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NEW YORK  
BUILDING  
CONGRESS

February 20, 2009

The Honorable David A. Paterson  
Governor, State of New York  
State Capitol  
Albany, NY 12224

Dear Governor Paterson,

On behalf of the New York Building Congress, I am writing to express strong opposition to Part PP of your Executive Budget for 2009-2010, which proposes to limit the definition of the term "capital improvement" in the State Tax law to projects that constitute "new construction or a new addition to or total reconstruction of existing construction." This proposed change would exclude many renovations, restorations and rehabilitations of existing buildings from qualifying as "capital improvements," subjecting the labor associated with the construction of these projects to State, New York City and MTA sales taxes totaling 8.375%. Today, these projects generally pay sales tax on building materials and not on labor.

Over the past several months, you have wisely recognized the importance of construction activity in stimulating job creation and the need to diversify New York's ailing economy, which has relied heavily on Wall Street for far too long. However, the proposed extension of the sales tax has the potential to undercut, rather than advance, those objectives.

As discussed in a recent Building Congress report, *New York's Rising Construction Costs: Issues and Solutions*, New York City's construction costs already rank significantly higher than other U.S. cities, largely due to a host of local factors that include State and local government regulations and policies. The imposition of additional costs on certain types of construction projects risks reducing the number and scope of those projects by property owners and developers, as well as further hindering New York's cost competitiveness against other regions of the country. Fewer construction projects mean fewer jobs, an especially troubling prospect given a Building Congress forecast, as reported in its latest edition of *Construction Outlook*, that almost 30,000 construction jobs could be stripped from New York City's construction workforce by 2010. The proposed extension of the sales tax has the potential to hasten, if not exacerbate, that level of job loss.

Governor David A. Paterson

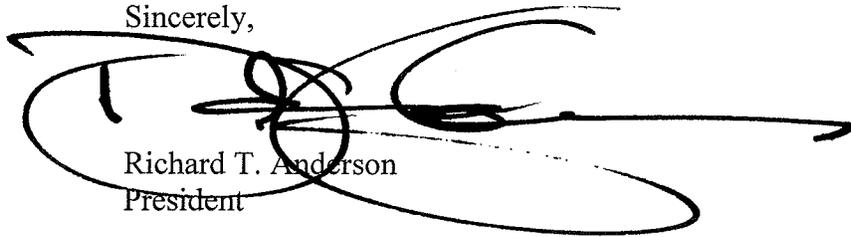
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The sales tax extension also would have the unintended consequence of penalizing "green" renovations and chilling the growth of New York's growing green retrofit market. Renovating an existing building is "greener" than new construction, because a renovation reuses materials and consumes fewer natural resources. In addition, renovations have the potential to take advantage of new technology that helps existing buildings operate more efficiently and reduces energy consumption and emissions, creating opportunities for expanding New York's economy in the provision of "green" goods and services.

During this time of economic crisis, New York should be focused on enhancing its attractiveness as a place to do business, removing impediments for new market entrants and generating jobs. Because the proposed sales tax extension will have the opposite effect, we urge you to send an amendment to the Legislature striking this provision from your Executive Budget.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Richard T. Anderson', is written over the typed name and title.

Richard T. Anderson  
President

cc: The Honorable Sheldon Silver, Speaker, New York State Assembly  
The Honorable Malcolm Smith, Senate Majority Leader, New York State Senate  
The Honorable Herman D. Farrell, Jr., Chairman, Committee on Ways and  
Means, New York State Assembly  
The Honorable Carl Kruger, Chairman, Finance Committee,  
New York State Senate  
Ms. Laura Anglin, Director, Division of Budget