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May 10, 2022

MEMORANDUM IN OPPOSITION TO

AN ACT to amend the public health law and the state finance law, in relation to enacting the "New York health act" and establishing New York Health

A.6058 (Gottfried) / S.5474 (Rivera)

Assembly Codes Committee

NFIB, New York's leading small business advocacy association and representing nearly 11,000 small independent employers across the state, opposes this bill that would create the New York Health Plan to provide a socialized, state government administered health care system.

This legislation proposes the financing of universal access to health care through a newly established New York Health Trust Fund. The fund would be supported by two new taxes: (1) a graduated payroll tax (80% paid by employers; 20% paid by employees; and 100% paid by self-employed); and (2) and a progressively graduated tax on taxable income (such as interest, dividends, and capital gains) not subject to the payroll tax. These financing mechanisms ignore the fact that New York continues to be cemented as one of the highest taxed states and has the worst business tax climate in the nation. According to recent financial analyses this proposal would cost up to \$200 billion in new tax revenue to replace lost premium payments, cover out-of-pocket spending, finance the takeover of Medicare Part B premiums, and end Medicaid contributions by counties. It should be noted that the most recent iteration of the bill also includes long-term care as a covered benefit, increasing the cost by close to an additional \$50 billion.

Additionally, this is flawed legislation because it includes no cost containment provisions. Although health care resources are limited, this bill encourages consumers to overuse services they perceive to be "free." The legislation allows for uncapped services and states that assessments will be set "at levels anticipated to produce revenue to finance the program," which will result in runaway costs shouldered by businesses and subsidized by those in the upper-tax bracket.

Recent data also suggests that with the success of the New York State of Health exchange,

this legislation is simply unnecessary as only a very small fraction of New Yorkers remain without insurance. New York State's health policy should focus on finding innovative and affordable ways to provide coverage options for those remaining uninsured, not mandating a \$250 billion tax bill that force thousands of small businesses to close or relocate out of state.

There are close to 500,000 small businesses with employees in New York. These businesses employ half the state's private-sector workforce, nearly 4 million New Yorkers, and their production accounts for nearly half of the state's GDP. A strong, vibrant small business ecosystem supports local tax bases, governments, and schools. Sixty-seven cents of every dollar spent at a local small business is reinvested into the community.

According to a recent survey by NFIB, 54% of small businesses have not seen their sales volume return to pre-COVID levels and 67% anticipate that their local community will not return to precrisis level of economic activity until the second half of 2022 or later.¹ Additionally, the New York State Comptroller released a report finding that four out of five small businesses continue to suffer from a negative overall impact from COVID-19.² These are sobering numbers for the state's economy, local communities, and our Main Streets which bring life and vibrancy to our neighborhoods.

This bill will increase the tax burden for every Main Street business, all working New Yorkers, and make the state a less attractive place to operate a business. With a long road to economic recovery, New York State should not enact a massive new tax burden for our state's small businesses.

For these reasons, NFIB strongly opposes this legislation.

¹ "Covid-19 Small Business Survey (22)." NFIB Research Center, 10-11 March 2022.

<https://assets.nfib.com/nfibcom/Covid-19-22-Questionnaire.pdf>.

² Office of the New York State Comptroller, New York's Economy and Finances in the COVID-19 Era March 18, 2021 Edition, <https://www.osc.state.ny.us/reports/impact-covid-19-march-18-2021>.