

Key Budgetary Changes Affecting Small Businesses – FY 12-13 to FY 13-14

Agency: New York State Energy Research and Development Authority (NYSERDA)

Program: Gas Station Back-Up Power Program

2012-13 Appropriation: N/A

2013-14 Appropriation (Off Budget NYSEDA Federal Grant): \$17,000,000

Summary:

As a subset of Fuel NY, this program will provide grant money to help offset the cost of pre-wiring gas stations to accept power from emergency generators in the event of widespread power outages in the following counties of New York: Nassau, Suffolk, Rockland, Westchester, Bronx, Kings, Queens, Richmond, and New York. The program mandates that all gas stations located within one half mile of a controlled access highway or a State identified evacuation route must be equipped with a transfer switch to accept a portable emergency generator by April 1, 2014. The program also requires that 30 percent of gas stations operating as part of a retail chain must be equipped with a transfer switch to accept a portable emergency generator by August 1, 2015. The transfer switch and generator would be utilized in the event of a power outage to ensure continued access to gasoline. There are three funding levels for the program:

- Up to \$10,000 per gas station for the installation of a transfer switch to accept a portable emergency generator for stations within one half mile of an exit on a controlled access highway or from a designated evacuation route.
- Up to \$13,000 per gas station for the installation of a transfer switch and a permanent emergency generator for stations within one half mile of an exit on a controlled access highway or from a designated evacuation route.
- Up to \$10,000 per gas station for the installation of a transfer switch and/or a permanent emergency generator for stations not within the one half mile limit but that must be pre-wired due to being a part of a chain.

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Agency: New York State Homes and Community Renewal, Office of Community Renewal

Program: Hurricane Sandy Business Assistance Programs (Small Business Grant Program, Small Business Loan Program, Small Business Consulting and Mentoring Program, Coastal Fishing Industry Program, Seasonal Tourism Industry Program)

2012-13 Appropriation (or Tax/Fee Level if applicable):

Not Applicable.

2013-14 Appropriation (or Tax/Fee Level if applicable):

Not Applicable.

Summary:

New York State has allocated \$415 million of the State's first allocation of supplemental federal Community Development Block Grant Disaster Recovery (CDBG-DR) for five small business assistance programs. The programs will provide grants and loans to small businesses impacted by Hurricane Sandy, Hurricane Irene, and Tropical Storm Lee.

- **Small Business Grant Program:** Provides grants to eligible businesses to help purchase or repair needed equipment, renovate facilities that were damaged or destroyed, and to support mitigation efforts to protect the business from future storms. Grants of up to \$50,000 are available to small businesses, as defined by SBA, in one of the State's designated disaster areas (not including NYC). Businesses that have suffered physical damage and are at risk of closure or significant employment loss can have grants extended up to \$100,000. Businesses must have suffered eligible uncompensated losses as a direct result of Hurricane Sandy, Hurricane Irene, or Tropical Storm Lee.
- **Small Business Loan Program:** Provides loans of up to \$1 million to eligible businesses to help purchase or repair needed equipment, renovate facilities that were damaged or destroyed, and to support mitigation efforts to protect the business from future storms. Loans are available to small businesses, as defined by SBA, in one of the State's designated disaster areas (not including NYC). This includes farming operations and non-profit organizations. Businesses must have suffered eligible uncompensated losses as a direct result of Hurricane Sandy, Hurricane Irene, or Tropical Storm Lee.
- **Small Business Consulting and Mentoring Program:** A program to provide eligible technical or legal assistance and business coaching to assist businesses in rebuilding their businesses.

- Coastal Fishing Industry Program: Provides grants of up to \$50,000 to affected businesses or individuals qualified as a Coastal Fishing Industry. The business must be an eligible small business, as defined by the SBA, and must have suffered eligible uncompensated losses as a direct result of Hurricane Sandy. Businesses must be located in one of the State's designated disaster areas (not including NYC).
- Seasonal Tourism Industry Program: Provides grants of up to \$50,000 to eligible seasonal tourism businesses. The business must be an eligible small business, as defined by the SBA, and must have suffered eligible uncompensated losses as a direct result of Hurricane Sandy. Businesses must be located in one of the State's designated disaster areas (not including NYC).

Agency: Department of Labor

Program: Unemployment Insurance

2012-13 Appropriation (or Contribution/Fee Level if applicable):

The wage base for unemployment insurance contributions is \$8,500.

2013-14 Appropriation (or Contribution/Fee Level if applicable):

On January 1, 2014 the wage base for unemployment insurance will change from \$8,500 to \$10,300 and the last six rows of the contribution rate schedule will be eliminated. New York State's unemployment insurance reforms can potentially impact over 500,000 small businesses by providing for a number of favorable changes that are outlined in the summary below.

Summary:

Save New York Employers money: Reform will save the state's employers an estimated \$400 million by both paying off New York State's debt to the federal government more quickly and by implementing other reform measures such as new programs to address fraud, adding incentives for claimants to return to work sooner and reducing layoffs.

Improve the Health of the Unemployment Insurance Trust Fund: Reforms will stabilize the trust fund, making projected costs more predictable to small businesses.

Shared Work (an alternative to lay-offs - partial unemployment benefits to employees): Eighty-eight percent of the firms participating in Shared Work are small businesses. Reform will extend the program to businesses with as few as two employees, include part-time employees, and make benefits available for up to 26 weeks.

Non-controlling Employers: Reforms will ensure employers are held harmless for former employee's claims where the loss of employment was the employee's fault (i.e. voluntary separation or misconduct).

Dismissal/Severance Pay: If a claimant is determined to have dismissal/severance pay that is greater than the maximum benefit rate, he or she will not be able to collect benefits saving employer contributions.

Pension Payments: Unemployment benefits will be reduced 100% if the claimant is collecting a pension from a base period employer who contributed to the pension regardless of whether the claimant contributed.

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Agency: Department of Labor

Program: Increase in the State Minimum Wage

2012-13 Appropriation (or Tax/Fee Level if applicable):

The State Minimum Wage is \$7.25 per hour.

2013-14 Appropriation (or Tax/Fee Level if applicable):

Effective December 31, 2013 the new State Minimum Wage will be \$8.00 per hour.

Summary:

The current minimum wage in New York State is \$7.25 per hour with few exceptions. Using the latest data available from the Current Population Survey the Department of Labor estimates that there are currently 331,200 workers in New York State making less than \$8.00 per hour. The estimated impact on small firms (those that employ less than 100 employees) will be \$30.8 million in the first quarter of 2014.

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Agency: Workers Compensation Board/State Insurance Fund

Program: Workers Compensation Reform

2012-13 Appropriation (or Tax/Fee Level if applicable): Not Applicable

2013-14 Appropriation (or Tax/Fee Level if applicable): Not Applicable

Summary:

Reforms to the workers' compensation law will cut costs for employers, increase the minimum benefit to workers, and overhaul the way the workers' compensation system is managed. The reforms will bring immediate savings to businesses by:

- **Providing Relief for Self-Insured Businesses:** The state will create one method for collecting annual assessments from employers, thereby saving self-insured employers an estimated \$500 million dollars. This change will eliminate an overly complicated and bureaucratic system that was not only expensive for the state but also for employers. The new system will achieve administrative efficiencies and provide predictability to employers.
- **Closing the Fund for Reopened Cases:** Previous law allowed payments in certain old and re-opened claims to be made out of a special fund known as the Fund for Reopened Cases. The Governor's reforms close this fund, eliminating the need for New York businesses to make payments into a fund that is unnecessary.
- **Increasing competitiveness in the workers' compensation insurance market:** The Governor's reforms include a series of measures to increase competitiveness in the workers' compensation marketplace that will help to drive down costs and provide relief to businesses.

These changes will reduce annual workers' compensation assessments on New York businesses by \$300 million.

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Agency: Department of Taxation and Finance

Program: Three Year Personal Income Tax Extender

2013-14 Appropriation (or Tax/Fee Level if applicable): n/a

2014-15 Appropriation (or Tax/Fee Level if applicable): n/a

Summary:

Originally set to expire following the conclusion of the 2014 tax year, the existing personal income tax bracket and rate structure, including the inflation adjustment, has been extended through the conclusion of the 2017 tax year. Beginning tax year 2018, the tax brackets and rates are set to revert to tax year 2008 law, except that all inflation adjustments through 2017 will remain in effect.

This would affect small businesses that pay tax via the personal income tax (defined as individuals with incomes from S corporations, partnerships, sole proprietorships, and farms).

Fiscal Impact:

Revenue increases are estimated to be \$500 million in FY 2014-15, \$2.0 billion in FY 2015-16, \$2.4 billion in FY 2016-17, and \$1.9 billion in FY 2017-18.

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Agency: Department of Taxation and Finance

Program: Small Business Modification

2013-14 Appropriation (or Tax/Fee Level if applicable): n/a

2014-15 Appropriation (or Tax/Fee Level if applicable): n/a

Summary:

This provision provides residents with small business and/or farm income with a modification that reduces federal adjusted gross income (AGI) for the purpose of calculating New York AGI. In tax year 2014, the modification is equal to 3 percent of the net items of income, gain, loss and deduction attributable to a business or farm included in federal adjusted gross income (but not less than zero). The amount is increased to 3.75 percent in tax year 2015 and 5 percent for tax years 2016 and after.

In order to qualify for this modification, a small business must be either sole proprietor or a farm business employing one or more persons during the taxable year and have net business income or net farm income of less than \$250,000.

Fiscal Impact:

Revenue reduction is estimated to be \$35 million in FY 2014-15, \$45 million in FY 2015-16, and \$60 million annually thereafter.

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Agency: Department of Taxation and Finance

Program: SUNY Tax-free Areas to Revitalize and Transform Upstate (START-UP) New York program

2013-14 Appropriation (or Tax/Fee Level if applicable): n/a

2014-15 Appropriation (or Tax/Fee Level if applicable): n/a

Summary:

Legislation enacted in June 2013 established a program to exempt qualifying businesses from the New York corporation, corporation franchise, personal income, sales and use, real estate transfer, and MTA taxes. The program also exempts from taxation any wages paid to an employee who is approved as a net new job.

In order to qualify for the credit, a business must operate in a designated tax-free area and operate in a manner that aligns with or furthers the academic mission of a sponsoring campus, college or university. The business must also demonstrate that it will, in its first year, create net new jobs.

The following businesses, however, do not qualify: retail and wholesale; restaurants; real estate brokers; law firms; medical or dental practices; real estate management companies; hospitality; finance and financial services; businesses providing personal services; business providing business administrative or support services, unless specifically granted permission by the commissioner of economic development; accounting firms; businesses providing utilities; and businesses engaged in the generation or distribution of electricity, the distribution of natural gas, or the production of steam associated with the generation of electricity.

Between 29 and 34 percent of the annual costs are attributable to the personal income tax business credit, varying each year. Small businesses would not receive any direct tax benefits from the tax-free wage component of this legislation, but the benefit to net new employees has the potential to reduce business costs in the form of reduced salaries.

Fiscal Impact:

Revenue reduction is estimated to be \$68 million in FY 2014-15, \$107 million in FY 2015-16, \$150 million in FY 2016-17, and \$190 million in FY 2017-18.

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Agency: Department of Taxation and Finance

Program: Minimum Wage Increase and Minimum Wage Tax Credit

2013-14 Appropriation (or Tax/Fee Level if applicable): n/a

2014-15 Appropriation (or Tax/Fee Level if applicable): n/a

Summary:

The 2013-14 Enacted Budget included a provision that raises the State's minimum wage from its current level of \$7.25 per hour to \$9.00 per hour by the end of calendar year 2015.

To help businesses adjust to this higher cost, a minimum wage reimbursement credit was also enacted. Businesses are allowed a tax credit over a five year period for wages paid to employees between the ages of 16 and 19. The credit is the product of the total hours worked in a taxable year and \$0.75 for tax year 2014, \$1.31 for tax year 2015 and \$1.35 for tax years 2016, 2017 and 2018.

Fiscal Impact:

Revenue reduction is estimated to be \$24 million in FY 2015-16, \$43 million in FY 2016-17, and \$45 million in FY 2017-18.

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Agency: Office of General Services

Program: NYS Procurement

2012-13 Appropriation for Tax/Fee Level if applicable: Not Applicable

2013-14 Appropriation for Tax/Fee Level if applicable: Not Applicable

Summary:

In 2012, amendments were made to §§ 112 and 163 of the State Finance Law (Part L of Chapter 55 of the Laws of 2012). Certain amendments assist small businesses participation in public procurement. The amendments:

§112 of the State Finance Law was amended to eliminate review and pre-approval of centralized contracts. Centralized contracts are final upon recommendation of award by OGS.

§163 of the State Finance Law was amended to clarify that certain non-state agency purchasers from OGS centralized contracts were authorized to purchase commodities, services and technology from such agreements.

These amendments provide for better participation by more small businesses in the State's procurement of commodities, services and technology by shortening the contracting cycle and by increasing the eligible purchasers for OGS centralized contracts.

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