



NEW YORK STATE SENATOR

Dean G. Skelos

Senate Republicans Urge Governor and Legislative Leaders to Fix Empire Zone Problem

DEAN G. SKELOS May 4, 2009

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Letter To Governor, Majority Leader & Speaker Calls Attention To Gouging Businesses for Interest-Free Loans

Members of the Senate Republican Conference today sent a letter to Governor David Paterson, Senate Majority Leader Malcolm Smith and Assembly Speaker Sheldon Silver, urging them to address a problem created in the state budget, that is forcing businesses located in Empire Zones to give the state what amounts to an interest-free loan of more than half a billion dollars.

New language in the state budget decertifies businesses located in Empire Zones, retroactive to January 1, 2008, takes away their zone tax credits, and requires them to reapply for certification to receive the tax credits if they meet new criteria for investment and job creation. It could take ESDC as long as six months to recertify businesses and another six months after recertification to provide tax refunds to businesses.

The letter states:

“This means that businesses that have done everything the law requires to maintain Empire Zone status and are expecting tax credits for tax returns they filed before this law was enacted, instead will have to pay larger state tax bills now, and receive their zone benefits later.

This situation essentially creates at least a year-long, interest free loan. Many businesses are calling it a “last straw” issue that could force them to leave the state or go out of business entirely. It also damages the state’s credibility in the eyes of out-of-state businesses that may be considering locating here.”

Senate Republicans fought a plan in the Executive Budget which would have completely eliminated Empire Zone benefits. Governor Paterson assured those businesses that this problem had been fixed, however the final adopted budget included the new provisions addressed in the letter.

The letter also states:

“This situation must be corrected to restore fairness to a program that is crucial to our economy. Many communities, especially Upstate, have effectively managed Empire Zones to create economic growth and new jobs. Either the budget language should be amended or removed or the time frame for recertification of businesses in Empire Zones should be significantly shortened.

The problems created by the changes in the Empire Zone program are just the tip of an iceberg that could sink many businesses. The 2009-10 state budget raised their utility taxes, took away low-cost power and will subject thousands of small businesses that pay the personal income tax to a record increase. All this without a single proposal to promote economic development.”

Senate Republicans have advanced a job creation plan that reduces taxes on businesses, makes us more economically competitive and would position New York’s economy for a rebound.

May 5, 2009

Governor David Paterson

Executive Chamber

Albany, N.Y. 12224

Senate Majority Leader Malcolm Smith

Room 332 Capitol

Albany, N.Y. 12247

Assembly Speaker Sheldon Silver

Room 349 Capitol

Albany, N.Y. 12248

Dear Governor Paterson, Senator Smith, Speaker Silver,

Members of the Senate Republican Conference have repeatedly expressed our concerns about the negative impact of the 2009-10 state budget on businesses across the state.

If raising taxes by more than \$8 billion wasn't bad enough, the State of New York is now using its best known economic development program, Empire Zones, as a way to gouge businesses for an interest-free loan of approximately \$500 million to help balance the state

budget. This may cause more jobs to be lost and businesses to leave.

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This situation essentially creates at least a year-long, interest free loan. Many businesses are calling it a “last straw” issue that could force them to leave the state or go out of business entirely. It also damages the state’s credibility in the eyes of out-of-state businesses that may be considering locating here.

The Executive Budget submitted last December would have taken away all Empire Zone benefits from almost 10,000 businesses. Senate Republicans fought that plan because it would have been devastating to businesses and the communities that depend on them for jobs and economic growth.

While Senate Republicans were not part of the secret budget negotiations, we were told publicly that the Empire Zone problem created by the Governor’s budget had been “fixed.” You were wrong. By the time budget bills were rushed through the process, there was little time for review. Had Senate Republicans been part of the budget process, we would have made it known that the budget still threatened businesses and decimated the Empire Zone program.

This situation must be corrected to restore fairness to a program that is crucial to our economy. Many communities, especially Upstate, have effectively managed Empire Zones to create economic growth and new jobs. Either the budget language should be amended or removed or the time frame for recertification of businesses in Empire Zones should be significantly shortened.

The problems created by the changes in the Empire Zone program are just the tip of an iceberg that could sink many businesses. The 2009-10 state budget raised their utility taxes, took away low-cost power and will subject thousands of small businesses that pay the personal income tax to a record increase. All this without a single proposal to promote economic development.

The budget also hurts businesses that pay the corporate franchise tax. They must now pay 40 percent, instead of 30 percent, of their tax bills in the first of four installments. That increase means businesses will have to pay \$333 million more up front to the state.

Beyond the legislative attacks on businesses, there are administrative actions that are punishing businesses throughout the state. Our members have received many reports from small business owners in their districts that representatives of state agencies are harassing them and threatening big fines for small violations in a blatant attempt to raise more revenue for the state budget.

The anti-business record being established by this state right now will put New York far behind when the national economy begins to turn around. While other states are cutting taxes and providing incentives to create new jobs, New York is doing just the opposite and is repeating the mistakes of the past when we lagged behind the economic recovery of the 1990s.

Senate Republicans have proposed a plan to reduce taxes on businesses and position New York's economy to rebound. We urge you to work with us to send a positive message to people who are struggling to find a job or worried about keeping one -- that we want to work with businesses to help them succeed and grow and not simply view them as a source of cash to balance the budget.

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