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February 14, 2024

New York State Joint Legislative Budget Hearing on Taxes

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NFIB is a member-driven organization representing close to 300,000 small businesses across this country and more than 11,000 across New York State.

NFIB members are the businesses that define our neighborhoods and strengthen our communities with character and value: local hardware stores, independent restaurants, florists, barbers, small retailers, dry cleaners, convenience stores, farmers, roofers, landscapers, mechanics, and fitness and retail boutiques.

There are close to 500,000 small businesses with employees in New York. These businesses employ half the state's private-sector workforce, nearly four million New Yorkers, and their production accounts for nearly half of the state's GDP. A strong, vibrant small business eco-system supports local tax bases, governments, and schools. Sixty-seven cents of every dollar spent at a local small business is reinvested into the community.

It is well established that small businesses are local job creators and the bedrock of the state and regional economies. These neighborhood employers still face significant financial challenges, including inflation, elevated gas and energy prices, an exodus of workers from the labor force, and the highest possible state Unemployment Insurance taxes.

The Fiscal Year 2025 Executive Budget proposal fails to tackle the state's $7.3 billion Unemployment Insurance (UI) debt which is saddling small businesses with unnecessarily high taxes and dragging down the state's economy. Applications for unemployment benefits surged when non-essential businesses were shut down by New York State due to the pandemic. The UI system quickly became overwhelmed by the unparalleled spike in claims and extraordinary amounts of money poured out of New York's UI Trust Fund. To continue to satisfy claims, New York needed to borrow funds from the federal government. New York, California, and Connecticut are now the only states with outstanding federal UI advances, but unlike nearly three dozen other states, New York has not used any of the billions in federal COVID relief to help pay off its UI advance. The outstanding pandemic-related federal UI advance has led to the highest possible state UI taxes, an Interest Assessment Surcharge (IAS), and increased federal UI taxes for New York businesses.

In July 2023, businesses were notified that they would, again, take on the state's interest debt payment in the form of an annual IAS of $21.60 per employee. Businesses will continue to pay the IAS until the interest and the multibillion-dollar debt has been satisfied. Employers in New York also continue to face a Federal Unemployment Tax Act (FUTA) tax offset credit reduction resulting in a FUTA tax increase of $84 per employee. This is in addition to the highest possible UI tax rates, which average an extra $250 per employee per year. For many employers, UI costs have risen by thousands of dollars each year over pre-pandemic levels. These substantial added costs are shouldered solely by businesses across New York, even though state public policy positions led to this crisis. New York's businesses, especially small businesses, remain at a competitive disadvantage as their counterparts in 47 other states do not have this added cost.

At the very least, New York State should allocate $150 million to pay the interest on the debt for calendar year 2024, which would provide modest relief for businesses, while also acknowledging that the state has a responsibility to assist in this crisis. For years, businesses have been repaying the federal government without any assistance from the state, but businesses cannot, and should not, be required to bear the burden alone. We must do more as a State to aid in this crisis, our long-term economic recovery depends on bold action and restoring the solvency of the state's UI Trust Fund.

Additionally, NFIB strongly supports the Governor's fiscal discipline by not increasing personal income or business taxes in the FY 2025 Executive Budget proposal. Holding the line on broad-based tax increases is immensely important to avoid further burdening small business owners and halting the outmigration of New Yorkers to other states. According to a recent report by the Citizens Budget Commission, New York State and its localities were the highest taxing in the United States. New York leads the nation in collecting the most taxes per person and spends 50 percent more per capita than the national average. New York collects over $10,000 in taxes per resident, nearly $4,000 more than the national average. Even more troubling, "on a per capita basis, New York State and its localities collected 10 percent more than Connecticut, 12 percent more than California, 24 percent more than New Jersey, 27 percent more than Massachusetts, 65 percent more than Pennsylvania, 113 percent more than Texas, and 136 percent more than Florida.[1]"

New York cannot continue to tax and spend at this level; it does not lead to economic prosperity, and it puts the state's small businesses at a sizeable competitive disadvantage. It is time to acknowledge reality, New York's economy is lagging the rest of the nation in job creation, unemployment, and gross domestic production. If New York State is serious about reinvigorating its economy, the tax burden on small businesses and residents must be addressed, and the Legislature should reject all tax increases, and instead focus on creating a more competitive economy and practicing fiscal discipline.

NFIB looks forward to collaborating with the Governor and Legislature to create a better business environment that helps small businesses and their employees, the economy, and all New Yorkers.

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[1] Adam Ciampaglio and Ana Champeny, "Top of the Charts: New York and Its Localities Were #1 in Taxes and #2 in Spending," Citizens Budget Commission. February 2024. CBCREPORT_Tax-Spend_02132024.pdf (cbcny.org).