
New York Senate calls for phase-out of tax on manufacturers

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In brief

On March 11, 2013, the New York Senate adopted a resolution in response to Governor Cuomo's Executive Budget, which was released in January. Notably, the Senate resolution calls for elimination of the corporate franchise tax on manufacturers over a four-year period. The resolution reflects the Senate's position on several aspects of the Budget, but is not formal legislation. We will continue to monitor budget negotiations and report on proposals that are introduced into the budget bill. [[New York 2013-14 Executive Budget](#), [Senate 2013-14 Budget Resolution](#)]

Released in January, Executive Budget proposals would effectively replace the state's existing related party royalty addback requirement by adopting provisions based on the Multistate Tax Commission's addback statute. The changes include removing the royalty income exclusion and replacing it with three new exceptions. The proposal would also make additional tax changes, including extending the MTA surcharge, extending the limitations on itemized deductions, and modifying and extending the film tax credit. ([View complete summary of the Budget](#)). However, the Budget does not, at present, include any provisions under the franchise tax related to manufacturers. Manufacturers that conduct qualifying manufacturing activities in New York are currently subject to a reduced tax rate of 6.5%, as opposed to the general rate of 7.1%, and eligible qualified manufacturers are taxed at a 3.25% rate. The Senate resolution to phase out the tax on manufacturers represents a further attempt to create a tax friendly environment for manufacturers in the state.

The gradual elimination of the tax on manufacturers is the most surprising item in the Senate resolution, but it remains to be seen whether it gets included in amendments to the budget bill. Presently, the reduced rates only apply to manufacturers operating in New York, but there is no indication how or whether this phase-out would apply to manufacturers operating primarily out-of-state. Typically, negotiations between the Legislature and Executive Branch occur with little fanfare until a deal is reached and a revised proposal is presented to the Legislature. Since the State is attempting to pass on-time budget this year, taxpayers should monitor events in Albany closely.

Let's talk

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