



MEMO OF OPPOSITION

FY 2027 Executive Budget – (REV Parts F and G)

Proposed Decoupling from Federal Manufacturing Tax Provisions

MACNY – The Manufacturers Association, and The Manufacturers Alliance of New York respectfully oppose the Executive Budget proposals that would decouple New York State from key federal manufacturing tax provisions related to research and development (R&D) expensing and qualified production property.

We recognize and appreciate the Hochul Administration’s continued commitment to strengthening New York’s economy through workforce development, advanced manufacturing initiatives, clean energy investments, and regional economic development strategies. These efforts have helped New York to compete for private-sector investment and high-quality jobs. However, the proposed tax decoupling risks undermining this progress by increasing near-term tax costs on manufacturers at a critical time for investment and expansion.

The manufacturing sector plays a vital role in New York’s economic vitality, providing stable, well-paying jobs and anchoring local supply chains and communities. Federal tax policy is intentionally structured to support innovation, modernization, and domestic production by improving investment timing and cash flow. Decoupling from these provisions would raise state-level taxable income during periods when manufacturers are making long-term, capital-intensive investments, making it more difficult to compete with states that remain aligned with federal policy.

While the proposed decoupling is intended to protect State revenues, it does not permanently increase revenue. Instead, it accelerates tax liability into earlier years by delaying cost recovery for R&D and manufacturing-related capital investments. This timing shift constrains cash flow precisely when companies are investing in new products, advanced production processes, facility modernization, and workforce training. Over time, these pressures will lead to delayed, reduced, or relocated investments. This policy will hurt New York State as globally-impacted companies choose to invest in other states and countries with more favorable tax policies. This is not theoretical – it is a very real threat to our economic future.

Manufacturers require predictability and certainty to plan multi-year investments. Diverging from federal tax treatment increases administrative complexity by forcing companies to maintain separate federal and state tax calculations, disproportionately burdening small and mid-sized manufacturers with limited compliance resources. These challenges ripple throughout the manufacturing ecosystem, affecting suppliers, contractors, and local communities that depend on sustained industrial investment.

Importantly, New York manufacturers have demonstrated a strong commitment to innovation and modernization, investing heavily in research, energy efficiency, automation, and emissions reductions. Rather than weakening federal-aligned incentives that support these efforts, policymakers should reinforce policies that encourage continued private investment and strengthen the State's long-term economic base.

For these reasons, we respectfully urge the Legislature to reject the proposed decoupling from federal manufacturing tax provisions. Maintaining alignment with federal policy will help preserve New York's economic momentum, support continued investment and job creation, and ensure the State remains competitive in attracting and retaining manufacturers. A pro-growth approach that recognizes the importance of investment timing will better serve New York's fiscal health and economic future.

ABOUT MACNY: [MACNY, The Manufacturers Association](#), is a 113-year-old non-profit organization representing manufacturers and other non-industrial service providers throughout Central New York. With a commitment to enhancing economic development and workforce opportunities, MACNY serves as an advocate for manufacturers, offering a wide array of programs and services to help businesses grow and thrive in a competitive global market.

ABOUT THE MANUFACTURERS ALLIANCE OF NEW YORK: The Manufacturers Alliance of New York is a statewide organization comprised of nine manufacturing associations, united to advocate for the manufacturing community in Albany and Washington.