



NEW YORK STATE SENATOR

John J. Flanagan

Senator Flanagan and Senate Majority Act On Job Creation and Taxpayer Protection Act

JOHN J. FLANAGAN January 19, 2011

| ISSUE: **ECONOMIC DEVELOPMENT**



Senator John Flanagan (2nd Senate District) today supported the Job Creation and Taxpayer Protection Act of 2011, a three-part plan to encourage the creation of new private sector jobs and ensure fiscal responsibility. This plan, which is now being sent to the Assembly for further action, includes a jobs incentive program, a two percent state spending cap and a new requirement that calls for a two-thirds “super majority” vote to increase taxes in New York State.

“Bringing commonsense back to New York State is our very first goal and this package is a great first step in changing how our state works. Our residents are being taxed out of their homes and our businesses are being taxed out of our state and today’s vote should be a clear sign to all of them that New York State is ready to help them stay. We all know that Governor Cuomo is ready to make the changes our state needs and we look forward to working with him so we all have a better future,” stated Senator Flanagan.

“For the last two years these priorities have been ignored and the result was \$14 billion in new taxes and fees to pay for spending that taxpayers simply cannot afford and now we are faced with a deficit that could be as high as \$11 billion,” Majority Leader Dean Skelos said. “This year must be different. We’re pleased to have a Governor who shares our objectives and is committed to getting a result and we also hope the Assembly will join us and pass these bills.”

Kevin S. Law, President and CEO of the Long Island Association said: "It’s refreshing to see the Governor and the Senate Majority Leader on the same page when it comes to writing a prescription to cure New York State and Long Island's ailing economies. The combination of a state spending cap and tax credits for businesses big and small, sets the right tone that we can grow ourselves back to a healthier economy. I commend Senate Majority Leader Skelos on his leadership."

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. This credit could grow by as much as an additional \$3,000 per job if any new hire is also taken from the ranks of the unemployed who are collecting unemployment insurance from the state.

The Senate Majority plan also would place 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 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.

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.

And finally, it places a moratorium on new taxes, fees and regulations that are killing private sector job-creation efforts in the state.

STATE SPENDING CAP

Under this constitutional amendment, 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 which would force the budget gap to be solved without increasing taxes. This will be the third time that Senate Republicans have voted to pass a state spending cap.

Additionally, the Senate Majority plan would require the Governor's office to resubmit a balanced budget to address any shortfalls in revenue that might occur after the original submission of the Executive Budget, and make any necessary spending revisions to reflect the declining revenue.

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

The Business Council of New York State, Inc. President and CEO Kenneth Adams said, "The Senate Republicans are on the mark to focus on controlling state spending and taxes to create jobs. A state spending cap is a necessary reform to bring fiscal sanity to New York."

According to a report by the National Conference of State Legislatures, thirty states have already 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 which hurt both individual taxpayers and job creating businesses. The plan that Senator Flanagan and his colleagues in the Senate majority are proposing will require that any new taxes would require a two-thirds "super majority" vote in each house.

Today, it takes a simple majority of members in both houses and that is a threshold that Senator Flanagan feels is too low for something as critical as raising taxes: "Reaching further into the pockets of the people who live and work in our state has been standard procedure for far too long in New York State and it is time for New York to change how it operates. By making it more difficult to raise taxes, we will force every legislator to search for real alternatives before they ever even contemplate increasing the tax burden in our state."

Sixteen states currently require more than a majority vote to increase taxes.

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 entire package was passed in the New York Senate today and is now on its way to the New York Assembly.