



# AMERICANS *for* TAX REFORM

Grover G. Norquist  
President

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New York State Assembly and Senate

Dear Members of the New York Legislature,

As New York faces serious budgetary challenges, it is critical now more than ever to oppose attempts to increase taxes. In the face of a slowing economy, tax hikes will hit hardworking New York families, consumers, and businesses the hardest and further diminish the state's economic growth.

New York's current budget crisis was not caused by taxes being too low. The state's budget crisis was caused by a slowing economy combined with unsustainably high government spending. New York has increased spending by a staggering 12.4% since 2003, while population increased by only 0.5% during the same period. Now the state faces an estimated \$15 billion spending overage by next year. **Excessive spending caused this problem and spending restraint - not tax increases - is the solution.**

Despite stating flatly in November that "there will be no tax increase" in the Executive Budget, Governor Paterson has proposed a budget that contains **\$4.1 billion in 137 new tax, fee, or fine increases. Furthermore, the governor's budget contains a \$1.4 billion increase in expenditures - the very spending that started the current crisis.** This egregious set of proposed tax hikes hit everything from alcohol beverages, soft drinks, and tobacco, to rental cars, digital downloads, television, and movies.

Governor Paterson's executive budget contains numerous so-called "sin taxes" that hurt both consumers and small businesses. Under the guise of public health, but with the sole purpose of raising revenue, a case of beer could cost 30-cents more and the tax on a bottle of wine would more than double in New York. Additionally, polls show that at least 70% of citizens oppose a new 18% "obesity" tax, which could make a non-diet can of soda cost 25-cents more. Cigar consumers and tobacco retailers would also see tax and fee increases.

These so-called "sin tax" proposals don't just hit the pocketbooks of New Yorkers; **they hurt small businesses.** Soft drinks and other beverages comprise 13% of convenience store sales and beer comprises 11%. With higher prices, these businesses will see decreased sales. Furthermore, these taxes are declining sources of revenue. It is absurd to argue that a tax hike will decrease the number of people buying a product *and* simultaneously increase tax revenues - when prices go up, consumption declines, and it takes the tax revenue with it.

The Governor is also calling for a 20% increase in the car rental tax and eliminating the cap on the gasoline sales tax, thus paving the way for a higher gas tax. Increasing the rental car tax will not export the tax burden to visitors and tourists, but will hit local businesses and residents hardest.

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## Americans for Tax Reform

Taxing digital downloads like music, books, and movies will severely impede interstate commerce. Taxing music and movie downloads will only encourage more illegal downloading at a time when legitimate digital music and movie services are establishing an online market. Furthermore, the budget also seeks to expand the definition of “nexus” for internet sales, requiring out-of-state businesses with no physical presence in New York to collect tax on purchases. This unfairly puts the burden on businesses not located in New York to collect New York taxes and disrupts commerce between states. A similar measure, known as the “Amazon tax” is currently undergoing legal challenge in New York.

The budget also contains a local option for cities to tax wireless service, despite New York currently having the fourth highest tax on wireless consumers nationwide. The Center for Fiscal Accountability has calculated that 46.4% of the cost of wireless service already goes toward paying for government taxes and fees.

Lastly, by extending the state sales tax to cable and satellite services, well over 90% of New Yorkers would see their monthly utility bills rise. Cable television subscribers alone could see their utility bill taxes rise to over 13% per month if the governor’s package is passed.

**It is critical to revitalize the New York economy with tax cuts, not tax increases.** We must lift the burden of larger government from the backs of hardworking taxpayers, consumers, and businesses instead of further depressing the state’s economic activity. As you continue to weigh options to rectify the state’s overspending problem, I urge you to stand up for taxpayers and oppose all tax increases. If you have any questions, please contact Kelly Cobb, state affairs manager, at (202) 785-0266.

Onward,



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CC: Governor David Paterson