

## New York ranks at bottom on tax index

by Matt Volke

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The most obvious news of the day: New York state taxes are awful.

This time, though, it's official. The Tax Foundation, a self-proclaimed nonpartisan tax research group based in Washington, D.C., recently ranked the Empire State dead last in its annual Tax Climate Index.

New York scored at the bottom by having the third worst individual income tax, ninth worst sales tax and worst property tax. The unceremonious title was pretty obvious to local business officials, most of whom said they agreed with the report.

"This isn't a big surprise to anyone who has a business or runs a business in New York state," said Brian Sampson, executive director of Rochester-based lobbying group Unshackle Upstate. "There's a cycle here, and unfortunately, we're at the wrong end of the cycle."

New York went from the second last spot to last, taking over for New Jersey — which held the title for four years. The 2010-2011 state budget will be financed in part by \$1.2 billion in tax and fee increases in addition to the \$8 billion in taxes and fee hikes adopted last year.

"When faced with a fiscal crisis, instead of cutting spending, which most states did, New York just increased taxes," said Michael Moran, a spokesman with the New York State Business Council, an Albany-based lobby group. "New York has reached the limit of a budget crisis."

Moran said improving the poor tax climate is as simple as cutting fees and taxes. He said New York taxes are complicated and difficult to comply with, plus many deal with nuisance fees. A fee like the "18A assessment" is paid by everyone on electric and natural gas bills. Originally it was set up to fund the state regulatory Public Service Commission, but the fee has been increased several times to plug holes in the general fund, Moran said. The Business Council reports that 27 percent of a utility bill in New York is comprised of taxes, fees and assessments. Those same fees cost businesses a great deal of money, Moran said.

"It affects any business that uses a lot of energy," he said. "There are a lot of costs, particularly in the last couple years with more than \$1 billion in new fees and taxes."

The other states rounding out the bottom 10 are, North Carolina, Rhode Island, Minnesota, Maryland, Iowa, Ohio, Connecticut, New Jersey and California.

Sampson said no other state has the economic diversity New York has along with a great divide economically between Downstate and Upstate. No other state has Wall Street going against the farms and manufacturing. No other state is like New York, which makes it complicated to rate.

The best tax climates, according to the Tax Foundation, are to be found in South Dakota, Alaska, Wyoming, Nevada, Florida, Montana, New Hampshire, Delaware, Utah and Indiana. Most of those states are rural, and none have the wide swath of businesses and cultures that New York has. Sampson said, however, that some tax measures can work anywhere, regardless of population or economy, such as a proposed tax cap by Gov.-elect Andrew Cuomo.

"We are so diverse, and we have basically two economies," Sampson said. "You're always going to run into these issues. But when you look at the population as a whole, almost everyone can benefit from a property tax cap."

From 2000 to 2008, New York experienced the nation's largest loss of residents to other states — a net domestic migration outflow of more than 1.5 million people, or 8 percent of the state's population at the start of the decade, according to a report by the Empire Center for New York State Policy.

Sandra Parker, president and CEO of the Rochester Business Alliance, said the loss of population is a major indicator that businesses are leaving and the cost of living has pushed people away.

"The most distressing piece is the folks we're losing are between the age range of 21 and 30 — our future workforce," Parker said. "The taxation is to the point where we're driving away business. We've got to do something."

Just about every candidate elected last week ran on a platform of reform that includes cutting taxes and government spending, regardless of party.

"The messaging was the same. Yes, it made everyone feel positive," Parker said, "but we're going to watch every vote that they take."

Cuomo, along with Rochester Mayor Robert J. Duffy, the lieutenant governor-elect, have discussed placing a tax and state budget cap and working to make Upstate's economy stronger. Not spending money is logical, but is it possible for the cycle of politicians who have gone through Albany in recent years?

"We've got to get some agreement in Albany. You've got to get the legislators to stop spending, stop spending, stop spending," Parker said. "All I can tell you is, hopefully both the Senate and the Assembly heard from the voter, and the voter is fed up. We've heard a lot of rhetoric in the campaign ads about cutting spending and bringing jobs. ... Now we have to hold their feet to the fire. I am a very optimistic person and I will give them a shot until I see differently."

Other states, like New Jersey, improved their ranking — albeit by two spots from worst to 48. That may be because of New Jersey Gov. Chris Christie, who ran last year on a campaign of cutting budgets and taxes.

"Cuomo has a chance to really make some very effective changes and he's got the voters behind him on those changes," Parker said. "Quite frankly, it's his to lose."