

Governor Paterson Announces Proposed Changes to MTA Mobility Tax

Law Firm Partnerships with Offices in New York City Face Higher Proposed Rate of Tax

On February 8, 2010, New York Governor David A. Paterson announced proposed changes to the MTA mobility tax. Noting that the proposed changes will make "key improvements to the current tax structure, promoting regional equity and delivering relief to small businesses," Governor Paterson has proposed to eliminate the current flat Mobility Tax structure of 0.34 percent of payroll for all Metropolitan Commuter Transportation District ("MCTD") counties. Instead, the tax rate for New York City businesses will be increased to 0.54 percent of payroll. Businesses outside of New York City but located within the MCTD will see their tax rate cut to one-half (0.17 percent of payroll) of the current level. The State estimates that these new rates will result in New York City businesses contributing 88 percent of all mobility tax revenues, up from 70 percent under the current program. Since New York City is the destination for over 90 percent of weekday ridership, this should result in a more equitable distribution of tax liability. Further, it is expected that these changes will ameliorate the current shortfall since revenue raised by this tax was far less than State projections. Governor Paterson has expressed his intention to have these changes enacted as part of the 2010-2011 budget, which is due by March 31, 2010.

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Under the proposed changes, self-employed individuals and partners with income below \$100,000 will be exempt from the payroll tax (up from the current threshold of \$10,000). As a result, an additional 400,000 individual owners of small businesses should be exempt from the payroll tax.

It is estimated that this new proposal will result in 2010 MTA mobility tax revenues of \$1.54 billion, which are in line with the State's original projections (resulting in a net additional revenue of approximately \$230 million for MTA). The proposal also addresses projected out-year deterioration, providing more than \$200 million in additional annual revenue on an ongoing basis beginning in 2011.

A summary of the revised proposal is included below:

	Previous Law	Amended Proposal	Notes
Mobility Tax Rate	0.34% for All MCTD Counties	0.54% for NYC, 0.17% for All Other MCTD Counties	Cuts tax rate for businesses outside NYC by one-half
Percentage of Mobility Tax Receipts from NYC	70%	88%	NYC Destination for over 90 Percent of Weekday Ridership
Exempts self-employed individuals and partners with income under:	\$10,000	\$100,000	Additional 400,000 small businesses would be exempt
Expected 2010 Revenue	\$1.3B	\$1.54B	Preserves expected revenue from May 2009 forecast (\$1.54B)

PricewaterhouseCoopers' team of law firm services professionals is ready to assist its partnership clients with offices in the MCTD in complying with these changes to the MTA Mobility Tax. Please contact Stanley Kolodziejczak at (646) 471-3160, Gregg Sincoff at (646) 471-1335, Paul Bullock (646) 471-4690 or Nancy Regan at (646) 471-6104 in New York for assistance.

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