News from the Fiscal Policy Institute

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Over $8 Billion a Year in “Back Door” Spending in the Name of Job Creation

- The Fiscal Policy Institute’s new report on the growing cost of business “tax expenditures” identifies $5.4 billion a year in state government “back door” spending in the name of economic development and job creation. State law also establishes a variety of tax expenditures in local government taxes which are responsible for an additional $2.8 billion a year being drained from local government budgets in New York State.

- “Back door” spending through the tax code is no different than “front door” spending through appropriations bills. Both types of spending use public resources for one purpose or another. In these tough budget times, these billions of dollars in business tax expenditures, which have historically lacked transparency and accountability, must be examined carefully—program by program—to determine whether the promised benefit is real, and if so whether the expense entailed is justified.

- Deferring the amount of tax credits that can be claimed this year and during the next two years provides short-term budget relief but does not address the unacceptably low performance of the state’s business subsidy “back door” spending.

Statement of James Parrott: “Business tax expenditures add $5 billion to the state budget, and tend to make New York’s overall state and local tax system less progressive. Leaving this spending unexamined would be truly disgraceful at a time that so many New Yorkers of modest means are being required to pay higher taxes and fees and face cuts in health and education spending.”

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers.