



NEW YORK STATE SENATE REPUBLICAN CONFERENCE

TAKE BACK NY

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Providing Taxpayers, Families, and
Businesses Relief from **Record Inflation**



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Relentless

Inflation in US hotter than forecast as prices climb in broad fashion

■ Change in consumer price index (YoY)

Highest in more than 40 years

Percent

10.00
9.06
5.00
0.00

■ Change in CPI (MoM)

Biggest gain since 2005

Percent

1.32
1.00
0.00
-1.00
-2.00

'05 '06 '07 '08 '09 '10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22

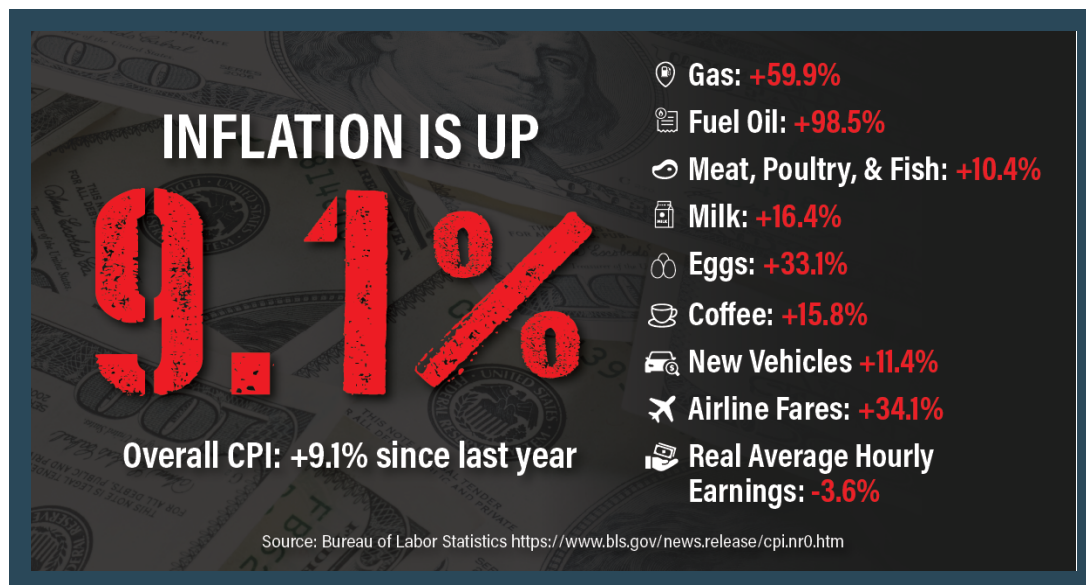
Source: Bureau of Labor Statistics

Bloomberg

*Source: <https://www.bloomberg.com/news/articles/2022-07-13/us-inflation-accelerates-to-9-1-once-again-exceeding-forecasts>

New Yorkers are Feeling the Strain of Increasing Costs

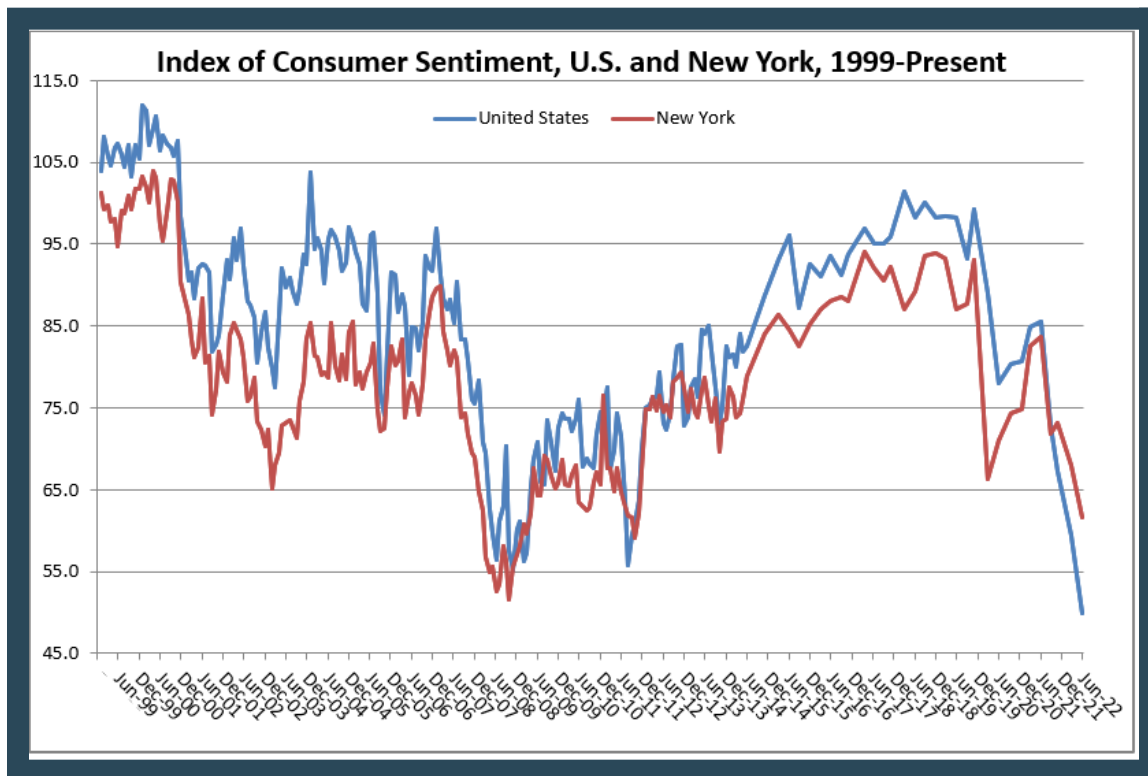
Every resident of the Empire State is feeling the squeeze of increasing costs at the pump, in the grocery store, and from their utility bills. In June, inflation hit a 40-year high, the sources of which were broad – including both global issues such as rising energy and food costs as well as increases in domestic goods such as vehicles, clothing, services, and housing. Every New Yorker is feeling the pressure and facing increasing costs that are stretching their budgets, hurting their business, and risking their financial future. According to estimates, American households are spending an additional \$500 a month due to inflation.



In addition to increasing costs for consumers, workers' wallets also took a hit as inflation-adjusted incomes fell another one percent in June adding to a total decrease of 3.6 percent from last year. Simply put...costs are increasing as real wages are decreasing; leaving less money for food, mortgage payments, educational expenses, and other necessities.

Consumer sentiment has soured as prices have increased. The latest poll from Siena College Research Institute found that the "overall New York Index of Consumer Sentiment hasn't been this low since October 2011" – when the nation was gripped by what is commonly referred to as the "Great Recession."¹ The poll also found that "Nearly seven of every ten New Yorkers are impacted by gas prices and more, 80% are seriously affected by food prices." Respondents from Upstate and low-income residents were among those most affected.

¹ <https://scri.siena.edu/2022/07/01/consumer-sentiment-drops-6-points-lowest-since-2011/>



*Source: <https://scri.siena.edu/2022/07/01/consumer-sentiment-drops-6-points-lowest-since-2011/>

Senate Republicans Fight to Put Rising Costs on the Agenda in Albany

The causes of inflation are varied and complicated. Supply chain constraints, surging demand, labor shortages, and the largess of the American Rescue Plan have contributed to the current situation. While many of these are global and national issues, State policy has also played a role. New York's burdensome tax and regulatory environments have increased the costs of running a business, limited the ability to build new housing, and exacerbated energy shortages and price spikes.

The Senate Republican Conference has worked hard to bring these issues to the forefront and put them on the agenda in Albany. Long has our Conference argued that the State's business climate, burdensome regulatory regimes, and high taxes hinder economic growth and opportunity, but the pandemic and the current inflation crisis have also highlighted how these policies are limiting the supply of energy, needed goods and services, and housing. Fixing these problems as well as providing relief from unprecedented cost increases have remained at the top of the Conference's agenda.

In early 2022, the Senate Republican Conference released the [Take Back New York Agenda](#). The agenda called for a new direction for New York with numerous policies aimed at addressing inflation and its many causes, including:

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- Cutting red tape and burdensome regulation.
 - Reducing taxes on small businesses
 - Providing energy tax relief
 - Rejecting the Senate Democrats' radical plans to dramatically increase gas, home heating, and everyday-living costs and using New York energy sources to reduce cost.
 - Bolstering workforce training to increase the supply of skilled workers.
 - Enacting a permanent cap on runaway state spending.
 - Repealing unfunded mandates that drive up local property taxes.
 - Making childcare more affordable by cutting burdensome and duplicative regulations and increasing availability.
 - Streamlining the project development process to reduce costs and increase the speed at which projects can be completed.
 - Investing in our power grid to ensure reliability and efficiency while increasing capacity and upgrading transmission capabilities.
 - Repealing temporary income tax increases that chase out jobs.



The Senate Republican Conference also brought several amendments to the floor that would either stop policies that increase costs, enact policies that address inflationary pressures, or provide direct relief to residents, including:

- [Eliminating the wage board and maintaining the farm labor overtime threshold](#) at the 60-hour level in an attempt to stave off mandated labor cost increases for farmers and agricultural producers.
- [Fully suspending the State's gas tax](#) to provide consumers relief from soaring gas prices.
- [Creating a refundable heating tax credit of \\$300 per individual](#) making under \$125,000 in annual income and \$600 per married couple making under \$250,000 in annual income.
- Requiring independent analysis of climate mandates to protect against soaring energy prices and require legislative approval on any proposal that raises consumer electric rates.

The Conference's FY2023 [budget priorities](#) included many of these proposals as well as others such as:

- Capping unemployment taxes to protect businesses still recovering from the pandemic.
- Providing tax relief to property owners, families, small businesses and manufacturers.
- Indexing taxes to inflation.
- Exempting portions of pensions from taxes.
- Addressing healthcare cost increases and labor shortages.

Although the Governor and the Senate Democrat Majority rejected many of these proposals, Senate Republicans were able to make headway on a few key issues including the [repeal of the fiber optic utility fee that limited broadband expansion](#) and the suspension of the State motor fuel tax (8 cents per gallon) and sales tax (8 cents per gallon).

These many efforts ensured that those who are struggling to make ends meet and cope with rising costs voices' were heard in Albany. Sadly, many of these efforts did not come to fruition due to the disastrous one-party rule setting the agenda in Albany – an agenda that is exacerbating the problems families, low-income workers, seniors, and employers face instead of solving them.

Albany Democrats Add to Inflationary Pressures with Out of Control Spending and New Supply Constraints

Since the start of One Party Rule, Albany Democrats have put forward numerous misguided policies that have contributed to inflation, including but not limited to -

- Out of Control Spending – The FY2023 Enacted Budget includes spending levels totaling more than \$220 billion – nearly \$13 billion more than last year, and \$36 billion more than 2021.
- Little to No Permanent Tax Relief – While the FY 2022-2023 Enacted Budget contained several tax cuts that have long been championed by the Senate Republican Conference, under One Party Rule, Democrats have failed to deliver any meaningful new permanent tax relief for middle-class New Yorkers fleeing the state or the comprehensive tax relief that our small business and manufacturers desperately need.
- Restrictive energy policies that are threatening the reliability of the State's power grid, adding cost.
- Moving forward with the \$15 minimum wage increase despite economic indicators not supporting the change.
- Passing the "Farmworker Fair Labor Practices Act", which in conjunction with the Wage Board, has increased the cost of food production in New York.
- Despite record increases in spending, Albany Democrats did nothing to pay down the over \$8 billion that the State owes the Federal Government for Unemployment

Insurance. This cost is now being passed to businesses, who are forced to pass the cost onto consumers.

- The 2019 changes to rent laws and the expiration of the 421-a program contribute to the high cost of housing in New York City and its suburbs.
- The FY 2021-2022 Enacted Budget included one of the largest tax increases in New York State history, including an increase in business taxes, which are borne by consumers.
- The FY 2021-2022 Enacted Budget also included \$2.1 billion for the so-called “Excluded Workers Fund” which provided stimulus checks to undocumented immigrants and injected additional funds into New York’s economy.



A Plan to Address Rising Costs and Provide Relief



1. Enacting a Permanent Cap on Runaway State Spending

The FY2023 Budget spending levels contributed to a staggering two-year spending increase of more than 19 percent. Since 2019, Senate Democrats have consistently blown past the two-percent spending cap Republicans maintained while in the Majority. Controlling government spending would limit inflationary pressures and the impact on taxpayers. We must curtail excess spending by:

- Making permanent and putting into law the two-percent spending cap.

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- Continue to deposit funds in the State's Rainy Day Fund.



2. Cutting Energy Costs

According to the June inflation report “The energy index rose 7.5 percent over the month and contributed nearly half of the all items increase.”² We can stop curtailing the supply of energy and provide immediate relief to consumers and savings to businesses – that should be passed onto consumers in the form of lower prices – by:

- Requiring independent cost studies and full transparency of all proposals from the Climate Action Council, especially on proposals mandating energy producers to raise utility rates, prior to a vote by the legislature.
- Creating a refundable heating tax credit of \$300 per individual making under \$125,000 in annual income and \$600 per married couple making under \$250,000 in annual income.
- Providing over \$300 million in energy tax relief by eliminating the two-percent gross receipts tax and 18-A Assessment, placing a moratorium on utility fees levied by the Public Service Commission, and limiting future increases of fees or the creation of new fees.
- Fully suspending the State's gas taxes.
- Putting in place a temporary moratorium on the State shutting down any energy-producing facilities unless public safety is threatened and encouraging the development of new nuclear and hydroelectric power plants.
- Supporting diverse energy sources by recognizing the importance of transitional energy sources such as natural gas and biofuels, providing parity to zero-emissions technologies (ex. hydroelectric, nuclear) by utilizing technology-agnostic standards and targets, and rapidly phasing out tax incentives/subsidies when technologies have matured and gained market self-sufficiency.



3. Preventing “Stealth Tax Increases” by Adjusting Tax Brackets for Inflation

Inflation causes what is known as “bracket creep” which results in taxpayers moving into higher tax brackets where they will face higher tax rates without any increase to their real

² <https://www.bls.gov/news.release/cpi.nr0.htm>

income. During a period of rampant inflation, taxpayers will face stealth tax increases never approved by elected lawmakers. We must end these stealth tax increases by:

- Indexing New York's income tax brackets, standard deduction, and dependent exemptions to inflation.
 - Adjusting taxes in this manner would save New Yorkers roughly \$300 million annually.

Tax Foundation: An Example for Bracket Creep³

Imagine Beth has an annual income of \$50,000 in 2000 and that her income grows to \$75,000 by 2020. One might point out that Beth's salary grew by 50 percent in nominal terms. However, the cumulative rate of inflation between 2000 and 2020 was about 50 percent. That means Beth's *higher* 2020 salary actually buys her *the same amount of* goods and services in today's economy. In other words, her purchasing power has stayed the same.

Now, imagine Beth faces a simple, two-rate tax schedule where a 10 percent rate is levied on the first \$50,000 of her income, and a 20 percent tax rate is levied on income above \$50,000. Suppose, now, that these bracket thresholds were adopted 20 years ago and have not changed since Beth was making \$50,000.

Even though Beth's 2020 salary now buys her *the same amount of* goods and services, she has been pushed into a *higher* tax bracket, resulting in higher tax liability. The bracket thresholds have not kept pace with inflation.



4. Providing Targeted Tax Relief

The FY2023 Enacted Budget accelerated Senate Republican Majority-initiated Middle-Class Tax Cuts, which will now be fully phased in by the 2023 tax year and provide \$4.2 billion in needed relief when fully phased in. However, more can be done to support taxpayers. Everyone is feeling the crunch of record-high inflation, but none more so than low-income workers who are getting squeezed between increasing costs and decreasing real wages. Additionally, those reliant on retirement savings are seeing those savings lose value. We must target relief for middle-class taxpayers, retirees, and low-income workers by:

- Eliminating "tax benefit recapture" provisions for middle-class taxpayers.
 - New York is one of only a handful of states that have such provisions that require taxpayers subject to higher income tax brackets to pay a flat tax at

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<https://taxfoundation.org/tax-basics/bracket-creep/#:~:text=An%20Example%20for%20Bracket%20Creep&text=However%2C%20the%20cumulative%20rate%20of, power%20has%20stayed%20the%20same.>

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- the highest marginal rate on their entire income instead of just their income above a given bracket threshold.
 - This would save middle-class taxpayers roughly \$650 million while also simplifying our tax code and ending a regressive practice.
 - Increasing New York's Earned Income Tax Credit (EITC) benefit to 35 percent of the federal credit to provide relief to low-income workers while also potentially increasing labor force participation as the refundable credit acts as a make-shift wage subsidy.
 - Increasing the benefit would provide roughly \$200 million in targeted tax relief to hardworking families and support work.
 - Increasing the amount of private pension and/or retirement income that is tax-free above the current \$20,000 limit.



5. Reducing the Cost of Childcare and Supporting Families

The average cost of childcare in New York is over \$12,000 annually. The root of increasing childcare costs is a lack of supply of care options. Supply constraints are driven by the high costs of opening a daycare center, burdensome regulatory regimes, and workforce costs. Reducing the cost of childcare and providing support to families will help families struggling with high costs and allow more individuals to re-enter the workforce thereby bolstering the labor supply. To increase costs, provide relief, and increase supply we must:

- Recoupling the Empire State Child Tax Credit to the federal law — providing an additional \$500 million in relief — and expanding eligibility to include children under the age of four would increase the number eligible and the support available to families.
- Addressing supply constraints by:
 - Creating a \$5 million Child Care and Early Childhood Education Innovation Fund to support grants for projects that accelerate the start-up and expansion of licensed childcare businesses, increase the employment retention of childcare workers, and improve the economic viability of the childcare sector.
 - Establishing an emergency task force of critical stakeholders to work with the State to temporarily waive regulations that do not impact health and safety and recommend costly/ineffective regulations to be cut permanently.



6. Supporting Farmers and the Agriculture Industry

New York's Agriculture industry faces a crisis due to rising energy costs and destructive policies such as the "Farmworker Fair Labor Practices Act" and the Farm Laborers Wage Board's decision to lower the overtime threshold to 40 hours. This is at a time when we need our agricultural sector to produce as much as possible to offset national and global food price increases. According to the June inflation report "The food index increased 10.4 percent for the 12-months ending June, the largest 12-month increase since the period ending February 1981."⁴ We must support our food producers by:

- Rolling back disastrous policies within the "Farmworker Fair Labor Practices Act" such as the Farm Laborers Wage Board decision to lower the overtime threshold to 40 hours.
- Making the Farm Workforce Retention Credit permanent.
- Supporting investment in new meat, vegetable, fruit, and seafood processing facilities in New York.



7. Improving the State's Business Climate, Supporting Small Businesses and Manufacturers, and Increasing Supply of Goods/Necessities

New York's business climate is among the worst in the nation, actively driving away investment, stifling growth, and necessitating a bloated economic development apparatus. This environment increases the costs of doing business exacerbating the cost crisis facing our state and nation. Small businesses have gone from facing the economic fallout from the pandemic to facing supply issues, labor shortages, and increasing costs. Many of these same issues have hit our manufacturers at a time when they are trying to meet excess demand. We must support manufacturers and small businesses by improving our business climate and reducing costs by:

- Setting a goal to eliminate one-third of all State regulations in three years by simplifying and streamlining the State's rulemaking and licensing practices, reforming the State's project-killing development process, fast-tracking the appeals process, and reining-in overzealous State agencies.
- Providing a \$464 million tax cut for our small businesses by:
 - Increasing the corporate tax threshold from \$390,000 to \$500,000 and lowering the rate to 2.5 percent.
 - Expanding the small business exemption to all PIT businesses regardless of whether they have employees.
 - Increasing the threshold to \$500,000, the exemption to 15 percent, and the exemption to 20 percent for farmers.

⁴ <https://www.bls.gov/news.release/cpi.nr0.htm>

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- Strengthening New York's manufacturing sector by extending the zero-percent corporate franchise tax rate to small-to-medium-sized manufacturers who are currently paying among the highest tax rates in the nation.
 - Enacting such a policy would "increase private sector jobs by approximately 5,000 in the first full-year and by 6,264 in 2024" and increase investment by \$150 million.⁵
 - Bringing New York's exorbitant salaried overtime threshold (\$58,500 downstate and \$48,750 upstate) in line with the federal threshold (\$35,568).
 - Taking action to protect businesses from Unemployment Insurance Taxes increases resulting from pandemic-related job losses by adjusting rates, paying down the deficit, and creating an Unemployment Insurance Solvency Reserve Fund.



8. Reducing Healthcare Costs

The medical care index, which includes among other items physician, hospital, and dental services, rose .7 percent in June. Cost drivers such as taxes on health insurance increase costs for families in need of care and coverage. Driving up private insurance costs forces many people to rely on state-funded healthcare – further increasing costs to taxpayers and adding to inflationary pressure. We can reduce state spending and cut insurance costs for families by:

- Phasing out the Health Care Reform Act's insurance taxes, which according to the Empire Center "add approximately \$440 per person to the annual cost of private health coverage, or \$1,760 for a family of four."⁶
- Reforming the Section 206 assessments on the insurance industry by restricting the Department of Financial Services (DFS) ability to sub-allocate revenue generated by these assessments. These assessments are meant to fund the regulatory operations of DFS, but there are numerous sub-allocations to outside agencies and those costs are passed on to consumers.
- We should directly address the workforce shortage by adopting proposals the [Senate Republican Conference unveiled in the Fall of 2021](https://www.empirecenter.org/wp-content/uploads/2020/03/HCRA-2020-Final.pdf), including:
 - Allowing graduates to practice, under supervision, for 180 days until they are able to get licensed;
 - Participating in an interstate professional licensing reciprocity to increase the supply of medical professionals;
 - Expanding eligibility for STEM scholarships for students pursuing a nursing career.

⁵ <https://www.macny.org/memo-of-support-tax-equality-for-all-manufacturers/>

⁶ <https://www.empirecenter.org/wp-content/uploads/2020/03/HCRA-2020-Final.pdf>

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- Creating the Healthcare Workforce Innovation Fund to support efforts to improve the healthcare workforce pipeline by supporting high-quality training.



9. Lowering Housing Costs

The shelter index was one of the largest contributors to the overall increase in CPI. According to the June report, “The rent index rose 0.8 percent over the month, the largest monthly increase since April 1986, and the owners' equivalent rent index rose 0.7 percent.” The Democrat majorities in Albany have put in place policies openly hostile to increasing housing supply...thus increasing demand and inflating costs. The most egregious of which was the Housing Stability and Tenant Protection Act of 2019, which placed artificial caps on rent driving away developers and investors. Additionally, the housing market has gone haywire in part due to scarcity in high-demand areas throughout the Empire State. New York can only begin to address this problem by rationalizing laws and speeding development/construction by:

- Opposing Good Cause Eviction legislation.
- Rolling back the Housing Stability and Tenant Protection Act of 2019.
- Creating successors to New York City's 421-A and J-51 programs.
- Establishing a program where the State may pre-approve parcels for housing development and waive regulations for projects that create ten or more homes and/or apartments upon a municipality's request.
 - At least 50 percent of parcels must be outside of New York City.



10. Strengthening the Labor Force

There are nearly two job openings for every person available to fill such a job. This scarcity along with workers' demands for higher pay to keep up with inflation increases payroll costs. These costs then get passed on to consumers. This phenomenon is known as a “wage-price spiral” and it is contributing to the inflationary environment. To address this issue we must help workers attain needed skills, remove barriers to employment, and incentivize work by:

- As previously mentioned, increasing the State's EITC benefit to 35 percent of the federal credit would incentivize work and provide relief for low-income workers.

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- Improving the alignment between employers' needs and workers' skills by centralizing apprenticeship programs, funding regionally-driven/industry-led career pathways/sectoral partnerships, and adopting Invest in Skills NY "credential passport" enabling participants in various pathways (CTE, BOCES, etc.) to transition seamlessly from institution to institution.
 - Establish the "Build Back BOCES Act" to provide boards of cooperative educational services across the state with enhanced incentives and resources to increase the number of skilled trade graduates in New York.
 - Giving workers the freedom to work and expanding the state's skilled workforce by eliminating unnecessary occupational licensing restrictions and promoting interstate professional licensing reciprocity.
 - As previously mentioned, increasing the availability and affordability of child care will allow more workers to return to the labor force.

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2022