



NEW YORK STATE SENATOR

Patrick M. Gallivan

Gallivan Announces Legislation To Cap Income Taxes, Refund Excess Funds Back To Taxpayers

PATRICK M. GALLIVAN December 9, 2011

| ISSUE: **FINANCE, GOVERNMENT OPERATIONS, BUDGET, TAXES, INCOME TAX**



BILL SEEKS TO CONTROL SPENDING AS COMPANION PIECE TO NEW TAX AGREEMENT

Just days after Albany approved a sweeping tax reform and job growth plan designed to provide income tax reductions to 4.4 million New Yorkers and thousands of small businesses, Western New York State Senator Patrick M. Gallivan (R,C,I – 59th Senate District) announced an additional proposal this morning at a press conference at the Buffalo Niagara Partnership

to implement a strict cap on all income tax revenues collected under the state's brand new income tax bracket structure.

Gallivan, who supported the Middle Class Tax Cut and Job Creation Plan passed by the Senate and the Assembly on Wednesday, said he viewed the tax cut agreement as "progress, but not perfect," and says his proposal will expand tax relief and concurrently address the state's addiction to spending.

"The Middle Class Tax Cut and Job Creation Plan was a major victory for hundreds of thousands of over-burdened middle class families in Western New York and for the region's struggling manufacturing sector", the latter of which will see their corporate income tax rate cut in half according to Gallivan. "But the fact remains, New York State still faces a multi-billion dollar deficit next year that tax reform alone cannot address -- responsible controls on state spending also need to be implemented."

Gallivan's Income Tax Cap legislation intends to achieve this by placing a stringent cap of 2 percent, or the rate of inflation, on the state's annual income tax levy regardless of changes to the tax bracket structure. Revenues collected that exceed the two percent cap will then be refunded back to individual filers equally.

"Income taxes comprise nearly half of the state's total annual tax revenue, by capping the income tax levy, we will in effect be controlling state spending," said Gallivan. "In good years, when state revenues are high, government tends to think the best course is to spend, often at the expense of years when revenues are lower. This plan will return monies in excess of the cap back to the taxpayers while at the same time force government to operate on a responsible budget."

The proposal is inherently progressive in that it refunds excess revenues equally to every income tax filer in the state. “The taxpayer with annual income of \$30,000 will receive the same refund check as the taxpayer with an income of \$3,000,000,” the Senator said.

Andrew J. Rudnick, President & CEO of the Buffalo Niagara Partnership, joined Senator Gallivan for the announcement to show his support for continued tax relief for Western New York families and businesses. Rudnick said, “The tax cut agreement reached in Albany this week was tremendous for our employers and taxpayers. Beyond it, Senator Gallivan’s income tax cap proposal can further energize the private sector through controlling state spending and refunding tax dollars to individuals and small businesses. This also will increase overall economic activity and drive job creation in Buffalo Niagara.”

Had Gallivan’s Income Tax Cap proposal been in place since 2004-05, over \$25 billion in income taxes would have been refunded directly to every New York State citizen paying taxes on their income.

Taxpayer Savings Had Income Tax Cap Been In Place Since 2004-05				
(All Numbers in Billions)				
Year	Actual Net Income Tax Revenue	Hypothetical Revenues With Income Taxes Capped	Hypothetical Refund Total	
SFY04-05	\$28.1	\$28.1		
SFY05-06	\$30.8	\$29	\$-1.8	
SFY06-07	\$34.6	\$30.2	\$-4.4	

SFY07-08	\$36.6	\$30.9	\$-5.7	
SFY08-09	\$36.8	\$31.9	\$-4.9	
SFY09-10	\$34.8	\$33.1	\$-1.7	
SFY10-11	\$36.2	\$33.8	\$-2.4	
SFY11-12	\$38.9	\$34.5	\$-4.4	
			-\$25.3	sum