



NEW YORK STATE SENATOR

Joseph P. Addabbo Jr.

Senator Addabbo Boosts Small Businesses Through Tax Credits

JOSEPH P. ADDABBO JR February 1, 2011

| ISSUE: **SMALL BUSINESS**

NYS Senate Passes S.1891 Providing NY Jobs Tax Credit for Hiring New Employees; Will Get Additional Credit Per Job if New Employee Collects Unemployment at Time of Hire

Queens, NY, January 31, 2011 – During mid-January’s legislative session in Albany, NYS Senator Joseph P. Addabbo, Jr. (D-Queens) reports that he voted to support a new bill, S.1891, which passed the Senate and now the Senator hopes it finds its way through the Assembly.

Known as the Omnibus Tax Reduction Bill, the legislation provides for several tax reduction measures for individual and corporate taxpayers. First, with the New York Job Tax Credit, the benefit is equal to one hundred percent of the State withholding tax up to \$5,000 for each job created above a business’s 2010 employment level. Employers are eligible for an additional \$3,000 per job if the new employee is receiving unemployment insurance at their time of hire. This credit may be claimed for three consecutive tax years. Both personal income and corporate taxpayers are eligible to receive this credit.

Another benefit of the bill allows personal income taxpayers to separate small business from all other income for the purposes of rate calculation. This provision allows personal income taxpayers to place their income into two pots, small business income and all other income. The taxpayer would then calculate the tax owed on the two separate pots individually, and then sum the amounts to get total liability.

Business owners would also be able to subtract small business income from NY Annual Gross Income for the purposes of being subject to rate recapture, thus allowing these small business owners to realize tax benefits associated with the lower tax rate schedules. This provision allows personal income taxpayers to subtract income from interests in businesses with 50 or fewer employees or less than \$2 million in net income from the numerator of the recapture calculation ratio.

Another provision of the bill would reduce the Corporate Franchise Tax imposed on businesses with 50 or fewer employees or less than \$2 million in net income to 50% of current law for tax year 2011, and to zero for tax year 2012. Included in the bill is a moratorium on increases to any tax or fee paid directly by any business until June 30, 2015 and the creation of the Regulatory Reform and Competitiveness Commission to review all State regulations and for their impact on the State's business. The commission's recommendations would become law unless superseding legislation was passed by the Legislature.

Addabbo explains that while he supports the bill, he does have some concerns. "The NY Jobs Tax Credit is an ambitious program that could provide an economic boost to many communities. But despite this potential upside, it has a large cost to current and future budgets that are already out of balance by billions of dollars." Given his concerns, Addabbo supports this bill because "the measure would lower the effective tax rate on small businesses, which make up over 99% of all businesses in the State, so it's important we encourage their growth." The Senator believes that during these tough times for small businesses, many ideas and proposals must be considered. Governor Andrew Cuomo has put forth a similar Jobs Tax Credit that he has proposed to cap at \$300 million annually. Most legislatures realize the cost issue, which will probably cause the bill to move forward with fiscal changes.

In order to address some of the issues with the bill, Addabbo gives some practical suggestions. “The State could have a moratorium on business tax and fee increases. It’s something that is probably necessary given New York’s position as the 50th state in the *Business Tax Climate Index*, published by the Tax Foundation.” Addabbo stated. He then would like to see the State create a commission to analyze the impact of current laws and regulations on businesses within the State. This could give the Legislature an opportunity to have a comprehensive report of everything that is affecting the State’s businesses.

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