

December 4, 2024

Honorable Kathleen Hochul
Governor of the State of New York
NYS State Capitol Building
Albany, NY 12224

RE: Inclusion of Tax Parity for Manufacturers in the State Budget

Dear Governor Hochul,

On behalf of the undersigned organizations, we strongly support extending the zero percent manufacturers tax rate to pass-through entities (S-corps, proprietorships, LLCs, and partnerships) to provide tax parity for all manufacturers in New York State. By including this initiative in your 2025 Executive Budget, it would capitalize on your Administration's commitment and investments in New York manufacturing and further cement New York as a world-class leader in the sector.

Tax parity legislation was introduced in both houses of the Legislature, S.4064 (Mannion)/A.4168 (Stirpe), which we respectfully urge you to consider including in your Executive Budget proposal. We believe the time for tax parity is now as more transformative projects are coming right here to New York.

In 2014, a zero percent corporate franchise tax rate was enacted for manufacturers organized as C-corps. This tax cut accounted for only about 25% of manufacturing companies in New York State. While it provided significant help to those manufacturers, it left 75% of manufacturers still paying higher rates, and therefore placed them at a competitive disadvantage with manufacturing companies located in other states with no or lower income tax rates. New York is missing out on untapped economic potential associated with the equitable tax treatment of an entire industry.

The majority of manufacturers in New York are small-to-medium sized companies organized as pass-through entities. These manufacturers do not currently benefit from the existing zero percent rate. They pay one of the highest income tax rates in the United States, which, unlike their competitors in other states, or C-corps here in New York, they must pay before they can invest in their employees, research and development (R&D), and capital expenditures of the business. These manufacturers are looking for their home state of New York to provide them with the opportunity they need to continue to invest and grow here.

According to an updated study conducted by The Beacon Hill Institute, "the elimination of the PIT for pass-through manufacturers would increase private sector jobs by 5,187 in the first full-year and by 6,549 in 2026." The report also found that it would cause investment to rise by

about \$164 million in 2026. The increase in employment and investment would boost real (inflation-adjusted) disposable income by nearly \$560 million in 2026. While this estimated fiscal is based on the tax relief being fully realized in year one, the proposed legislation provides for a phase in that would reduce the fiscal impact to the state.

The increase in economic activity generated by extending the zero percent tax rate to income from pass-through manufacturers would mitigate the loss of revenue to New York and boost local tax collections. Furthermore, it would allow existing manufacturers to invest in their operations and workforce, while at the same time attracting manufacturers from across the globe to locate in the State of New York.

There are legacy manufacturers with plants in every county of New York, and they question why they should continue to invest and grow in New York, especially when they face the same challenges competing against global firms and those in other states; for sales, employees, acquisition of capital equipment, and research & development. The zero-percent tax is a clear response to these questions. New York already has the right talent and resources, and by delivering a zero-percent tax rate, it also would have the best tax environment in the nation. We believe this initiative would only build upon your ongoing efforts to strengthen manufacturing statewide.

For the reasons stated above, we respectfully encourage you to include tax parity legislation in your Executive Budget proposal. Thank you for your time and attention to this important matter, as well as your continued support of New York State manufacturing. If you have any questions, please feel free to contact MACNY President & CEO Randy Wolken at 315-474-4201; ext. 15.



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