



NEW YORK STATE SENATOR

Fred Akshar

Akshar Joins Senate Colleagues to Unveil Sweeping Tax Cut Plan to Provide Billions of Dollars in Tax Relief

FRED AKSHAR March 9, 2016

| ISSUE: **INCOME TAX, TAXES, ECONOMIC DEVELOPMENT AND SMALL BUSINESS**



The New York State Senate Republican Majority today unveiled the first part of their one-house budget proposal that creates a broad-based tax cut plan to provide billions of dollars in tax relief to the middle class, seniors, and small businesses.

“Throughout my travels across the 52nd Senate district listening to the people I represent, the reoccurring theme has been quite simple: cut oppressive taxes and improve the negative business climate in Upstate New York,” said Senator Fred Akshar. “The very first pieces of

legislation I introduced included these cut taxes for small businesses and I'm proud to partner with my colleagues to put forth a unified, aggressive but much-needed tax cut plan to help the hardworking folks and business owners I represent and those across our state.”

Earlier this year as part of his first package of legislative proposals, Akshar introduced the Small Business Jobs Revitalization Act, which reduced income taxes for small businesses and included the immediate repeal of the 18-A Energy Surcharge to reduce energy costs for small businesses and households alike.

Today's joint Senate proposal includes those provisions aimed at helping small businesses and farms along with several others to create a 25 percent rate reduction for middle class taxpayers and new tax savings to prevent seniors from leaving New York.

Cutting Middle Class Tax Rates to the Lowest Level in 70 Years

The highlight of the tax plan is the new Middle Class Income Tax Relief Program that establishes the lowest middle class tax rate in more than 70 years. Starting in 2018, a total of 5 million eligible taxpayers – including more than 770,000 small businesses who file under the Personal Income Tax – would begin seeing savings. When fully implemented in 2025, middle class New Yorkers will pay a 25 percent lower tax rate and save \$3.5 billion in taxes each year.

Right now, existing middle class tax cuts are set to expire in 2018 and the tax rate will jump to 6.85 percent. This results in an annual cost of \$155 on average to middle class taxpayers, totaling \$700 million per year. The Senate plan not only eliminates this expected middle class tax increase, but it also phases in a 25 percent tax rate reduction to 5.14 percent when fully effective. This permanent rate cut saves middle class taxpayers an average of \$897, for a total of \$3.5 billion per year in 2025 and thereafter.

Taxpayers eligible for the savings include:

Single filers with taxable income between \$20,000 and \$150,000;

Heads of households with taxable income between \$30,000 and \$225,000; and

Married joint filers with taxable income between \$40,000 and \$300,000.

The proposal prevents the existing middle class tax cuts from expiring in 2018 and then begins a rate reduction in 2019 that will be phased down each year over seven years. It would also continue the current indexing of income bracket on a permanent basis.

Increasing Small Business Income Tax Exemptions

The Senate's budget tax cut plan will expand small business tax cuts that were enacted in 2013 to provide even more tax relief to help entrepreneurs grow and create jobs. Under this plan, eligibility for small businesses and small farms to receive Personal Income Tax (PIT) savings would be significantly expanded. When fully enacted, small businesses and small farms would save \$494 million annually.

The proposal expands the eligibility of a small business to include any business that files under PIT regardless of how the business is structured; raises the income eligibility threshold from \$250,000 to \$500,000 when the business entity income is less than \$1.5 million; eliminates the employee requirement; increases the exemption from 5 percent to 15 percent for small business income and from 5 percent to 20 percent for farm income; increases the Corporate tax threshold from \$390,000 to \$500,000; and reduces the Corporate business income rate for small businesses from 6.5 percent to 2.5 percent over two years.

Fully Eliminating the 18-a Utility Tax Surcharge

In 2009, the Senate Democrats enacted a utility tax surcharge and it cost ratepayers nearly \$600 million annually. In 2013, the Senate Republicans successfully fought for a phase-out of the assessment, saving ratepayers \$455 million over the five-year phase-out period. In 2014, the Enacted Budget contained an additional \$600 million in savings over the remaining phase-out, which is scheduled to be completed by the end of 2017. The Senate's budget proposal would permanently eliminate the 18-a surcharge by the end of 2016 and save taxpayers \$125 million.

Giving More Financial Security to New York's Seniors

The Senate's budget proposal includes new income tax relief to help more seniors save money and choose to stay in New York during retirement. The tax cut would provide the first increase to the exempt amount of private pensions and retirement income since 1981, saving approximately \$275 million annually when fully phased in.

For 35 years, seniors have been able to claim the first \$20,000 of pension or retirement income as exempt income. This proposal increases that exempt amount to \$27,000 in 2017, \$34,000 in 2018, and \$40,000 in 2019. This would provide tax relief to more than 377,000 seniors and, in the first year alone, would save each an average of \$361.

Saving on Estate Taxes to Help Future Generations of Business Owners

To encourage small businesses and farms to pass down their business from one generation to the next, the Senate is proposing to speed up the full phase-in of estate tax reform first enacted in 2014. This will allow estates to have a tax exclusion amount equal to the federal exclusion amount when the estate has farm operations or small business property and where the value of the farm operations or small business are a majority of the estate.

Starting April 1, 2016, the exclusion would be increased to \$5.45 million, resulting in an annual savings of \$70 million and a \$210 million cumulative savings by 2020.

###