



## **Unshackle Upstate**

### **Joint Legislative Public Hearing on the Executive Budget**

#### **Taxes**

**February 10, 2014**

#### **Testimony of Brian Sampson – Executive Director, Unshackle Upstate**

Chairman DeFrancisco, Chairman Farrell, and other members of the Committee, thank you for the opportunity to present this testimony to the Joint Legislative fiscal committees regarding the tax provisions of the Governor's 2014-15 Executive Budget.

As you are likely aware, Unshackle Upstate is a non-partisan, pro-taxpayer, pro-economic growth, education and advocacy coalition made up of business and trade organizations from all parts of Upstate New York.

Our main purpose is to help enact necessary reforms in Albany that make Upstate New York a better place to live, raise a family and do business. Our priorities remain the same as they have since we were founded:

- 1. Reducing State and Local Government Spending**
- 2. Reducing Taxes, Fees and Assessments**
- 3. Reducing Mandates on Businesses and Unfunded Mandates on Local Governments and School Districts**
- 4. Reducing the State's Reliance on Borrowing**

The proposed budget reflects much of what Unshackle Upstate has long fought for – including limiting the growth of state spending and reducing taxes.

### **Responsible & Controlled State Spending**

The Executive Budget continues the recent state trend of limiting state spending increases and reducing future budget gaps. Unshackle Upstate wholeheartedly supports the Governor's continued commitment to limiting the annual growth in State Operating Funds spending to 2 percent or less, and urge the Legislature to avoid increasing state spending beyond what the Governor has proposed.

Moreover, we are pleased that the Governor has pledged to propose subsequent Executive budgets that continue to limit spending growth. The fiscal restraint that the Governor and Legislature have exercised since 2011 have has greatly assisted in improving New York's economy.

### **Tax Reform**

This year's budget includes several tax reform proposals that our organization endorses.

Reducing the tax burden on individuals and businesses remains one of Unshackle Upstate's highest priorities. Broad-based tax relief will enable the growth of private sector jobs and strengthen communities in need.

In September, I testified before the Senate Committees on Finance & Investigations and Government Operations, where I explained our New ERA for Upstate – a broad-based tax relief proposal. We are delighted that a similar version of our tax reform plan has been included in this year's Executive Budget.

Some of the tax items we specifically support are:

#### **Elimination and Phase-out of 18-a**

Unshackle Upstate has vehemently opposed the 18-a energy surcharge since it was "temporarily" imposed in 2009. We are pleased that the budget recognizes the need to eliminate this regressive tax and we support the proposed repeal for large energy customers and its phase-out for all other utility customers.

#### **Corporate Tax Reduction**

Unshackle Upstate has long supported reducing taxes on businesses. We support the Executive's proposal to reducing the tax rate on net income from 7.1 percent to 6.5 percent. We also support the plan to combine the corporate franchise tax (Article 9-A) and the banking tax (Article 32) to simplify the state's overly complex tax structure.

#### **Tax Relief for Manufacturers**

The Governor proposes to immediately eliminate the corporate income tax on Upstate manufacturers, and to create a new 20% real property tax credit for "qualified New York manufacturers" statewide.

Unshackle Upstate has long sought tax reductions specifically directed at our dwindling manufacturing industry. If enacted, this plan will have an immediate positive impact on bolstering the Upstate economy and will help attract manufacturers and good paying jobs to our struggling Upstate communities.

### **Regional Economic Development Councils**

Unshackle Upstate continues to support the REDC process and firmly believes that locally driven economic development will help maintain momentum and stimulate important job creation efforts across the state. We urge the Legislature to approve a fourth round of the REDC process.

### **Design Build**

In 2011, the state authorized the implementation of design-build project delivery for certain infrastructure projects. The Executive Budget proposes to make this law permanent, while also authorizing the use of design-build by counties, cities, towns and villages with populations over 50,000.

Unshackle Upstate continues to support the expanded use of this practice to deliver projects faster, more efficiently and at a lower cost. Furthermore, we encourage the expansion of design-build authorization to all state agencies, and that it be authorized for vertical projects as well.

### **Brownfield Cleanup Program Extension**

Unshackle Upstate supports the extension of the Brownfield Cleanup Program. Originally created in 2003, and modified in 2008, this program has become a useful tool to incentivize private sector entities to develop abandoned and contaminated properties.

However, we have some concerns with the Executive's proposal. We feel that the proposal's "vacancy test" requirement -- which would require that properties be vacant for at least 15 years or vacant and tax delinquent for 10 years or more -- is too restrictive. Setting the bar for project participation in the program too high will discourage participation, undermining this important community revitalization tool. In addition, we urge you to extend the program so that it grants tax credits relating to asbestos removal.

### **Estate Tax Reform**

Unshackle Upstate supports the Governor's proposal to increase the estate tax threshold from the current \$1 million to the Federal exemption amount of \$5.25 million. We feel that this change is long overdue and will greatly assist many of our Upstate farms.

There are a number of proposals included within the Governor's Executive budget that Unshackle Upstate opposes, and we urge the Legislature to reject them.

### **Circuit Breaker**

The Governor proposes to establish a new property tax “circuit breaker” credit that homeowners would claim on their state income taxes. This credit would effectively serve as a rebate of a portion of local property taxes, to the extent that they exceed a set percentage of each homeowner’s income.

While we support property tax relief, we oppose the enactment of a property tax circuit breaker. Rather than provide real property tax relief to home and business owners, a circuit breaker instead shifts the property tax burden to the state’s taxpayers.

This proposal also fails to provide any tax relief to business owners. Further, New York State has significant regional variations in household income, home values and taxes, which means that taxpayers in some parts of the state will receive greater benefits from this program than others.

Rather than shift the real property tax burden from homeowners, we urge state lawmakers to instead take on the property tax affordability crisis by addressing the unfunded state mandates that have long served to drive up local property taxes. Relief from unfunded state mandates -- not a tax shift -- is the key to reducing property taxes for all New York homeowners and business owners.

#### **Taxpayer-Funded Political Campaigns**

Unshackle Upstate strongly opposes the use of public monies for political purposes. We are especially concerned that there is no reliable estimate of the cost of the Executive Budget’s proposal for taxpayer-funded political campaigns.

We believe that Article VII, § 8(1) of the State Constitution prohibits the use of public dollars for political purposes.

Further, the majority of taxpayers in Upstate New York do not support the state using their hard-earned tax dollars to pay for political activities. Establishing a program that will provide massive public subsidies for politicians -- especially at a time when the state is cutting back on the services it provides -- is simply poor public policy. We urge you to reject this measure.

While it may be appealing, the notion that taxpayer-funding for political campaigns will somehow end public corruption is unrealistic. There are many things that the state can do to address the problem of public corruption -- improved enforcement and greater transparency are just two examples -- but giving taxpayer dollars to politicians is not among them. As New York City’s program demonstrates, taxpayer-funded political campaigns actually create new opportunities for the theft or misuse of public monies.

On behalf of Unshackle Upstate, thank you again for the opportunity to share with your our views regarding the 2014-15 Executive Budget. I would be happy to answer any questions at this time.