

March 22, 2021

Dear Legislator:

New York is still facing major challenges in recovering from the COVID pandemic and recession. Importantly, the American Rescue Plan Act is providing state and local government, small business and individuals with crucial financial assistance that will both assist in our economic recovery and help put New York on a path to future growth.

The \$30 billion in general and categorical aid flowing to New York State and its local governments will allow the State to adopt FY 2022 budget that fills potential spending gaps and provides for significant resources in key spending areas, including education, higher education, housing, health care, childcare and others.

And a well-funded state budget can be achieved without major, damaging increases in taxes on New York's private sector.

Our organizations – which together represent thousands of New York State employers and several million private sector jobs – are strongly opposed to the significant business tax increases included in the Senate and Assembly budget resolutions and one-house budget bills. We believe these increased taxes – in addition to being unnecessary – will adversely impact businesses, investment levels and jobs at a time when New York should be focused on rebuilding its economy.

Together, these tax measures would impose \$1 billion or more in increased taxes on New York State employers. Our most significant concerns are:

- There is no fiscal need for higher business taxes, given the recent recovery in state tax revenues (up \$3.6 billion since the Executive Budget was proposed) and the massive influx of federal dollars to New York State under the American Rescue Plan Act. Taken together, these funds will allow the State to adopt a FY 2022 budget that restores cuts and increases state spending in priority issues.

- With the passage of the American Rescue Plan Act and its \$350 billion in additional funding for state and local governments, few, if any, states other than New York are seriously considering major business tax increase. The Legislature's proposals for up to \$1 billion in increased business taxes, and its overall \$8 billion in new and increased taxes, would make New York the significant outlier among the states.

- The Senate's proposal for a permanent increase in the corporate franchise tax rate to 9.5% is excessive and would make the State's business tax rate the fifth highest in the nation. For corporations doing business in New York City, the combined state and city corporate income tax would be the nation's highest. A permanent change to

this tax rate could also adversely impact the financial statements of businesses that are significant investors in New York's economy.

- The proposed Assembly corporate tax surcharges also impose increased taxes on in-state capital and are applied to sector-specific gross receipts taxes – resulting in pyramided state and local tax levies.

- These business tax increases are in addition to the already certain \$10 billion increase in unemployment insurance taxes that will be paid by New York employers over the next several years. Employers' payroll taxes are the exclusive source of funds to repay federal advances for benefit payments to workers who lost jobs due to the COVID shutdown. The State should make it a priority to repay these loans without imposing additional tax burdens on employers as they work to recover.

- Several of these proposals directly tax physical and financial capital in New York State, at a time when the State should be promoting increased capital investments here. The proposed extension of the Article 9-A capital base tax will impose a four- or five-fold increase in the tax levy on employers with significant in-state capital, but with limited profits. These and other proposals also impose higher taxes on other capital-intensive sectors, including telecommunications and energy, that are making significant investments in the State.

- The impact of these tax increases will filter down through the economy. Economists generally agree that business taxes are ultimately born by capital, shareholders, labor and consumers.

New York's private sector employers are still recovering from the COVID recession, and our recovery to date has lagged behind national trends. At a time when New York State should be promoting economic growth and private sector investment, proposals for \$1 billion business tax increases are simply counter-productive and will have an adverse impact on New York employers and employment opportunities. We urge their rejection in the final budget agreement for FY 2022.



