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Gov. David Paterson wants Empire Zone plan replaced

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ALBANY — Gov. David Paterson said Wednesday that he wants to replace the state's troubled Empire Zone program with one that will target businesses that invest and create jobs in the "new economy," including the high-tech and clean-energy sectors.

"Unfortunately, our Empire Zone program is no longer working," Paterson said in his State of the State speech. "And so, as I said last year, we're going to put it where it belongs — in the past. We are no longer going to provide tax credits for businesses that do not provide the jobs that we've been promised."

The Empire Zone program was created to stimulate economic development by giving tax incentives to new businesses and companies that expand operations and create more jobs. It has been criticized, however, for providing large tax breaks to companies that haven't met job-creation goals or re-incorporated solely to continue getting benefits.

Paterson wants to replace it with the Excelsior Jobs program, which would:

- Set up a new jobs incentive that would target companies in high-technology, biotechnology, clean technology, finance and manufacturing industries. Companies that created and maintained a certain number of jobs in New York for five years would get tax credits.
- Expand the research and development tax credit, currently available only to businesses investing in capital equipment, to encourage investment in additional areas.
- Create an enhanced-investment tax credit to spur capital expansion.

The Empire Zone program has been in its current format since 2000, but a previous tax-incentive program went into effect in 1986. More than 8,700 businesses that employ upward of 344,000 people in 85 Empire Zones participate in the \$600 million program.

While the Empire Zone program would end in June, companies would continue to get tax credits for the length of time they were approved for, which could be up to 10 years.

Administration officials could not estimate how many companies the Excelsior program could assist. They said there would be caps on the amounts of tax credits, but details won't be made public until the governor releases his 2010-11 budget proposal later this month.

Getting rid of the Empire Zone program would mean "junking a failed program," which is a good thing, said Assembly Corporations, Authorities and Commissions Committee Chairman Richard Brodsky, D-Greenburgh, Westchester County.

But, he added, "we're going to look very carefully at what he's proposing ... we don't want to make these same mistakes in another, more attractive form."

Sandy Parker, president of the Rochester Business Alliance, said she liked what she heard about the Excelsior Jobs Program, though she said she wants more details.

"I like the idea that it's not just moving a job from Rochester to Syracuse to get an incentive. The incentive is going to be a graded one based on the kind of job that it is."

Parker also supports Paterson's plans to transform the state's manufacturing sites for new uses.

Kenneth Adams, president and CEO of the state Business Council, said the governor's proposal includes a number of reforms the group has supported, such as targeting specific industries.

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