



MEMO IN SUPPORT

Assembly Bill A.4951 (Stirpe)

Manufacturers Tax Parity to Invest in New York

We, the undersigned organizations representing thousands of manufacturers and businesses statewide, support A.4951 (Stirpe) to extend the zero percent franchise tax rate to all manufactures in New York by amending the tax law requiring an addition to New York income, for net loss of a qualified NY pass-through manufacturer. Currently, this tax rate is only extended to the largest C corps in New York.

In 2014, a zero percent corporate franchise tax rate was enacted for manufacturers organized as C-corps. This tax cut accounted for only about 25 percent of manufacturing companies in the state. While it provided significant help to those manufacturers, it left most manufacturers in our state still paying the higher rate, therefore placing them at a competitive disadvantage with manufacturing companies located in other states with little or no income tax.

In New York, most manufacturers are small-to-medium sized companies organized as S-corps, proprietorships, LLCs, or partnerships (pass-through entities). These manufacturers do not currently benefit from the existing zero percent rate. They pay the second highest income tax rate in the United States, which, unlike their competitors in other states, or C-corps here in New York, they must pay before they can invest in employees, research and development, and capital expenditures of the business. Manufacturers in New York continue to be enticed by other states with friendlier tax climates to relocate their operations.

This legislation would provide a three-year phase in to extending the zero percent corporate franchise tax rate to all manufacturers in New York State. The proposal would disallow qualified pass-through manufacturers from taking the small business tax exemption, by excluding qualified pass-through manufacturers from the definition of a small business for this purpose. It also would exclude a START-UP NY participant business from the definition of a pass-through manufacturer.

At a time when transformational projects are eyeing New York as a place to break ground, this bill would not only allow existing manufacturers to invest more in their operations, but it also would attract manufacturers from across the globe to locate to New York. The legislation would serve as an investment in manufacturing to make New York more affordable and play a critical role in the revitalization of the manufacturing sector.

For the reasons stated above, we support A.4951.