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JANUARY 2021

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I. INTRODUCTION

The pandemic has devastated New York's economy and thrown millions of New Yorkers into a state of precarity – New York's unemployment rate is the fourth highest in the nation, homelessness and hunger are on the rise, and millions find themselves uninsured during the worst global health emergency in a century.

The pandemic has devastated New York's economy and thrown millions of New Yorkers into a state of precarity - New York's unemployment rate is the fourth highest¹ in the nation; homelessness² and hunger³ are on the rise; drug overdoses are at epidemic levels⁴; and millions find themselves uninsured during the worst global health emergency in a century. With respect to each of these outcomes, communities of color and immigrant communities have been hit hardest. Black and Brown communities in New York make up a disproportionate amount of essential workers, particularly those that are unable to work from home⁵, and thus face greater consequences from the virus itself while having to rely on increasingly inadequate public services.⁶ Meanwhile, immigrant workers, who make up over half of all essential workers, are often barred from access to any relief.⁷ Over one million immigrant workers in New York have been excluded from aid for unemployment and housing, along with federal stimulus checks.⁸

However, not all New Yorkers have fared poorly during the pandemic. In the first three months of the pandemic, as unemployment soared and lines at the food pantries grew, New York's 120 billionaires saw their wealth increase by \$77 billion during Covid-19 to a total of \$600 billion⁹, driven by a boom in their stock portfolios. The richest New Yorkers' wealth continued to multiply as the pandemic and the associated economic crisis worsened. Further,

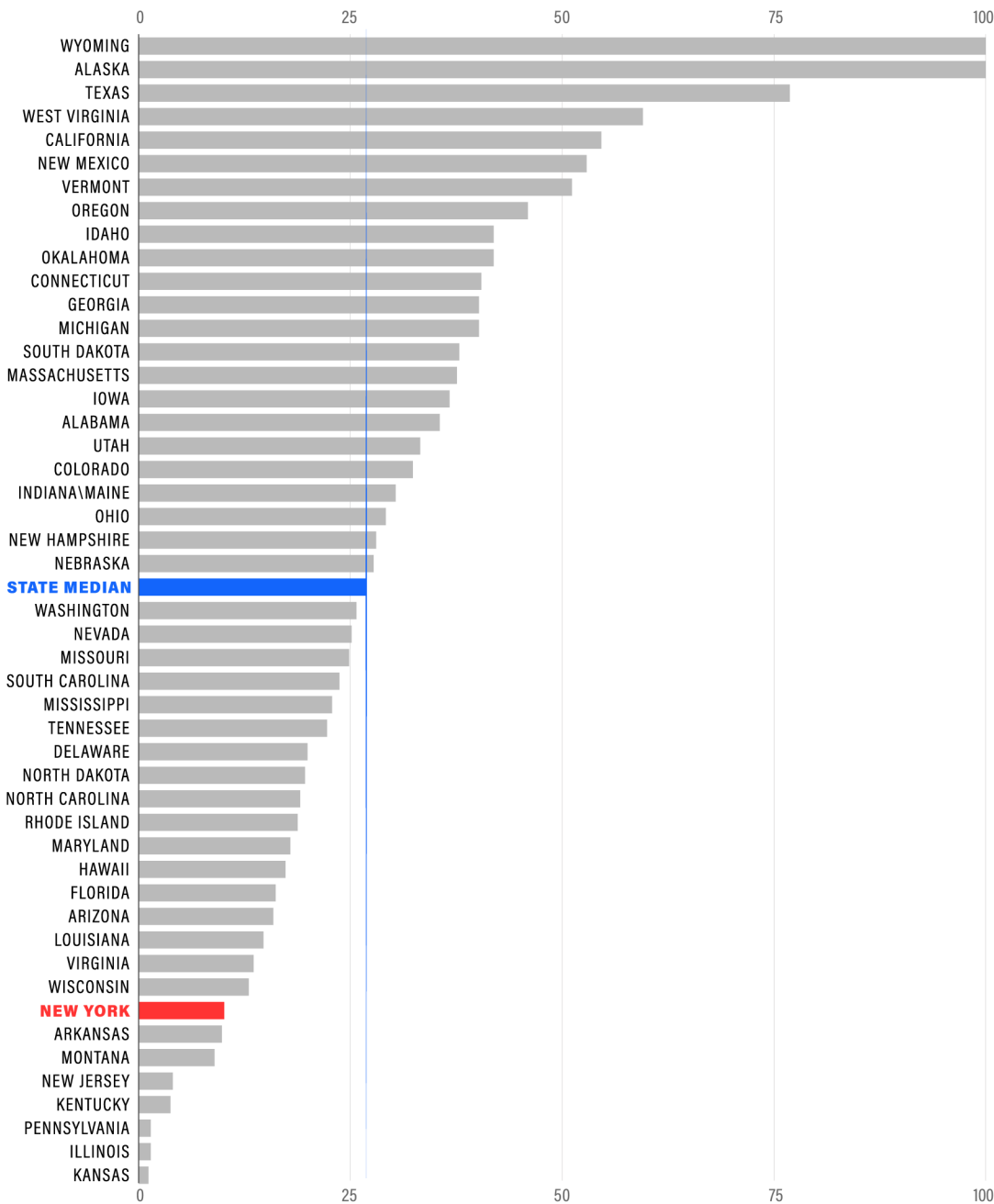
although small businesses have been devastated by the pandemic, the largest corporate conglomerates have seen their profits steadily rise.¹⁰

Though this crisis has magnified all of New York's existing inequities, it did not create them. The reality is that this catastrophe has been decades in the making and largely the result of poor fiscal policy - which has reduced taxes on the rich, underfunded badly-needed government services, and left New York's economy and public finances ill-prepared to weather a storm. In order to emerge from this deeply unequal pandemic on stronger and more equal footing, New York will require not just a vaccine, but a fundamental transformation of its budget - one that undoes the decades-long policy of minimizing the tax burden on the rich while leaving the large majority of New Yorkers vulnerable to social and economic catastrophe.

Since taking office in 2010, New York Governor Andrew Cuomo has championed the State's decades-long tradition of lowering taxes on the rich while balancing the budget by cutting critical public services and public jobs. When economic times were better and budget gaps were small, Governor Cuomo insisted on lowering taxes on corporations¹¹ and the wealthy¹² instead of saving for a rainy day - leaving New York with one of the worst rainy day funds in the country.¹³ Now that the rainy day is upon us, he remains steadfast in his belief that closing

Under Governor Cuomo, New York maintained the 8th smallest rainy day fund in the country before the pandemic

Source: <https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind5>



Against the backdrop of significant need for government services and a deeply unequal recession, budget cuts in New York would not just be a moral failing, but a recipe for economic disaster. State spending supports a significant amount of employment and has an economic footprint large enough to make or break an economic recovery. Economists have found each dollar of spending the state cuts leads to a drop of at least \$1.50 in GDP, and potentially a drop as large as \$2.50. Conversely, tax increases on a state's wealthiest residents do not result in similar economic damage. Rather, states that raise taxes on the wealthy generate at least \$1.15 of economic activity for every dollar raised, and likely closer to \$2.15.¹⁵ After the 2008 financial crisis, most states faced economic and financial woes

the budget deficit - already made larger by his tax cuts - will require public sector layoffs and the downsizing of services that millions of New Yorkers rely upon.¹⁴ This budget balancing act - ever-focused on spending cuts, and never focused on a declining tax burden on the rich - has plagued New York's policymaking process for decades, promoting inequality and starving the government of revenue.

similar to today, as high unemployment and falling revenue led to massive budget shortfalls. Nearly all of them, including New York, leaned on spending cuts to close budget gaps.¹⁶ Those cuts to services and jobs fell hardest on people of color and immigrant communities, but also drained dollars from an already-weak economy and delayed the economic recovery by four long years.¹⁷

The economic lesson is clear: to recover, New York must protect the working class' access to housing, health care, quality education, and transportation.

New York is in urgent need of responsible economic management. In the midst of this budget shortfall, responsible economic management requires leaning on the parts of the economy that have benefited from decades of tax cuts and preferential treatment in order to support the parts of the economy - and our society - that have been systematically neglected.

In order to ensure a real and long-lasting recovery from the pandemic, the state must ensure the safety, security, and stability of all New Yorkers.

New York can recover through sensible tax reform - and must do so now.

After the 2008 financial crisis, economists found that cuts to services and jobs delayed the economic recovery by four years.



II. OUR STATE IS IN CRITICAL CONDITION

The devastation that the pandemic has brought has been well-documented. Over 800,000 New Yorkers have become sick with coronavirus and 35,000 have died. Unemployment rose to 16%, the highest level since the Great Depression, and is currently 8.1%, over twice the unemployment rate at this time last year.

A. COVID-19 has exacerbated a long-standing crisis

The devastation that the pandemic has brought has been well-documented. Over 800,000 New Yorkers have become sick with coronavirus and 35,000 have died.¹⁸ Unemployment rose to 16%, the highest level since the Great Depression, and is currently 8.1%, over twice the unemployment rate at this time last year.¹⁹ 298,000 New Yorkers lost their health insurance during Covid-19 due to job loss, bringing the total number of uninsured New Yorkers to 1,228,000.²⁰ Of the New Yorkers that managed to hold on to their jobs, nearly 60% of them reported a loss in household employment income.²¹ Today, 1.4 million households are at risk of eviction as soon as state and federal moratoria lift.²² Meanwhile, New Yorkers are literally starving.²³ In New York City, the number of residents facing food insecurity has almost doubled, reaching 25%.²⁴ Thirty percent of food pantries in New York City have had to close, as many of the volunteers they rely on, who are often older and more at-risk, have been unable to help.²⁵ For families with young children, school closures introduced an additional layer of hardship for struggling parents needing help with food access. Prior to the pandemic, universal free school meals were available daily to over one million public school children. The grab-and-go program has been unable to achieve the same scale of meal distribution as before the pandemic.²⁶ Compounding the stress and

misery has been a deterioration of mental health. Counties across the state report massive increases in overdose deaths compared to 2019. For example, Rensselaer and Erie Counties saw a 41% increase and a 77% increase respectively.²⁷

And in each of these realms, it is communities of color and immigrant communities that have been hit hardest. Black, Latino, and Asian tenants in New York State are three times more likely than white tenants to have little to no confidence in making rent payments this spring.²⁸ New York's Latino COVID death rate is nearly twice as high as the white rate, and the state's Black COVID death

The devastation that the pandemic has brought has been well-documented

- Statewide unemployment: 8.1%
- New Yorkers facing eviction: 1.4 million households
- NYC residents facing food insecurity: 25%
- New Yorkers facing lost income: 60%
- Uninsured New Yorkers: 1,228,000

rate is nearly 2.5 times higher.²⁹ Nationally, 40 percent of people experiencing homelessness are Black, despite the fact that only 13 percent of the overall population is Black³⁰. Black and Latino families are four times more likely to suffer from food insecurity than white families.³¹ Immigrant workers are disproportionately likely to be essential workers and, as a result, be exposed to COVID.³² Simultaneously, immigrant workers are much less likely to receive critical public services and benefits³³ because of their immigration status, with up to 98% of unemployed undocumented workers having received no federal or state government assistance compared with 60% of unemployed U.S. citizen workers.³⁴

Kate Leone from Feeding America explains:

Families are making impossible decisions between paying the rent and putting food on the table while food banks are working tirelessly to keep up with the increased need.³⁵

The pandemic did not cause these crises, as each was evident well before the pandemic began. Before the pandemic, nearly 50% of New Yorkers were living in housing that they could not afford.³⁶

Thanks to an affordable housing crisis, Governor Cuomo's ending of a state-supported housing voucher program,³⁷ and a lack of state-supported public housing, New York's homeless population surged 40% between 2010-19.³⁸ In 2019, there were over 18,600 evictions in New York City alone.³⁹

In 2019, 13 percent of New York State residents were living below the federal poverty line, currently \$12,760 for a single adult and \$26,200 for a family of four.⁴⁰ New York City, recognizing the inadequacy of this measure, found a citywide poverty rate of 19 percent using the NYCgov poverty measure.⁴¹ Nearly one in six New York City residents was already food insecure before the pandemic.⁴² In 2017, the Urban Institute found that New York ranked 49th in the nation on equity in education spending⁴³, largely due to insufficient state support for public schools in low-income school districts. New York City's subway system, financed and managed by Albany, has been plagued by poor service, years of deferred maintenance and major funding needs. The pandemic magnified these pressure points but it did not create them.

Rather, the cause of New York's crisis is a discredited approach to fiscal management that Governor Andrew Cuomo and his Republican predecessors have embraced: to cut critical public services in the face of budget deficits and cut taxes on the wealthy when there are no deficits. Governor Cuomo's approach has transformed New York into the single most unequal state in the United States⁴⁴ and has fractured the foundation of New York's economy and society. It has enabled a society in which, over the last decade, the number of New York's millionaires has doubled⁴⁵ while child poverty rates have soared in cities across the state.⁴⁶

Governor Cuomo's approach has transformed New York into the single most unequal state in the United States and has fractured the foundation of New York's economy and society. It has enabled a society in which, over the last decade, the number of New York's millionaires has doubled while child poverty rates have soared in cities across the state.

B. The crisis is a result of decades of economic mismanagement and underfunding of public services

An examination of the past ten years of Governor Cuomo's budgets reveals two themes: (1) when facing budget deficits, Governor Cuomo chooses to make cuts to Medicaid, school aid, higher education funding, affordable and supportive housing, and other public services; and (2) when faced with a surplus, rather than provide funding to the areas with extraordinary needs - education, health care, and low-income housing - Governor Cuomo has preferred to provide tax cuts to large corporations, estates, banks and even yacht purchases.

The Cuomo administration's approach relies on discredited notions about how budgeting, taxation, and the economy work. Numerous studies on the effects of taxes on economic growth reveal that, contrary to Governor Cuomo's insistence, cutting taxes on the wealthy does not have any positive effect on economic growth.^{47, 48, 49} In fact, widespread research demonstrates that tax cuts on the wealthy are more likely to harm the economy because of the negative effects on state revenue.⁵⁰

A recent study examining fifty years of data across eighteen countries found that the consequence of an approach such as Governor Cuomo's is not economic growth, but rather massive inequality where a tiny fraction of the population amasses wealth while a majority of the population sees their economic situation decline.⁵¹ That precisely describes New York's economy and society.⁵²

Research demonstrates that tax cuts on the wealthy are more likely to harm the economy because of the negative effects on state revenue.

The second step in Governor Cuomo's fiscal approach - budget cuts in the face of deficits - directly inhibits economic growth and damages

the state's economy. State and local governments in New York have employed between 14-17% of all workers in New York over the past decade.⁵³

Public sector workers have an enormous economic footprint - and reducing public workforce worsens economic conditions and makes recessions last longer. In response to years of budget cuts following the 2008 financial crisis⁵⁴, public employment fell by 74,000 over a five-year period.⁵⁵ This cutback led to increased class sizes in schools, fewer youth and senior programs, as well as cutbacks in road maintenance and infrastructure. Investments in these kinds of services enable people to work productively and allow economies to grow.⁵⁶

In New York's case - the massive public sector cuts enacted by Governor Cuomo led to significant job loss in the Southern Tier, Hudson Valley, Central New York, and the Capital Region at a scale greater than that experienced by other states. These job losses were compounded by reduced public services at precisely the time people needed them most. Consequently, New York's recovery from the 2008 financial crisis was significantly slowed.⁵⁷ National-level evidence supports the same conclusion: cutting public sector employment in the face of the 2008 financial crisis slowed the national recovery by approximately four years.^{58, 59}

The extraordinary role Governor Cuomo has played in creating our current crisis is clear when one examines the budgets he has introduced since he took office.

In his first budget as Governor in 2011, Governor Cuomo faced a \$10 billion budget deficit. Rather than raise revenue, he proposed an end to funding for adult homeless shelters in New York City, freezing public assistance allotments, and wiping out funding from summer youth jobs and a host of support programs.⁶⁰ Governor Cuomo's cuts included \$65 million for New York City rental assistance, which resulted in an additional loss of \$27 million in federal funds, leaving New York City

Cuomo's tax cuts for wealthy New Yorkers include

- 2012: Provided New Yorkers earning \$500,000 - \$2 million the largest tax cut of all income brackets
- 2014: Cut taxes for corporations
- 2014: Cut taxes for banks
- 2014: Cut taxes for multi-millionaires' estates
- 2015: Cut taxes on yachts
- 2015: Cut taxes on private jets

with no outside assistance to support the program.⁶¹ He also pledged to cut 15,000 public sector jobs.⁶² After proposing to cut \$1.5 billion⁶³ in school aid, he enacted \$700 million in cuts.⁶⁴

For the 2012 budget, despite the previous year's massive budget cuts, Governor Cuomo proposed cutting taxes on New Yorkers with the highest incomes by letting tax rates on people earning over \$200,000 lapse back to lower pre-2009 levels.⁶⁵ After tremendous public pressure⁶⁶, Governor Cuomo relented and agreed to support maintaining higher taxes - albeit at a lower level than the previous year - on those earning over \$2 million per year in income.⁶⁷ Meanwhile, Governor Cuomo ensured that those with an income between \$500,000 and \$2,000,000 per year would receive the largest tax cut of all income groups. In 2014, Governor Cuomo again cut taxes, this time for corporations, banks, and estates.^{68, 69} Governor Cuomo's estate tax exclusively benefited multi-millionaires.⁷⁰ In 2015, Governor Cuomo also cut taxes on yachts⁷¹ and private jets⁷² while underfunding New York's public schools by over \$4.4 billion.^{73, 74}

The pandemic is hitting New York with such devastating force because of Governor Cuomo's decision to severely underfund crucial public services and weaken our economy over the past decade.

By this point in his tenure, Governor Cuomo's budgets had resulted in a 10% drop in spending on social welfare, public health, and housing programs, programs for people with disabilities and a 9% drop in school funding relative to funding levels in 2011 when he took office. During that time almost 75,000 public sector workers lost their jobs.⁷⁵

In 2016, again, Cuomo proposed massive cuts to Medicaid funding and for higher education.⁷⁶ Meanwhile, Governor Cuomo again refused to raise revenue, lowering the state's yearly revenue projections by billions of dollars.⁷⁷ In 2017, Governor Cuomo proposed cutting \$2.5 billion in Medicaid and agency funding.⁷⁸ In 2018, as a direct result of "overly ambitious previous tax cutting" Governor Cuomo faced a budget deficit.⁷⁹ In response, Governor Cuomo reduced funding to state and local agencies by \$1.2 billion.^{80, 81} In 2019, facing another budget deficit, Governor Cuomo made no meaningful changes to the tax system and again cut funding to social welfare agencies, while underfunding state education obligations by \$3.7 billion.⁸² During the 2020 legislative session, even as the pandemic hit, Governor Cuomo was planning to cut billions of dollars from Medicaid.⁸³

A decade of Governor Cuomo's budgets have brought us to the present day. Due to the Governor's budget mismanagement, combined with the economic toll that the pandemic has caused, New York now faces a \$15 billion budget deficit this year, a projected \$63 billion deficit over the next four years.⁸⁴ Meanwhile, amid Covid-19, Governor Cuomo has acquired unprecedented control over the budget and has instituted rolling budget cuts throughout

this past year.⁸⁵ Faced with this extraordinary situation, Governor Cuomo is unable to detail how he will balance the budget.⁸⁶

It is critical to understand that the reason the pandemic is hitting New York with such devastating force is because of the current administration's decision to severely underfund crucial public services and weaken our economy over the past decade.

From the time Governor Cuomo has taken office: funding for children and family services, for labor programs, and for assistance for people with disabilities has all dropped approximately 30% while funding for Homes and Community Renewal has dropped over 60%.⁸⁷ Meanwhile, PreK-12 education is being underfunded close to \$4 billion per year.⁸⁸ Since Governor Cuomo took office child poverty rates have increased in 11 of the state's 14 largest cities: Rochester, Binghamton, Utica, Syracuse, Buffalo, Niagara Falls, Schenectady, Yonkers, Mt. Vernon, White Plains - and New York City.⁸⁹ Additionally, Medicaid has faced extraordinary cuts, from the \$2.4 billion of Medicaid cuts in 2011⁹⁰ to the \$2.2 billion in cuts this past year at the peak of New York's COVID crisis, which included cuts to hospitals and long-term care.⁹¹ These cuts were a driving force in the loss of 20,000 hospital beds statewide over the past two decades.⁹²

It is because of Governor Cuomo's specific approach to budgeting that New York is in the crisis it currently faces. This approach to budgeting has weakened New York's social safety net while hurting the state's economic growth.

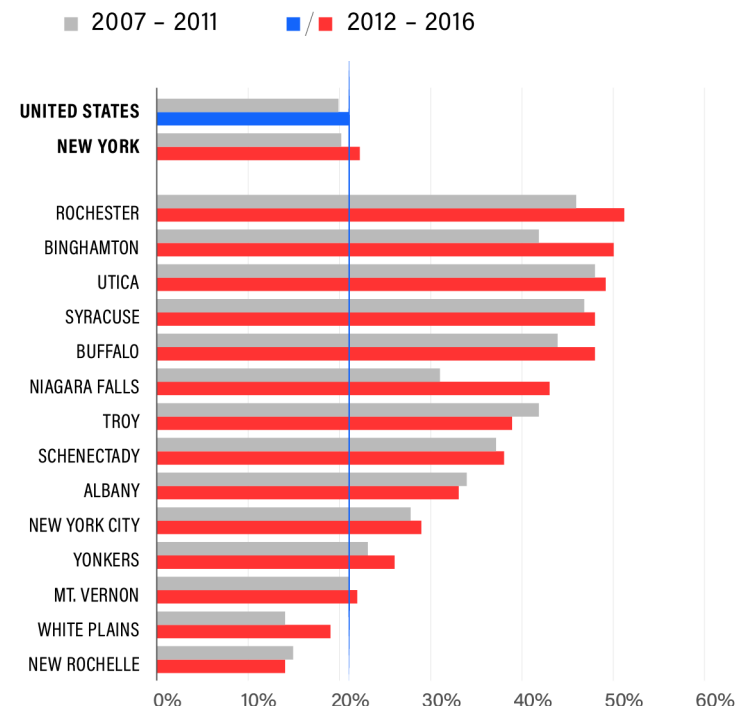
C. Governor Cuomo's strategy of cutting services while waiting for federal aid has already damaged New York's economy

The pandemic gives clear evidence of the damage Governor Cuomo's approach to fiscal policy has on New York's society and its economy. In April 2020, new projections for state revenue showed a

Child poverty rates in many upstate cities have grown under the Cuomo administration

Percent of children living below the federal poverty line

Source: <http://fiscalpolicy.org/wp-content/uploads/2018/02/FPI-Budget-Briefing-Book-2018-2019-FINAL-DRAFT.pdf> - p.3714/fiscal-50#ind5



\$13 billion budget shortfall for 2020,⁹³ increasing to \$15 billion by October.⁹⁴ Governor Cuomo and his budget director took the approach of withholding over \$8 billion in state funding to localities.⁹⁵ Governor Cuomo was explicit that his strategy was to hope that the federal government would provide aid to New York. However, by calling his cuts "withholdings" and "payment reductions," rather than "cuts," Governor Cuomo has avoided legislative scrutiny.⁹⁶ Simultaneously, Governor Cuomo has refused to disclose any details about his withholdings.⁹⁷ Since the start of the pandemic, the public has been shut out of any knowledge as to the state's budget. Even local officials report that attempts to glean whether they will receive state funding has been met with "radio silence."⁹⁸ The only, limited public data available reveals that in the first half of the fiscal year (April-September), approximately \$2.6 billion of payments were not made as budgeted.⁹⁹ And by year's end, \$8.18 billion will have been withheld.¹⁰⁰ It appears that these

withholdings have taken the form of an across the board 20% cut from localities for school funding and social-service providers.¹⁰¹ New York also froze state contracts and has withheld a portion of payments to contractors, which has primarily hit social service organizations and localities that provide programs like: supportive housing for people with developmental disabilities and substance abuse treatment and harm reduction programs.¹⁰²

Although the Cuomo administration refuses to characterize these withholdings as cuts, the material effects have been the same. Withholding funds to local government and social service providers has forced these agencies to cut services and lay off workers. As John Coppola, executive director of the

New York Association of Alcoholism and Substance Abuse Providers, explained: "It's just common sense. If everybody was given a paycheck that had 20 percent less in it, you can call it a withhold, you can call it whatever you want, but when you go home to buy groceries, to pay your bills, you have 20 percent less to do all of those things."¹⁰³

Budget cuts are already cascading through New York, directly hurting people most in need while also wreaking havoc on New York's economy. Parents of children now required to learn from home can no longer take work shifts they otherwise would have taken.¹⁰⁴ Meanwhile, as demand for services increases, non-profit service providers are becoming insolvent in the face of the current administration's cuts.¹⁰⁵ According to a September survey, 75% of non-profits had state contracts that were unpaid - with an average of more than \$200,000 per institution.¹⁰⁶

The Cuomo administration's funding cuts include:

- Layoffs at CUNY, including over 3,000 adjunct professors¹⁷⁸
- 20% of tuition assistance withheld for 372,000 low-income college students¹⁷⁹
- 116 paraprofessionals laid off in Rochester¹⁸⁰
- Over 300 teachers and staff laid off in Schenectady¹⁸¹
- Over 200 employees laid off in the City School District of Albany, along with cancelled programming for refugees and recent immigrants, and cancelled in-person instruction for grades 7-12.¹⁸²
- 68 staff furloughed in northern Troy, and all students in grades 3-12 required to learn from home¹⁸³
- Scheduled wage increases blocked for mental-health providers¹⁸⁴
- Frozen wages and cut capital projects in Buffalo¹⁸⁵

At a time when service providers are at maximum capacity, they are also forced to reduce service. Stonewall Community Development Corporation is emblematic. The non-profit provides programming for senior centers in New York City. The non-profit saw an 1,000% increase in demand for its services, while at the same saw funding cut from both state and local sources.¹⁰⁷ Russell Snaith, co-founder of the New York Alliance for Developmental Disabilities explained: "You are creating a perfect storm of essentially choking out a service to the most vulnerable population in New York state. When they impose a 5 percent cut, are they looking at how much more this is going to cost to remediate this situation when it gets out of hand?" The cumulative effect of Governor Cuomo's withholdings is to force people out of jobs, force students out of schools, force service providers to shut their doors - which will then force more and more people into much more costly services like hospitals and homeless shelters that will not have the funding to cope with increased volume.¹⁰⁸ A spiraling social and economic crisis is already well underway.

Even if it were to materialize, federal aid will not be sufficient to fill the budget shortfall, let alone address the enormous structural problems New York already faced before the pandemic began.

D. Federal aid will not be enough to save our economy or our state

While forcing massive cuts for critical public services, Governor Cuomo has insisted on a policy of waiting for federal aid. Initially, Governor Cuomo committed to take action once the federal elections were over.¹⁰⁹ Now that the elections are over, Governor Cuomo insists that he will wait until after January.¹¹⁰ However, even if it were to materialize, federal aid will not be sufficient to fill the budget shortfall, let alone address the enormous structural problems New York already faced before the pandemic began.¹¹¹ In 2009, in response to the Great Recession, New York faced a \$47 billion four-year budget deficit. In national political conditions that were more favorable than they are now, New York received \$13.3 billion in aid from 2009-2012, that offset 28% of New York's budget deficit. **If New York received similar federal aid in response to its current budget deficit, the state would be left with a \$46 billion budget shortfall over the next four years.**¹¹² Federal aid - even if it matched aid received after the 2008 financial crisis - is unlikely to address the state's budget deficits.¹¹³

There's every reason to believe, however, that were New York to receive federal aid it would be less than what it received after 2008. In late 2020, New York was expecting to receive between \$8.4-\$9.4 billion in direct aid from the federal government, before the entire \$160 billion allocation for aid to States and Localities was removed from the fourth Coronavirus stimulus bill due to partisan gridlock.¹¹⁴ In the best case scenario in 2021, New York can expect a similar amount of aid — an amount entirely out of step with the \$63 billion 4-year budget gap New York currently faces.

Equally important, however, is that a one-time infusion of money from the federal government will not address the structural problems with New York's state budget that have become endemic under Governor Cuomo's leadership. If the economy is to recover and the state to survive, New York requires new revenue. The state does not merely require short-term aid to address the current \$15 billion yearly shortfall - it requires a significant increase in annual revenue to address the systemic funding problems that decades of budget cuts and tax cuts have created.

Further, federal aid will provide no benefit to a huge swath of New York's massive immigrant population. New York's immigrant community comprises over 50% of all of New York's essential workers.¹¹⁵ Yet, approximately 1.2 million immigrant New Yorkers are unable to access federal unemployment benefits, housing benefits, or direct financial aid because of their immigration status,¹¹⁶ despite paying their share of taxes thereby helping make those benefits available to others.¹¹⁷ Already hundreds of thousands of immigrant workers have lost their job and been blocked from receiving any assistance.¹¹⁸

A successful economy and a healthy society require that people feel secure in having life's basic necessities: housing, health care, quality education, transportation, and access to productive work. A society in which a majority of people fear eviction, face bankruptcy when they have medical problems, send their children to under-resourced public schools, and commute on a failing transportation system - all while juggling precarious jobs - is not a society that can grow a healthy economy. New York faces significant needs in these critical areas.

E. New York requires at least \$50 billion in new annual revenue to meet the scale of the problems the state faces.

In the face of New York's immediate \$15 billion single-year deficit, and \$63 billion four-year deficit,¹¹⁹ it is essential to understand that cutting critical public services will exacerbate New York's economic crisis. However, it is equally important to understand the magnitude of the revenue New York needed even before the pandemic. To begin to address the massive underfunding of public services New York has faced over the past several decades, the state must add at least \$50 billion in annual revenue to the state budget. Revenue of this scale is essential to allow New York to eliminate the need for budget cuts, while shoring up critical parts of the state's economy and society with respect to housing, health care, education, and social services.

This list of needs is not all-inclusive. Rather, it demonstrates the scale of the budget required to secure New Yorkers access to basic, critical public services. Without at least \$50 billion in additional annual revenue, schools, medical care, and access to housing will continue to deteriorate - and a majority of New Yorkers will be denied even a basic level of social and economic well-being. The key question is, can New York afford to increase its revenue by \$50 billion per year? The answer is: yes.

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The answer is: yes.

New York's revenue needs include, but are not limited to:

- **Fully Funded Public Schools:** \$6 billion to fund education at the minimum levels New York's highest court established as necessary for providing "sound basic education"
- **Fund CUNY & SUNY:** \$2 billion for the CUNY and SUNY systems to allow for free tuition, needed construction, and emergency assistance for students
- **Fund Healthcare:** \$2.2 to 2.8 billion to restore cuts to Medicaid from Medicaid Redesign Team II ("MRT II")¹⁸⁶
- **Invest in Affordable Housing:** \$6 billion for long-term operating of social and supportive housing including NYCHA
- **Cancel Rent:** \$4 billion to fund tenant rent obligations so as to avert a catastrophic eviction crisis
- **Unemployment Aid for Workers Excluded from federal aid:** \$3.5 billion to provide income replacement benefits to the mostly immigrant workers who are denied federal benefits and assistance¹⁸⁷
- **Close Budget Hole:** \$15 billion to close current budget deficit caused by Covid-19 and decades of Cuomo's tax cuts
- **Funding for services to support working New Yorkers and our most vulnerable communities:** universal pre-K to students in all of New York; living wages for homecare workers; access to health insurance for undocumented New Yorkers; investment in emergency housing vouchers; provision of critical life-saving services, including overdose prevention; harm-reduction and treatment programs to help address the opioid crisis



III. NEW YORK CAN AFFORD TO INCREASE THE SCALE OF ITS PUBLIC INVESTMENT

Cuomo's insistence that New York is "broke" and tax increases would "do tremendous economic damage to the state" is not based on economic reality. In fact, New York's economy is among the largest, richest, and most dynamic in the world.

A. New York's economy is large, wealthy, and dynamic enough to support a significantly bigger public budget

Governor Cuomo's insistence that New York is "broke"¹²⁰ and tax increases would "do tremendous economic damage to the state"¹²¹ is not based on economic reality. In fact, New York is far from broke. New York's economy is among the largest, richest, and most dynamic in the world. Given the enormous size of New York's economy, it is more appropriate to compare it to the economies of other countries than the economies of other states within the U.S., as only the economies of Texas and California are comparable in terms of size. That comparison reveals that in 2019, New York's \$1.8 trillion economy (GDP), taken on its own, would have made it the 10th largest in the entire world. New York produced more goods, services and income than all of Canada. Meanwhile, its GDP per capita, a common measure of a society's wealth, surpasses most of the countries of Western Europe, including the richest countries in Scandinavia, all of which have large government budgets and robust welfare states that provide their citizens with universal health care, public housing, and free quality education.

Contrary to Governor Cuomo's claim of scarcity, the state's steadily-growing, enormous and wealthy economy is best understood as an incredible and unique resource that provides significant opportunities for a robust, well-funded budget. Yet, it is a resource that is currently being squandered. A quick comparison reveals that New York is undertaxed relative to its large and wealthy peers. Scandinavian countries extract upwards of 40% - 45% of their GDP in the form of federal, state and local government taxes. Though total taxes represent about 30% - 35% of GDP in more culturally and economically similar countries like Canada and Australia, this is still considerably higher than in New York, where local, state and federal taxes represent just 26% of GDP. These comparisons yield two important lessons: (1) highly successful, developed economies can support significantly larger tax burdens than the one New York currently does; (2) **it is not economic necessity, but rather the deliberate decisions of New York's elected officials, which has produced a yearly budget that reflects the tax preferences of the rich rather than the size, wealth and needs of New York's actual economy.**

New York is among the world's fastest growing economies

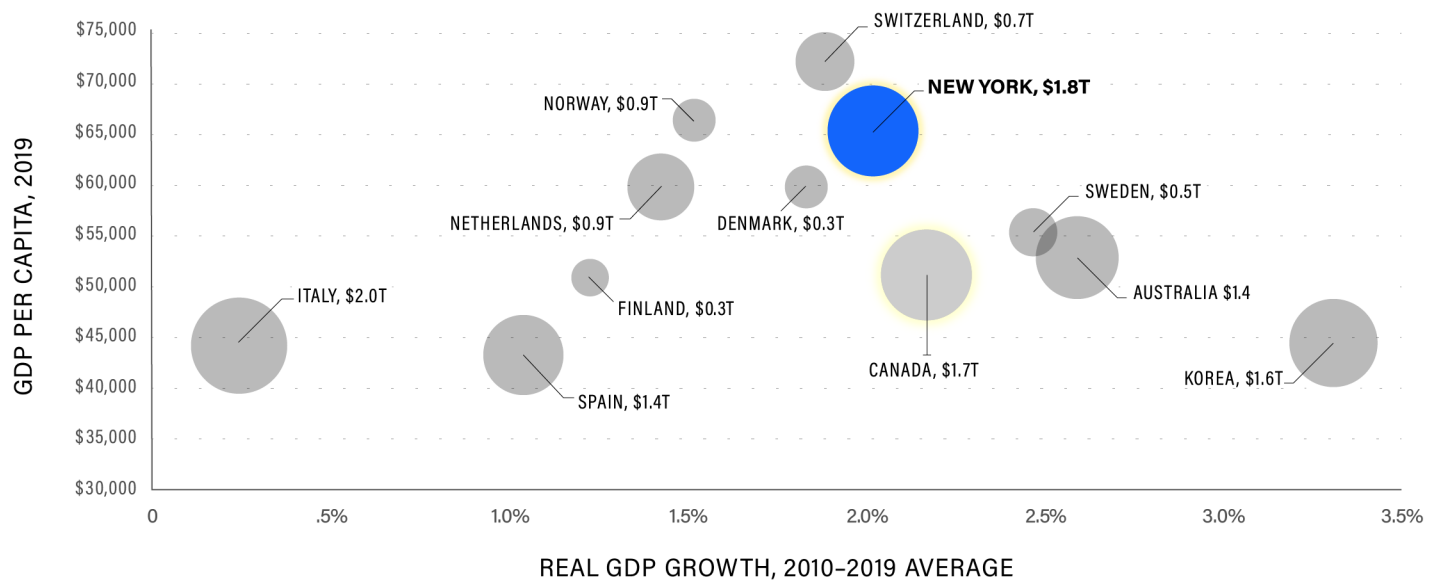
PNY GDP per capita and growth rate vs. select countries, size of bubble:

2019 GDP (\$ trillions)

Note: US GDP per capita is a proxy for New York State in order to keep international comparisons consistent.

However, New York's GDP per capita is likely higher than that of the US.

Sources: US BEA, US Census, IMF, Macro for the Many



It is critically important to understand how much revenue New York could generate by simply aligning its tax burden with that of Canada. Canada is a relevant peer for New York given the size of their populations (19.5 million in New York vs. 38 million in Canada), their economies (\$1.8 trillion in New York vs. \$1.7 trillion in Canada) and their high wealth levels (both have high GDP per capita). Despite these similarities, Canada collects roughly 30% of its GDP in revenue for its federal, state and local governments whereas New York only collects 26%. If New York reached Canada's level of taxation, the state would generate approximately \$70 billion in new, annual revenue. That sum would be sufficient to not only cover New York's budget deficit, but ensure that the state exits the pandemic on stronger social and economic footing, with funds available for the programs the state's residents need and deserve.

New York's economy has steadily grown for decades. The experience of other modern, industrialized economies demonstrates that New York can sustain a larger tax load without negatively affecting its

economy. New York should not be afraid to meet the current moment by bringing its public budget in line with the rest of the developed world.

If New York reached Canada's level of taxation, the state would generate approximately \$70 billion in new, annual revenue.

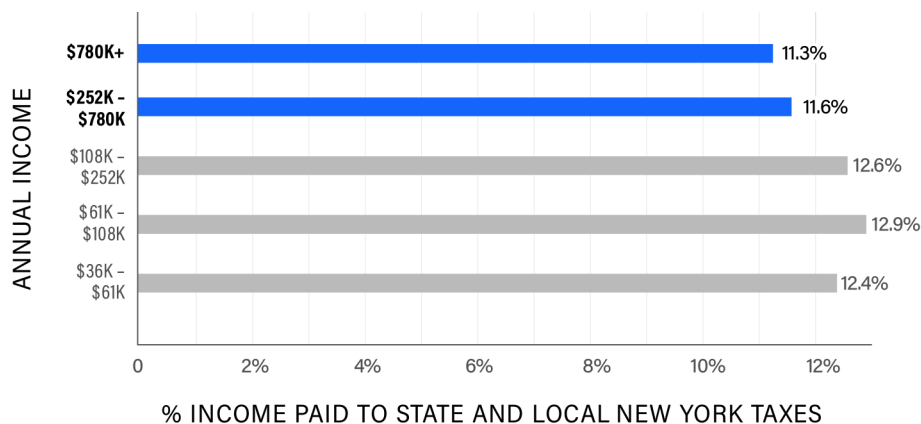
B. New York's richest residents and most profitable industries have been getting tax breaks for decades

New York's top 1% have been capturing over half of all economic growth generated in the last decade but also have the lowest tax burden across all income groups.¹²² Further, large corporate conglomerates have received generous subsidies and tax breaks for decades, at a scale that surpasses the rest of the nation, while also paying their lowest tax rates in 40 years.¹²³ The state must end the preferential treatment its current tax system bestows on these areas of the economy.

The rich have the lowest tax burden of all

New York's income tax system is regressive, which means that the highest earners pay the smallest proportion of their income in taxes

Sources: "Who Pays" 2018 Report, Institute on Taxation and Economic Policy



income earners have seen their incomes increase by 500%.¹²⁹ If income growth over the past forty years had been shared at a rate similar to the post-war period, the average worker that is making roughly \$60,000 today would instead be making \$120,000.¹³⁰

In New York, the top 1% have the lowest tax burden of any income bracket.

1. The top 1% have captured nearly all New York State economic growth for the past 40 years

In the post-war period, New York's economy was dominated by manufacturing. During that time, the bottom 99% of income earners were capturing 99.5% of economic growth, as measured by income gains.¹²⁴ However, in the mid-1970s, as the financial and real estate industries became a much larger portion of the economy and manufacturing left New York for the Southern US and eventually overseas, the top 1% began amassing the state's economic growth. Over the last ten years, the top 1% has captured over half of all income gains.¹²⁵ In fact, the top 1% of New Yorkers took home 31% of all income generated in New York in 2015, making it the most unequal state in the US.¹²⁶

In more material terms, a recent study by the Rand Corporation found that the average worker in New York has seen their inflation adjusted wages stagnate over the past 40 years.¹²⁷ In contrast, workers in the top 1% of New York's economy have seen their wages more than triple.¹²⁸ These trends are even more acute at the very top of the income distribution. Workers in the 0.01% of New York's

2. The top 1% have seen their tax rates drop continuously over the past 40 years

These changes in where income growth has flowed within New York's economy are not accidental, but rather a result of tax policy that has become increasingly regressive. Over the past thirty years, the ratio of taxes to income actually paid by the top 1% has significantly declined.¹³¹ In 1986, the top 1% had an effective tax rate of 33.1%, which had declined to 26.9% by 2016. One may wonder how this is the case, given that the top marginal rate for the highest earners at the federal level is 39.6%. The reason is that an array of deductions, exemptions, and the favorable capital gains cuts, which all favor the super-rich, have helped drive down actual taxes paid by the 1% over this time period.

In other words, at a time when the rich are earning a disproportionately large share of total income, they have seen their tax rates fall precipitously. As a result, the richest people in our society now pay less taxes overall than any other income group.¹³² In 2018, for the first time on record, the 400 wealthiest Americans paid a lower total tax rate — spanning federal, state and local taxes — than any other

income group. The overall tax rate on the wealthiest Americans has dropped from 70% in 1950, to 47% in 1980, all the way down to 23% in 2018. Meanwhile, regular working people have been paying the same basic tax rates for 75 years.

New York presents a stark case of this regressivity. In New York, the top 1% has the lowest tax burden of any income bracket.¹³³ New York's tax code adds to the regressivity of the federal tax code. According to the Institute on Taxation and Economic Policy "incomes are more unequal in NY after state and local taxes are collected than before."¹³⁴

3. The corporate sector, particularly the financial industry, has grown larger while paying less in taxes

In the post-war period, New York was a manufacturing town. By the late 1960s, however, that began to change. Over the past forty years, the financial industry has grown exponentially and now makes up over 28% of New York's entire economy.¹³⁵ Trading volumes have massively increased, much of it being speculative and destabilizing, as the public learned in the aftermath of the Great Financial Crisis a decade ago.

Despite the relentless growth of their wealth, corporations have been repeatedly bailed out and seen their tax rates plunge. For instance, Governor Cuomo lowered the New York corporate tax rate from 7.1% to 6.5% in 2014. The corporate tax rate had not fallen below 7% since 1968, until the Cuomo administration's 2014 amendment.¹³⁶ The same year, Governor Cuomo gave the financial industry a huge tax break by lowering taxes paid by banks. Based on NY State Tax Collections data, corporate and business tax income made up 18-20% of total state tax collections in the 1993-1997 period. In the 2016-2020 period, corporate and business tax income has plunged to just 8-10% of total state tax collections.¹³⁷

Furthermore, New York corporations continue to amass tax breaks and subsidies that do little to improve the state's economic dynamism. According to a 2017 study by an economist at the Upjohn Institute for Employment Research, New York's tax incentives are the highest in the country as a share of gross taxes (greater than 75% of the state's gross taxes) but the second-least effective¹³⁸. New York awarded \$8.3 billion in economic development incentives in 2015 alone, equivalent to as much as the next three states combined.

However, numerous studies have shown that tax incentives to corporations do not lead to statistically significant effects on job creation, wages, or economic prosperity.¹³⁹ Cuomo's own 2013 tax commission found that corporate tax incentives "may not result in a good return on investment."¹⁴⁰ It is time to put an end to massive corporate welfare programs that have not led to a stronger economy and instead raise taxes on the corporate and financial sector.

4. New York's economic policy has uniquely disadvantaged communities of color and is a key contributor to the racial wealth gap

Another aspect of New York's economy motivates this proposal: the unique ways it has disadvantaged Black and Brown communities. In the late 1960s, as manufacturing was declining, racist housing policies effectively denied Black families opportunities to meaningfully accumulate economic wealth.¹⁴¹ The white flight of the 1970s exacerbated the consequences of this wealth gap as predominantly white families were able to live in suburban areas where their relatively larger tax base could fund higher quality public services, and in particular fund higher quality public schools, as compared to predominantly Black and Brown families that remained in New York's urban centers.¹⁴² To appreciate the extent of white flight, consider that in the ten year period between

1970 and 1980, the white population in the Bronx dropped nearly 50% from 1.05 million to 554,000.¹⁴³ The massive disparity in wealth amongst white families and Black families in New York is in part a result of this legacy.¹⁴⁴ New York is currently, the most unequal state in the United States,¹⁴⁵ and the racial wealth gap in New York is extreme. Among the richest 10% of all families in New York, white families make up nearly 80%, with Black and Latino households comprise only 5% each.

Compounding this inequality, over the past forty years, New York has seen the slow reversal of suburbanization. In parallel with the explosive growth of the finance and real estate industries, the past few decades have seen a flood of young, educated workers moving back into New York City. This has put a tremendous pressure of gentrification into urban areas, further taking a toll on Black and Brown communities who have faced mass eviction and displacement.¹⁴⁶

The cumulative effect has been the relegation of Black and Brown communities into positions of lower income, great precarity, and reduced opportunities for wealth accumulation. Consequently, each tax cut for the wealthy - which moves New York further from a progressive tax system - exacerbates the burden on Black and Brown communities to fund the public budget.¹⁴⁷

Meanwhile, as these tax cuts reduce revenue, the ensuing budget cuts disproportionately harm Black and Brown communities that rely on government jobs and other public services.¹⁴⁸ The current administration's regressive approach to fiscal policy, then, does not just have negative effects on our economy as a whole - it also uniquely harms Black and Brown communities. Enacting progressive tax reform that would meaningfully fund the public budget is not just a matter of responsible fiscal policy, it is also a matter of racial justice.¹⁴⁹

C. New York must update its tax code on high incomes, wealth, and big businesses to recover and build a strong economy

The Invest In Our New York tax proposal is motivated by the highly regressive nature of New York's state tax system, the dominance of the finance and real estate industries, and decades of government policy that enabled a massive transfer of wealth away from working class people - and particularly Black and Brown communities - and towards the richest families in the state. By reforming New York's tax system and restoring its progressivity, the state can finally have a public budget commensurate with the size of its economy and begin to undo the harm caused by decades of underfunding critical public services. This proposal amounts to a massive investment in New York's future and will allow for the creation of an economy resilient to future crises. Fortunately, the historical conditions that have produced our current crisis also dictate a simple solution: **New York must reform the tax code as it applies to (1) high incomes, (2) accumulated wealth, and (3) the corporations and financial industries that have benefited from numerous federal bailouts.**



IV. INVEST IN OUR NEW YORK ACT

1. PROGRESSIVE INCOME TAX

Creates an equitable a tax system where New Yorkers pay a higher rate if they earn significantly more money.

RAISES: \$12-18 BILLION

New York State has previously had a progressive tax code. In 1972, the state tax code included a personal income tax with fourteen brackets, ranging from a low of 2% to a high of 15%.¹⁵⁰ However, in the 1970's, New York cut the number of brackets on the top end and narrowed the range of the tax, essentially creating a flat tax. The result is four different tax brackets that apply to individuals earning less than \$21,400, with rates within those brackets ranging

from 4% to 6.21%. In other words, there is a progressive tax system for individuals earning below \$21,400 in income per year. Meanwhile, individuals with incomes between \$21,400 and \$1,077,550 all pay roughly the same tax rate of 6.5%.

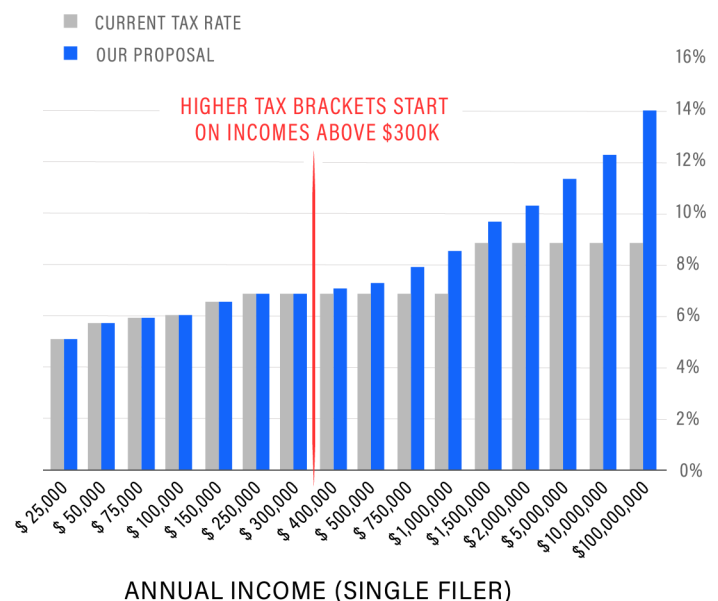
This system would make sense in an economy where \$21,400 is a very high salary. Today, however, \$21,400 is less than the annual salary of a minimum wage worker. Moreover, because of the growth of the financial industry, six figure base salaries have become common for the top 5% of earners. By not adjusting to this reality, New York's income tax system has given high earners a tax break for

New Yorkers will barely feel the change

New York's average income tax rate by income level, current vs. proposed

Source: NY Department of Taxation and Finance

INCOME	CURRENT TAX RATE	OUR PROPOSAL	ADDITIONAL INCOME TAX
\$25,000	5.06%	5.06%	\$0
\$50,000	5.64%	5.64%	\$0
\$75,000	5.83%	5.83%	\$0
\$100,000	5.98%	5.98%	\$0
\$150,000	6.49%	6.49%	\$0
\$250,000	6.85%	6.89%	\$0
\$300,000	6.85%	6.85%	\$0
\$400,000	6.85%	7.01%	\$650
\$500,000	6.85%	7.21%	\$1,800
\$750,000	6.85%	7.71%	\$6,925
\$1,000,000	6.85%	8.41%	\$15,550
\$1,500,000	8.82%	9.60%	\$11,750
\$2,000,000	8.82%	10.20%	\$27,650
\$5,000,000	8.82%	11.28%	\$123,050
\$10,000,000	8.82%	12.14%	\$332,050
\$100,000,000	8.82%	13.81%	\$4,994,050



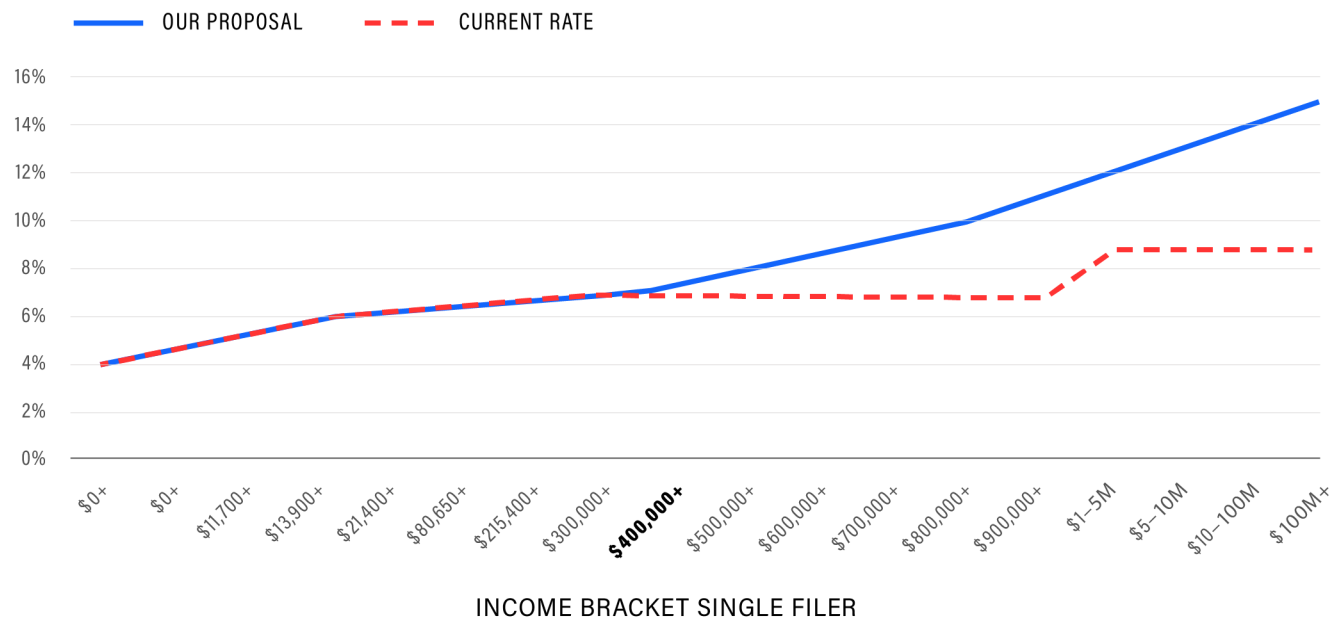
OUR PROPOSAL: INVEST IN OUR NEW YORK ACT

ANNUAL INCOME (SINGLE FILER)

This creates a truly progressive income tax

Top marginal tax rates, current vs. legislative proposals

Source: NY Department of Taxation and Finance



decades. Their incomes have grown exponentially, but the tax code has not kept pace.

It does not make economic sense to tax a New Yorker earning \$21,400 at the same basic rate as a New Yorker earning \$1,000,000. The reason is that the burden of the same tax rate is felt very differently depending on your actual income. A person that earns \$25,000 per year, and pays 5% of it in tax, pays \$1,250 per year. That amount of money, for a person in that income bracket, is substantial - and if they had it, would be immediately used to pay for critical necessities. Meanwhile, a person earning \$1m per year who faces a 5% tax, would still be left with \$950,000. The additional \$50,000 that they forego would not measurably affect their life. For this reason, a flat tax is inherently regressive: placing a much higher burden on those with lower incomes. A progressive tax system distributes tax burden more fairly by increasing tax rates as incomes rise. For example, an individual earning \$1 million per year who faces a 20% tax would still be left with \$800,000. The burden on that person, even though their tax rate is higher, is likely less than then a 5%

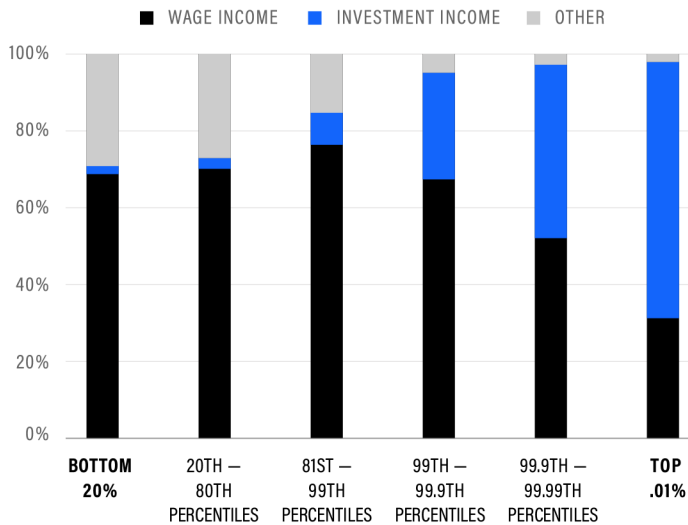
tax on an individual earning \$25,000 per year. The low wage worker might be able to afford the necessary meals they need per week and pay for utilities they need to heat their apartment with an additional \$1,250 per year. Meanwhile, the person earning \$1 million per year would not similarly feel the difference.

The proposed Progressive Income Tax creates a progressive income tax system with new brackets starting at \$300,000 per year for individuals - and starting at \$450,000 for married filers. The brackets would be added in \$100,000 increments to \$1 million. The Progressive Income Tax also creates additional tax brackets for extraordinary high earners of \$10 million and \$100 million. Importantly, over 95% of New Yorkers would see no change to their income tax rates. And for those that do, the effect will be minimal. For example: an individual earning \$400,000 per year would pay an additional \$650 per year. Creating a true progressive income tax system is a long overdue correction of a deeply regressive tax code.

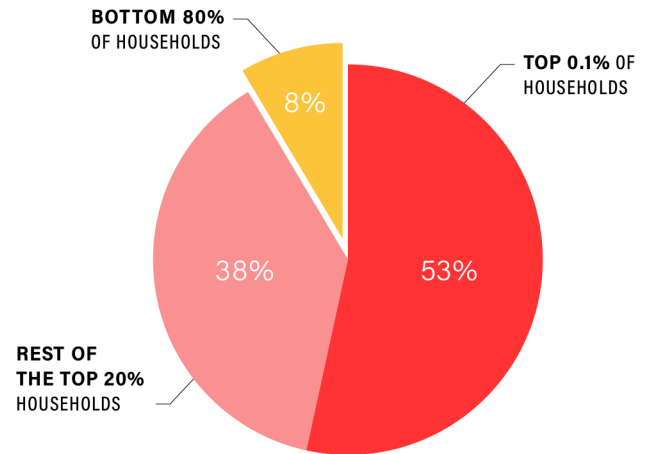
The wealthy derive most income from capital, not wages

Source: Congressional Budget Office

LABOR AND INVESTMENT INCOME
AS A % OF TOTAL INCOME, 2017



CAPITAL GAINS EARNED BY INCOME PERCENTILE
AS A % OF TOTAL CAPITAL GAINS, 2017



2. CAPITAL GAINS TAX

Taxes income from investments like stocks the same as wages.

RAISES: \$7 BILLION

Most New Yorkers make the majority of their income by working jobs. The wages they earn are called "ordinary income." However, very wealthy people bring in a substantial amount of their income not from going to work, but from selling their stocks and other investments.¹⁵¹ The income people make through their investments is called "capital gains." There is no reason these two types of income - income from work and income from investments - should be taxed at different rates - yet the federal government does just that.¹⁵² The federal government taxes income from "capital gains" at a much lower rate than the "ordinary income" that most New Yorkers make at their jobs. This practice led to Warren Buffet famously explaining that he pays less taxes on the millions of dollars he earns every year (from capital gains) than every other person that works for him does on the wages they make at their job.¹⁵³ The preference that the federal government gives capital gains amounts to a huge tax break that is only available to the extremely rich, because nearly

all of the capital gains that are accumulated every year go to the top 1%. Consequently, those in the top 1% of earners get what amounts to a 5% yearly raise as a result of federal policy; those in the top 0.1% get what amounts to an 8% raise.¹⁵⁴ Meanwhile, the bottom 80% of workers receive absolutely no benefit from the preferential treatment that capital gains receives from the federal government.

The federal capital gains preference is one of the most regressive parts of our entire tax code and the Federal government should end it immediately. It is worth noting that proposing to end the capital gains preference at the federal level is not controversial and, in fact, is part of Joe Biden's tax platform.¹⁵⁵ Unfortunately, there is little chance the federal government will be able to pass such a reform.¹⁵⁶ Therefore, New York should counteract regressive federal tax policy by adding a tax to capital gains income earned by New Yorkers that's equal to the tax break they get from the federal government (between 9-17% depending on the income tier). This is a very simple and fair way for New York to generate \$7 billion per year.

3. HEIRS' TAX

A progressive tax on large sums of inherited wealth.

RAISES: \$8 BILLION

Similar to capital gains, many wealthy people make their money not from going to work, but from inheriting enormous sums of money from their family. Currently, in New York, a person can gain \$5 million in one year through inheritance and pay no tax on it. Meanwhile, regular working people pay taxes on the entirety of the income they make each year: the income they make from work. It makes simple, economic sense then to tax inheritances, which amount to unearned income.¹⁵⁷

However, it is important to distinguish between two kinds of wealth that families may leave behind: the kind of wealth a working-class family earns over a lifetime of hard work so that they are able to provide for their children, and the wealth a select few amass. As a society we want families to be able to altruistically provide their children with basic necessities so that they can live comfortable and productive lives. As a matter of economic policy it is sound to tax large masses of inherited income, as

mass pooling of untaxed income in the hands of people who do not use it productively serves as a drag on economic growth.¹⁵⁸ That money provides much greater economic benefits if it is used by the public sector to pay for infrastructure, health care, education, housing.¹⁵⁹

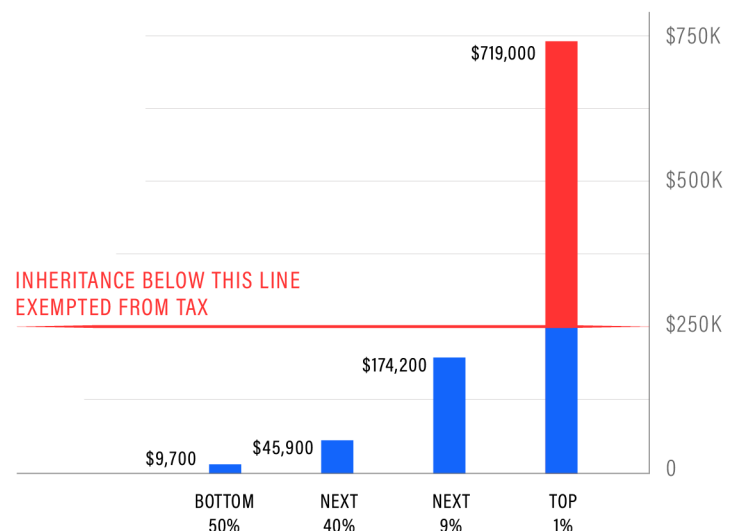
Additionally, given the instrumental role that government policy has had in denying Black and Brown communities meaningful opportunities to accumulate economic wealth, for reasons of racial justice it is appropriate to impose progressive taxes on that accumulated wealth at the point it is passed from generation to generation.¹⁶⁰

New York currently places a small tax on very large estates when a person dies. As a result, people in New York are allowed to inherit multi-million dollar estates as tax free income.¹⁶¹ New York should replace its current regressive approach to taxing estates. Instead of taxing the estate of a person who dies, the tax should be placed on what amounts to the unearned income that heirs of inheritances receive.¹⁶²

Most New Yorkers wouldn't be affected by an increased tax on inheritances

Under our proposal, of those few people who do receive inheritances, most would still pay no taxes on it. Only the top 1 percent of inheritances would be affected, and only amounts in excess of \$250,000. This ensures that inheritances of working class and middle class New Yorkers would not be affected.

Source: Federal Reserve Board, 2019
Survey of Consumer Finances



New York should replace its current regressive approach to taxing estates with a system of progressive taxation on inheritances. In light of typical estate sizes in New York, which give an indication of what inheritance sizes would look like, it is appropriate to start the tax on inheritance amounts received over \$250,000. This ensures that inheritances of working class and middle class New Yorkers would not be affected. Only inheritances with a value above \$250,000 would be taxed, at a low rate of 2.5%. The rate would increase for inheritances over \$1,000,000, which are almost entirely received by already wealthy individuals.

This policy targets extraordinary intergenerational wealth that is passed on to already-wealthy family members as unearned, and untaxed, income. It does not touch the wealth that working-class families build so they're able to leave something to help their children. For that reason, retirement funds and pension funds are not subject to the tax. Further, because of unique situations around primary family residences owned in rapidly gentrifying areas in New York City, an exemption for primary residences of \$2 million is necessary for inheritances that are below \$5 million. For example, if a family has lived in Prospect Heights in Brooklyn for a generation and has seen the value of its townhouse increase to \$2 million, a child may receive that family house as an inheritance without owing tax on it. A similar exemption for family farms is appropriate, as New York is home to thousands of family farms that - because of the value of land and farm equipment - would otherwise be included in this tax. Consequently, inheritances of less than \$5 million that are predominantly made up of functioning family farms are similarly exempt.

In New York, the top 1% currently have the lowest tax burden of any income bracket.

4. BILLIONAIRES' TAX

Constitutional amendment to allow a wealth tax and an additional tax on billionaires

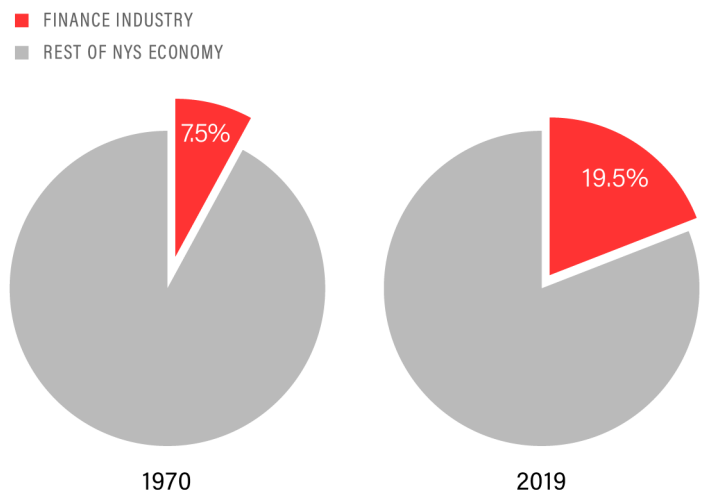
RAISES: \$23 BILLION in the first year, \$1.3 billion per year thereafter

New York already has a wealth tax in New York: it's called the property tax. Every year, homeowners pay a small percentage of the value of their homes in taxes. Most people, however, are not aware that their "intangible" property - for example, stocks and investment portfolios - cannot be taxed under New York laws. The reason is that the New York constitution specifically prohibits taxing "intangible personal property." Troublingly, it is precisely "intangible" property that makes up nearly all the wealth of the richest people in New York. Whereas middle-class homeowners face a wealth tax year-after-year, New York's wealthiest residents are allowed to hold onto their wealth essentially

The finance industry is a significant part of New York's economy but goes largely untaxed

The finance industry has disproportionately benefitted from the economic growth of the last 40 years.

Source: US Bureau of Economic Analysis



tax free because New York is not allowed to tax their “intangible” property. We must amend the New York Constitution to permit a wealth tax that applies to the wealthiest New Yorkers, not just homeowners.

In the meantime, there is an innovative way to tax some of the accumulated wealth of extraordinarily rich New Yorkers. As previously mentioned, capital gains are the income individuals earn when they sell their assets. From an accounting perspective, however, when an asset gains value it is fair to treat the amount gained as income. As a practical matter, wealthy people often use the value of their assets for income: securing lines of credit based on the amounts their assets have appreciated. In accounting, treating the amount that an asset has appreciated as income is called “mark-to-market”. It is appropriate, then, for New York to “mark” the value of assets that have appreciated to the “market” and tax it as income. This proposal, then, would place a yearly income tax on the appreciated value of the assets of New York’s 120 billionaires. During Covid-19 alone, New York’s 120 billionaires saw their wealth increase by \$77 billion, to a total of \$600 billion.

5. WALL STREET TAX

Small tax on Wall St. financial transactions

RAISES: \$12-29 BILLION

New York’s approach to business taxation has not responded to fundamental changes in the composition of its economy. In the 1970s and earlier, New York’s economy was oriented towards manufacturing. Since then, however, the manufacturing sector has shrunk, while finance has grown rapidly. The financial industry now accounts for 20% of New York’s economy. Other comparable financial centers - in Hong Kong and London - have for years imposed a small tax on financial transactions that occur in its markets. This is similar to the small sales tax consumers pay when buying candy bars at the supermarket.

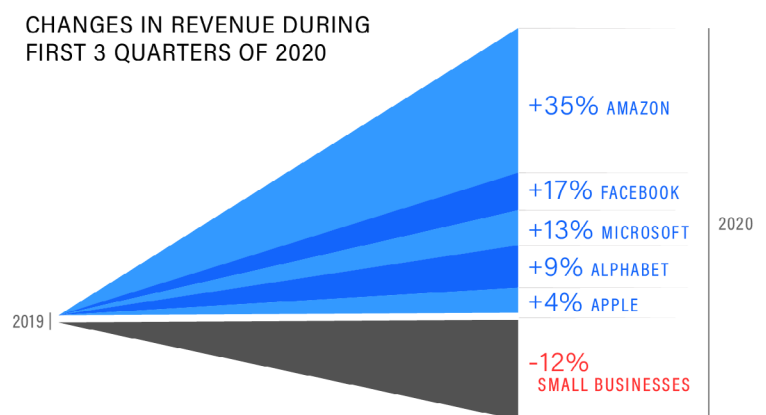
New York should similarly impose a small tax on the trades of stocks, bonds and derivative financial instruments, thus covering the wide variety of assets traded in sophisticated modern-day financial markets.

It is important to note that this proposal does not call for the development of a new tax. In fact, New York was one of the early adopters of taxes on the transfer of stocks imposing such a tax for the first time in 1905. For decades that stock transfer tax was in effect, until 1981, when it was effectively repealed through a provision that gave investors a 100% rebate on the tax. As a practical matter, the 1905 Stock Transfer Tax is not fit for New York’s

The "Big Five" tech corporations have profited while small businesses have folded

Amazon, Facebook, Microsoft, Apple and Alphabet generated \$38 billion in profits in the third quarter of 2020 alone. Meanwhile, these and other corporations laid off thousands of workers during the pandemic, meaning those profits largely went directly into shareholders' pockets instead of back into the economy.

Source: The Washington Post, "America's biggest companies are flourishing during the pandemic and putting thousands of people after work," December 16, 2020



2020, 1ST TO 3RD QUARTER: 2019 CHANGE DIFFERENCE

modern financial industry, which involves trades of more than just stocks, but also bonds and derivatives. Further the rate structure developed in 1905, does not map on well to the volume or size of current trades.

6. CORPORATE TAX

*A bill to repeal the Trump tax cuts,
by restoring taxes on the profit
a corporation makes each year*

RAISES: \$9 BILLION

In 2017, President Donald Trump passed a tax bill that included a massive giveaway to corporations. The corporate tax rate had been 35% since 1993, and Trump reduced it by nearly half, to 21%.¹⁶³ The result was that very large corporations were able to gain billions of additional dollars in profits by paying lower tax rates than they had in forty years¹⁶⁴; yet almost the entirety of those excess profits benefited shareholders - not workers or consumers.¹⁶⁵ As part of the same tax cuts, Trump provided corporations a second break in the form of a 20% income tax deduction for certain kinds of businesses; particularly the kinds of real estate development businesses that Trump himself owns.¹⁶⁶

New York can offset the huge tax break Trump gave corporations at the state level, so that in New York businesses will pay the rates they did before 2017. It is important to remember that corporate tax applies to the profits of corporations. In light of the pandemic, the effect of this proposal is to increase the tax burden of those corporations that have benefited from the pandemic - and are thus in the best position to contribute. It will have no effect on businesses that are struggling.

New York's 120 billionaires have a net worth of \$600 billion—and grew \$77 billion richer during the pandemic.

APPENDIX A:

NOTE ON CAPITAL FLIGHT

Comprehensive research reveals millionaires are the least mobile part of a state's population and the least likely to move in the face of a tax increase.

In 2009, when New York State legislators proposed a progressive tax on the state's highest earners, millionaires like Donald Trump argued that it was "foolish" and would "force rich people to move to Florida."¹⁶⁷ Once the tax passed, Trump explained that it would be a "disaster for the state" and that, "you're talking about millions and millions of dollars for some people that really have other options."¹⁶⁸ Over the past decade, Governor Cuomo has repeatedly echoed these same talking points in response to suggestions that the state should increase taxes on the wealthy, arguing that: "if you take people who are highly mobile, and you tax them, well then they'll just move next door."¹⁶⁹

The premise that the rich will flee New York if taxes are raised has been widely disproven by economists. As a factual matter, the result of New York's 2009 tax increase was not a mass migration of New York millionaires to Florida. Instead New York State saw its number of millionaires more than double in the 10 years following the tax increase: from 27,730 in 2009¹⁷⁰ to 57,210 in 2018.¹⁷¹

In fact, whenever a state proposes a tax increase on its wealthy residents, it is common practice for the business lobby to promote the same set of talking points that the rich will flee, and it is similarly common for the number of millionaires to increase after the tax is imposed. In 2004, New Jersey passed

a tax on its highest earners; from 2003 to 2006 it's millionaire population grew by over 50%.¹⁷²

Similarly, in 2005, California passed a tax on its highest earners; from 2004 to 2007 its millionaire population also grew by over 50%.¹⁷³

The premise that the rich will flee New York if taxes are raised has been widely disproven by economists.

The reason for this is that millionaires are not, as Cuomo and Trump suggest, the most mobile part of a state's population. Rather, millionaires are the least mobile part of a state's population and the least likely to move in the face of a tax increase.¹⁷⁴ The most comprehensive study of the migration patterns of millionaires establishes this fact.¹⁷⁵ Stanford professor Cristobal Young, in cooperation with the Department of Treasury, reviewed all tax returns of all individuals who earned over \$1 million per year from 1999 to 2011. This dataset included 45 million records and enabled Young to track each individual tax filer's year-to-year returns. Young found that only 2.4% of millionaires move in a given year - less than the regular population. Further, there was no meaningful difference in the tax rates of the states the millionaires moved to. In other words: millionaires are as likely to move to a state with higher or equal tax rates, as they are to move to one with lower tax rates.

There are three highly intuitive reasons that explain this reality. First, very high earners are much more likely to be advanced in their careers and, thus, older than lower income earners. Further, they are much more likely to be married and to have children than their lower income and younger counterparts. These factors - age, marriage, and children - all serve to massively inhibit migration. In reality: it is not older, high earners that are highly mobile - it is younger people who are not tied to a place by career or family. Consequently, a person in their late 20s is three times more likely to move to a different state in a given year than a person over the age of 40.

An additional factor uniquely inhibits the ability of high-earners to move. Their job is much more likely to be tied to the unique environment and social relationships they've developed in the place they live. Consider a low-wage worker that works in retail for a big box store deciding to move from one state to another. Their job is highly portable and the skills involved are highly useable in a similar store in a different state. On the other hand, consider a partner at a law firm - who may be earning over \$1 million per year. That individual is more likely to have developed skills and knowledge that fit uniquely to the business environment - and the rules of the game - of the particular place they work. Further, the various social networks, trust-relationships, reputational gains a high-earning person has made are much more likely to be intertwined with their professional life - and the particular place that their professional life has developed. All of this human, social, and cultural capital that a high-earner has amassed does not travel well - and loses much of its value in a new environment. As Young explains: "the tax flight argument often relies on a notion of the 'idle rich,' who are simply looking for the best harbor to temporarily moor their yacht... A more accurate image of most high-income earners is of the 'working rich'. Most of their income is from long personal investments in a career or business line that are place-specific rather than portable."¹⁷⁶

Given how migration actually works, the least productive action New York could take for its future economic growth - and for its future supply of millionaires - is to cut budgets in the face of deficits rather than progressively tax its highest earners. The reason is: New York's highest earners are least mobile and, therefore, least likely to move in response to economic conditions. However, New York's youngest earners - those starting out their careers - are most likely to move. These young, lower-income earners are not affected by tax increases on salaries far above their own. However, they are affected by whether or not the state they live in can provide basic services like affordable housing, health care, quality infrastructure, reliable public transportation, and the promise of effective public education. A state that provides those services is much more likely to retain a new generation of workers who, as their careers advance, will earn higher incomes - and consequently become more attached to the place they live and less likely to move. In this way, a progressive tax system enables high-income earners who have benefited from the unique opportunities of the place they live to help fund the public services that the generation that follows will disproportionately depend on as they seek their own opportunities.

APPENDIX B: NOTE ON PROPERTY TAXES

Substantially increasing the size of the state budget will also reduce pressure on localities to increase property taxes.

In the face of drastic cuts in state aid to localities, many localities will have to increase property taxes to make up shortfalls. As an example, Tompkins County, which includes Ithaca, has already done so. “We wouldn’t have had a property tax increase if we didn’t have such an unknown,” a Tompkins County administrator explains.¹⁷⁷ Forcing localities to raise property taxes will further entrench a regressive tax system. Property taxes in New York attach to the value of property, not to a household’s ability to pay. As a result, many individuals and families in New York pay an unsustainably large share of their income in property taxes. Therefore, rising local property taxes are particularly onerous for those with low and moderate incomes, those who rely primarily on fixed incomes living in places where property values—and thus property tax assessments—have risen rapidly, and those who have suffered a sudden decline in income, such as the newly unemployed. Those conditions attach to a large number of homeowners in New York as a result of the unique economic conditions in our state. In order to address this situation, the legislature must adopt a “circuit-breaker” that would provide a property tax credit tied to income levels. This would make the state’s property tax system much more progressive by maintaining it for those with the greatest ability to pay and crediting those whose income is not commensurate with the value of

their homes. In tandem with a “circuit-breaker,” the best thing that state can do to help middle-class property owners is significantly increase the size of the state budget so that New York can fulfill its financial obligations to localities, who otherwise will have to raise property taxes.



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- Strong Economy For All Coalition
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- Vocal New York

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