Impact of the World Trade Center Disaster on the NYS Tax Department

Presented at the 2002 FTA Tax Research Conference
October 1, 2002

Patrice Cohen
Arthur Friedson

Direct Impact on Tax Dept.

- 225 employees in WTC Tower 2
- Most from Audit and Enforcement
- 40 were lost
Physical Damage was Enormous

- Preliminary damage estimates of $60-70 billion.
- Over 30 buildings damaged or destroyed...nearly 40 million square feet
- Destruction to mass transit and telecommunications infrastructure

Immediate Effects & Analysis

- Issued Notice to taxpayers and practitioners
- Problem because of proximity to due dates
- Withholding lockbox near WTC
Cost to New York State

- Tax Dept. produces no independent estimates...provide input to DoB & Governor’s Office
- In October 2001, DoB released first estimates: $54 billion ($34 billion in rescue, recovery & rebuilding), $20 billion in economic recovery & revitalization)
- Revenue loss estimated at up to $9 billion

Development of Relief Packages

- Federal relief for New York
- Economic Stimulus Package
- Victims’ Relief legislation
State Relief

- WTC Victims’ relief
- ITC recapture
- Liberty Zone tax holidays

Other Policy Issues

- Issues with firms temporarily relocating to New Jersey
- Effect on payroll systems
- Effect on bonus payments
Effects on Filing of Tax Returns

- Sales tax return due date – September 20
- Corporation tax due date – September 15
- Personal Income tax extension due date – October 15

State Extensions of Due Date

- State Law provided for extending due dates for all returns to December 10, 2001
- Federal government extended due date for Personal Income tax returns to February 12, 2002.
Processing of PIT returns

- Close of system processing usually December 10
- Everything received after held to next processing year
- Needed to make special provisions for refund requests

Choosing PIT Sample and Finalizing Population – Normal Process

- Normally define the PIT population for research purposes as:
  - All finished returns
  - No exceptions
  - Filed between 1/1/2001 and 12/10/2001
- Choose stratified random sample from this
Choosing PIT Sample and Finalizing Population – 2001 process

- Needed to capture returns filed after December 10
- Needed to capture returns filed by February 12 deadline
- Because of the special processing needed to capture exceptions as well

Problems with Comparisons in Collections

- Impossible to compare year over year collections for any period after September 2001
- Masks the true effect of what is happening in New York State