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More kerfuffle over Cuomo's tax cuts

The debate rages on over the governor's tax plan.

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As Super Bowl XLVIII excitement heats up in New York Gov. Andrew Cuomo's $2 billion tax cut proposal has become a "political football" in its own right, being simultaneously lauded and battered by a wide array of special interests across the state.

Controversy over the plan centers around the bundle of pro-business cuts in Mr. Cuomo's proposal, such as a reduction in the corporate franchise tax statewide and elimination of such taxes for upstate manufacturers. Groups like the Business Council of New York State have clamored to support the bill, while left-leaning advocates, like the union-backed Fiscal Policy Institute, have voiced concerns over the effects of $2 billion in tax revenue being lost.

The latest battleground in this debate is a report released Tuesday by the Public Policy Institute of New York State—a research affiliate of the Business Council—that the group claims proves that the lowering of tax by the governor would be an economic boon to the state. According the analysis, restructuring the corporate tax code could lead to more than 14,000 jobs by 2019 with statewide personal income increasing by $1.3 billion over the same period. In addition, the state would incentivize between $500 million and $800 million in new, private-sector capital investments by 2024.

"Our report today illustrates the size and scope of those economic impacts that will continue to move New York in the right direction by creating jobs and growing the economy," council President and CEO Heather Briccetti said in a statement.
But the Fiscal Policy Institute's chief economist, James Parrott, took issue with the report's findings. "We believe the study to be severely, if not fatally, flawed," he told *Crain's*.

At the crux of Mr. Parrott's criticism is the lack of spending analysis included in the study. "They don't take into account the actual cost of the corporate tax cuts," he said, pointing to a lack of any static cost presented in the report's data that would allow the researchers to accurately predict opportunity costs that the state might incur over the next five years as the budget adjusts to $2 billion less in total revenue.

"Simple math suggests those extra cost could be $1.8 billion by 2019," said Mr. Parrott.

The report does obliquely address the impact of lost tax revenue by asserting that the increased economic activity generated by augmented personal income will grow to compensate for "about one-third" of projected lost revenue.

A spokesman for the Business Council defended the report's findings, saying that the council is taking the governor at his word on his initiative to control spending. The spokesman also questioned the slant of Mr. Parrott's analysis.

"I find it funny that there are questions about opportunity costs related to corporate tax cuts but never on initiatives by the state that put pressure on the private sector," said the spokesman. "In this study we were asking, 'Does tax reform have a benefit?' We're saying it will."

Mr. Parrott responded, "You can talk up all kinds of wonderful economic impacts if you don't have pay for anything."

That critique is being leveled at Mr. Cuomo as well. His pledge to control spending in Albany has provided fiscal and political cover for his proposal but the particulars of those reductions have been vague. Newly-minted New York City Public Advocate Letitia James took shots at Mr. Cuomo on Tuesday as she rallied a group of Albany-bound education activists to demand more funding for schools across the state, an initiative that she claimed would be undermined by tax cuts for the private sector.

"Tell Gov. Cuomo to do the right thing for our children and not give $2 billion in tax cuts that favor corporations and the wealthy, but instead increase funding aid by $1.9 billion and invest in our future, our children," said Ms. James.

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