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New York Takes New Path In Subsidizing Minimum-Wage Jobs

However, critics of possible cost and lack of restrictions are plentiful

In what may be a first-of-its-kind incentive, New York state government will pick up part of the tab for businesses paying younger employees a higher minimum wage. It's a new wrinkle that has some onlookers yelling about poorly conceived public policy.

When the Legislature in March 2013 approved a new state minimum wage of \$8 per hour, the budget plan [ I1305A-001] included a provision calling for the state to reimburse employers (small businesses and huge corporations alike) for part of the hike for teen workers who are still in school.

The new minimum wage reimbursement credit (MWRC) will be given only if a worker is making exactly the \$8 minimum wage, however. Starting next year, state government will cover the 75 cents difference between the old, \$7.25 per hour minimum wage (which also is the current federal minimum wage) and the new one.

New York's subsidy rises to \$1.31 per hour in 2015 as the minimum wage goes to \$8.75 per hour, and to \$1.31 per hour in 2016-18 when the minimum jumps to \$9 per hour. However, during those latter three years, employers are expected to foot 40 cents per hour's worth of the increase themselves. If the federal minimum wage ever rises above 85% of New York's, the MWRC automatically will be re-set at the difference.

No Limit On Which Employers Qualify

However, critics warn it is foolish not to cap the total program cost to the state

or to limit the benefit to smaller businesses or those in poor areas. (The Governor's Office projects the five-year program will cost the state about \$66 million per year once fully implemented.)

With approximately 30% of New York's estimated 250,000 students in the workforce currently earning minimum wage or less, the **Fiscal Policy Institute**/Latham, N.Y., pegs the MWRC "bonus" to employers at \$2,808 a year per worker in 2015.

Another knock against the subsidy is that it actually acts as a *disincentive* to reward dedication and good performance, since it doesn't apply to any portion of wages above the legal minimum.

"Besides being bad for the taxpayers who have to pay for the credit, the subsidy is bad for workers, including the teenagers who would appear to be one of the beneficiaries," argued **John Vreeland**, an attorney at **Genova Burns Giantomasi & Webster**/Newark, N.J.

"I suspect some of these businesses will find that the tax credit's requirements limits their ability to attract and retain good teenage workers. It may breed mediocrity in their young workforce, or result in their exodus" as teen employees realized their pay maxed out the day they were hired.

"The credit essentially imposes a 'maximum' wage for teenage workers."

But, adult workers looking for part-time or night employment could be negatively affected as well, Vreeland believes, as they are now less competitive against teenagers looking for entry level jobs.

Business and labor organizations including the **Business Council of New York State**/Albany, the politically conservative **Empire Center for New York State Policy**/Albany and the liberal Fiscal Policy Institute have levied similar criticisms.

Immediate Move To Overturn MWRC

Meanwhile, in early April 2013, state Sen. **Jose Peralta**, D-Queens, introduced a bill to repeal the MWRC, which he said encourages big chains like **Wal-Mart Stores Inc.**/Bentonville, Ark., to get rid of older workers.

"I have a hard time with the notion that it was intended as a business incentive," added **Michael Schmidt**, head of the employment and labor practice for the **Cozen O'Connor**/Philadelphia law firm. "I assume the goal would be to help small businesses, but there's nothing [in the bill] that deals with that." Lack of disclosure requirements for employer beneficiaries of the subsidy also is troubling, he said.

The subsidy provision was effectively buried in a very detailed state budget plan, he said, so it didn't get all that much attention during budget hearings. Now that public attention is focused on the pros and cons, he thinks at least partial repeal may occur.

"My sense is, you will probably see the subsidy remain there in some form" for the near future. "The question is, now that the public has responded, what form will it take?" 

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