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NEWS RELEASE

Date: May 30, 2019 Statement on Controversy about 1099s and Septic System Grants

Linda Kabot, the designated candidate for the Office of Suffolk County Legislator for the 2nd Legislative District on the Republican and Conservative lines for the November 5 General Election ballot, issued the following statement on the controversy about 1099s and Septic System Grants.

Suffolk County Legislator Bridget Fleming has been politicizing the issue of 1099 notices issued to homeowners by the County Comptroller in connection with the Septic System Grant Program.

It is unfortunate that she continues to take this imprudent stance – largely acting as the mouthpiece of County Executive Steve Bellone, whose elective seat is being challenged by current County Comptroller John Kennedy.

The County Comptroller has a duty to act in the best interests of the county taxpayers and to adhere to the Internal Revenue Service (IRS) Tax Code. It would be irresponsible to not issue the 1099 notices to the homeowners that received substantial capital improvement subsidies to benefit their property, as well as the environment. Comptroller John Kennedy acted responsibly and in accordance with the statutes that do not currently indicate a specific exemption for grants provided by municipalities to facilitate the installation of specialized low-nitrogen septic systems, even though installation contractors were paid the money and presumably paid the requisite taxes.

A 1099 is a notice, it is not a tax bill. The petty political bickering, showboating, and galvanizing of the issue by Legislator Fleming is what is really undermining the septic system improvement program and now deterring other applicants. Partisan Democrats should not be continuing to play political football over what is legally required when it comes to grant subsidy programs involving thousands of dollars for capital improvements on private properties. When one Democratic county lawmaker publicly stated that County Comptroller John Kennedy was simply trying to protect County taxpayers from fines and violations from the IRS, other Democratic legislators and environmental lobbyists started bringing the pitchforks after him too with disparaging commentary.

Now, yet another press conference on the issue is held again this week - championed by County Legislator Bridget Fleming and attended by Senator Chuck Schumer, a federal elected official.

When a political animal like Senator Schumer refuses to point fingers because there's a political race going on, you know that he knows he can't be candid without that pointing finger hitting Bridget Fleming square in the chest for being the person to blame for the mess. Essentially, he's trying to get her off the hot seat. The fact of the matter is that the Democrats in the County Legislature hastily drafted the septic improvement program and adopted it without considering the potential tax ramifications to homeowners and ensuring the requisite IRS ruling is in place to exclude these grants.

Regardless of who the checks were made out to, the key matter at hand is that the projects are capital improvements to the homeowner's property subsidized by government grants. The need to issue 1099s was identified by the Comptroller over a year ago, with a request to the County Executive to make a formal request for an IRS ruling, as the Administrative Head of County Government and the program. Since that official request for an IRS ruling was not made by the current County Executive, the 1099s were issued and the County Comptroller made the request to the IRS to issue a formal ruling. On top of that, County Comptroller John Kennedy is offering to provide for pro bono help to homeowners who may have paid tax on the grant monies used to install the specialized septic systems on their properties, in the event that the IRS provides a ruling that expressly exempts the grants from the requirement to issue 1099 notices.

Senator Schumer, as federal lawmaker, has the power to introduce legislation that prevents this from happening in the future with respect to potential tax liability to homeowners for capital improvement municipal grants like this which have been deemed by the local government to have environmental benefits in the public's best interest. Or, Senator Schumer can ask the IRS Commissioner to introduce a regulation dealing with this issue once and for all. However, a press conference to bail out Bridget Fleming is really what he was interested in, not coming to the aid of his constituents who may have expressed concern about having unanticipated potential tax liability, and to encourage more participation in the grant subsidy septic improvement program going forward.

