

# BREAKING THE BANK

Why a \$4.6 Billion Tax Break  
for the Wealthiest New Yorkers  
is a Bad Deal for the Empire State

*Part of the series **ABCs of the New York Economy***

*from the Center for Working Families*

# You've probably heard ...

- ... New York faces a multi-billion dollar budget hole.
- ... Local property taxes are crushing many low and middle income families.
- ... Education, health care, and infrastructure projects – the public investments that fuel our state's economic engine – are on the chopping block.

Is this the right time for more tax breaks  
for the wealthy?

# Current state tax rates for incomes over \$200,000 are **generating \$4.6 billion per year**

Year	Revenue from tax provisions on high incomes <sup>+</sup>
2009	\$3.83 billion
2010	\$4.99 billion
2011	\$4.94 billion
3-year Total	\$13.76 billion
<b>Annual Average</b>	<b>\$4.59 billion</b>

<sup>+</sup>Figures include \$100-300 million per year due to limiting deductions for incomes over \$1 million.  
Source: New York State Division of Budget estimate

# What is \$4.6 billion worth?

\$4.6 billion could pay for any one of these priorities:

Over 20% of the State's aid to schools statewide

25% of the State's contribution to Medicaid statewide

2 years of state funding for foster care, adoption, child care and child protective services

Over 50% of state funding for SUNY, CUNY, and tuition aid

Nearly 2 years of state funding for bridges, highways, road maintenance, and DMV operations

More than 3.5 years of social services for low-income families

100% of state funding for mass transit statewide

50% of the state's projected deficit\*

*Figures reflect State Operating Funds, New York State Division of Budget*

*\*The state's deficit projection of \$9 billion assumes a 23.2% increase in spending (\$12.5 billion) in fiscal year 2011-2012.*

## \$4.6 Billion would pay for all these investments – combined:

Direct Property Tax Relief for 2.26 million struggling households (income-sensitive circuit breaker) - \$2.4 billion	<b><i>and</i></b>
150 after school programs for 10 years - \$57 million	<b><i>and</i></b>
300 new fire trucks across the state - \$170 million	<b><i>and</i></b>
3 months unemployment benefits for the 125,284 New Yorkers whose benefits ran out - \$640 million	<b><i>and</i></b>
A full year's SUNY tuition for 50,000 high school graduates - \$250 million	<b><i>and</i></b>
Over 2 million meals a year to home-bound New York City seniors for 10 years - \$133 million	<b><i>and</i></b>
Fully funding the Upstate Revitalization Fund to support small business loans; bridges and rail transit work; city development and affordable housing - \$1 billion	

Sources: Fiscal Policy Institute, New York Times, Buffalo News, Watertown Daily Times, New School for Social Research, City Meals on Wheels, Associated Press, New York State Division of Budget



**OR \$4.6 billion could pay for tax breaks for just 3% of New Yorkers – making over \$200,000 a year:**

**NOW...**

**... BUT if Albany Fails to Act This Year**

If Your Taxable Income* is over	Your Top Tax Rate is
\$20,000+	6.85%
\$200,000+	7.85%
\$500,000 and up	8.97%

If Your Taxable Income* is over	Your Top Tax Rate will become
\$20,000	6.85%
\$200,000	6.85%
\$500,000 and up	6.85%

\*Taxable income is less than all your income. Taxable income is the amount left after personal exemptions, deductions, and allowable adjustments are taken out.

+These income levels apply to single filers. For families filing jointly, the 6.85% rate applies for incomes over \$40,000 and the 7.85% rate applies for incomes over \$300,000. The \$500,000 level applies to all filers.

# What would these tax breaks really mean?

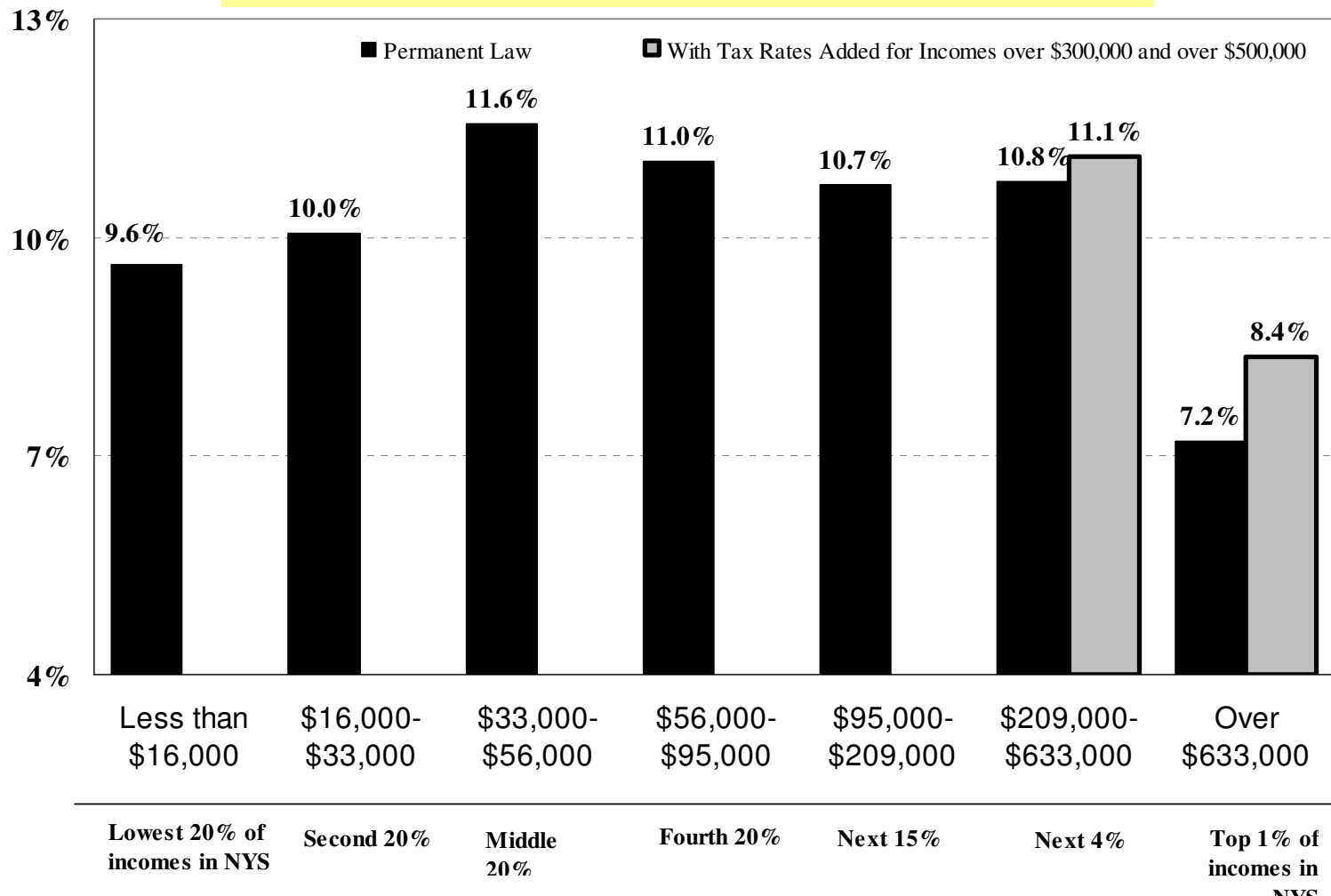
*The median total annual income for New York households is **\$56,000** -- or about **\$1100** a week for the average family.*

A Household Income of...	Means a <b>Weekly</b> Income of...	Eliminating Tax Rates on Top Incomes will give these families...*	
\$24,000	\$462.00	<b>\$0</b>	
\$40,001	\$769.00		
\$150,000	\$1,923.00		
\$350,000	<b>\$5,769.00</b>	\$67 <i>more per week</i>	\$3,500 <i>more per year</i>
\$550,000	<b>\$9,615.00</b>	\$224 <i>more per week</i>	\$11,660 <i>more per year</i>
\$1,000,000	<b>\$19,231.00</b>	\$408 <i>more per week</i>	\$21,200 <i>more per year</i>

\*These figures reflect taxable incomes of \$350,000, \$550,000, and \$1,000,000. The same family's total income - or gross income - would be higher.

# Even with the current rates, the wealthiest New Yorkers **still** pay **less** than everyone else.

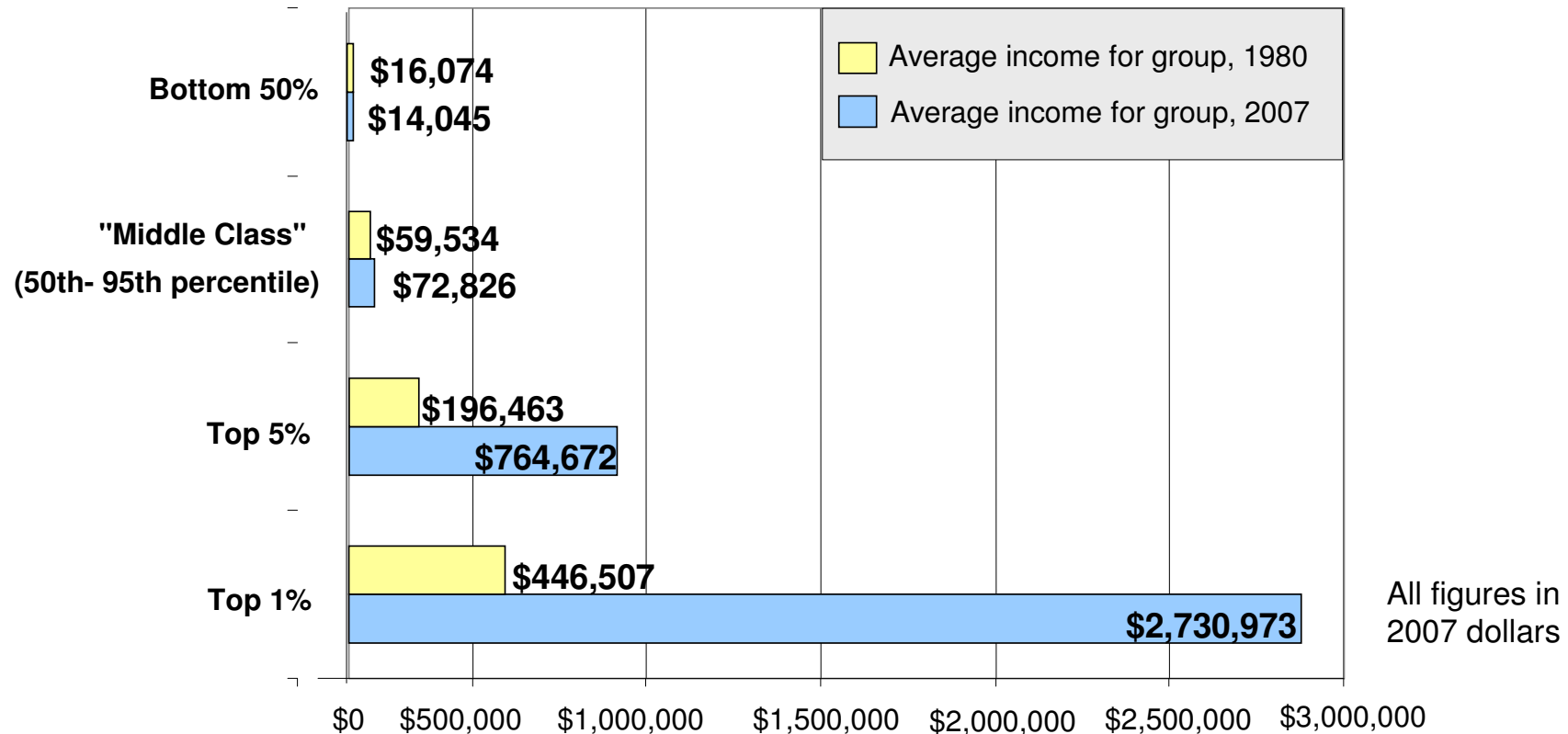
How much of a family's paycheck goes to New York sales, property, and income taxes combined?



Source: Institute on Taxation and Economic Policy, 2009.

# Meanwhile, New York faces the greatest income divide of all 50 states – and that divide is accelerating.

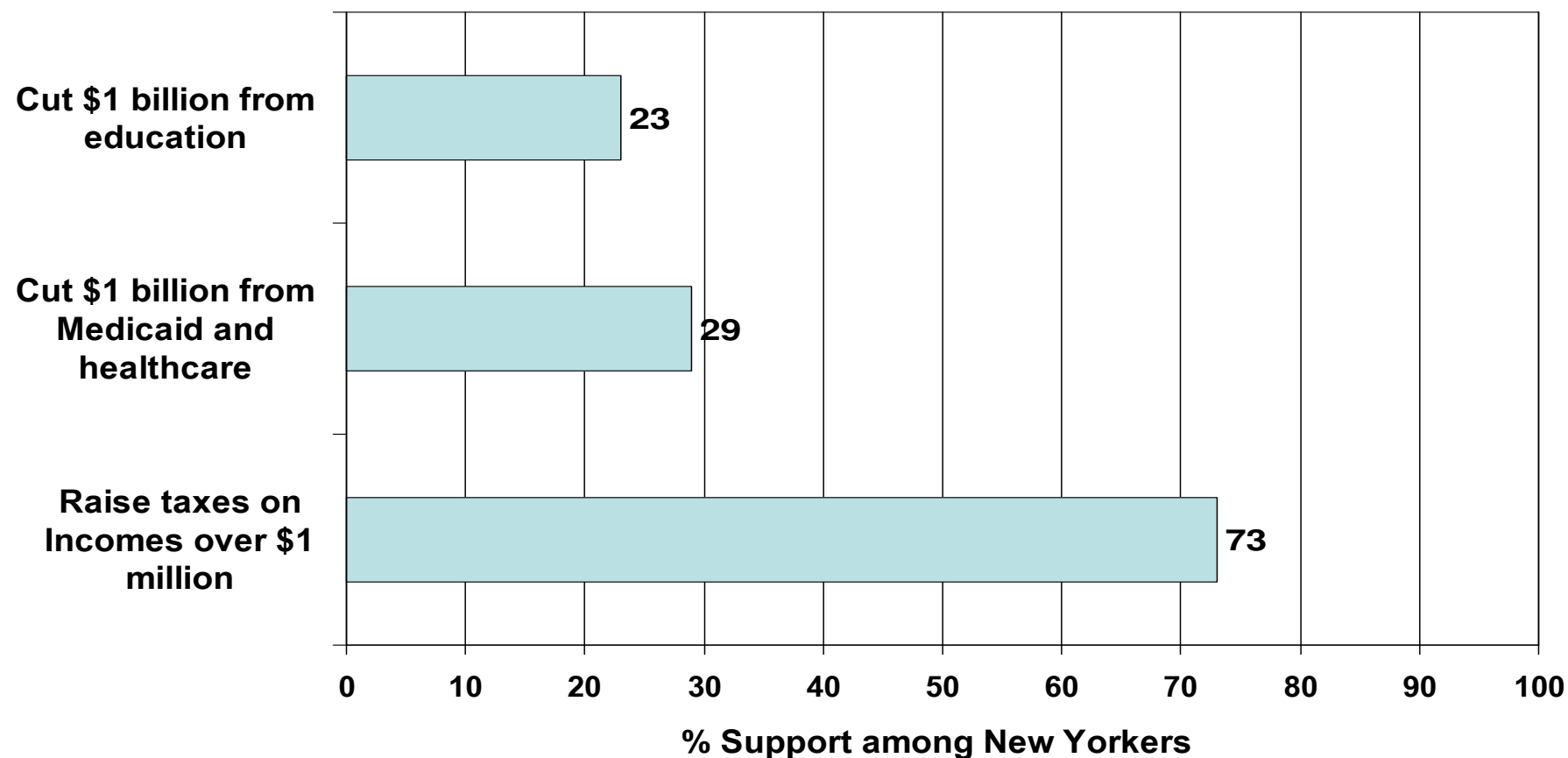
Change in average New York State incomes by group, 1980-2007



Incomes for the richest one percent of New Yorkers have grown 10 times as fast as incomes for middle-class New Yorkers. Incomes for half of all New Yorkers – the poorer half – are actually *lower* than they were in 1980.

Source: Fiscal Policy Institute analysis, "Grow Together or Pull Further Apart? Income Concentration Trends in New York"

So it's not surprising that **3 out of 4 New Yorkers support raising the tax rate on incomes over \$1 million to close the deficit.** Only 23% support cutting education funds, and only 29% support cutting health care.



*December 2010 Siena poll, asking New Yorkers if they would approve of these actions to help close the state's \$9 billion deficit.*

# Adding **just 1 percent** to today's rates for incomes over \$1 million ...

If Your Taxable Income* is over	Your Top Tax Rate would be
\$40,000	6.85%
\$300,000	7.85%
\$500,000	8.97%
<b>\$1,000,000*</b>	<b>9.97%</b>

...would generate **\$1.4 billion *more*** per year.

**\*The wealthiest New Yorkers just got a major tax break: an average windfall of \$124,000 per year, from the federal extension of the Bush-era high-income tax cuts.**

Sources: Fiscal Policy Institute; Citizens for Tax Justice

# Education, infrastructure, and quality of life matter to millionaires too ... more than taxes!

... Millionaire populations and densities of Hawaii, Maryland, New Jersey, California and New York increased in 2010 from 2009.

“It is remarkable that the same four states have topped our millionaires ranking for three years running,” says David Thompson, Managing Director of the Phoenix Affluent Market.

**“Most high-net-worth households don’t base their living decision on tax rates, but on things like quality of life, access to good education, infrastructure and culture.”**

**–The Wall Street Journal, Sept 28, 2010, “High-Tax States Still Grow Millionaires”**

**The Legislature and the Governor must act this year  
to keep tax rates for top incomes –**

**If Albany fails to act, New York will fall \$4.6 billion deeper in the hole  
and fall short on our responsibility to balance a budget  
that invests in New York State and New York's working  
families,  
– not in budget-busting tax breaks for the wealthy.**

**IT'S SIMPLE.**

**IT'S RIGHT FOR NEW YORK'S STATE  
BUDGET.**

**IT'S RIGHT FOR NEW YORK'S ECONOMY.**

**IT'S RIGHT FOR NEW YORK'S VOTERS.**

**IT'S RIGHT FOR NEW YORK'S WORKING  
FAMILIES.**