



MEMO OF SUPPORT
S.27 (Kaplan)/A.3734 (Stirpe)
Tax Parity for All New York Manufacturers

The Manufacturers Association of Central New York (MACNY) and the Manufacturers Alliance of New York State (MANY) strongly support S.27 (Kaplan)/A.3734 (Stirpe), which would extend the zero percent tax rate and provide tax parity for all manufacturers in the 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 manufacturing companies in New York State. While it provided significant help to those manufacturers, it left 75% of manufactures still paying the higher rate and therefore put them at a competitive disadvantage with manufacturing companies located in other states with no income tax.

The majority of manufacturers in New York are small-to-medium sized companies organized as S-corps, proprietorships, LLCs and 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, R&D, and capital expenditures of the business. They continue to be enticed by other states with friendlier tax climates to relocate their operations. These manufacturers are looking to their home state of New York to demonstrate that they should continue to invest and grow 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). It would also disallow the Investment Tax Credit for those manufacturers who benefit from the zero percent tax rate.

According to an updated 2021 study conducted by The Beacon Hill Institute, "the elimination of the PIT for pass-through manufacturers would **increase private sector jobs by 5,187** in the first full-year and by 6,549 in 2026." The report also found that it would cause investment to rise by \$131 million in 2022 and by \$164 million in 2026. The increase in employment and investment would boost real (inflation-adjusted) disposable income by \$380 million in 2022 and \$559 million in 2026. The increase in economic activity generated by extending the zero percent tax rate to income from pass-through manufacturers would mitigate the loss of revenue to New York (approximately \$135 million) and boost local tax collections. Furthermore, it would allow existing manufacturers to invest in their operations and workforce and attract manufacturers from across the globe to move to New York.

For the reasons stated above, the Manufacturers Association of Central New York and the Manufacturers Alliance of New York State strongly support S.27 (Kaplan)/A.3734 (Stirpe).

Members of the Manufacturers Alliance of New York State

