



NEW YORK STATE SENATOR

William T. Stachowski

## Stachowski And Senate Upstate Caucus Members Introduce Important Economic Development Legislation

WILLIAM T. STACHOWSKI March 3, 2010

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### **Bill repeals the “Cost Recovery” Tax Assessment on Industrial Development Agencies**

Senator William T. Stachowski (D-C, Lake View), Chairman of the Senate Committee on Commerce, Economic Development and Small Business, with members of the New York State Senate Upstate Caucus, today introduced important legislation repealing the “cost recovery” tax assessment imposed on Industrial Development Agencies (IDAs).

Senate Bill 6962 repeals the provision in the 2009-2010 Budget which imposed an assessment of approximately 4.7% of the IDAs revenues. IDAs began receiving notice of these fees in February; they are due by March 31st. This bill would retroactively repeal the provision and protect any IDA from the burden of payment.

Senator Stachowski and his colleagues believe this assessment has been abused and flawed in its implementation. First, the interpretation resulted in the assessment being calculated on pass-through revenues – funds that are statutorily required to be passed on to local jurisdictions and do not benefit the IDA.

Secondly, as this assessment was created to apply retroactively – the resulting assessment was calculated by the Department of Budget on 2008 revenues and yet instituted in 2009, so that IDAs could not possibly budget for such a measure. Lastly, the Division of the Budget was required by statute to notify all IDAs of any assessment by November 1, 2009 and yet only sent notifications in early February 2010.

“I am pleased to be a cosponsor of this very important legislation,” said Stachowski. “My upstate colleagues and I are working hard to promote economic development and create and retain jobs especially in upstate New York. By removing the tax assessments on our local IDAs, we will assist them in the hard work they are doing every day to encourage businesses to relocate to, remain in or expand in New York State.”

IDAs provide funding for economic development programs in their localities and work to bring new businesses into the state.

“The New York State Economic Development Council, which represents local economic development organizations throughout the state, applauds legislation introduced today by Senator Stachowski and other members of the Senate Upstate Caucus. This tax is unfair, punitive, deeply flawed and would do material harm to economic development efforts throughout the state. In some cases, this tax will result in making the IDA insolvent. In other instances, the tax represents 100 percent or more of an IDA’s operating budget for 2010. We understand the fiscal plight of the state, but even in the best of times, which these are not, taxing economic development agencies is counterproductive, at best” said Brian McMahon, Executive Director, New York State Economic Development Council.

“Economic development in New York is being hampered by a thousand cuts,” said Kenneth Adams, President of The Business Council of New York State. “This legislation eliminates a \$5 million tax on economic development efforts. It should never have been imposed in the first

place, and we support its repeal.”

Andrew Rudnick, President & CEO of the Buffalo Niagara Partnership said: "Downstate legislative leadership seems to be hell-bent on annihilating the IDAs and their important economic development work throughout the state, but particularly in Upstate - this new tax is only the latest. Repeal of this burdensome 'cost-recovery' tax is an important stance for our Upstate representatives to take, and we support their effort to fix this poorly-conceived budget cash-grab."

“The IDA Tax is another hidden tax on business which amounts to a 90% income tax on ECIDA’s 2008 net income,” said Al Culliton, Chief Operating Officer, Erie County Industrial Development Agency. “ECIDA is 100% self-supported. Without that income it cannot adequately provide the resources needed to encourage investment, innovation, growth and global competitiveness and to create a successful business climate that benefits the residents of our region.”

The bill was sent to the Assembly.