



Elimination of the STAR Program Personal Income Tax Rate Reduction for Certain New York City Residents

This memorandum contains information for tax year 2015 about the elimination of the School Tax Relief (STAR) Program personal income tax rate reduction for New York City residents with city taxable income over \$500,000.

Chapter 59 (Part B) of the Laws of 2015 amended section 1304 of the Tax Law and section 11-1701 of the Administrative Code of the City of New York. The amendment eliminates the six percent personal income tax rate reduction relating to the STAR Program for New York City resident taxpayers with city taxable income over \$500,000. As a result, for tax years beginning after 2014, New York City residents with city taxable income over \$500,000 will lose the tax benefit of the rate reduction. The eliminated tax rate reduction will increase the annual tax liability for affected taxpayers¹.

This legislation was enacted to conform STAR rate reduction benefits in the New York City income tax rates to the income limitation for eligibility for the basic STAR exemption under section 425 of the Real Property Tax Law.

2015 New York City withholding tables

New 2015 withholding tables will take effect June 1, 2015². These new tables will provide the amounts required to be withheld for an employee to catch up on his or her total withholding for tax year 2015. Therefore, taxpayers with city taxable income over \$500,000 should not need to adjust their city withholding for tax year 2015.

2015 estimated tax

The new rates are reflected in the New York City tax rate schedules on page 8 of the May 2015 (5/15) version of [Form IT-2105-I](#), *Instructions for Form IT-2105, Estimated Tax Payment Voucher for Individuals*. Taxpayers with city taxable income over \$500,000 may wish to recalculate their city estimated income tax due for tax year 2015.

To avoid a penalty for underpayment of estimated tax for tax year 2015, the total amount of estimated tax and withholding tax paid must be:

- at least 90% (66 2/3% for farmers and fishermen) of the amount of income tax due as shown on the taxpayer's return for 2015; **or**
- 100% of the tax shown on the taxpayer's return for 2014 (110% of that amount if he or she is not a farmer or a fisherman and his or her New York adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 2015,

¹ When computing the total annual tax liability, taxpayers must also include the additional tax imposed on the city taxable income of a city resident individual, estate, or trust imposed under section 11-1704.1 of the Administrative Code of the City of New York.

² 2016 New York City withholding tables will be issued prior to January 1, 2016.

more than \$75,000). To qualify under this provision, the taxpayer must have filed a return for 2014, and it must have been for a full 12-month year.

No penalty will apply to any shortage in a taxpayer's April 15, 2015, estimated tax payment that is attributable to the eliminated STAR Program rate reduction, provided the taxpayer includes any shortfall in his or her June 15, 2015, payment.

Note: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.