



MEMO OF SUPPORT

Senate bill 4671-A (Kaplan)/Assembly bill 636-A (Stirpe) Tax Parity for All Manufacturers in New York

The Manufacturers Association (MACNY) and the Manufacturers Alliance of New York State strongly support S.4671-A/A. 636-B, which would extend the 0% tax rate and provide tax parity to all manufacturers in our state.

In 2014, a zero percent corporate franchise tax rate was enacted for manufacturers organized as C corps. This tax cut accounted for only 25% of manufacturers in New York State. While it provided significant help to those manufacturers, it left 75% of manufactures still paying the higher rate and therefore putting them at a competitive disadvantage with manufacturers located in other states with no income tax.

The majority of manufacturers in New York are small to medium sized manufacturers organized as S corps, proprietorships, LLCs and partnerships (pass-through entities). These small to medium size manufacturers do not currently benefit from the existing zero percent rate and pay the 2nd highest income tax rate in the United States. They are constantly being enticed by other states with friendlier tax climates to relocate operations. These manufacturers are looking to their home state of New York to demonstrate that they should stay and continue to grow and invest here.

This legislation would extend the zero percent corporate franchise tax rate to all manufacturers in New York State regardless of how they are organized. The proposed changes would lower the income tax rate to zero for NY pass-through manufacturers by: creating a "NY modification" that subtracts the income, or adds back a loss (if any).

According to a study conducted by The Beacon Hill Institute in 2019, the elimination of the PIT for pass-through manufacturers would increase private sector jobs by approximately 5,000 in the first full-year and by 6,264 in 2024." It also would cause investment to rise by more than \$150 million in 2024. The increase in economic activity sparked by extending the zero-percent tax rate to income from pass-through manufacturers would mitigate the loss of revenue to New York and boost local tax collections. This would allow existing manufacturers to continue to invest in their operations and workforce, while attracting manufacturers from across the country and worldwide.

For the reasons stated, the Manufacturers Association and the Manufacturers Alliance of New York strongly support S.4671-A/A.636-B.

Members of the Manufacturers Alliance of New York State

