



NEW YORK STATE SENATOR

John J. Flanagan

Senator Flanagan Denounces New June 1st Tax Increases

JOHN J. FLANAGAN May 27, 2009

As a result of tax increases that were approved by Democrats in the Senate and Assembly as part of the 2009-10 state budget, New Yorkers will now be paying more for bottled water, purchases made over the Internet and auto insurance as of June 1st. The state will also impose tax hikes on companies that transport employees in and out of New York.

Due to these job killing tax increases, Senator John Flanagan (2nd Senate District) voted against every component of this budget because it is bad for Long Island, bad for those who work and bad for anyone who owns a home.

Instead, Senator Flanagan and his colleagues proposed the Better Plan for New York in early March as an alternative. This plan would have taxed less, spent less and created needed jobs. But, due to the lack of openness during this process, this plan was never even discussed in public.

Senator Flanagan also joined with his Senate Republican colleagues to push for some budget amendments during budget negotiations that would have made the budget more acceptable to taxpayers across New York. All that was needed was for a couple of Democratic members to join in those efforts to protect all New York residents.

Unfortunately, none of the Democratic members of the Senate – including those who represent Long Island - joined those efforts and wasted the opportunity to restore the property tax rebate program, remove costly income tax increases and eliminate the taxes and fees that will increase New York residents' cost of living beginning on June 1st.

Instead this budget plan, which was put together privately by Governor Paterson, Speaker Silver and Majority Leader Malcolm Smith, will increase state spending to \$132 billion. These discussions were so secretive that most members of the Legislature were kept in the dark regarding the year-to-year spending increase of \$10.5 billion or nearly 10 percent which is 7 times above the rate of inflation.

Now, as of June 1st, all New York residents will face tax increases including the following:

> A doubling of the state fee on auto insurance from \$5 to \$10 which will increase car insurance costs by more than \$48 million;

> A new expansion of sales tax to require state sales taxes on all purchases over the Internet from retailers that also have stores in New York State. This expansion of taxation to include online affiliates of New York stores will cost consumers \$9 million more this year and \$12 million more next year;

> An increase of the auto rental tax from five percent to six percent which will cost taxpayers a total of \$8 million in 2009-10 and \$10 million a year after that;

> An extension of the state sales tax to black cars and limousine services for a tax hike of more than \$26 million;

> The creation of a use tax on businesses that use vehicles, including cars, planes or boats, that are owned by out-of-state affiliates, to transport their employees, partners and stock holders into the state. This new tax will cost businesses \$4 million in 2009-10 and \$6 million each year after that; and

> The imposition of a new nickel deposit on bottled water. This change will also increase costs for retailers in relation to the handling, redeeming and storage of returned bottles, costs that will also be passed along to consumers. It is estimated that these new fees will increase the average cost of a 24 pack of bottled water from \$4.99 to \$8.59.

A coalition of bottlers has already filed a lawsuit to stop the implementation of the new bottle deposit changes. The bottlers say that a requirement that bottles covered by the law have a UPC code specific to New York State would prohibit those bottles from being sold outside the state.

Additionally, the industry has said the measure, passed last month, doesn't give them sufficient time for implementation and could force them to pull water off store shelves.

"Instead of forcing our state to live within its means, the Democrats who put together this budget are reaching deeper into the pockets of our families and forcing them to make unnecessary sacrifices they failed to make. This will increase the annual taxes paid by an average family of four by \$2,400 a year and that is simply the wrong approach in this time of economic trouble," stated Senator Flanagan. "Every tax hike makes New York less competitive and we need to change how we do business."