



NEW YORK STATE SENATOR

Catharine Young

Senator Young Hails Passage of Job Creation & Taxpayers Protection Act

CATHARINE YOUNG January 19, 2011



ALBANY – A major new jobs initiative designed to improve New York's business climate, reduce taxes, and create thousands of new private sector jobs for workers across the State was passed in the State Senate on Wednesday, according to Senator Catharine Young (R,I,C – Olean).

The Job Creation and Taxpayer Protection Act of 2011 would provide businesses with a three-year tax credit of up to \$5,000 for each new job created, enact a two percent state spending cap and require a two-thirds “super majority” vote to increase any new taxes.

“For the last two years, the people’s priorities have been ignored, and with record increases in both taxes and spending, our taxpayers and small businesses have been shell shocked. They are leaving this state in droves because their government has not been responsive to their needs,” said Senator Young

“Today we have acted on behalf of our taxpayers and job seekers by putting forth a fiscally responsible and comprehensive legislative roadmap that will help create private sector jobs and new opportunities for small businesses and families,” said Senator Young.

Senator Young said the legislation's centerpiece would incentivize businesses with a three-year tax credit of up to \$5,000 for each new job created. In addition, the plan would eliminate taxes for small businesses and manufacturers that pay the state's corporate franchise tax and roll back the income tax surcharge. It also places a moratorium on any new taxes, fees and regulations that are killing private sector job-creation efforts in the state.

"This tax credit is an innovative thinking measure that encourages employers to start hiring and begin capitalizing on new opportunities to help them flourish and grow. Enacting this is a common sense step toward really jump starting this job market. It is a win-win for upstate's economy," said Senator Young.

Another key provision of the measure is the establishment of a constitutional cap on state spending. The cap, which would be set at 2 percent or 120 percent of the CPI (currently 1.9 percent), whichever is lower, would ensure that the state reduces spending and lives within its budget, easing the burden on taxpayers.

"As other states begin to pull out of this economic downturn, New York continues to lag behind because of our tax climate and the unwillingness of Albany to take a hard look at how it is spending our money," said Senator Young.

"The Governor spoke last week about the need for a state spending cap when he was here in Western New York and I believe it is the only way to force fiscal responsibility that will enable us to reduce taxes and get this state back in order," she added.

Also included in the legislation is a constitutional amendment that would require a two-thirds "super majority" vote in each house, rather than a simple majority, to make it much more difficult to raise state taxes.

"Businesses and our young people continue to leave New York because the government spends and taxes entirely too much making it impossible for families to stay afloat. We need to go in a different direction before it is too late," she added.

"Sixteen other states currently require either a supermajority vote or more than a simple majority to pass tax increases as a way to ensure that any tax increase is absolutely necessary and deserving of bipartisan support," said Senator Young.

"We can no longer afford business as usual. The job creation and taxpayer protection plan is the blueprint for making structural reforms that will ensure New York's long-term fiscal health. We need to act and we need to act now. We can and we must turn our state around," she said.

Mike Elmendorf, New York State Director of the National Federation of Independent Business (NFIB), New York and the nation's leading small business advocacy organization said: "Small business understands that in order to restore and grow our economy, New York's destructively oppressive tax burden and cost of doing business must be reduced. The package of common sense reforms being advanced today by the Senate Majority is an important step in that direction and includes policies NFIB

has strongly supported, such as a spending cap and requiring a super-majority vote to increase taxes and fees. We commend the Senate Majority for continuing to stand with job creators and look forward to working toward enactment of these important pieces of legislation to make our state more affordable and our economy more viable.”

The Job Creation and Taxpayer Protection Act of 2011 includes the following measures:

INCENTIVES TO CREATE NEW JOBS

The plan would provide businesses with a three-year tax credit of up to \$5,000 for each new job created. In addition, the plan would eliminate taxes for small businesses and manufacturers that pay the state’s corporate franchise tax and roll back the income tax surcharge placed on them by Democrats in 2009. It also places a moratorium on new taxes, fees and regulations that are killing private sector job-creation efforts in the state.

That credit could grow by as much as an additional \$3,000 per job if new hires are taken from the ranks of the unemployed who are collecting unemployment insurance from the State. Such an incentive would help reduce unemployment and the costs borne by taxpayers.

Twenty-four states have a job creation tax credit. The temporary job creation tax credit created with bipartisan support by the federal government last year, expired December 31st. However, legislation has already been introduced in Congress to renew it.

The recently expired federal legislation provided the tax credit if an employer hired a new worker off unemployment. That restriction is not part of the Senate Republican’s plan, but an additional tax credit would be provided to employers if they hire someone off unemployment.

Should the same federal tax credit incentive be renewed, when combined, the two plans would save employers thousands of dollars for each job they create. Under the Senate

Republican proposal, if a business creates a new job with a salary of \$35,000, it would receive a \$1,487 tax credit. If the business hires someone off unemployment, it would receive an additional \$3,000 credit.

The federal plan would provide that same business a tax credit of \$2,170 and an additional \$1,000 if the employee is retained for a year.

The proposal applies only to new jobs and employees that don't currently provide New York with any payroll revenue.

The plan also places a moratorium on any new business taxes and fees and eliminates the corporate franchise tax for hundreds of small businesses and manufacturers with 50 or fewer employees and less than \$2 million in net income. It also accelerates the phase-out of the PIT increase on small businesses that are scheduled to expire at the end of this year.

The jobs initiative would also prohibit the State from enacting any new regulations on New York companies, and create a new Berger-style commission that would have the power to eliminate regulations which are currently hindering businesses.

STATE SPENDING CAP

This was the third time that Senate Republicans have passed a state spending cap that ensures New York spends no more than taxpayers can afford. The cap, which would be set at 2 percent or 120 percent of the CPI (currently 1.9 percent), whichever is lower, would ensure that the state reduces spending and lives within its budget, easing the burden on taxpayers.

Under the constitutional amendment ([S.1892](#)) sponsored by Senator Ranzenhofer, year-to-year State spending increases would be limited to 120 percent of the Consumer Price Index (CPI) or 2 percent, whichever is less. In any given year, fifty percent of tax revenue that exceeded the cap would be placed in a reserve fund and fifty percent would be returned to taxpayers in the form of direct tax rebates.

If the state spending cap was in place now the state would be forced to reduce projected spending next year by \$9 billion, forcing the budget gap to be solved without raising taxes. Had the state spending cap been in place for the past 10 years the state would be spending \$30 billion less next year.

In addition, the proposal would force the Executive to resubmit a balanced Budget to address any shortfalls in revenue that occur after the submission of the Executive Budget, and make any necessary spending revisions to reflect the declining revenue.

The constitutional spending cap proposal would give the Executive the authority to exceed the cap in the event of a fiscal emergency or other extraordinary circumstances, however, the Comptroller would be required to independently certify the financial crisis.

According to a report by the National Conference of State Legislatures, thirty states have put in place statutory or constitutional tax or spending limits.

SUPERMAJORITY VOTE TO RAISE TAXES

In the last two years, this Legislature -- under all-Democrat control -- raised taxes by \$14 billion. In the Senate, it would have taken only one vote to stop these tax hikes that devastated families and businesses. This constitutional amendment would require a two-

thirds “super majority” vote in each house, rather than a simple majority, to make it much more difficult to raise state taxes. Sixteen states currently require more than a majority vote to increase taxes.