



NEW YORK STATE SENATOR

Jack M. Martins

From the Desk of Senator Jack M. Martins

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Eliminating the MTA Payroll Tax

My first Senate session in Albany will be ending on June 20 and looking back on it, I believe our state has made significant progress toward fiscal health. The most visible highlight of the past six months has been our passage of an on-time state budget that cut spending by \$10 billion. Our goal was simple: to get spending in line with revenue. In years past, the state would routinely spend more than it brought in and then turn to taxpayers to make up the

difference. This practice has proved disastrous for our economy and worse for our citizens. But I am proud to say that we have put an end to it.

As important as these recent developments have been, there are still many ways to provide further relief to the taxpayers of our great State. Foremost among these is the elimination of the MTA payroll tax.

By way of background – in 2009, the former Democratic Senate Majority, the Governor, and the Assembly decided to, once again, bail out the MTA. This was accomplished by the imposition of a new payroll tax that forced all employers, including school districts, local governments, hospitals and even nonprofits to pay an additional tax on the salary of every employee whether they used mass transit or not. This job-stifling tax cost Long Island an astounding \$220 million in 2010 alone.

Needless to say it was a bad idea based upon an outmoded premise – that the taxpayers would always shoulder the burden of this sort of waste and inefficiency. This shameful modus operandi cannot be allowed to persist, as it threatens our economic recovery. And because it's the right thing to do. This is why, along with Senator Lee Zeldin, I am sponsoring legislation to phase out this iniquitous tax.

Here's how our plan would work:

- Small businesses and non-profits with 25 employees or less and schools would be completely exempt from the MTA payroll tax as of January 1, 2012.
- Starting on January 1, 2012, the remaining MTA payroll tax for Nassau and Suffolk Counties would begin a gradual reduction, resulting in a \$35.4 million in savings to Nassau County taxpayers in that first year alone.

- This would lead to the complete elimination of this onerous tax by 2014. The resulting savings to Nassau and Suffolk county taxpayers is projected to be \$220 million per year. That's \$220 million back in our local economy.

This commonsense approach already has bi-partisan support and is being carried in the Assembly by Assemblyman George Latimer. And while we certainly don't expect to find the MTA cheering our efforts, neither do we anticipate more of their historical threats of service cuts and fare increases. Having spent the last few months studying their operations, the Senate and the Assembly believe that the leadership of MTA can find savings to offset the payroll tax, particularly if its elimination is carried out in this sensible, staggered approach.

The impact to the MTA over the first year under this scenario amounts to less than two percent of their operating budget. It would be astonishing if efficiencies of this modest scale could not be achieved with relative ease. In addition, the MTA currently has the luxury of approximately \$1.3 billion in cash reserves from which they can draw if for some reason they are unable to balance their budget through cost savings measures alone.

One positive consequence of the recession is that we have all learned do more with less. And that includes all of us – from individuals and families, through businesses, school districts and local governments. I see no reason why the MTA cannot be expected do the same.