



NEW YORK STATE SENATOR

John J. Flanagan

## Senate Republican Conference Unveils Sweeping Tax Cut Plan To Provide Billions In Tax Relief

JOHN J. FLANAGAN March 9, 2016

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The New York State Senate Republican Majority today unveiled the first part of their one-house budget proposal that creates a broad-based tax cut plan to provide billions of dollars in tax relief to the middle class, seniors, and small businesses. The plan creates a new 25 percent rate reduction for middle class taxpayers, new tax savings to prevent seniors from leaving New York, and significant tax cuts for small businesses, farms, and other job creators.

Senate Majority Leader John J. Flanagan (2nd Senate District) said, “Republicans are listening to the people of New York who know that high taxes inhibit economic growth and make it more difficult for families to make ends meet. This bold plan will put more money back into the wallets of hardworking taxpayers and make our state a more affordable place to live and work.”

Senator Catharine Young (57th Senate District), Chair of the Senate Finance Committee, said, “Making our state more affordable for middle income families and seniors through meaningful tax relief will enhance the quality of life for millions of New Yorkers. People need good paying jobs and a strong economy. Our small businesses and farms make up the majority of our state’s economy and our tax relief package will help them thrive and grow.”

### **Cutting Middle Class Tax Rates to the Lowest Level in 70 Years**

The highlight of the Senate Republicans’ tax plan is the new Middle Class Income Tax Relief Program that establishes the lowest middle class tax rate in more than 70 years. Starting in 2018, a total of 5 million eligible taxpayers – including more than 770,000 small businesses who file under the Personal Income Tax – would begin seeing savings. When fully implemented in 2025, middle class New Yorkers will pay a 25 percent lower tax rate and save \$3.5 billion in taxes each year.

Right now, existing middle class tax cuts are set to expire in 2018 and the tax rate will jump to 6.85 percent. This results in an annual cost of \$155 on average to middle class taxpayers, totaling \$700 million per year. The Senate Majority’s plan not only eliminates this expected middle class tax increase, but it also phases in a 25 percent tax rate reduction to 5.14 percent when fully effective. This permanent rate cut saves middle class taxpayers an average of \$897, for a total of \$3.5 billion per year in 2025 and thereafter.

Taxpayers eligible for the savings include: single filers with taxable income between \$20,000 and \$150,000; heads of households with taxable income between \$30,000 and \$225,000; and married joint filers with taxable income between \$40,000 and \$300,000. The proposal prevents the existing middle class tax cuts from expiring in 2018 and then begins a rate reduction in 2019 that will be phased down each year over seven years. It would also continue the current indexing of income bracket on a permanent basis.

### **Giving More Financial Security to New York's Seniors**

The Senate Majority's budget proposal includes new income tax relief to help more seniors save money and choose to stay in New York during retirement. The tax cut would provide the first increase to the exempt amount of private pensions and retirement income since 1981, saving approximately \$275 million annually when fully phased in.

For 35 years, seniors have been able to claim the first \$20,000 of pension or retirement income as exempt income. The Senate Majority's proposal increases that exempt amount to \$27,000 in 2017, \$34,000 in 2018, and \$40,000 in 2019. This would provide tax relief to more than 377,000 seniors and, in the first year alone, would save each an average of \$361.

Senator Hugh T. Farley (49<sup>th</sup> Senate District) said, "Senior citizens are vital contributors to our communities and families. I believe that reducing the tax burden on seniors will help improve their quality of life and encourage retirees to stay in New York. Our tax relief proposal will also provide a better measure of parity between private pensions and government pensions, which are currently tax-exempt."

Senator Sue Serino (41<sup>st</sup> Senate District) said, "As Chairwoman of the Senate's Aging Committee, I hear every day from older New Yorkers who are concerned about rising costs --

about paying their taxes, affording their prescription drugs and making ends meet. Our seniors have spent their lives building the communities we know and love. We owe it to them to make New York a place where they can afford to enjoy their Golden Years. Today, we're going beyond rhetoric to help make that a reality."

### **Increasing Small Business Income Tax Exemptions**

The Senate's budget tax cut plan will expand small business tax cuts that were enacted in 2013 to provide even more tax relief to help entrepreneurs grow and create jobs. The Senate Republican Majority successfully advocated for the inclusion of a Personal Income Tax (PIT) exemption for small businesses and small farms in the 2013 budget and this year, eligibility to receive the tax savings would be significantly expanded. When fully enacted, small businesses and small farms would save \$494 million annually.

The proposal expands the eligibility of a small business to include any business that files under PIT regardless of how the business is structured; raises the income eligibility threshold from \$250,000 to \$500,000 when the business entity income is less than \$1.5 million; eliminates the employee requirement; increases the exemption from 5 percent to 15 percent for small business income and from 5 percent to 20 percent for farm income; increases the Corporate tax threshold from \$390,000 to \$500,000; and reduces the Corporate business income rate for small businesses from 6.5 percent to 2.5 percent over two years.

### **Fully Eliminating the 18-a Utility Tax Surcharge**

In 2009, the Democrats enacted a utility tax surcharge over the Senate Republican's objections and it cost ratepayers nearly \$600 million annually. In 2013, the Senate

Republicans successfully fought for a phase-out of the assessment, saving ratepayers \$455 million over the five-year phase-out period. In 2014, the Enacted Budget contained an additional \$600 million in savings over the remaining phase-out, which is scheduled to be completed by the end of 2017. The Senate's budget proposal would permanently eliminate the 18-a surcharge by the end of 2016 and save taxpayers \$125 million.

Senator Michael Venditto (8<sup>th</sup> Senate District) said, "I am proud to stand with our Senate Majority and support our tax cut package. Cutting taxes helps families grow, small business create jobs and provides economic opportunity for our future generations. One of the most onerous taxes paid by businesses and consumers alike is the 18-a energy tax surcharge. In last year's enacted budget, we made real progress in doing away with the energy tax and this year we want to finish the job. Eliminating what's left of this tax this year will save taxpayers \$125 million and reduce energy costs for businesses and consumers."

### **Saving on Estate Taxes to Help Future Generations of Business Owners**

To encourage small businesses and farms to pass down their business from one generation to the next, the Senate is proposing to speed up the full phase-in of estate tax reform first enacted in 2014. This will allow estates to have a tax exclusion amount equal to the federal exclusion amount when the estate has farm operations or small business property and where the value of the farm operations or small business are a majority of the estate.

Starting April 1, 2016, the exclusion would be increased to \$5.45 million, resulting in an annual savings of \$70 million and a \$210 million cumulative savings by 2020.