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2014 LEGISLATIVE PUBLIC HEARING ON 2014-15 EXECUTIVE BUDGET PROPOSAL - TAXES

NFIB/NY STATE DIRECTOR MICHAEL DURANT  
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Good morning. First, let me thank you Senator DeFrancisco and other members of this joint committee, for allowing me to be here on behalf of small business today.

My name is Mike Durant, and I am the New York State Director of the National Federation of Independent Business. NFIB represents 11,000 small businesses in every corner of the state. Our membership is comprised of sole proprietors to farmers, manufacturers and retailers. The typical NFIB member has 5 or fewer employees and more than half of our members report gross sales of \$350,000 or less. It is on behalf of those members that I am here today.

The importance of small business to our state's economy cannot be understated. Last year, there were more than a half million small businesses, employing almost four million workers, in New York State. In addition to being a major job creator, small businesses are vital to our communities and an essential component to our economic future. Through countless examples of volunteerism and philanthropic endeavors it would be difficult for any New Yorker to state that their lives have not been positively impacted by main street businesses.

NFIB regularly canvasses its members on the issues that most concern them. It is not surprising that New York's crushing tax burden remains top on the list.

We appreciate that Governor Cuomo first has recognized that New York's future economic potential will be diminished significantly if our onerous tax structure is not drastically overhauled and second has proposed action. Too often, tax reform is strategic in nature and nibbles around the edges of major reform – Start Up NY, enacted last year is a recent example. That said, this package of tax reform is, while not the slam dunk that has been purported by some, a better step forward with room to dramatically put cracks in New York's cemented status as the tax capital of the nation.

But only if this plan is broadened.

Let's quickly run down the components we support and acknowledge that these elements were also proposed in our legislative agenda for 2014.

Starting with the accelerated phase out of the 18a assessment, consumers, including businesses, will see immediate savings in their energy costs.

Reducing the corporate tax rate will help strengthen the fiscal footing of businesses across the state while adding much-needed clarity and equity to the state's code.

Also critically important, particularly to our family owned small businesses and farms, is the estate tax reform. Increasing the exclusion threshold and reducing the top tax rate will help ensure that many of our family owned businesses stay here in New York.

These are all proposals that NFIB supports and encourages enactment of in the final adopted budget.

Now for the other side of the coin.

It is our position that the tax reform proposed by the Governor is in fact an incomplete plan. Incomplete because it largely leaves out the immediate relief that many true small businesses desperately need now. Tax cuts for corporations and manufacturers are necessary and laudable, but this proposal leaves out 75% of New York's small business owners. There's no tax relief for the many of the same group of small business owners that have seen their costs rise as a result of the minimum wage hike, a temporary increase in UI premiums, and state taxes on health insurance coverage for themselves and their employees.

The increased costs for small businesses aren't balanced out by any tax relief. Start Up NY, if it succeeds, will have minimal induced benefits for small business, the majority of our members would not even qualify for the business expansion mechanism of the program. So, where does that leave small business? Searching for recognition from the Governor and Albany of their importance to our state's economy.

It is critically important to note that the majority of small businesses pay their taxes through the personal income filings. The Governor's budget proposal does not include any personal income tax reductions or targeted PIT reductions for small business. NFIB's position is that a tax reform proposal should be broad in scope and impact. This plan, while as I have illustrated earlier is more broad, fails to offer any relief to a critical segment of the economy that frankly cannot continue to shoulder such a sizable piece of New York's tax burden. We strongly urge amending this proposal to include a personal income tax reduction that would benefit both small businesses and New Yorker's that need their costs reduced. Another alternative would be to put in place a percent deduction on business earnings for personal income filers. Either approach would fully capture the small business community.

Similarly, NFIB strongly opposes the "circuit breaker" methodology proposed in this fiscal plan. A circuit breaker will only shift the burden while avoiding addressing the structural reasons behind the large property tax burden. In relation to this position, we also opposed the two year "property tax freeze". We appreciate the Governor looking at New York's property tax problem, but feel this method of tackling the problem is not a viable course of action.

A circuit breaker is not true tax reform. A temporary tax freeze is also not tax reform. They are

simply avoiding the problem and shifting costs. Shifting the costs through a circuit breaker ignores the politically sensitive issues of mandate relief. NFIB was a strong supporter of the enacted property tax cap, and we maintain that the cap needs to be paired with significant mandate relief in order to address New York's high property tax problem.

We agree with the Governor that property taxes are among the most onerous taxes for New Yorkers. We also appreciate his effort to cut those taxes. We do not, however, agree with his proposal in its entirety. New York will never be truly open for business if our schools and municipalities are in fiscal peril, largely due to state mandated costs.

Additionally, NFIB feels that the bulk of the tax cuts within this proposal are based upon future restrictive state fiscal plans. We completely agree that the Governor and legislature has done a necessary and terrific job of reigning in state spending. But relying on the adherence of limited spending increases in future budgets is a leap of faith that employers and taxpayers should not have to take. NFIB would support and urge the final budget deal to include a 2% state spending cap. This will help the continuation of rightsizing our state for the 21<sup>st</sup> century and guarantee these tax cuts will be fully implemented.

As I stated at the beginning of my testimony, NFIB applauds the Governor for focusing on tax relief and reform in his budget proposal. It is a solid foundation that has components which NFIB supports.

We urge the legislature to build on that foundation and will work with all sides of this debate to shape a brighter future for all New Yorkers, as his attempts to do.

Achieving that vision, however, will require the adoption of a broad and comprehensive tax relief plan which will include small business and return the focus on comprehensive mandate relief measures rather than cost shifts and avoiding the fiscal ills of our communities and schools.

Thank you.

