexible pricing models, SLA, and KPIs
- How to support negotiation to balance between service quality, operational outcomes, and pricing
- Importance of having key transition and change management support to establish a sustainable and scalable operating model.

Date: 6 May 2021

Time: 8:00 a.m.–9:00 a.m. New York | 1:00 p.m.–2:00 p.m. London | 8:00 p.m.–9:00 p.m. China and Singapore

To register and for more information, go to: https://event.webcasts.com/starthere.jsp?ei=1447267&tp_key=edbe40f033

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