



**TESTIMONY BEFORE THE NEW YORK CITY COUNCIL COMMITTEE ON FINANCE
OVERSIGHT HEARING ON THE CITY'S COMMERCIAL RENT TAX**

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MONDAY, FEBRUARY 13, 2017

The Manhattan Chamber of Commerce is an organization that drives broad economic prosperity by helping businesses of all sizes to succeed in New York.

Escalating rents are threatening the survival of many small businesses in Manhattan. And the Commercial Rent Tax is only making the problem worse. We urge the City Council and the Mayor to include relief from this burdensome tax in this year's budget. Councilman Garodnick's legislation (Int. 799) is a promising first step in this regard, as it would raise the threshold at which businesses are captured.

Currently, tenants are exempt from the tax if their annual base rent falls below \$250,000. That may sound like it's only aimed at large companies and major national chains. But that's not true. Rents jumped 42% in Manhattan between 2012 and 2015, so more and more businesses are now subject to the tax.

Last year the Chamber issued a report showing that more and more businesses are being captured by the tax. In 2003, the city collected nearly \$388 million from 5,858 businesses. By 2015, 7,354 businesses were on the hook for the tax, paying \$720 million to the city. That's 86% more than in 2003.

The average CRT liability per taxpayer also increased in that time period, growing from approximately \$80,000 to \$100,000. That's on top of the growing number of well-intended yet expensive government mandates such as increased wages, paid sick leave and health care requirements.

Unfortunately, many unprofitable businesses are paying the tax. The city's Department of Finance used aggregate data to compare taxpayers' net income in 2012 with their CRT tax liability in 2014. They found that approximately 1,200 businesses with very low profit margins in 2012 — less than \$100,000 each — earned a combined \$14 million in net income but together paid \$19 million in 2014 CRT tax. This disparity was particularly pronounced among the retail businesses that elected officials are trying to save.

Exempting these businesses from the tax will help them survive and hopefully grow here. They are counting on you. And the Chamber stands ready to work with you to enact the right solution. Thank you.