



NEW YORK STATE SENATOR

John A. DeFrancisco

## State Senate Republicans Issue Report on Tax Reform

JOHN A. DEFRANCISCO November 19, 2013

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State Senate Republicans today, November 19, 2013, issued a comprehensive report on state taxes that calls for personal income taxes, business taxes, estate taxes and local property taxes to be reformed, simplified and reduced. The report makes sweeping recommendations for reducing the tax burden on all New Yorkers. The plan recommends enacting a permanent two-percent state spending cap and dedicating surplus revenues to tax reductions.

The report was developed based on testimony at a series of statewide public hearings conducted by Senator John A. DeFrancisco, Chairman of the Senate Finance Committee, and Senator Carl L. Marcellino, Chairman of the Committee on Investigations and Government Operations. The report will be shared with the tax reform commissions established by Governor Cuomo for their review.

“It’s unacceptable that New York ranks 50<sup>th</sup> in business tax climate and first in population loss. Senate Republicans are recommending strong and dramatic actions to improve our business climate, create good jobs, and give families the opportunities they need to stay in New York,” Senate Republican Leader Dean Skelos said. “We are proposing a plan to greatly reduce the tax burden on New Yorkers at every level, making it more competitive for businesses to locate and grow here. There is nothing more progressive than empowering the private sector to create good-paying jobs.”

“I want to thank Senators DeFrancisco and Marcellino, as well as the many members who participated in these hearings, for their outstanding work,” Senator Skelos said. “Senate Republicans will be pushing hard for enactment of our tax reduction and reform plan because it will mean a brighter future for families, individuals, and businesses across the entire state.”

“Over the last few years, New York State government has taken steps in the right direction to improve the fiscal health of our state, reduce the tax burden and eliminate obstacles that prevent businesses from thriving,” Senator DeFrancisco said. “Yet, we should never stop looking for new ways to reform and improve our tax policies, cut our taxes and encourage economic growth. Our recommendations will help us shape a new tax reform and reduction proposal that fits the demands and realities of a 21st century economy.”

“Our recommendations to reform and reduce taxes will help ensure a brighter, stronger and more prosperous future for New York,” Senator Marcellino said. “Our proposals would also make staying in New York not only more attractive, but the preferred option for young New Yorkers, middle class families, senior citizens, and private sector businesses.”

Highlights of the recommendations made in the preliminary Senate report include, among other things:

- Enact a permanent two-percent cap on state spending growth and dedicate every dollar of surplus savings to tax reduction;
- Create an optional simple personal income tax calculation;
- Make inflation adjustments for income brackets permanent so a taxpayer’s tax burden is not increased simply due to normal wage growth;
- Eliminate unfair tax treatment by making all retirement income tax-free to encourage seniors to stay in New York;
- Dramatically reform and reduce property taxes to provide relief for hardworking families;
- Accelerate reductions in the 18-a utility tax surcharge to two years, fully eliminating the surcharge in SFY 2016-17;
- Reform New York’s onerous Estate Tax to protect family farms and small businesses and eliminate the incentive to transfer wealth to other states;
- Reduce corporate tax rates with the goal of elimination;
- Eliminate the corporate tax on manufacturers;
- Eliminate the MTA payroll mobility tax on government entities to prevent double taxation; and
- Eliminate the MTA-region car registration and driver’s license fee increases enacted in 2009.

“Just reshuffling the deck by cutting some taxes and raising others won’t be enough to turn our economy around,” Senator Skelos said. “Raising taxes on things like gas and clothing will only increase the tax burden on businesses and families, especially in rural and suburban New York. We have to stay focused on cutting taxes, not increasing them.”

Over the past two months of public hearings, the committees heard testimony, received written communications and met with New York’s business leaders and stakeholders across the state. There were consistent themes that emerged from job creators: the need for broad-based tax reductions in corporate and personal income taxes, with the inclusion of some of the more important tax credits, and the need for simplicity in the tax code.

The report outlines some of the Joint Committee’s initial findings and outlines a plan that will make it easier for businesses, residents and retirees to stay and thrive in this state.

It will be used to help guide the Senate Republican Conference’s efforts as the 2014 Legislative Session and the 2014-15 State Budget process gets underway.

## Senate Republican Tax Reform Action Plan

### *Cap State Spending – Limit Tax Increases*

- Formalize and make permanent a two percent cap on State spending growth. Over the past two years, the State has saved \$17 billion by adhering to a self-imposed two percent cap. By making a cap permanent going forward, New York will save an additional \$11 billion over the next four years – providing ample room and flexibility for tax cuts and pro-growth tax reforms to be implemented;
- Reduce tax rates by establishing a new dedicated Tax Freedom Fund (TFF). The TFF would be tied to the two percent State spending cap, and every dollar of surplus savings at the end of the fiscal year would be targeted directly toward the reduction of taxes; and
- Enact a two-thirds majority vote requirement for tax increases.

### *Personal Income Tax*

- Create an optional simple Personal Income Tax calculation. Dramatically simplify the tax code by basing income calculations on the Federal Adjusted Gross Income (F-AGI) with only one single adjustment.
- Make permanent the inflation adjustments enacted in 2013 for income tax brackets, the standard deduction, and child credits to help ensure that taxpayers don't see tax increases simply because of inflation and wage growth;
- Eliminate unfair tax treatment by making all retirement income tax-free, thus encouraging seniors to remain in New York. Currently only Federal, State, and local pension income is completely tax-free; and
- Take specific steps to reform and simplify New York's tax code, including the elimination of the Personal Income Tax (PIT) Minimum Tax.

### ***Estate Tax***

- Amend New York's onerous Estate Tax by conforming it with the Federal Job Creation Act and the American Taxpayer Relief Act to protect family farms and small businesses and eliminate the incentive to transfer wealth from New York to other states.

### ***Corporate Income Tax***

- Review New York's current, piecemeal-style approach to tax relief – which involves providing tax credits to specific industries – in favor of a simplified system that produces a lower tax structure for all businesses;
- Reduce Corporate Tax Rates with the goal of elimination by adopting a trigger to reduce corporate tax rates 15 percent across-the-board if new State revenues exceed \$500 million;
- Combine the Bank Tax and Corporate Franchise Tax;

- Reduce Corporate Franchise Tax rates with a commensurate reduction in the value of all business credits and tax preferences;
- Eliminate the Corporate Alternative Minimum Tax (AMT);
- Reduce taxes that hurt job creation and hinder the competitiveness of small businesses and manufacturers, including the complete elimination of the Corporate Tax on manufacturers;
- Align with Federal tax preferences and definitions to further simplify the tax code;
- Make the Brownfield Tax Credit permanent in order to encourage new projects and investment in key areas that are badly in need of economic activity; and
- Create an Angel Tax Credit and make the Film Tax Credit more directly accessible to New York studios.

### ***Sales Tax***

- Review the not-for-profit exemption to ensure accountability and proper use of the exemption.

### ***Property Tax***

- Make the property tax cap permanent; and
- Provide temporary property tax relief to millions of hardworking families across the State until the full impact of the tax cap is realized.

### ***Miscellaneous Taxes***

- Accelerate the reductions in the 18-A Utility Tax Surcharge so that it is phased-out in two years instead of four, and is eliminated in SFY 2016-17;
- Eliminate the MTA Payroll Mobility Tax on government entities to prevent double taxation;
- Eliminate the MTA-region car registration and driver's license fee increases that were imposed in 2009; and
- Remove the obsolete Stock Transfer Tax language from the Tax Law.

### *Streamlining Tax Filings*

- Review the administrative cost to taxpayers of taxation and tax filings.

**FOR THE FULL REPORT, PLEASE [CLICK HERE.](#)**

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