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A Bad Break for NY?

Tax cut in stimulus plan could cost city, state

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WASHINGTON BUREAU

Washington — A corporate tax cut included in economic stimulus legislation making its way through Congress could cost New York hundreds of millions in lost tax revenue, just as the New York delegation is struggling to squeeze more money out of the Treasury to help the state recover from the Sept. 11 attacks.

The tax provision would allow corporations to deduct part of the cost of buying new equipment. That would save corporations millions in tax liability and is aimed at giving the corporations incentives to make expensive capital improvements as a way to boost the economy. But because New York State's corporate tax law copies federal law, the state's revenue from its corporate taxes likewise would be reduced.

New York City also stands to lose millions because the city's corporate tax law is similarly linked to federal corporate tax law. The loss would be particularly difficult for the city as it struggles to rebuild lower Manhattan.

"That could easily cost the city several hundred million dollars," said Nick Johnson, of the Center for Budget and Policy Priorities, which analyzes the federal budget. "You have to balance the big loss of money in tax cuts against the request for more funds."

The budget and policy center estimated that New York State would lose $700 million a year for the next three years under the economic stimulus bill that the House passed Oct. 24. The loss would be less under the Senate version that the Finance Committee approved yesterday — about $270 million annually. The Senate bill also would add $570 million to New York's share of the Medicaid program for the poor as something of an offset.

Meanwhile, New York lawmakers continued their drive on other fronts to secure more federal money for New York in the wake of the attacks. The delegation announced yesterday that it plans to seek an additional $11 billion to help the city recover from the devastating attacks of Sept. 11 that destroyed the two towers of the World Trade Center. President George W. Bush has threatened to veto emergency spending that exceeds the $40 billion authorized by Congress days after the attacks. The New Yorkers' request, along with several other efforts to increase spending on defense or homeland security, certainly would bust that total.

Included in the New York request is $2 billion for unemployment and health benefits for workers who have lost jobs due to the disaster, as well as $9 billion for cleanup, debris removal, rebuilding the subway and other mass transit facilities and repairing utilities.

As a way to try to assuage Bush's concerns, the proposal calls for setting the funds aside and letting the president decide when to parcel them out. The issue is likely to be fought in the House next Tuesday.

Ellen Yan contributed to this story.

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