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## Amendment stirs debate on MTA tax

By By KARLA CRUZ and CASEY QUINLAN  
Gazette staff writers

February 22, 2010

Among the governor's 21-day amendments to his 2010-2011 Executive Budget is a proposed change to the MTA payroll tax that would ease the burden on Long Island and upstate businesses and hospitals, while increasing taxes in New York City.

The Legislature last May passed the Metropolitan Commuter Transportation Mobility Act to help close the MTA's \$1.8 billion deficit. The act requires businesses, hospitals, schools and the self-employed in all 12 counties of the MTA service area to pay payroll taxes of 34 cents for every \$100 of payroll.

Under the governor's proposal, businesses in the five boroughs would pay 54 cents for every \$100 of payroll to support the public transportation system, and businesses in the Hudson Valley and Long Island within the MTA district would pay 17 cents for every \$100 of payroll. Paterson's budget amendment would also exempt small businesses and the self-employed who have incomes below \$100,000.

Under the new proposal, New York City businesses would now contribute 88 percent of all mobility tax revenues, up from 70 percent. This would ensure a more equitable distribution of tax liability, Paterson said, because New York City is the destination for more than 90 percent of weekday ridership.

Meanwhile, a bill (S.6267/A.9479) that would eliminate the MTA Mobility Payroll Taxes in the counties of Dutchess, Orange, Putnam, and Rockland has been introduced by Sen. Stephen M. Saland, R-Poughkeepsie, and Assemblywoman Aileen Gunther, D-Forestburgh.

Co-sponsors of the bill in the Senate include John Bonacic, R-Mount Hope, William J. Larkin, R-Cornwall, and Vincent L. Leibell, R-Patterson. In the Assembly the co-sponsors are: Ellen Jaffee, D-Suffern, Kevill Cahill, D-Kingston, Sandy Galef, D-Ossining, Annie Rabbitt, R-Greenwood Lake, Nancy Calhoun, R-Blooming Grove, Marcus Molinaro, R-Red Hook, Frank Skartados, D-Milton, and Kenneth Zebrowski, D-New City.

The bill would also reimburse these counties for the amount of taxes paid and would renegotiate a joint service agreement with the state of Connecticut to contribute more funding to the MTA. On Jan. 6, the bill was referred to the Senate's Transportation Committee and to the Assembly Corporations, Authorities and Commissions Committee.

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Leibell spokesman Bill Farley said the senator, whose district includes parts of Dutchess, Westchester and Putnam counties, originally voted against the taxes. Farley said it's not enough to reduce MTA taxes on businesses in the New York City suburbs; they should be outright eliminated.

Molinaro, who has been vocal in his opposition to the MTA payroll tax, says that any tax on those who do not use the MTA is an unfair burden. He is in favor of Gov. David A. Paterson's amendment to change the MTA payroll tax, but says it does not go far enough.

"I suspect the proposal would go nowhere in the New York City-centric [legislative] majority. I suspect it has responded with opposition," said Molinaro who wants a sunset on the tax and is calling for an audit of the MTA's business practices.

"There ought to be a forensic audit to eliminate waste and fraud, address structural, labor and pension costs, and look at the way in which the MTA functions," said Molinaro, whose Assembly district includes parts of Columbia and Dutchess counties.

Gunther says the tax has hurt schools, businesses and hospitals in her district, which includes towns in Orange and Sullivan counties.

"This is unfair taxation. I voted against it. Our schools went crazy. Our hospitals went crazy," she said.

She supports the governor's initiative to provide a more equitable tax for upstate counties. She also said the MTA should be negotiating with the state of Connecticut since many of its residents use MTA services.

"When people utilize the services, they should be responsible for keeping the services intact. It's a good move," said Gunther. "It's a cooperative move."

Scott Reif, a spokesman for Senate Minority Leader Dean Skelos, R-Rockville Centre, said the tax is unwise in a time of national recession.

Galef, who represents people in Westchester and Putnam counties, said she would rather not have the tax at all, but she favors the governor's proposal.

"I never voted for the tax in the first place, in particular because I represent Putnam where people are less impacted by subways," said Galef. "I am in favor of more equity in how the tax is funded."

Of the governor's proposed amendment, she said "it recognizes our use of MTA services is much less than ... in the city. I suggested the issue. Can't there be differences in regional rates even if they can't raise taxes in the city?" asked Galef.

Queens Chamber of Commerce Executive Vice President Jack Friedman said even with the governor's amendment, the MTA payroll tax would continue to hurt businesses.

"It is ridiculous. Taxes in New York City are already scaring businesses away. To double the payroll taxes in New York City is an insult," said Friedman. "To lower the other counties' payroll taxes is even more of an insult. It is bad for business."

He also said the state should reconsider the commuter tax, which he says is fairer to all involved. The commuter tax was a tax on wages levied on those who worked in New York City but had a primary residence outside the five boroughs.

Larkin, said he was satisfied that Paterson is "realizing that his tax, that he and his Democrats imposed on Hudson Valley businesses, is completely inequitable." He



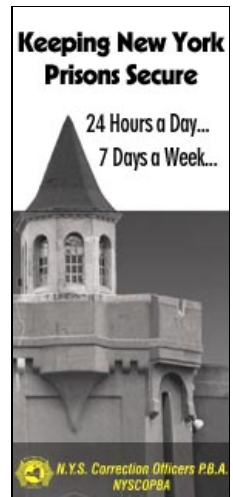

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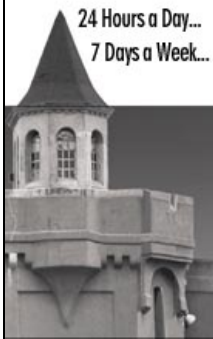


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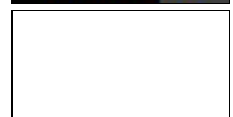


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said the proposal is an improvement, but it is still inherently unfair to businesses. "Businesses in Orange County cannot be bailing out businesses in New York City. Businesses will not accept this," said Larkin.

But Larkin said he does not believe the governor's amendment will make it into the final 2010-2011 state budget.

"You think Silver would allow a tax on his businesses? I don't see it going through," said Larkin, referring to Assembly Speaker Sheldon Silver, a Democrat from Manhattan. "The MTA is virtually useless to the overwhelming number of Orange County residents, and the MTA tax amounts to taxation without transportation," said Bonacic, whose represents towns in Delaware, Orange, Sullivan and Ulster counties. "The tax needs to go away, not simply be reduced."

"The Senate majority conference doesn't think that areas with less access to mass transit should have to pay the same tax as another region, but we can't place an undue burden on businesses in the city and mass transit," said Senate Democratic majority conference spokesman Austin Shafran. "The city is the economic engine of the state. The entire system could come crashing down."

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