

## S.27 (Kaplan) / A.3734 (Stirpe)

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<b>BILL</b> S.27 (Kaplan) / A.3734 (Stirpe)
<b>SUBJECT</b> Tax Rate for “Pass Thru” Manufacturers
<b>DATE</b> February 15, 2022
<b>SUPPORT</b>

The Business Council supports this legislation, which provides a personal income tax exemption for income earned by a “qualified pass-through manufacture.”

This legislation completes the state's 2014 initiative to cut business income taxes for New York manufacturers. That initiative reduced the “entire net income” rate for manufacturers under the corporate franchise tax, which is applicable to businesses organized as “c-corporations.”

This legislation does the same thing for manufacturers organized as partnerships, LLCs, s-corporations or sole proprietorship –commonly referred to as “pass-through entities” as their income is “passed through” to their owners and taxed under the personal income tax.

Manufacturing firms are extremely valuable to the State’s economy. They provide relatively high wages – statewide, manufacturing jobs pay nearly \$15,000 more in wages than the average private sector non-manufacturing job. They provide a significant share of all private sector wages in many parts of the state – manufacturing jobs provide more than 20 percent of all private sector in twenty-three counties, and more than 15 percent in thirty-six counties. And manufacturing activity has a high multiplier effect, positively influencing jobs and economic activity in the surrounding area. (Our November 2018 report on the state of New York’s manufacturing sector is available [here](#)).

While the number of U.S. manufacturing jobs has increased every year since 2010, New York continues to lose well-paying industrial jobs.

This legislation will help reduce state imposed costs on smaller manufacturing firms across New York State. Under this bill, the tax rate reduction applies to businesses that are principally engaged in manufacturing (i.e., more than 50 percent of its gross receipts are derived from the sales of goods produced by manufacturing), and all of its capital (or at least \$1 million of manufacturing capital) is located in New York State.

This legislation advances the State’s overall interest in supporting high paying private sector jobs, and in supporting business sectors that are embracing advancing technology.

For these reasons, The Business Council strongly supports adopt of S.27 (Kaplan) / A.3734 (Stirpe).