

JOINT LEGISLATIVE PUBLIC HEARING ON TAXES
FY 2027 EXECUTIVE BUDGET PROPOSAL

TESTIMONY SUBMITTED ON BEHALF OF

The Mason Tenders' District Council of Greater New York & Long Island, LIUNA

FEBRUARY 26, 2026

Good evening Chairs Krueger, Pretlow, and esteemed legislators, my name is Kris Kohler and I thank you for the opportunity to testify on behalf of the Mason Tenders' District Council (MTDC), representing 17,000 members of the Laborers' International Union of North America. My remarks today will focus on the State's punitive HCRA taxes imposed on our health benefits, and we will provide facts or figures, as well as their sources, upon request. These taxes are ones that some have heard of, few understand, and that disadvantage many drawn from a small, select population. It is time to shine a spotlight on these regressive, unfair levies.

In 1997, New York enacted the Healthcare Reform Act ("HCRA") which imposed two backdoor taxes—the "Hospital Surcharge" and the "Covered Lives Assessment"—on health benefits. These taxes were intended to raise revenue for two important public services: indigent care and graduate medical training. However, since 1997, these "stealthcare" taxes have been raised fourteen times with little to no public discussion. They now consistently rank as either the third or fourth largest revenue source to the State (behind only the personal income tax, the sales tax, and corporate franchise tax). Further, the two programs intended to be supported under the original legislation has now ballooned to nine programs, as well as pouring approximately \$5 billion annually into subsidizing Medicaid. Today, those same two HCRA taxes on health

benefits, now funding the bloated roster of public good programs *and* the Medicaid subsidy, have grown to an astonishing \$6.5 billion dollars.

Why do we consider these two HCRA taxes unfair? Taxing health benefits **penalizes unions and employers who do the right thing**. Every unionized workplace, and every other employer who provides health benefits, must pay this stealthcare tax. In contrast, employers that abjectly refuse to provide health benefits to their workers are not subject to these taxes. This is the case across the board, regardless of whether we look at construction or retail or gig platforms, and other types of employers who misclassify their workers to deny them benefits. This dynamic harms unionized workers and weakens the entire labor market by creating incentives for companies to cut corners on benefits, rather than reward responsible employers for doing the right thing. Simply put, *HCRA as it stands today, incentivizes bad actors to not provide healthcare for their employees, and disincentivizes good employers from bettering the benefits they have provided to their workers.*

New Yorkers already operate in the second most expensive health benefit marketplace in the country, behind only New Jersey. Our employers pay about twenty-five percent of total payroll for health benefits. For context, in the NYC-Newark-Jersey City Metro Area, the average 2023 employee health insurance contribution was \$1,927 for individual coverage and \$7,588 for family coverage (for the members of the Mason Tenders the annual contribution for family coverage is just under \$10,000 per year), These costs rise dramatically each year as medical inflation outpaces inflation in every other industry.

HCRA taxes add about four percent annually to the cost of health benefits. So, we start deep in a hole before we can even begin discuss improving health benefits at the bargaining

table. The deduction from our members total hourly compensation that has to be made to fund healthcare at our current levels of care is \$13.90...to put that in perspective, the hourly amount going to our members' lifetime pension is \$7.80. Many employers in lower-wage industries than construction have to dedicate roughly thirty percent of payroll just to preserve existing health benefits. In 2023 alone, the Mason Tenders health benefit fund paid nearly \$4.8 million in Hospital Surcharges and nearly \$2.6 million in Covered Lives Assessments. Per a FOIL request, this makes us the 57th and 43rd highest payors for each respective tax in the entire state. It should be noted that although there are five local unions affiliated with the MTDC, only two—Locals 78 and 79—participate in the Mason Tenders' Trust Funds. The other three locals have separate trust funds. Combined, all five locals of the MTDC pay in approximately \$10 million in HCRA taxes annually. Just three local unions of LIUNA, out of 24 locals statewide, Locals 78, 79 and 731, paid \$12,353,031 in HCRA taxes in 2023.

Though this is clearly unfair for all industries, the construction trades face a particularly terrible snowball effect. Construction remains the most dangerous major industry in the country, with higher rates of accident-related injuries, as well as high rates of repetitive strain, cumulative trauma, musculoskeletal disorders, and respiratory damage than the rest of the working population, thus straining our ability to provide care for our members. This is exacerbated due to the structure of these two HCRA taxes, because we must also bid for work against non-union contractors who provide no health benefits and, as a result, pay no HCRA taxes. You cannot compete fairly for work against contractors that have a state-imposed and sanctioned thirty percent price advantage! As a result, our members lose good jobs, with health benefits, that can sustain a family and anchor a community. The added insult to injury is that the HCRA taxes imposed on us subsidize the public programs that our competitors' workforce must rely on. To be

clear: we are, at our core, worker advocates. We do not take issue with those workers and we do not take issue with public goods or Medicaid—they are very important programs and they should be funded! However, contractors and other employers who do not provide health benefits, and therefore do not pay HCRA taxes, are “free riders” who disproportionately burden our state’s healthcare system while contributing nothing towards it. Nothing illustrates this better than the fact that, according to the federal GAO, Walmart and McDonald’s are among top employers of Medicaid and food stamp recipients in New York, yet neither of these mega-corporations pay as much in HCRA taxes as the Mason Tenders’ Trust Funds, which represents just over 12,000 workers. The net effect of these HCRA taxes is a spear right through the heart of the labor movement that built New York’s middle class.

Part C of the FY27 HMH Budget contains yet another three-year extension of the HCRA tax regime. We are working with a coalition of like-minded unions and employers, the **HCRA Revenue Reform Coalition** (reformhcra.org), to develop a fair and practical solution to these grossly unfair taxes. In short, we propose that:

- the HCRA Hospital Surcharge and Covered Lives Assessment be allowed to sunset as scheduled, and
- the State enacts broad-based business tax surcharges, including on gig or platform companies, that will more fairly allocate the tax burden for HCRA public good programs and the Medicaid subsidy.

Under this proposal, which is laid out in **A.8642 (Hevesi)/S.8157 (Ramos)**, on which we are continuing to work with the sponsors to calibrate, there would be no harm to public goods, nor would there be Medicaid cuts, and additionally, public employers would be exempt. For

private employers, this new tax regime would actually incentivize the provision of health benefits, and those employers who provide health benefits, whether union or non-union, would see an approximately two-thirds reduction in taxes over the unfair HCRA taxes imposed today. The free riders, including those who misclassify their workers as independent contractors, would finally pay their fair share after nearly three decades of skating by scot-free.

On behalf of the Mason Tenders District Council and the HCRA Revenue Reform Coalition, I thank you for your consideration of this testimony. We look forward to working with the Legislature and Governor to reform these unfair and largely hidden taxes.

Respectfully submitted,

Kris Kohler
Mason Tenders' District Council of Greater New York & LI
February 13, 2026