

New York's Tax Climate

Opportunity Upstate Forum
Public Policy Institute of New York State
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About the Tax Foundation

- Nation's leading independent tax policy research organization
- Principled research, insightful analysis, and engaged experts
- 77 years of informing smarter tax policy at the federal, state, and local levels
- Tax systems that are simple, neutral, transparent, stable, and pro-growth
- State program named most impactful in state tax policy by *State Tax Notes* for 2011, 2012, & 2013

Tax Foundation Annual Projects

- *Facts & Figures* booklet
- *State-Local Tax Burdens*
 - New Yorkers pay 12.8% of their income in state-local taxes, the highest in the country
 - Has been highest since our data begins in 1977, except 1984
- *Tax Freedom Day*
 - For New Yorkers, was May 6 in 2013
 - Connecticut was only state later, on May 13
- *Location Matters*
- *State Business Tax Climate Index*

Do Taxes Matter?

- Many things affect business and individual location decisions
- Taxes are part of that equation and policy changes can have immediate effects
- Anecdotes (Phil Mickelson, Tiger Woods, Gerard Depardieu, Tom Golisano)
- Migration effects in international tax policy are demonstrably large
- Migration is real enough that states seek to crack down on it

Do Taxes Matter?

- Study of 26 peer-reviewed academic articles on relationship between taxes and economic growth
 - All but three find a negative effect of taxes on growth
 - Most harmful to least harmful: corporate income tax, individual income tax, consumption taxes, property taxes
 - Even CBPP concedes there are “some studies by reputable economists” finding high state-local taxes have “measurable and consistently adverse impact on state economic performance.”
- Short term vs. long term
- Total cost vs. marginal cost
- Benefits vs. costs

Do Taxes Matter?

- New York is successful *in spite of* bad tax policy, not because of it.
- There are lots of reasons to move to New York but tax policy is not one of them*
 - *Manufacturing and Start Up NY *might* be exceptions
- “New York benefits from a legacy of a once-great business climate and good public services and opportunities. But New York’s taxes are now high and unfriendly. It’s a fact.”

Location Matters

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	6.3%	11.8%	32.0%	45.5%	28.3%	25.0%	37.7%		5.3%	8.9%	24.0%	37.5%	25.0%	24.0%	24.9%			
Index	55.7	100.7	128.6	125.7	175.1	169.5	115.6	124.4	41.8	76.7	114.1	122.3	159.2	186.8	147.1	121.1		
Rank	10	26	36	38	48	48	39	37	3	14	37	41	49	49	47	42		

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

- Extremely high corporate income tax (exc. for manufacturing), sales taxes, and tax burden generally
- Capital-intensive manufacturer benefits from low manufacturing income tax rate and property tax abatements
- Corporate HQ and R&D among the highest tax costs in the country

State Business Tax Climate Index

- *How* (not *how much*)
- Ranking of status quo (as of July 1) and roadmap for improving
- Overall rank and five component ranks
 - Individual Income, Corporate Income, Sales, Unemployment, and Property/Wealth
- Widely cited and used by media, policymakers, and other indices
- Downloaded 500,000 times a year
- Survey of academics, policymakers, and media named it 21st best think tank policy report in the world for 2013

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METRO

Tax hell makes NY dead last for biz

By Erik Kriss

October 10, 2012 | 4:00am



State Business Tax Climate Index

- New York's overall rank is 50th
 - 1st being best, 50th being worst
 - Effectively tied with New Jersey
- Corporate Tax Component: 25th
- Sales Tax Component: 38th
- Unemployment Insurance Tax Component: 45th
- Property Tax Component: 45th
- Individual Income Tax Component: 49th

State Business Tax Climate Index

- Accelerate phase-out of top income tax rate
- Delete income recapture provision
- Index income tax brackets for inflation
- Consolidate 4 methods of calculating corporate tax liability (7.1% of net income, 1.5% AMT, 0.15% capital stock, \$25-\$5,000 dollar minimum)
- Broaden sales tax and reduce rate
- Recouple estate tax exemption with federal
- Permanently enact 2 percent property tax cap

State Business Tax Climate Index

- Cuomo's proposals are a constructive start
- Tax study commissions have come up with some worthwhile ideas
- New York has “more work to do” (Cuomo)

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