

# State Senate approves measure that cuts taxes for middle class

ALBANY — The state Legislature was in a special session Wednesday night to adopt an income-tax cut for the middle class and raise \$1.9 billion through higher taxes on the wealthy.

The Senate passed the measures 55-0 about 9 p.m.

The Assembly was expected to approve the legislation later.

Lawmakers spent the afternoon in briefings on the two bills included in the package and waiting for the legislation to be printed.

The deal includes a \$250 million payroll tax cut for businesses within the Metropolitan Transportation Authority region and \$50 million in flood relief for regions socked by tropical storms Irene and Lee.

A \$25 million tax-credit program would be created for employers who hire inner-city youths during the first six months of next year. Another \$37 million would be provided for job-training programs for youths in impoverished areas.

"This is a plan that the Legislature can and

should pass. In times of crisis, it is important that government acts and now government must act in New York," Cuomo said in a video message Tuesday.

The first-year Democratic governor had vowed through the year to let an income-tax surcharge on those earning more than \$200,000 a year expire Dec. 31.

Before the tax expires, Cuomo reached a deal this week that would provide a tax cut to the middle class and keep higher taxes on those earning more than \$300,000. Still, the tax hike on the rich is less than the expiring rate, giving all taxpayers a break in January.

Cuomo officials said the deal would alleviate about \$1.5 billion of the state's roughly \$3 billion to \$3.5 billion deficit in the 2012-13 fiscal year, which starts April 1.

Senate Deputy Majority Leader Thomas Libous, R-Binghamton, said the changes in the tax code are justified.

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"This is viewed as a real millionaires' tax. It's about fairness for the tax code. For 99.8 percent of New Yorkers, this is a great deal. They're going to see a tax cut, and that's what we're here for."

Assembly Minority Leader Brian Kolb, R-Canandaigua, knocked the agreement, suggesting that Cuomo is going back on his pledge to not raise taxes.

"I think that in a fragile economy we shouldn't be raising taxes on anybody," Kolb said, adding the backroom agreement without public debate was "terrible."

The top rate was originally set to return Jan. 1 to 6.85 percent for all individuals earning more than \$20,000 a year — a flat tax that Cuomo said was unfair.

But under the agreement, joint filers earning more than \$2 million a year would pay a tax rate that drops from 8.97 percent to 8.82 percent.

For people earning between \$300,000 and \$2 million, the rate would fall from between 7.85 percent and 8.97 percent to 6.85 percent.

For those earning between \$150,000 and \$300,000, the rates would drop from 6.85 percent to 6.65 percent. For those earning between \$40,000 and \$150,000, the rates would drop from 6.85 percent to 6.45 percent.

"It will put **money** back into the pockets of New Yorkers and allow them to spend it

how they want, invest it how they want," said Sen. David Carlucci, D-New City, Rockland County. "That's really going to stimulate the economy, I believe."

Lawmakers made a late change to the MTA payroll tax deal. The payroll tax cut for businesses in the MTA region was initially going to expire at the end of 2014. But the sides Wednesday agreed to make the cut permanent, relieving about 80 percent of small businesses from having to pay the tax.

The MTA deal also exempts private schools from having to pay the tax, which was first implemented in 2009. Public schools had been exempted, but they were reimbursed by the state for the tax. Under the new deal, schools won't have to pay the cost upfront.

Sen. Greg Ball, R-Patterson, Putnam County, called the package "an absolutely incredible deal for the middle class and working families" in the state.

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Business groups largely supported the agreement, despite their strong contention throughout the year that the state should let the tax rates fall at year's end.

"... The agreement reached among Gov. Cuomo, Senate Majority Leader Skelos and Assembly Speaker Silver is an important first step in addressing the state's challenging economic environment," said Sandy Parker, president and CEO of the Rochester Business Alliance. "We hope this package gives our elected officials impetus to address other pressing problems — specifically regulatory reform and mandate relief for local government and school districts so that taxpayers can benefit from long-term, sustainable relief."

"This is something that is long overdue and comes at a good time as we approach the end of the year," said Brian Sampson, executive director of the Rochester-based Unshackle Upstate.

Rochester Mayor Thomas Richards also praised the deal.

"New York state's worsening economic situation needed immediate attention, one with a recurring remedy," Richards said. "This plan will provide for a fairer tax code to help offset the pending budget shortfall and target parts of the state that desperately need job growth and investment."

"This plan will help the city of Rochester and the Inner City Youth Employment Program help young people get work ...

(and) ensure money exists for much-needed infrastructure projects and job-creating measures that will revitalize our city and state's economy," he said.

Good-government groups said there should have been an open process in developing the legislation that allowed for public input. Rank-and-file lawmakers did not participate in crafting the bills.

"Unfortunately, this is the way too much happens in Albany," said Barbara Bartoletti, legislative director of the state League of Women Voters.

Sen. James Alesi, R-Perinton, said there is more collaboration between the Legislature and the administration than there has been in years.

"We have a governor that we can work with, that has a strong focus on where we need to be and how we get there, and if we have to move around a bit to get there, it looks to me like he's done it the best possible way," he said.

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