



NEW YORK STATE SENATOR

Jack M. Martins

Historic Middle Class Tax Cut and Job Creation Plan Signed Into Law

JACK M. MARTINS December 12, 2011

| ISSUE: **INCOME TAX**



Governor Andrew Cuomo signed the Middle Class Tax Cut and Job Creation Plan at the Cornwell Avenue School in West Hempstead, The bill, that as passed by the New York Senate last week, reduces the state tax burden for millions of New Yorkers to their lowest levels in more than fifty years. The far-ranging plan also strengthens our economy and creates jobs by eliminating the MTA payroll tax for more than 78 percent of employers that currently pay

it, provides funds for state infrastructure projects and tax credits for youth employment. The plan provides a total \$3.3 billion in tax relief to individuals and businesses.

In addition the bill (S.50001, S.50002): cuts taxes paid by manufacturing companies; encourages job retention; addresses flood relief and recovery; eliminates tax indexing; and sets aside additional money in state reserve funds.

“Hard-working New Yorkers have waited a long, long time for something like this,” said Senator Jack M. Martins. “People said it couldn’t be done, that New York would never reduce taxes but we found a way -- it’s been a year of ‘firsts’ for New York. Working with Governor Cuomo we’ve passed an on-time budget that erased a \$10 billion deficit, reigned in spending and instituted a property tax cap, and now we’ve even lowered income taxes for millions of New Yorkers. We’ve still got work to do but New York is definitely better today than it was a year ago and is getting better every day.”

"Small businesses are New York's growth engine and this tax reduction will help create jobs and get our state's economy back on track without jeopardizing funding for the MTA," Governor Cuomo said. "I thank the leadership as well as the members of the legislature for their dedication in seeing the MTA tax reduced and working to get our economy moving again."

The plan was supported by major business organizations across the state including: the Long Island Association; the Business Council of New York State; Unshackle Upstate; the National Federation of Independent Businesses; the Partnership for New York City; and the New York Farm Bureau.

Highlights of the Middle Class Tax Cut and Job Creation bill:

MIDDLE CLASS TAX CUT

Approximately 4.4 million middle-class taxpayers will receive \$690 million in personal income tax relief, allowing them to save, spend and invest more of their hard-earned money. After these tax reforms are implemented, middle-class taxpayers will pay the lowest tax rate in more than 50 years.

MTA PAYROLL TAX REPEAL

This plan repeals the devastating MTA payroll tax for about 78 percent, or more than 704,000, of the business entities that currently pay it. This includes eliminating the tax for 290,000 employers with payrolls of less than \$1.25 million; 415,000 self-employed taxpayers; and all public and non-public schools.

TAX CUT FOR MANUFACTURERS

The corporate tax rate on manufacturers outside of the MTA region will be cut in half, providing \$25 million in tax savings, a major boost for job creation. Senate Republicans have long championed lower taxes for New York's manufacturers as a way to create jobs.

TAX INDEXING

Under the provisions of this bill, income brackets and the standard deduction will be adjusted for the rate of inflation, eliminating "bracket creep," and providing about \$440 million in tax savings over two years for every New Yorker that pays the personal income tax.

PERSONAL INCOME TAX SURCHARGE ELIMINATION

The bill eliminates the PIT surcharge, enacted by Democratic Majority in 2009. Ninety-one percent of taxpayers currently impacted by the surcharge will receive a tax cut.

FLOOD RELIEF

\$50 million in additional relief will be provided for areas affected by the recent flooding. A job retention tax credit will also be extended to businesses harmed by a natural disaster within the last year.

CAPITAL INVESTMENTS AND JOB CREATION

A new \$1 billion infrastructure fund has been established to rebuild roads, bridges and other infrastructure, and encourage the creation of thousands of related jobs. These investments are expected to leverage \$10 billion in capital investments. Projects immediately expedited through the infrastructure fund total \$2.6 billion.

Specific investments by the infrastructure fund include replacing bridges, rehabilitating dams and flood control infrastructure, rebuilding water systems, renovating parks and projects that support regional economic development plans.

INNER-CITY YOUTH EMPLOYMENT

The bill includes \$37 million in funds for job readiness training for inner-city youth and provides \$25 million in tax credits for employers who hire unemployed youth.

MORE MONEY IN RESERVES

The plan sets aside \$1.5 billion, completely unspent and held in reserve for economic uncertainties and to help support: job creation; local government mandate relief; ensure funding for education and health care; and closure of budget gaps.