S.9009-B/A.10009-B, Part E | S.9009-B, Part SS| A.10009-B, Part PP

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S.9009-B/A.10009-B, Part E | S.9009-B, Part SS| A.10009-B, Part PP
SUBJECT
Increased Corporate Tax Rates
DATE
March 19, 2026
OPPOSE

The Business Council strongly opposes these provisions that would increase corporate tax rates at both the state and New York City level. These include:

- S.9009-B/A.10009-B, Part E, which would increase the corporate franchise tax rate to 9% for businesses with taxable income over $5 million in the Senate bill, and to 9.25% for businesses with taxable income over $10 million in the Assembly bill.

- S.9009-B, Part SS, authorizes NYC to increase its corporate tax rate from 9 to 10.8% for financial corporations, and from 8.85% to 10.62% for others.

- A.10009-B, Part PP, increases the NYC corporate tax rate to 10.62%.

Importantly, combined corporate tax rates for businesses doing business in New York State and New York City are already among the highest in the United States. These include:

- 7.25% state Article 9A corporate franchise tax rate, for taxable income over $5 million.

- 30% surcharge on Article 9A liability attributed to the 12-county “metropolitan commuter transportation district” for an effective state rate of 9.425% - the fourth highest rate in the nation, behind only New Jersey, Illinois and Alaska.

- 8.85% NYC corporate tax rate, or 9% for financial corporations, for income apportioned to the City.

Combined, downstate businesses already have a combined rate over 18%, more than **double the rate** of all but three states (relatively few states have municipal-level corporate taxes.)

Of course, the corporate tax is hardly the only tax paid by New York business. The Council on State Taxation's most recent state tax burden report shows how high New York business taxes are relative to other states. For FY 2024, they paid $116 billion in combined state and local taxes, a figure second to only California, and New York businesses face a total effective tax rate 27% above the state average, and a per-employee tax rate 60% above the state average.

And while some pro-tax advocates point to neighboring New Jersey at 11.5%, we note that Pennsylvania has adopted a multi-year reduction of both the Commonwealth's corporate tax (scheduled to decrease to 4.99% by 2031), and is also reducing Philadelphia's corporate tax rates (the only other major city east of the Mississippi with a city-level corporate tax.)

It's important to note that the Executive Budget already includes what in effect is an increase in corporate taxes, by extending the "temporary" 7.25% rate (and the alternative capital base tax rate) for another 3 tax years, with an estimated impact of $5 to $6 billion over that period.

Moreover, New York has also expanded the reach of its corporate franchise tax, bringing in more earnings from more businesses with limited New York business activity. These measures include the adoption of mandatory combined reporting for entities engaged in "unitary" business and the adoption of an economic nexus provision, applying to any business deriving more than $1 million in receipts from within the state.

Even with earlier rate reductions, New York's corporate tax collections are up significantly. Starting with SFY 2017, after the former bank corporation tax was folded into Article 9A, corporate franchise tax receipts have increased dramatically in New York, nearly tripling to $9.3 billion by SFY 2024. And while corporate franchise tax receipts represented 3.3% of the "state operating funds" spending (i.e., state tax and fee-supported spending, excluding capital) in FY 2017, that share more than doubled to 7.3% by FY 2024, showing the state's growing reliance on increased Article 9A taxation to support its annual spending plan.

Corporations also add to the state's personal income tax receipts. In addition to direct taxes on corporate earnings, those profits are subject to a second level of taxes once dividends are paid to individuals, as dividends are subject to federal, state and municipal (including New York City and Yonkers) personal income taxes. According to New York State data for the 2023 tax year, New Yorkers reported $35 billion in taxable dividend income on their tax returns, including $4 billion by taxpayers with under

$100,000 in adjusted gross income.

Finally, increased business taxes will have broader adverse impacts on the state's economy. Businesses have three options to pay higher taxes: raise prices, reduce costs (including wages and investments), or lower returns to investors. Research shows that - in reality - they do all three, with just over half the cost of higher corporate taxes borne by consumers in the form of higher prices, another 28% borne by workers in the form of lower wages, and the remaining 20% borne by shareholders (which includes retirement accounts) in the form of lower returns. (see Scott R. Baker et al., Corporate Taxes and Retail Prices, National Bureau of Economic Research.)

In summary, New York businesses already face high state and local tax burdens, in addition to costly mandates impacting labor and benefits, energy, and other key business climate factors.

For these reasons, The Business Council strongly opposes adoption of these proposed business tax increases.