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Subject: Proposed New York State Tax Law Changes
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To Our Clients and Friends:

Governor Pataki will present his 2006-07 Executive Budget shortly. The Budget contains proposed tax law changes intended to reduce the cost of doing business in New York. Specifically, the proposed changes include:

1. Reduction of the tax rate on net income for taxpayers subject to corporate franchise or bank tax from 7.5 percent to 6.75 percent (fully effective in 2009).
2. Elimination of the business and investment capital tax base (fully effective in 2008).
3. Elimination of the minimum taxable income base (a tax base that resembles the federal alternative minimum taxable income base) (fully effective in 2008).
4. Immediate expensing of new capital investment (i.e., plants, facilities and equipment) in New York (fully effective in 2008).
5. Acceleration of the Empire Zone designation process.

If you have any questions regarding the proposed New York State tax law changes, or any other state and local tax matters, please do not hesitate to contact me.

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