

Crains

Metro-North brings commuters back and forth from New York City's suburbs.

Suburban lawmakers want to derail Gov. Kathy Hochul's proposal to raise the payroll mobility tax on New York metropolitan area businesses.

The governor unveiled her plan for the tax increase this month as [part of her budget proposal](#), estimating it would raise \$800 million per year toward funding the Metropolitan Transportation Authority's pandemic-induced, \$4.5 billion budget deficit over the next four years.

But some lawmakers in the city's northern and eastern suburbs are calling for an exemption for their constituents, saying they do not equally benefit from MTA service.

Their protests add to a chorus of concerns over Hochul's plan. In New York City, multiple legislators oppose the tax increase as not going far enough. Instead, they want to see an increase to the state's corporation tax to fund the beleaguered transportation authority. The Adams administration, meanwhile, has [opposed](#) the state's call for the city to increase its annual contribution to the MTA by \$500 million, calling it financially untenable.

The uproar forecasts charged budget negotiations over how to fund the transportation system, which everyone agrees is crucial to the region's overall economic vitality but for which few are willing to be on the hook.

Hochul is seeking to raise the payroll mobility tax to 0.5% from 0.34% for employers within the authority's district, which includes the city, Long Island and the Hudson Valley. The levy applies to businesses that are required to withhold state income tax for wages and whose payroll expenses exceed \$312,500 in a calendar quarter.

Democratic state Sens. James Skoufis, Monica Martinez and Michelle Hinchey, along with their Republican colleague Rob Rolison, penned a letter released this week to Senate Majority Leader Andrea Stewart-Cousins, urging her to exempt their counties. They argue that five-borough businesses, with access to the subway and buses, receive the full benefits of the MTA's services but that their suburban districts do not.

"Given the existing value gap outside the city (e.g., there are no subways and few MTA-operated buses)," the letter reads, "and the very fact that businesses in the city are the primary business beneficiaries of the system—riders take the MTA to get to work in New York City; riders generally do not take the MTA to get to work outside New York City—exempting non-New York City from the increase associated with this already-unjust tax is the appropriate response."

Suburban frustrations

Skoufis, who represents parts of Orange County, insists that it's not the suburbs' responsibility to bail out the MTA—or, as he calls it, "the black hole of an agency."

“Why would businesses be taxed outside of New York City if their employees are not going to be using the MTA to get to that workplace?” Skoufis said in an interview, noting that he’d rather see the MTA focus on greater efficiencies and for the city to kick in more money. “The proposed increase exacerbates the absurdity of this tax if you’re one of the suburban counties.”

Rolison, who represents parts of Dutchess and Orange counties and is a former mayor of Poughkeepsie, said he has heard complaints from employers in his district about the limited rail service. They also complain, he said, about continuing to grapple with inflation, supply-chain struggles and labor issues.

“At the end of this process we hope there is a more fair way to fund this system, which we know we need and need to fund,” Rolison told *Crain’s*. “It’s another mandate, right? So a lot of people just have a general skepticism of the state government.”

The tax was first passed in 2009 and was met with a similar outcry from counties on the outskirts of the MTA’s service area.

MTA Chief Executive Janno Lieber has defended the proposed payroll tax increase as “incremental.” The MTA’s transit networks help drive billions of dollars in annual economic activity for the region, he noted.

Much of the agency’s revenue historically has come from fares. A slower-than-expected ridership return, due to changes in commuting patterns during the Covid-19 pandemic, has left the MTA with a \$600 million budget deficit to fill this year, with \$1.2 billion needed next year.

Hochul, who repeatedly has described the MTA as the “lifeline” of the region, has been vocal about her desire to [revitalize](#) the transportation authority’s fiscal health.

Democratic political consultant Evan Stavisky said recent Democratic losses in the suburbs might make it less advantageous for dissatisfied Democrats to forcefully push back on Hochul.

“As the Democratic Party has performed worse in suburban communities, it means that on Long Island and in the Hudson Valley there are fewer Democrats who can say no,” Stavisky said. “Any changes are going to be driven by Democratic lawmakers, and there are fewer and fewer Democratic lawmakers from the areas that are underserved by the MTA.”

Economic impact

An increase to the payroll mobility tax is one of [multiple proposals](#) Hochul’s budget put forward to fund the MTA. Among the plan is a measure to divert part of the \$1.5 billion in licensing fees for up to three planned downstate casinos, with between \$462 million and \$826 million in annual tax revenue from the venues once they’re up and running going to the transportation authority.

“The governor has put forward a rational and thoughtful approach to addressing this deficit and simply saying it isn’t the right approach isn’t going to solve the problem,” said Kate Slevin, the executive vice president of the Regional Plan Association.

“The state and city have a role to play and businesses do as well,” Slevin added. “It’s everyone’s shared responsibility to ensure that our transit system is functional and reliable and that it lets workers get to and from their jobs.”

Long Island business groups argue that employers are rapidly approaching a breaking point—despite beginning to reap the benefits of the [\\$11.1 billion East Side Access](#) project that saves time for Long Island commuters and allows for reverse commuting.

“The perception that Long Islanders have the means to dig ever deeper for yet another tax increase is not only profoundly wrong,” Kyle Strober, executive director for an Association for a Better Long Island said, “but will place a dagger in a regional economy already fighting to attract and retain employers, particularly large employers with high paying jobs.”

Matt Cohen, president and CEO of the Long Island Association echoed those frustrations.

“I wake up and go to sleep everyday concerned about businesses potentially leaving New York state and Long Island,” said Cohen, who noted that local businesses in multiple sectors have worried to him about what the proposed tax increase could mean for their operations.

“We have to be cognizant that we are a high-cost region and we need to be doing whatever we can to make sure businesses want to stay here and can afford to stay here,” he added.

Political juggling act

Some city lawmakers argue that the proposed tax increase actually does not go far enough. Assembly member Zohran Mamdani, who along with a coalition of progressive legislators have introduced a package of eight bills to fund and improve mass transit known as [Fix The MTA](#), says the state should look instead to raising the [corporation tax](#).

“I think the ways in which we pay for [the MTA] should come from the New Yorkers who can most afford to pay for it,” said Mamdani. “This is the transit system that without which their entire business model would come crumbling down.”

At a Wednesday [rally](#) transportation advocates, labor leaders and progressive lawmakers, including Mamdani, called on Hochul to beef up her budget commitment to go beyond a fiscal rescue with funds for improved service.

How the state Legislature juggles the region's needs in funding the MTA will become clearer when the state Senate and Assembly release their respective one-house budgets in the coming weeks.

Assembly member Kenneth Zebrowski, who oversees the MTA as chair of the Assembly's Committee on Corporations, Authorities and Commissions and who represents Rockland county, described his view of the tax increase as “mixed and complicated” but that Hochul's budget proposal could have been much more cumbersome.

Zebrowski's worst case scenario would be a reinstatement of the [commuter tax](#)—which he emphasized is not currently on the table—on those traveling to New York City for work, which was repealed in 1999 by Gov. George Pataki.

“I think we need to do the best we can to balance; we need to come up with additional revenue that makes sense and is as minimally onerous on New Yorkers and New York businesses,” Zebrowski said. “But I've been in the legislature for a while now, and if there is no payroll tax [increase], I want to make sure that the alternative isn't something more onerous.”

