



TAX WATCH '04

OTHERS IN THE SERIES:

The jobs impact Nov. 25

Property taxes Dec. 2

Income taxes Dec. 11

Health-care taxes Dec. 16

Some key facts to consider:

- New York's corporate-tax increases this year represent 38 percent of such increases by all the states, according to the Nelson A. Rockefeller Institute of Government's Fiscal Studies Program.
- The personal-income tax increases enacted by the Legislature account for 75 percent of PIT hikes among all the states, the Rockefeller Institute found. Yet the Empire State's economy represents about 8.1 percent of the national total.
- From 1994 through 2002, state leaders cut taxes to improve New York's business climate. That trend was reversed in 2003.
- Economists agree that in the end, "business taxes" are not really paid by businesses, but by people — by employees, who suffer lost compensation; by shareholders; and by customers, who pay higher prices for goods and services.

CORPORATE, PERSONAL, PROPERTY TAXES: ALL PART OF A HEAVY TAX BURDEN ON BUSINESS.

Every time Albany has trouble finding the revenue for ever-higher spending, we hear the refrain: It's time to raise business taxes!

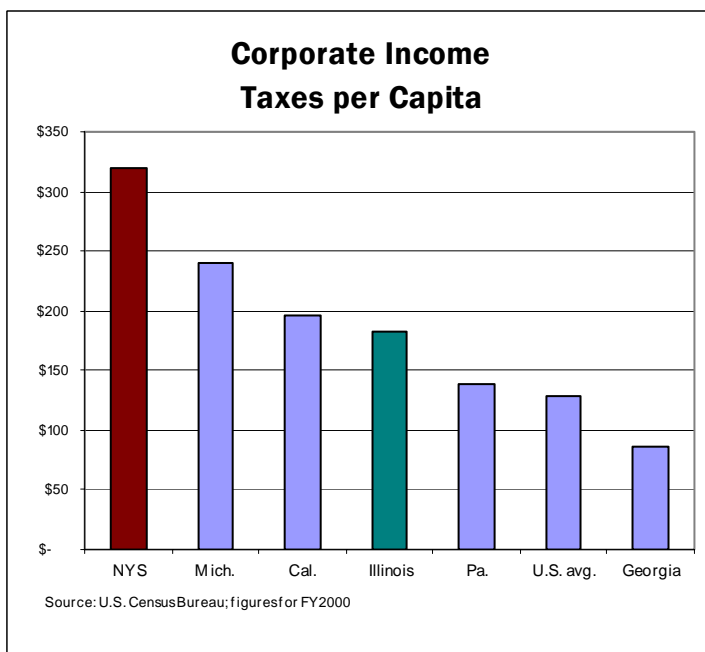
Well, what exactly are business taxes?

Obviously, the state's general corporate income tax qualifies. So do the taxes imposed on particular industries — telecommunications and energy utilities, insurers, banks, petroleum companies, truckers and taverns.

Many companies, though, pay taxes to Albany not through those industry taxes but through their owners' personal taxes, because they are legally organized as partnerships or other entities. The state's revenue from those companies alone is hundreds of millions of dollars more than the corporate income tax.

Meanwhile, businesses pay an estimated 25 percent of all sales-tax dollars in New York, about \$2.4 billion this year. The business share of local property-tax revenue is even higher.

The newest class of hidden taxes, those on health insurance, also falls mainly on em-



ployers, who pay about two-thirds of the total \$1.3 billion burden.

All told, businesses in New York State will pay an estimated \$30.4 billion in state and local taxes this year — roughly one in every three tax dollars.

Study after study shows New York's business taxes are

higher than those in most states. A Federal Reserve Bank of Boston analysis found New York's "tax effort" for corporate income taxes is 82 percent higher than average, and fourth-highest nationally. High business taxes are one reason the overall cost of doing business in the Empire State is so high.

A TAX ON EVERY STOCK TRADE: A BRIGHT IDEA FOR NEW YORK?

Imagine Michigan creating a special tax on every car produced in Detroit. Wisconsin, a tax on every pound of cheese. Or California, a special tax on every movie made in Hollywood.

If pro-spending lobbyists in Albany have their way, the Legislature will create a special tax

on every stock trade that's made in New York.

The idea is that investors wouldn't notice a tiny extra cost (which they wouldn't pay if their trades were executed outside the state). The reality is that investors are more cost-conscious than ever before — as evidenced, for example, by

the fact that the New York Stock Exchange and other exchanges now allow shares to be priced to the penny.

The securities industry already generates billions in tax dollars for New York. Who wants to kill the goose that gives us the golden egg?