

County IDAs face tax hit as state tries to close gap

By THOMAS ADAMS

New York's 114 industrial development agencies, including eight in the Rochester area, are being asked to pay taxes totaling \$5 million by the end of the month as the state tries to close a multi-billion-dollar budget shortfall.

The greatest tax burden in the Rochester market falls on the Genesee County Industrial Development Agency, which must pay \$161,541 by March 31 for what the state Department of Taxation and Finance calls cost recovery of central government services.

Genesee County's assessment is the highest in the Rochester area and ranks

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seventh among the state's IDAs.

"It's a huge impact on a small IDA like ours," said Chad Zambito, vice president of marketing and community development for Genesee County. "We're looking at the equivalent of two to three full-time people, salary and benefits. It really could affect this shop and how we operate."

Individual payments were calculated at 4.72 percent of 2008 gross revenues, IDA representatives learned one month ago in correspondence from the tax department. IDAs say most of their revenues are funding such as grants and payments in lieu of taxes that are passed through to municipalities and corporations.

"In many cases, when you apply the tax not to gross revenues but net income, the effective rate of the tax for many IDAs is 100 percent," said Brian McMahon, executive director of the New York State Economic Development Council.

"It's outrageous. It's a punitive tax." The County of Monroe Industrial Development Agency is required to pay \$86,808, second-highest amount in the region.

"Fortunately, our revenues were only our revenues," said Judith Seil, executive director for COMIDA and director of the county's Department of Planning and Development.

"Our revenue was only our fee income. But the way some audits were done (at smaller IDAs), they had run through some

back to the state, would it be wise for my agency to lose somebody in order to pay this bill?" said Peg Churchill, the Wayne County IDA executive director.

Big impact

IDA leaders knew of the looming \$5 million payment because it was included in the 2009-10 budget as an IDA assessment. But they did not know until Feb. 4—more than three months after the Nov. 1 state-mandated deadline for submitting their IDA budgets—what their individual tax would be.

fill all these (budgetary) holes. But if you really look at it, this will just make the hole deeper."

Fighting the tax

McMahon and the state Economic Development Council are spearheading attempts to squash the tax.

State Sens. David Valesky, D-Oneida, and William Stachowski, D-Lake View, introduced legislation this week to repeal it. Assemblyman Robin Schimming, D-Kenmore, was expected to introduce similar legislation this week.

"That's a good thing, but that doesn't mean it's going to happen," McMahon said. "We're going to talk to the Legislature to make sure they understand just how harmful this really is and the material damage that the tax will do to local economic development efforts."

An existing statute allows the state to tax authorities, including IDAs, Churchill said. That statute, however, includes a rationale for how authorities would be charged and allows authority representatives to challenge the charges if they think they cannot pay.

"In the statute that was added (last November), it's across-the-board," Churchill said of mandatory payments. "It requires that (state officials) notify local development corporations by Nov. 1 of what their bill was going to be. Well, they didn't do that."

"On top of that, there is no rationale within the statute as to how it's to be determined, or exemptions from it. In the

earlier statute, if you were a certain size or had done certain things, you were exempt from having to pay it. There is none of that in the new statute."

The Geneva IDA in Ontario County has been told to pay \$37,432, based on its reported gross revenues. The Fairport IDA has been told to pay \$21,911.

"These are the revenues that IDAs use to fund themselves," McMahon said. "If all their revenues are being taxed, the municipalities have to either fund the operations of IDAs or agree to cut services. Neither outcome, particularly in the middle of a recession, is a good outcome for the community, or for the state."

The money that Monroe County's IDA would have to pay would otherwise be used to fund the Monroe County Industrial Development Corp., which secures loans for small businesses, and to support community events such as the Rochester International Jazz Festival, Seil said.

"It takes away from our programs," she said. "It's taxing you for being successful." Seil compared the IDA tax to Gov. David Paterson's proposal to abolish the Genesee Valley Regional Market Authority and liquidate its assets to help close the budget gap.

"We're successful. We put our money back into programs. In some counties they're doing infrastructure types of projects. And what you're doing is taking it away so you can fund Albany."

Manikowski agrees. "It's another tax," he said. "It's money that will be taken away from local use in economic development, like building shovel-ready sites or developing new programs for our business and our industry."

"Basically, it's money taken out of the system that's coveted by the state."

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Where the tax burden falls
Genesee County's levy is the highest in the Rochester area and ranks seventh among the state's IDAs.

Industrial development agency	In \$
Genesee County	\$161,541
Monroe County	\$86,808
Wayne County	\$40,975
Geneva	\$37,432
Ontario County	\$28,659
Fairport	\$21,911
Livingston County	\$4,909

Source: New York State Economic Development Council

"This was in last year's state budget, and we opposed it strongly as an organization," McMahon said. "We lost. It got included in the budget. But it was included simply as a \$5 million statewide assessment on IDAs. There was no indication at all as to how \$5 million would be allocated among the IDAs."

The IDAs learned the specifics last month.

"And, of course, it's arbitrary," Churchill said.

For instance, while Wayne County would pay nearly \$41,000, neighboring Ontario County has been told to pay \$9,884.

"IDAs book revenue and income differently," said Michael Manikowski, executive director of the Ontario County IDA. "Had it been done one year earlier, in 2007, ours would've been much higher."

"We had some grants we were dealing with as pass-throughs for companies like New Energy Works. We were doing some NYSERDA work with them. Had it been 2007, it's likely we would've been in the range where Peg (Churchill) is. In 2008, we didn't have any grant pass-throughs."

Taxing IDAs, closing and reducing hours at state parks, and reducing funding for historic sites diminishes New York's quality of life and impedes economic growth, Churchill said.

"It's counterproductive and almost counterintuitive," she said. "We need to

State legislators imposed the \$5 million tax with no rationale for levying it equitably.

PILOT payments. So they took in the taxes, and you have to pay them back out within 30 days. We're too large to do that. So they taxed (some smaller agencies) on that even though they had no access to those funds."

That was the case in Genesee County, which includes grants and PILOT programs in its revenues.

"It's a double whammy because we were instructed to report our traditional IDA numbers along with our local development corporation for 2008," Zambito said. "There was a lot of pass-through revenue in that, including a \$3 million City-by-City grant that's coming from the state. So that's reported revenue."

The Wayne County IDA is being asked to pay \$40,975.

"At a time when we are losing jobs and need to keep as many jobs as possible, and trying to create jobs and bring jobs

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