



SALT Alert! 2025-13: New York City Proposes Rules for the Business Corporation Tax

The New York City Department of Finance (DOF) is proposing rules to implement regulations for changes made in 2015 to the city Business Corporation Tax (BCT). The 2015 legislation aligned with changes made to New York State Franchise Tax, subjecting most of the former General Corporation Tax and Banking Corporation Tax taxpayers to a single BCT, adopting market-based sourcing, etc. In the announcement of the public hearing, DOF reiterated its intent to maintain general conformity with the New York State Business Corporation Franchise Tax regulations.

The DOF plans to issue a series of rules that will collectively add a new Chapter 11A to Title 19 of the Rules of the City of New York (RCNY). Additional rules will be proposed by subchapter. The DOF plans to follow this proposed rule process in the coming months, issuing one or more separate proposals for the remaining eight subchapters with each proposal receiving a public comment period. Chapter 11A will not be final or enacted until all proposed rules of the chapter have been released and have gone through the public comment period.

This first subchapter, Subchapter 1, includes two parts:

- Part 1-1 provides definitions of relevant terms used throughout Chapter 11A of the regulations.
- Part 1-2 addresses the "Imposition of Tax" section of the statute, which covers minimum activities that would subject corporations to the tax, as well as specific exemptions from the tax.

History of the Business Corporation Tax

The state of New York began implementation of the state-wide corporate tax regime through the amendments made to Part A of Chapter 59 of the Laws of 2014, with subsequent amendments made to the New York State Corporate Franchise Tax. New York State finalized regulations implementing their Corporate Franchise Tax in 2023 with Chapter 1 of Title 20 of the New York Codes, Rules and Regulations (the "NYS Regulations"). The New York State corporate tax reform restructured the taxation of corporations by changing allocation to a market-based approach, changing the rules for mandatory and permissive combined reporting, establishing an economic nexus standard, and more.

New York City followed the state with the codification of Subchapter 3-A of Chapter 6

of Title 11 of the Administrative Code of the City of New York. The city's goal for the New York City BCT regulations is to maintain its general conformity with NYS regulations while balancing the interests of the City "to provide a distinct approach to areas where parity was not historically maintained under the previous iterations of corporate taxes or where the BCT and NYS Corporate tax statutes diverge."

New York City Proposed Rule

Subchapter 1, Part 1-1 of Chapter 11A covers the definitions that will be utilized throughout Chapter 11A. Part 1-1 also provides the sections of the New York City Administrative Code from which the definitions are derived. Part 1-2 then covers the imposition of the BCT. This part describes the *de minimis* activities of corporations that would be subject to the BCT, while also covering activities that would not create BCT nexus. In general, the nexus provisions are similar to the ones currently applicable under the GCT, with the addition of economic nexus provisions. For example, nexus rules for corporations for which the only connection with the City is the ownership of an interest in a partnership that has nexus with the City would be subject to the BCT under the same provisions that are currently applicable under the GCT. Public Law 86-272 is also covered, including examples of situations where a corporation would or would not be exempt under P.L. 86-272. Notably, the proposed rules also adopt the controversial Internet Activities Rule set forth under the NYS Regulations. Finally, Part 1-2 covers which corporations would be exempt from the BCT due to structure or activity type.

Next steps and Contacts

The public hearing on the proposed rule is set for November 20, 2025, 11:00AM ET, via Microsoft Teams. The DOF is accepting public comments for this proposed rule until November 20, 2025.

For the full text of the proposed rule, information on the public hearing, and instructions on providing comments on the proposed rule, see the [DOF Notice of Public Hearing](#). Please contact [Aaron Balken](#) and [Alec Schwartz](#) with questions.