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**MAYOR DE BLASIO ANNOUNCES TAX REFORM TO PROVIDE RELIEF TO NYC BUSINESSES
AND MANUFACTURERS, MODERNIZE NYC'S CORPORATE TAX SYSTEM**

Revenue-neutral reform will streamline City and State taxes by merging bank tax into new corporate tax—eliminating burdensome administration and improving compliance, while broadening the city's tax base

NEW YORK—Mayor Bill de Blasio proposed today a major reform of New York City's corporate tax structure, modernizing an outdated system, providing vital tax relief to the city's small businesses and local manufacturers, and streamlining City and State corporate tax codes.

The revenue-neutral reforms will be retroactive to January 1, 2015.

Certain New York City corporate tax provisions have not been reformed since the 1940s and reflect an outdated financial regulatory structure. The City reforms announced today recognize the realities of the modern marketplace and treat firms consistently.

By conforming the City's corporate tax system with that of the State, the de Blasio administration's reforms will ensure that firms will not need to maintain separate records for State and City tax purposes, and—most importantly—create the consistency in computation of taxes that is critical to facilitating joint audits and preventing major administrative burdens for both taxpayers and the city. Moreover, these reforms will protect and support the expansion of the city's tax base.

“These are common sense reforms that will modernize and streamline a corporate tax code that hasn't seen real changes since the 1940s—serving taxpayers, businesses, and the City alike,” said **Mayor Bill de Blasio**. “By targeting relief to local small businesses and manufacturers, this will keep jobs here and expand economic opportunity. Together with a broadened tax base and the elimination of burdensome administration, this will mean a simpler, fairer system for all.”

The de Blasio administration's corporate tax reform will be revenue-neutral on an aggregate basis and will do the following:

- Conform City tax code to State provisions in the most important areas of tax computation, including updating the City's corporate income tax and minimum tax codes to mirror the State codes.
- Target relief toward New York City's small businesses and local manufacturers. This includes:
 - Excluding the first \$10,000 of capital tax base, which helps small businesses by eliminating the alternative tax base on capital for more than 90 percent of current payers. Impacted small businesses will see an average benefit of nearly \$2,000.
 - Reducing the tax rate for small non-manufacturers with less than \$1 million in allocated net income from 8.85 percent to 6.5 percent. Impacted small businesses will see an average benefit of nearly \$800.

- Reducing the tax rate for small manufacturers with less than \$10 million in allocated net income from 8.85 percent to 4.425 percent. The City will also provide a smaller rate reduction to manufacturers with incomes between \$10 million and \$20 million. Impacted manufacturers will see an average benefit of nearly \$5,300.
- Retain the alternative tax base on capital, which will help stabilize revenues in years of low profits for large corporations. Under current law, banks pay under an assets base with no tax cap, and corporations are subject to a capital base with a tax cap of \$1 million. Under this reform, 90 percent of current payers will be excluded (per the small business relief detailed above). Remaining eligible banks and corporations will be subject to a capital base with a \$10 million tax cap.
- Merge the bank tax into the corporate franchise tax for large corporations (C-corporations).
- Adopt a new method for computing net income that broadens the tax base by treating most income as business income. (Current tax code provides preferential treatment for certain categories of income.)
- Adopt a new method for determining how corporations attribute net income, based on where a firm's markets are located, rather than the location of the business operations. This will eliminate a tax penalty for increasing operations and employment, and incentivize businesses to locate their employees—and thus create jobs—in New York City, because increasing staff in the city won't increase taxes.
- Adopt unitary combined reporting rules, so that economically related business entities that are commonly owned are required to file as one taxpayer. This will prevent the shifting of income and expenses among related entities to inappropriately reduce taxes.
- Broaden the tax base by eliminating certain special deductions and exemptions.

“By conforming important parts of the City’s business tax system with State tax law, the de Blasio administration’s reforms ensure that corporations will not need to maintain separate records for State and City tax purposes and create the consistency of taxes that is critical to preventing major administrative burdens for both taxpayers and the City,” said **Department of Finance Commissioner Jacques Jiha**.

“This long-overdue reform represents another initiative that moves the city forward, while protecting our long-term fiscal health,” said **Budget Director Dean Fuleihan**. “By creating consistency and reducing administrative burdens—while helping small businesses and manufacturers and broadening the tax base—this is a win for both the City and its taxpayers.”

“Small businesses create the vibrant fabric of our neighborhoods, deliver essential goods and services, provide local jobs, and for many New Yorkers, offer a first chance at economic self-determination and a path to the middle class,” said **Maria Torres-Springer, Commissioner of the NYC Department of Small Business Services**. “The City is committed to making sure small businesses have the resources they need to start, operate, and thrive in New York City, and the administration’s tax system reforms will provide significant relief to small businesses in NYC and encourage economic growth across all five boroughs.”

“These reforms help meet the needs of small business in a 21st Century economy,” said **NYCEDC President Kyle Kimball**. “Eliminating administrative burdens and reducing tax rates for New York City small businesses and manufacturers will provide needed relief for businesses that have long been the backbone of our neighborhoods and our economy. These changes will give impacted manufacturers the necessary assistance and financial flexibility to continue to create well-paying jobs that often provide career pathways and opportunities for economic mobility.”

“This is an important modernization of the City’s tax system that recognizes how banks and corporations have changed over the past two decades. It has been done in a responsible, revenue neutral way. I welcome the lower rates for small business and manufacturing. I look forward to working with the administration to continue to improve NYC’s tax code to better support all businesses,” said **Council Member Julissa Ferreras**.

“Mayor de Blasio’s decision to conform the City’s tax code to match State reforms promises to make the city more attractive for business investment and job creation, reinforcing New York’s status as the global center of

commerce and finance. Under Governor Cuomo's leadership, New York State updated and streamlined its business tax code. On behalf of the city's largest private sector employers, we thank the Governor and the Mayor for undertaking these important reforms," said **Kathryn Wylde, President and CEO of the Partnership for New York City**.

"New York City has crafted a thoughtful approach to corporate tax reform, updating its taxes to facilitate compliance and doing that in a way that both levels the playing field among large businesses and maintains revenue neutrality. The City aims to reduce taxes on small businesses and manufacturers, while making sure that large businesses pay a fair share," said **James Parrott, Deputy Director and Chief Economist at the Fiscal Policy Institute**.

"We applaud the efforts of the City to modernize and streamline the tax code in New York City by making it consistent with the State's tax treatment. This is a long-sought goal of the banking industry, and we look forward to reviewing the legislation when introduced," said **Michael P. Smith, President & CEO, New York Bankers Association**.

"We commend Mayor de Blasio for supporting key tax reforms and applaud the City's commitment to improving the business climate for many industries throughout the city and state. The Mayor's proposal modernizes outdated rules to conform to a major retooling of federal laws governing financial institutions, providing the financial sector with updated rules to enhance business planning and retention. The new tax laws will allow the industry to remain competitive and strong in order to bring greater benefits and opportunities to New York," said **Kenneth E. Bentsen, Jr., president and CEO of the Securities Industry and Financial Markets Association (SIFMA)**.

"As a Brooklyn-based manufacturer, at times, it seems there is no end in sight when it comes to our soaring costs for materials, labor and insurance. We fully support and embrace the tax reform and are confident it will help us continue to grow our business," said **Rob Ferraroni, Owner of Ferra Designs**, which is based in the Brooklyn Navy Yard.

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