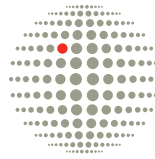


# Reform Business Taxes Now



**PARTNERSHIP**  
for New York City

February 2014

The Partnership for New York City supports the business tax reform proposals in Governor Cuomo's Executive Budget, which will make New York more competitive and create good jobs.

## **WE ARE LOSING GOOD JOBS**

Over the past five years, New York City's \$583 billion economy grew steadily, making it the largest city economy in the world. In 2013, the total number of private sector jobs in the city reached 3.5 million—an all-time high—but the story is not entirely positive. Job growth has been limited to the high and low ends of the wage spectrum. The metro region has suffered the loss of more than 100,000 middle wage jobs over the last decade. There are 330,000 unemployed New York City residents looking for work and another 44,000 city residents who have simply given up searching for a job.

## **WHAT COULD BE DONE TO STOP THE JOB LOSS? TAX REFORM IS A GOOD START.**

Virtually every review of cities around the world ranks New York at the top when it comes to economic clout, but near the bottom when it comes to tax policy. Competition is growing from emerging business centers around the world and here at home from cities like Houston, Miami, Salt Lake City and Seattle. NYC is home to 43 US Fortune 500 companies, but in terms of *global* Fortune headquarters, the City has only 18. As compe-

---

**20%** of the state's corporate taxes are collected through the audit process

---

tion becomes more intense, individual and business tax policies are already proving to be an increasingly important factor in the location of business operations and jobs. In fact, there is currently a disincentive for banks to grow jobs in New York, which doesn't exist in Connecticut, New Jersey or Pennsylvania.

## **TAX REFORM: THE TIME IS NOW!**

**Did you know that more than 20% of the state's corporate taxes are collected through the audit process?** This is because New York's business tax law is so complex and uncertain, that years after filing it requires extensive review and negotiations on the part of tax collection agencies and businesses to figure out what is actually owed. Tax experts generally agree that Governor Cuomo's proposal for corporate tax reform would clarify and simplify the business tax code, which makes businesses more likely to locate and grow here, and save money on

compliance for both the state and the taxpayer. Most important, it creates transparency and, to the extent possible, applies the same rules to the state's largest private sector employers, regardless of their industry.

The reform proposals are the product of more than a decade of effort and consultation with stakeholders by the state's Departments of Taxation & Finance and the Division of Budget. One of the challenges of coming up with a fair, relatively uniform code was elimination or adjustment of historic tax preferences for certain industries or companies. As a result, the final reform proposal creates winners and losers. Because the reforms will make tax obligations more predictable and reduce audit and other compliance burdens, the business community supports the Governor's package, even though it will mean that some companies pay more. To limit the negative impact on employers, the Governor proposes a 0.6% reduction in the corporate rate.

In some quarters, there is a misperception that the consolidation of the bank tax (Article 32) and the corporate tax (Article 9A) will result in a windfall to the financial industry. In fact, there are also winners and losers among financial institutions due to historic legal and structural factors. Companies that do business in New York but have minimal employment and investment will see a **tax increase** under this proposal. The goal is that the package will spur capital investment and job growth in New York State.

---

**51%** of the city's jobs are with companies that have more than 500 employees and these jobs pay an average of \$92,000 in annual compensation

---

#### **CORPORATE TAX REFORM MATTERS TO THE AVERAGE NEW YORKER**

New York City is home to 43% of New York State's population, but generates 54% of its entire economic output and accounts for nearly half of the state's private sector jobs. Middle wage jobs in the city are largely generated by headquarters companies and industries. In fact, **51% of the city's jobs are with companies that have more than 500 employees and these jobs pay an average of \$92,000 in annual compensation.**

The Governor's budget proposal makes changes to state tax law that will have a lasting benefit on New York City's competitive position. The plan will:

- Reinforce New York City's role as a global financial and business center
- Support New York's status as a "Headquarters City"
- Simplify rules and procedures and increase transparency
- Reduce costs of doing business and create jobs

Enacting better, simpler business taxes will demonstrate New York's commitment to maintain its status as the world's most vibrant business and financial capital.

#### **ABOUT THE PARTNERSHIP FOR NEW YORK CITY (PFNYC.ORG)**

The Partnership for New York City's mission is to engage the business community in efforts to advance the economy of New York City and maintain the city's position as the center of world commerce, finance and innovation. Through the Partnership Fund for New York City, the Partnership contributes directly to projects that create jobs, improve economically distressed communities and stimulate new business creation.