



This Week in State Tax (TWIST)

June 8, 2026



New York: New York: State budget, due April 1, finally crosses the finish line

Governor Hochul signed the fiscal year 2027 New York State budget bill on May 28, 2026 – about two months beyond the beginning of the fiscal year. The headline-grabbing item was enactment of a New York City pied-a-terre property tax surcharge on certain second homes in the City. (See below.) The bill also includes several provisions of interest to businesses.

With regard to New York State personal and corporate taxes, the bill retroactively decouples from several provisions of the One Big Beautiful Bill Act (OB3) (P.L. 119-25) effective for taxable years starting on or after January 1, 2025, including IRC section 168(n) (bonus depreciation for qualified production property), and IRC sections 174 and 174A (full expensing of domestic research and experimental expenses), including from the IRC section 174A transitional rule (accelerated deduction for tax years 2022-2024 domestic R&E expenses). Instead, for domestic and foreign R&E expenses paid or incurred on or after January 1, 2025, such amounts must be amortized over 60 months as if the taxpayer made the election to amortize under IRC section 174A(c). For unamortized foreign and domestic R&E expenses paid or incurred prior to January 1, 2025, such amounts must be amortized under the Tax Cuts and Jobs Act (P.L. 115-97) version of IRC section 174 as in effect on January 1, 2022. In addition, the bill extends the top corporate tax rate of 7.25 percent and the capital tax rate of 0.1875 percent through taxable years before January 1, 2030.

The bill also decouples the New York City Business Corporation Tax from various OB3 provisions. For tax years beginning after December 31, 2024, New York City will decouple from IRC section 174A and would require amortization of domestic R&E expenses over a five-year period for domestic research expenditures beginning with the midpoint of the tax year in which the expenditures are paid or incurred. It should be noted, as distinguished from New York State, the City: (i) does not decouple from IRC section 174 and will still require foreign R&E expenditures to be amortized over 15 years; it also appears that it does not decouple from the IRC section 174A transitional rule. New York City will also decouple from IRC section 168(n), IRC section 179 (election to expense certain depreciable business assets) and from the addition of depreciation, amortization, or depletion to adjusted taxable income for purposes of determining the IRC section 163(j) limitation. Finally, for purposes of the New York City corporate tax, the bill updates previous references to GILTI to NCTI, to ensure factor representation of NCTI inclusion.

For purposes of the New York State and City decoupling provisions, the bill provides interest and penalty relief for returns with timely filed extensions and amended returns filed for taxable years beginning on or after January 1, 2025, and before January 1, 2026, if they solely report the modifications required by these provisions.

As to the pied-a-terre property tax surcharge for certain second homes in the City, the surcharge will apply to cooperatives and condominiums valued at greater than \$1 million and to 1-3 family homes valued at over \$5 million. The New York City Department of Finance is required to notify owners of covered properties that they

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believe the property is subject to the surcharge no later than August 30, 2026, with initial payments due in January 2027. In following years, the surcharge will be due, semi-annually, following the New York City property tax. The surcharge will be rolled out in two distinct phases: (1) Phase 1 applies graduated rates based on whether the property is a Class 1 Property (1–3 family homes) or a Class 2 Property (condos and co-ops); and (2) Phase 2 applies a single unified set of graduated rates to all covered properties.

On the sales tax side, the bill directs the Commissioner of Taxation and Finance to institute a “sales tax reregistration” program to be completed by December 31, 2030. This program will cause current certificates of authority to sunset; the Department of Taxation and Finance will inform each certificate holder of the date on which its certificate will expire and require the holder to reregister for a new certificate. As part of reregistering, a qualifying taxpayer will be invited to participate in a penalty and interest discount program that waives 100 percent of penalties and 50 percent of interest on past-due sales and use tax liabilities.

Please contact [Aaron Balken](#) and [Alec Schwartz](#) with questions about income tax matters in [A. 10009](#) and [S. 9009](#), and reach out to [Judy Cheng](#) and [Jenn White](#) about the sales tax reregistration effort.

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