



NEW YORK STATE SENATOR

Andrew J. Lanza

## Senator Lanza Announces Passage of Job Creation & Taxpayer Protection Act

ANDREW J LANZA January 20, 2011

| ISSUE: **ECONOMIC DEVELOPMENT**

In keeping with my promise, my colleagues and I in the Senate passed critical legislation yesterday which I co-sponsored to encourage the creation of new private sector jobs and ensure fiscal responsibility. Today we passed the Job Creation and Taxpayer Protection Act of 2011 which would enact a two percent state spending cap and require a two-thirds “super majority” vote to increase taxes.

Over the past two legislative sessions, Senate Democrats engaged in one of the most secretive and dysfunctional budget processes in New York State history. They violated the budget reform law, negotiated in total secrecy and produced a 2010-11 State Budget that increased spending by \$14 Billion. Their misguided budget increased taxes and spending to record levels and imposed new burdens on hardworking families and struggling businesses. The result has been disastrous for New York which now has the worst business climate in the country.

“I voted against the last two state budgets because they devastated businesses and jobs, and took our state in the wrong direction,” said Senator Andrew Lana. “The legislation passed today is the right recipe for expanding our economy and ensuring fiscal responsibility. It was designed to help New York overcome the tremendous fiscal and economic challenges we face, and it deserves bipartisan support in both houses of the Legislature.”

“The people on Staten Island and across New York have spoken loud and clear that they want the state to cut spending, stop runaway tax increases and create new jobs,” Senator Andrew Lanza said. “Today, we sent a clear signal that we share those priorities by making these bills the first ones we act on in the 2011 session.”

The Job Creation and Taxpayer Protection Act of 2011 includes the following measures:

### **INCENTIVES TO CREATE NEW JOBS**

The plan would provide businesses with a three-year tax credit of up to \$5,000 for each new job created. In addition, the plan would eliminate taxes for small businesses and manufacturers that pay the state’s corporate franchise tax and roll back the income tax surcharge placed on them by Democrats in 2009. It also places a moratorium on new taxes, fees and regulations that are killing private sector job-creation efforts in the state.

That credit could grow by as much as an additional \$3,000 per job if new hires are taken from the ranks of the unemployed who are collecting unemployment insurance from the State. Such an incentive would help reduce unemployment and the costs borne by taxpayers.

The plan also places a moratorium on any new business taxes and fees and eliminates the corporate franchise tax for hundreds of small businesses and manufacturers with 50 or fewer employees and less than \$2 million in net income. It also accelerates the phase-out of the PIT increase on small businesses that are scheduled to expire at the end of this year.

The jobs initiative would also prohibit the State from enacting any new regulations on New York companies, and create a new Berger-style commission that would have the power to eliminate regulations which are currently hindering businesses.

Twenty-four states have a job creation tax credit.

## **STATE SPENDING CAP**

This will be the third time that Senate Republicans have voted to pass a state spending cap that ensures New York spends no more than taxpayers can afford. The cap, which would be set at 2 percent or 120 percent of the CPI (currently 1.9 percent), whichever is lower, would ensure that the state reduces spending and lives within its budget, easing the burden on taxpayers.

Unchecked growth in spending has resulted in New York having the highest tax burden in the nation. Thirty states currently have some kind of a spending cap.

Under the constitutional amendment (S.1892), cosponsored by Senator Lanza, year-to-year State spending increases would be limited to 120 percent of the Consumer Price Index (CPI) or 2 percent, whichever is less. In any given year, fifty percent of tax revenue that exceeded the cap would be placed in a reserve fund and fifty percent would be returned to taxpayers in the form of direct tax rebates.

In addition, the proposal would force the Executive to resubmit a balanced Budget to address any shortfalls in revenue that occur after the submission of the Executive Budget, and make any necessary spending revisions to reflect the declining revenue.

The constitutional spending cap proposal would give the Executive the authority to exceed the cap in the event of a fiscal emergency or other extraordinary circumstances, however, the Comptroller would be required to independently certify the financial crisis.

According to a report by the National Conference of State Legislatures, thirty states have put in place statutory or constitutional tax or spending limits.

## **SUPERMAJORITY VOTE TO RAISE TAXES**

In the last two years, this Legislature -- under all-Democrat control -- raised taxes by \$14 billion. In the Senate, it would have taken only one vote to stop these tax hikes that devastated families and businesses. This constitutional amendment would require a two-thirds "super majority" vote in each house, rather than a simple majority, to make it much more difficult to raise state taxes.

Sixteen states currently require more than a majority vote to increase taxes.

Business groups were quick to weigh in with praise for the Senate Republican plan.

The Business Council of New York State, Inc. President and CEO Kenneth Adams said, "The Senate Republicans are on the mark to focus on controlling state spending and taxes to create jobs. A state spending cap is a necessary reform to bring fiscal sanity to New York."

Mike Elmendorf, New York State Director of the National Federation of Independent Business (NFIB), New York and the nation's leading small business advocacy organization said: "Small business understands that in order to restore and grow our economy, New York's destructively oppressive tax burden and cost of doing business must be reduced. The package of common sense reforms being advanced today by the Senate Majority is an important step in that direction and includes policies NFIB has strongly supported, such as a spending cap and requiring a super-majority vote to increase taxes and fees. We commend the Senate Majority for continuing to stand with job creators and look forward to working toward enactment of these important pieces of legislation to make our state more affordable and our economy more viable."

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