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The Manufacturers Association

Testimony To:

New York State Senate Finance Committee
New York State Assembly Ways and Means Committee
Joint Legislative Hearing:

Reducing Taxes, Assessments, Fees to Bolster Economic Development for Manufacturers

Presented By

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To start, I would like to thank you for the opportunity to speak today, and also for recognizing the immediate need to address the significant need to reduce costs and improve the economic climate for manufacturers and businesses statewide. My name is Karyn Burns, and I am here today representing MACNY, The Manufacturers Association.

As you may know, MACNY is a trade association representing over 330 member companies with over 55,000 employees within a 21-county region, and we advocate for the growth and development of the manufacturing sector of New York State. Founded in 1913, we advocate for causes that will enable New York State manufacturers to thrive in today's competitive global market.

These days, our many causes have been somewhat overshadowed by one large cause that is critical to protecting our state's future economy: creating a better business climate for manufacturers. Simply put, New York State manufacturers are at a loss: not only are they dealing with the ramifications of an increasingly competitive global climate, but they also are being hit every day with progressively increasing business costs imposed by Albany. While I accept some of these imposed difficulties are the result of prior decisions made in years past, many of the decisions and increased costs have occurred more recently.

In adding insult to injury, due to its coveted impact on economic development and revitalization, New York based manufacturing has become increasingly vulnerable over the years, susceptible to both national and international competition. New York businesses continue to shut down and relocate either overseas or to different parts of the country, due to luring incentive packages, lower production costs, cheaper wages, and lower taxes. On account of these continuous burdens to our sector, MACNY works consistently with Albany lawmakers to create and revise legislation that will derail some of these burdens to the manufacturing sector, and allow them to thrive in New York State.

It is no secret that our state is enduring difficult times. In fact, it is anything but a secret: recent studies have concluded that we as a state are now considered the highest taxed state in the nation. Our State, once a national power house, is now enduring what is considered to one of the worst deficits in our long and experienced history.

However, despite the intricacies and details of conducting business in such a difficult business climate, manufacturers and businesses are still here, and they are doing whatever they can to continue operations, sustain and grow jobs, invest in their facilities, create quality products and contribute to their communities. Why? Because they believe in New York State and they truly want to do business here.

To validate this claim, despite one of the most challenging budgets in history two years ago, where businesses were left to curb significant costs through added taxes and fees, these businesses are still here, still running, and most importantly, still want to stay.

I think this message resonates well in today's hearing, because we as a business community recognize that in order for New York State to regain its financial footing, we all need to work together. Albany does not create jobs; it creates a sound business climate that allows business create jobs. These businesses are ready to work with you and your colleagues on creating a fair and effective business climate, and despite making some sacrifices, ready to tackle our budget crisis together and get New York State back on track.

In order to begin our work together, the State needs a significantly amended and fully functional economic development plan. I believe many of the recommendations in Governor Cuomo's budget, coupled with recommendations made today are the stepping stones and solutions needed to some of the state's most stifling business climate concerns.

What the business community, the manufacturing sector in particular, needs is reassurance from the State Legislature and the Administration that they truly are valued in our great State of New York. As we continue to endure this difficult recession and fiscal crisis, it is more critical now than ever to do everything you can in your power to make the climate in New York State as easy as possible for businesses to simply weather the storm and remain in business. This is the only way we can get through these difficult times. With that, I believe if Albany addresses specific business related issues that are hindering state economic growth, New York State can become a more viable and attractive place to maintain a successful business:

Eliminate the Corporate Franchise Tax for Manufacturers

MACNY urges you to continue the reductions of the corporate franchise tax rate to manufacturers in the upcoming year's budget, and continue to do so in two annual phases until the 6.5% tax rate is eliminated for applicable manufacturing corporations. In doing so, New York State will be making a solid investment in its economic future by proving the manufacturing sector with incentive to continue doing business, and just as important, grow and expand in New York State. Additionally, with the manufacturing sectors job multiplier effect being as strong as it is, this incentive will increase related jobs and overall investment in the New York State economy. Most importantly, it will be sending a strong message: that New York State values its current manufacturing community, and is ready to step up as a major competitor on the international playing field for retaining talent and manufacturing in our state.

Back in 2006, Albany lawmakers recognized the need to provide a more attractive business climate, and responded with a general tax rate reduction for manufacturers. With this initiative, an estimated 3,400 manufacturing corporations received a reduced rate from 7.5 to 6.5 percent, effective for taxable years starting on or after January 31, 2007. Manufacturers applauded this tax cut, and were able to use the hundreds of millions in savings towards planning proper future business plans in areas of capital investment, expansion of products and facilities, and job retention and growth.

On a related note, I am both encouraged and challenged with the corporate franchise tax reduction that was passed as part of the Tax restructuring bill passed in December. Specifically, this called for a $25M cap reduction, selected for manufacturers at the discretion of the Tax commissioner. While I was always taught never to look a gift horse in the mouth, this competitive and small cut is too small and too unreliable to be considered a win for manufacturers. With its selection based benefit, manufacturers cannot rely on this tax cut, or even know if they are going to receive it. Therefore, any future capital investment strategies or growth cannot be based on this, particularly at such a small amount. An example of the significance of a larger reduction is that this 2006 reduction, that being only one percent, saved manufacturers an estimated $180M in taxes and fees. Therefore, I suggest we look at the $24M reduction as a perfect pathway to start the conversation for continued reductions in this area. Its attempt and passage, and widespread support show that Albany clearly understands the need for reduced taxes by manufacturers in this area, and I believe continued efforts in this area will help pave the way for improved capital investment.

It is important to note that there is an active bill proposing a two year phase out, specifically S.4172, sponsored by Senate Jim Alesi, and it's same as version, A.3416, sponsored by Robin Schimminger. This bill, as introduced by Chairs of the Economic Development committees of both Houses, clearly shows the importance and acknowledgement of the immediate benefits a tax cut for manufacturers would bring to New York State and its economic revitalization. I would respectfully propose the Senate and Assembly take this proposal one step further, and include it as part of their budget proposal in the 2012 ongoing budget negotiations. Will there be fiscal implications? Of course there will be. However, in times of fiscal distress, one must look at difficult decisions as what is a better investment, and rather than a simple question of 'what are the fiscal implications.' A phase out to taxes for our state's manufacturing sector means revenue invested in companies that produce products, generate wealth outside of our communities and state, bring that revenue back in, and provide good paying, community supporting jobs for our residents. I encourage you and your colleagues to strongly consider making this wise investment in our State's future.

As specified in the Alesi/Schimminger bill, I respectfully encourage you and your colleagues to phase out the franchise tax on business corporations that are manufacturers over a two year period; doing so in annual phases until the 6.5% tax rate is eliminated for applicable manufacturing corporations. Such a plan directed towards helping the struggling manufacturing community is well structured, well targeted, much needed, and most importantly, completely feasible. In doing so, New York State will be making a solid investment in its economic future by proving the manufacturing sector with incentive to continue doing business in New York State.

As you are hearing today, there are multitudes of ways that our state's business community and residents feel that New York State can bolster economic development. I agree with the popular sentiment that it is less important to simply push money into economic development incentives and programs, and rather more important to create a better business climate. Currently, our climate consists of heavily regulated businesses, costly mandates, high taxes and fees, and increasing costs in areas including but not limited to workers compensation, Medicaid and tort reform. Therefore, valuable investment dollars in the form of high taxes from our state's manufacturers and businesses are going towards these costs, instead of investing in their companies and regions. Businesses outside of New York State are turning away before we even have an opportunity to pitch the many benefits of being a New York State business, based on preexisting costs alone. And just as bad, businesses are packing up to relocate elsewhere or shut down, because they simply can't take the fiscal burden anymore. The time is now to be **strategic** about bolstering economic development.

Thank you, as always for your time and your commitment to New York State.

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