

For Immediate release:

January 31, 2012

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National Tax Expert Calls for Closing NYS Tax Loopholes

Lawmakers and Tax Experts Call for Enforcement of NYS Tax Law and Closing of Corporate Tax Loopholes to Level Playing Field for All Businesses

(Albany, N.Y.) A recently released report from Citizens for Tax Justice and the Institute on Taxation and Economic Policy entitled, 'Tax Dodging In the 50 States,' found that many highly profitable companies are paying very little in state corporate income taxes throughout the country. The report also shows that many NYS based companies like Travelers, American Express, Verizon, Goldman Sachs and Rupert Murdoch's News Corporation are paying a lower income tax rate than the average New York family of four with an income of \$58,000 a year.

A broad ranging coalition of community, labor, faith and Occupy groups have a plan to reform New York's corporate tax structure that is focused on three main principles: enforcement, fairness, and transparency. The plan includes:

- Requiring real estate partnerships to pay the taxes they owe
- Reforming New York's Corporate Alternate Minimum Tax
- Taxing nonresident hedge fund management fees
- Eliminating the Carried Interest Exemption under New York City's Unincorporated Business tax
- Cracking down on schemes that create "nowhere income"
- Requiring public disclosure of corporate tax payments for publicly-traded companies

"Many prominent New York-based companies are finding ways to avoid paying state income taxes despite being hugely profitable. State lawmakers have the right--and the duty-- to know why this is happening," according to **Matt Gardner, Executive Director of the Institute on Taxation and Economic Policy** and a co-author of the report. "Fortunately, New York has sensible tax reform strategies at its disposal that can help ensure that the biggest and most profitable multi-state corporations will pay their fair share of state and local taxes."

Assemblymember Jim Brennan stated that, "New York's corporate minimum tax has dropped from 5% of New York-based profits in the mid-nineties to a mere 1.5% today, while the overall tax rate dropped from 9% to 7%. This enables New York companies in some cases to pay a mere pittance of their profits in taxes."

Another issue of great concern to members of the coalition is that many Real Estate Partnerships in NYS are avoiding paying taxes and the State has been turning a blind eye for over a decade already.

"This past December the NYS Legislature partnered with the governor in laying the groundwork for a more progressive and equitable tax code. While our tax plan cut taxes for middle-class families for the first time in 58 years, it was a relatively modest victory in the fight to create a fair tax code and dispel the notion that government works to benefit the wealthy few whom have the means to influence it. We must re-establish

that trust with the public. That effort begins with enforcing current tax laws and reigning in the most egregious public offenders,” stated **Assemblymember William Colton**.

“While tax collectors work relentlessly to harass minor offenders, large corporations and real estate partnerships are taking advantage of a tax code hardwired to benefit them and make it easy to hide income. It came to my attention last year through a New York Times report, that New York State is being shortchanged hundreds-of-millions of dollars annually due to real estate partnerships failing to report gains on previously depreciated real estate. I am calling on the NYS Department of Taxation to increase their audits on these partnerships, and for Attorney General Schneiderman to investigate whether or not these partnerships are purposely hiding their gains and shunning their tax obligations,” continued **Colton**.

"It is time for all New Yorkers to pay their fare share in taxes and this means those corporations who benefit from doing business in the State that includes the financial capital of the world. For far too long, corporations have benefitted from their positions here in New York that have been enhanced from the existence of numerous loopholes in our tax code. These loopholes must be closed and these corporations must bare their reasonable share of the burden," said **Senator Anthony Avella**.

“New York State’s corporate income taxes have become more and more like Swiss cheese as more and more tax breaks have been added to the tax code in the name of economic development,” said **Frank Mauro, Executive Director of the Fiscal Policy Institute**. “Ironically, beginning in 1994, more tax breaks have been added to the state’s corporate Alternate Minimum Tax, which was established in 1987 to ensure that profitable corporations made at least some contribution to the cost of government services. The result of these developments is that general business corporations have gone from carrying 9.6% of New York State’s tax load in the 1970s to 4.3% last year”

“New York State should repeal or reform corporate tax breaks that are not creating jobs and it should stop allowing any tax breaks in the calculation of large multi-national corporations’ Alternate Minimum Tax obligations,” **Mauro** added.

According to **James Parrott, Deputy Director and Chief Economist for the Fiscal Policy Institute**, “Our tax structure has not responded to the very pronounced trend under which more and more businesses are organized as limited liability companies and limited liability partnerships. LLCs and LLPs account for a growing share of business income. In the 2003-2006 period, New York State raised the maximum annual filing fee, and we should consider doing that again. In addition, it really is time to end the special tax treatment bestowed on carried interest. It is business income pure and simple, and should be taxed that way.”

Ron Deutsch, Executive Director of New Yorkers for Fiscal Fairness said, “I find it impossible to believe that we are allowing real estate moguls and multi-national corporations with billions in profits to avoid paying their fair share of taxes in this state. It is long past time that we start enforcing our tax law when it comes to Real Estate Partnership abuse and start asking big corporations to pay a reasonable minimum tax. New York may be ‘Open for Business,’ but we should close the loopholes on these mega-corporations instead of giving them the keys to the store!”

"This effort to close corporate tax loopholes is about fairness, accountability and democracy," said **Karen Scharff, Executive Director of Citizen Action New York and a leader of the Strong Economy For All Coalition**. "Government should work effectively for all of us, not just those who want special deals. And before we slash survival services for poor New Yorkers or pensions for our workers, we should make sure big corporations and real estate investors are paying their fair share."