GETTING RID OF TAX AND FEE HIKES IN THE STATE BUDGET IS A GOOD IDEA

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I applaud the Governor for embracing the recommendation by Senate Republicans that he get rid of the tax and fee hikes in his budget. It's a good start, but there is much more to be done.

The Republican conference opposed all of the Governor's tax hikes when they were first proposed in December and we advised him to eliminate all of them when it became clear that federal stimulus money made the increases unnecessary.

While rescinding some of the tax increases is good news, the Governor does not go far enough. His budget still includes the elimination of $1.7 billion in property tax rebates and includes billions more in taxes on businesses and individuals.

The Governor has agreed to eliminate $1.3 billion in tax increases included in the proposed 2009-10 Executive Budget. The agreement eliminates new taxes on common items, including previously tax-free goods and services such as clothing under $110, sugared drinks, digital downloads, cable and satellite television, manufacturers' coupons, haircuts, manicures, concerts, movies, live theatre, health clubs, bowling, golf, skiing and others. Additionally, to help businesses and families in a struggling real estate market, a proposal to limit the sales tax exemption on capital construction improvements made to property is no longer advanced.

These restorations will be financed through aid from the American Reinvestment and Recovery Act (ARRA), which is expected to provide New York with $6.5 billion in fiscal relief through the end of 2009-10. This includes $5 billion in flexible funding through increased Medicaid reimbursements (FMAP), $1.2 billion specifically designated to restore education reductions, and $274 million in other flexible funding. The use of the remainder of this economic recovery aid, as well as further agreements concerning tax and fee actions in the 2009-10 State budget, will be determined through continued budget negotiations.

Below is a full list of taxes that will be eliminated from the proposed 2009-10 Executive Budget:

Eliminate Proposed Restructuring of the Clothing Exemption. The Executive Budget would have eliminated the sales tax exemption for clothing and footwear priced under $110 and replaced it with two, one-week exemption periods for clothing and footwear priced under $500. This proposal is no longer recommended. (2009-10 Impact: $462 million, 2010-11 Impact: $660 million).

Eliminate Sales Tax on Non-diet Soft Drinks. The Executive Budget would have imposed an additional 18 percent rate of sales and compensating use taxes on fruit drinks that contain less than 70 percent natural fruit juice and non-diet soft drinks, sodas and beverages. This proposal is no longer recommended. (2009-10 Impact: $404 million, 2010-11 Impact: $539 million).

Eliminate Proposed Extension of Sales Tax to Cable and Satellite Television and Radio. The Executive Budget would have imposed sales tax on television and radio services provided by cable, satellite or other similar means. This proposal is no longer recommended. (2009-10 Impact: $136 million, 2010-11 Impact: $180 million).

Eliminate Proposed Limitation on the Capital Improvement Exemption. The Executive Budget would have limited the capital improvement exemption under the tax code to new construction, a new addition to existing construction, or complete reconstruction. This proposal is no longer recommended. (2009-10 Impact: $120 million, 2010-11 Impact: $160 million).

Eliminate Proposed Extension of Personal and Credit Services Sales Tax. The Executive Budget would have made personal services (such as beauty, barbering, manicure, pedicure, massage, health salon, or gymnasium services) and credit rating and reporting services subject to sales tax statewide. This proposal is no longer recommended. (2009-10 Impact: $78 million, 2010-11 Impact: $104 million).

Eliminate Proposed Extension of Sales Tax to Entertainment-Related Spending. The Executive Budget would have imposed a sales tax on entertainment-related consumer spending, including but not limited to, movie theaters, live theatre, concerts, golf, skiing, bowling and others. This proposal is no longer recommended. (2009-10 Impact: $53 million, 2010-11 Impact: $70 million).

Eliminate Proposed Digital Property Sales Tax. The Executive Budget would have imposed State and local sales tax on purchases of prewritten software, digital audio, audio-visual and text files, digital photographs, games and other electronically delivered entertainment services. This proposal is no longer recommended. (2009-10 Impact: $15 million, 2010-11 Impact: $20 million).

Eliminate Proposed Change in Coupon Taxation. The Executive Budget would have applied sales tax to the value of a store coupon used for a purchase. This proposal is no longer recommended. (2009-10 Impact: $3 million, 2010-11 Impact: $3 million).