

Press Release

For Immediate Release:

March 8, 2007

Contact:

Frank Mauro, Fiscal Policy Institute, 518-786-3156

Ronald Deutsch, NYFF, 518-469-6769

Laura Haight, NYPIRG, 518-436-0876

Mark Dunlea, HANNYS, 518-434-7371

Darcy Wells, PEF, 518-785-1900 ext277

Better Choice Budget Campaign Supports Governor on Key Issues, Urges Legislature To Do the Same

ALBANY (March 8, 2007) -- Over 100 community, religious, education, health care, labor and human services organizations from throughout New York State have issued a joint statement endorsing many of the policies and initiatives that the governor has proposed and urged the Legislature to support them as well.

The joint statement was issued today at a press conference at the Legislative Office Building in Albany. It calls for a fair budget that invests in New York families. The Better Choice Budget Campaign started in 2002 and has been calling upon state leaders to raise revenues in a reasonable and responsible manner and to end the special treatment of the favored few. The groups have urged the governor and the Legislature to provide property tax relief in a balanced manner by restoring revenue sharing with local governments, implementing a statewide solution to the Campaign for Fiscal Equity lawsuit and reforming the STAR Program to target it to those most in need.

The coalition of organizations released a 7-point platform that supported:

- **Closing loopholes** that allow large, profitable corporations to avoid paying their fair share of state taxes.
- **Stopping sweetheart deals** with high-priced consultants being overpaid to do jobs that state workers can do better and cheaper.
- **Lowering drug prices** for state and local governments and New York consumers by using New York's purchasing power to get a fair deal from the drug companies.
- **Reforming state and local economic development programs** with an emphasis on improving the effectiveness and accountability of Industrial Development Agencies (IDAs) and the Empire Zones program.
- **Enacting the Bigger, Better Bottle Bill** and making the beverage bottling industry return unclaimed bottle deposits.
- **Making polluters pay** by auctioning the permits under the state's plan to cap the emission of global warming gases by power plants.
- **Making New York's tax system fairer** and more equitable by increasing the top marginal tax rates on the highest income households

"After fighting to pass some of these measures for years we were excited to see Governor Spitzer embrace many of them. This governor understands the concepts of fairness and equity and has built a budget around these principles," stated Ron Deutsch, executive director of New Yorkers for Fiscal Fairness. "We believe that the Legislature should support closing corporate tax

loopholes, enacting the Bigger, Better Bottle Bill, and adopting the other measures we have outlined and make this the year we restore fairness to the budget.”

Frank Mauro, executive director of the Fiscal Policy Institute believes that the governor’s proposed corporate tax loophole closures will level the playing field for many of the state’s businesses. “The 2007-08 Executive Budget proposes to raise about \$567 million by closing a number of very specific tax loopholes and tax shelters that currently allow some businesses to pay less in taxes than competitors with the same net income, and adopting an important and systematic reform, known as combined reporting, that will make it much harder for tax planners to invent new ways of shifting income among subsidiaries as a way to avoid paying state taxes. Some of the loopholes that are proposed for closure were invented by tax planners to take advantage of provisions of the law that were never intended for the purposes for which they are now being used. Others are the result of provisions of law that tax businesses differently if they design their corporate structures one way rather than another. This should not be the way that the taxes of businesses in a competitive free market economy are determined.”

By adopting the Governor’s approach to combined reporting, multi-state and multi-national corporations would no longer be able to use inter-subsidiary transactions to move income earned in New York to countries or states where that income is not taxable. “Under the Governor’s combined reporting proposal, a corporate family with substantial inter-subsidiary transactions would be required to file a single tax return covering the income of all of its subsidiaries, with that income apportioned among the states based on a common formula. Most states, including New York, have traditionally used three factors (property, payroll and sales) in apportioning corporate income. But New York is in the final year of a transition to a new system under which it will apportion corporate income solely on the basis of the share of a firm’s sales in New York State. This so-called Single Sales Factor approach was adopted by the Legislature in 2005, at the urging of multi-state corporations based in New York who will benefit significantly from this change,” further explained Mauro.

Another proposal advanced by the coalition and supported by the governor is to stop the wasteful contracting out of jobs that state workers could do better and for less. According to Kenneth Brynien, president of the Public Employees Federation (PEF), “under the Pataki administration the state was addicted to costly consultants; Governor Spitzers budget is a good first step of withdrawal from an addiction that cost state taxpayers \$500 million a year.” Brynien pointed out there were 13 state agencies paying consultants an average of \$286,899 a year including the Department of Health which is paying 500 consultants an average of \$439,768 a year. Brynien called on the Legislature to pass legislation vetoed by Governor Pataki that would require state agencies to do a cost benefit analysis before it contracts out work to consultants.

The Better Choice Budget Campaign has also been promoting fairness on environmental issues. "New York is out of step with other states that have required beverage companies to return unclaimed bottle deposits to the public," said Laura Haight, senior environmental associate at NYPIRG. "The Bigger Better Bottle Bill would generate more than \$180 million a year for environmental programs in New York, while also reducing litter and recycling up to 3.8 billion more bottles and cans a year. We call on the Senate and Assembly to support the governor’s environmental budget proposal."

After years of negotiations, New York has agreed with the other northeastern states on a program to reduce carbon emissions and climate change through a system of tradeable carbon emission permits. Governor Spitzer has agreed with the longstanding position of the Budget Choice Budget Campaign that the full proceeds from the auctioning off of these permits should go to the state treasury rather than be given for free to existing polluters. While the Regional Greenhouse Gas Initiative (RGGI) will begin this year, revenues from the auction are not anticipated until next year's state budget.

“We need to ensure that the windfall revenue from RGGI is used for socially and economically beneficial purposes. In order to offset the regressive nature of any energy tax, Hunger Action Network supports using some of these funds to establish a state supplement to the federal HEAP program and to support energy conservation programs. Reports by groups such as Redefining Progress (<http://www.fiscalpolicy.org/northeastRGGI.pdf>) shows that auctioning off the permits rather than giving them away free would reduce the costs of the initiative by 75% while increasing employment. A grandfathered permit system would reduce employment, investment, and competitiveness in northeastern states,” stated Mark Dunlea, Associate Director of the Hunger Action Network.

Lowering the high cost of prescription drugs has also been one of the measures the coalition has been promoting through its efforts. Trudi Renwick, a senior economist at the Fiscal Policy Institute stated that, “Given the tens of billions that State residents pay for prescription drugs every year we should be working to use that purchasing power to obtain better prices from the drug companies.”

The coalition has also been trying to restore fairness to the states tax system for years by restoring some of the personal income tax's lost progressivity. “Only in this way can we balance out the regressivity of the property and sales taxes,” said Ron Deutsch, executive Director of New Yorkers for Fiscal Fairness. In 2003, the Legislature, over the veto of Governor Pataki, increased the top marginal rates on the personal income tax for wealthy filers for three years to help balance the budget during a period of large budget deficits. During those three years, New York saw a substantial increase in the number of high income taxpayers and in the amount of their income despite Governor Pataki's claim that the temporary increases in the top PIT rates would have the opposite effect. These top rates increases have since been phased out and we have returned to a tax system where the majority of working class New Yorkers now pay almost twice the percentage of their income in state and local taxes as the richest 1 percent. “We must look at the overall tax burden in this state and realize that over the last decade, as we have continually cut the top rate of the PIT, we have seen dramatic increases in property taxes across the state. New York leaders could relieve the pressure on the property tax, increase funding for critical services and make sure that working families are not shouldering the tax burden for the rich by restoring some of that lost progressivity.”

###