

Tax-Free N.Y. costly proposal

By RON DEUTSCH, Commentary

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It's bold. It's new. It's a game changer! No, I'm not talking about iPhone6, I am referring to Gov. [Andrew Cuomo](#)'s description of his [Tax-Free NY](#) proposal.

But much like the next iPhone, this program is simply a repackaging of an earlier model with a few new bells and whistles designed to make it more appealing to the public.

The governor has proposed tax-free zones around many SUNY colleges. Businesses that locate in these zones will pay no taxes for 10 years — no property taxes, no income taxes (for owner or employees), no sales taxes and no fees. In countless trips around the state and in a never-ending stream of commercials, he claims this is the answer to rebuilding upstate's economy; if you don't support it, you are just a defender of the status quo.

Tax-Free NY may make for a great sound bite, but it is not sound policy. We only need to look back over the last 30 years to see that tax-free zones have repeatedly not worked — the failed Empire Zone Program, the Economic Development Zones and before that Job Incentive Programs. These programs were rife with waste, fraud and abuse and never lived up to their job creation promise. Simply renaming the program and putting it on steroids will not change the outcome.

The governor stated that this program will "level the playing field" for business. I believe the exact opposite is true. This program will create an uneven playing field for existing businesses all across our state by picking winners and losers.

Say I'm an existing local business and a competitor from another state moves to the tax-free zone. How am I supposed to compete with a business that pays no taxes and can significantly undercut the price of my product or service? I can't. So while you may be creating jobs in the zone, you may be shutting down other local businesses. If I were a tax-paying local business I would consider this proposal a slap in the face.

The governor also claims the program will cost the state nothing. But allowing a handful of businesses to not pay taxes simply means that the rest of us will be picking up the tab for the variety of municipal services they'll still need — sanitation, sewer, water, police, fire and education. It could also result in significant losses in state and local revenue if the new business that pays no taxes

eliminates existing tax paying businesses that simply can't compete.

A recently released report by the Getting Our Money's [Worth Coalition](#) details that New York state already spends \$7 billion annually on tax credits and giveaways to businesses in the name of job creation. If these programs were working, we ought to have an unemployment rate that is half of what it is today.

We need to stop designing programs that benefit a handful of businesses or residents at the expense of others and start designing thoughtful tax policy in the light of day. The governor seems to have a pattern of proposing poorly conceived tax policy (\$350 family rebates for families making up to \$300,000 coming just before Election Day, and perverse minimum wage tax credits that incentivize firing older workers to hire younger ones) at the last minute. He rarely releases any details other than a news release and we never see actual bill language until the deal is made. Then he lines up support and barnstorms the state telling us what a great idea it is. I call this Status-Cuomo.

The governor recently created a [Tax Reform and Fairness Commission](#) that is supposed to examine our state's tax system and make recommendations on how to make our tax system more equitable. He should let it do its job before he creates greater inequity in our state's already unfair tax system.

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