The Business Council of New York State, Inc.

LEGISLATIVE MEMO

152 Washington Ave. ● Albany, NY 12210-2289 ● 518-465-7511 ● fax 518-465-4389 ● www.bcnys.org

BILL: S.3153 (Marcellino) / A.6450-A (DiNapoli)
SUBJECT: Local Real Property Transfer Taxes
STATUS: Senate EnCon Committee
DATE: April 20, 2006

OPPOSE

Staff Contact: Ken Pokalsky, Director, Environmental Programs

The Business Council opposes this legislation which would give statewide authorization to towns to impose a real property transfer tax of up to 2%, with the proceeds to be used by towns for open space preservation purposes. The bill requires any such tax to be approved by local referendum.

The Business Council opposes this legislation for several reasons.

– The high cost of housing is already having an adverse impact on economic development efforts in New York, especially downstate. According to Office of Real Property Services data, in 2002, median housing prices were $450,000 in Westchester, $340,000 in Rockland and Nassau, and $270,000 in Suffolk counties. These costs, in addition to high property tax bills, are making it increasingly difficult (and expensive) for employers to recruit additional skilled employees to these areas. On Long Island, our members tell us that the cost of housing is one of their major problems in staff recruitment. By definition, this bill authorizes taxes that would increase the already sky-high cost of fifty percent of all houses in these areas!

– These transfer taxes would increase the price of commercial and industrial property as well, adding to the already high cost of doing business in New York, and making it that more difficult to create and attract new employers to New York State. Business are already paying nearly half of the existing $400 million state real property transfer tax burden.

- These new township-level real property transfer taxes would be imposed on top of an existing state transfer tax, and on top of similar taxes already imposed by more than 30 counties, plus the cities of New York and Yonkers.

– Any effort to create a new tax and spend structure at the local level should be contingent upon actions to reduce current costs, re-prioritize current spending patterns, service consolidation and other similar steps. New York already has the second highest level of state and local spending (and taxation) among the states, behind only Alaska. Combined state and local spending in New York is already 50 percent higher than the national average for states; compared with other key states; our combined spending is at least $2000 per capita, or 33%, above Connecticut, Massachusetts and California. High tax levels have contributed to New York's anemic economic growth over the past decade.

– New York State has made, and continues to make, significant investments in open space protection. The state's Environmental Protection Fund, financed through the existing state-imposed real property transfer tax, has an Open Space Account that receives about <u>$67 million annually</u>. Under last year's budget, $30 million went directly for state land acquisitions, while the remaining $37 million was used for regional land conservation programs, including acquisition and open space protection. In addition to these annual EPF land acquisition funds, the 1996 Clean Water/Clean Air Bond Act provided another $150 million in state funds for land acquisition and farmland protection. According to the "Trust for Public Land," no state owns a higher percentage of land than does New York.

– The Department of Agriculture and Markets implements two additional programs that make state funds available <u>to local governments</u> for farmland protection programs. The Department awards county farmland protection planning grants, and grants for the purchase of development rights. In 2001, the most recent date reported by Ag & Markets, $16 million in grants were made for municipal purchases of farmland development rights, with <u>$12 million</u>, or nearly 70 percent, of these funds going <u>directly to towns</u> for local protection purchases.

In summary, The Business Council recognizes the important role of open space protection in maintaining a high quality of life in New York. However, we believe New York's ongoing financial commitment to open space protection is sufficient, especially considering the financial condition of state and local governments. We also believe it is contrary to the economic health of the state to increase the cost of residential and business property purchases. For these reasons, The Business Council respectfully recommends against approval of S.3153/A.6450-A.