

Our New York State Budget: A Little Context on the Big Picture

New York faced a multi-billion dollar budget hole this year

...and the year before that,

and the year before that...

What's punching all the holes in New York's budget?

- ✓ **Several rounds of tax cuts in the 1990s and 2000s:**

In 2008, New York would have had \$20 billion more revenue.

- ✓ **The Financial Crisis:**

State and municipal financial investments have taken a big hit.

- ✓ **The Great Recession:**

Many more New Yorkers are relying on public services for essential needs like health care and food.

How did New York close the gaps?

In 2009, New York closed the budget gap in three ways:

- ✓ One-third came from cutting funding.
- ✓ One-third came from raising revenue - with the “millionaires tax”.
- ✓ One-third came from other actions, mostly the federal stimulus.

2010's budget gap:

- ✓ Two-thirds was made up by funding cuts.
- ✓ Only 15% was made up by raising revenues.

2011's budget gap:

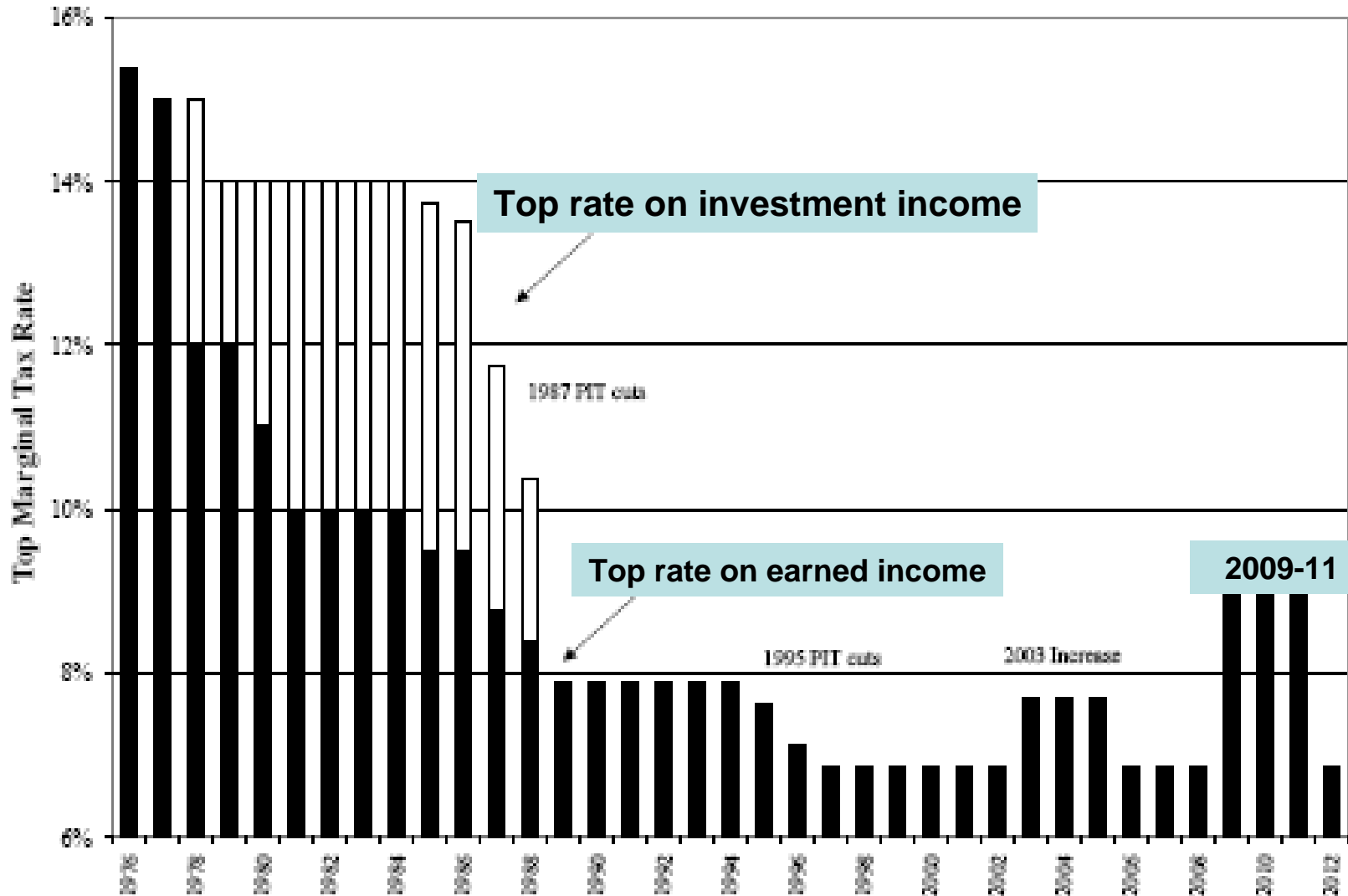
- ✓ 85% was made up by funding cuts.
- ✓ Only 3% was made up by raising revenues.

Does New York have a budget crisis?

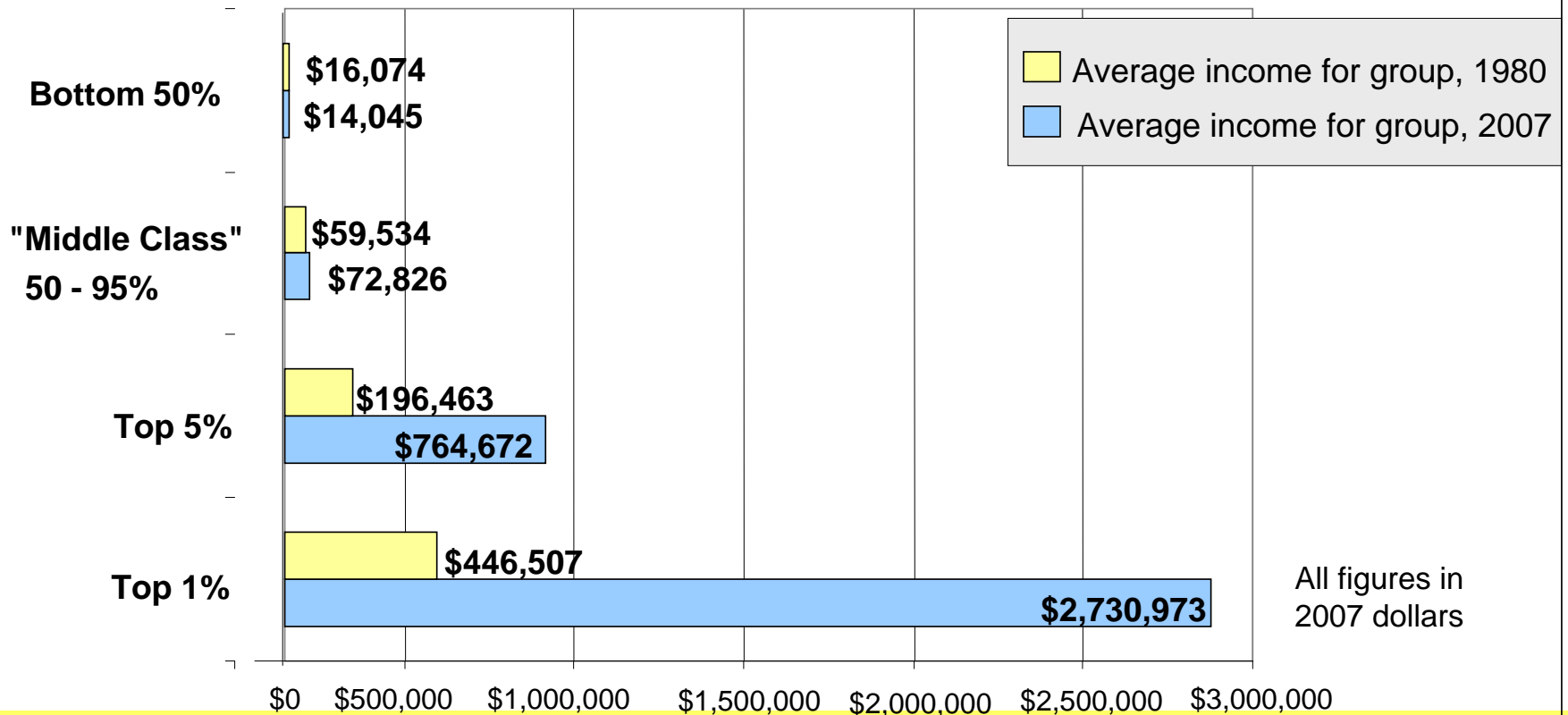
Or a revenue crisis?

Three decades of tax cuts on top incomes

New York's top tax rate on earned and unearned income, 1976 – 2012



Three decades of a growing divide among New Yorkers



Change in average incomes by group, 1980-2007

New York is now #1 when it comes to income inequality

States and Cities with Greatest Income Inequality

Rank	State	Rank	City
1	New York	1	New York City
2	Connecticut	2	Dallas
3	Texas	3	Chicago
4	Louisiana	4	Boston
5	Alabama	5	Houston
6	Mississippi	6	Los Angeles
7	Florida	7	Baltimore
8	Georgia	8	Denver
9	Massachusetts	9	San Francisco
10	California	10	Charlotte

Data from Fiscal Policy Institute

And there's New York's Jobs Deficit:

Unemployed and underemployed New York:

1.4 million New Yorkers

One in seven workers

Record periods of unemployment:

50% are jobless for more than 6 months.

30% are jobless for over a year

A deficit of over 500,000 jobs:

512,000 jobs would bring New York's unemployment down to pre-recession levels.

Our public investments – in schools, roads, human services – fuel our state’s economic engine.

They create jobs and pathways to prosperity. And they’re about to be put on the chopping block again.

Is this the right time for more tax breaks for the wealthiest of us?

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

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

⁺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?

It would pay for any one of those 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

Or it could pay for all these investments – combined:

	<i>Direct</i> Property Tax Circuit Breaker for 2.26 million struggling households
<i>and</i>	150 after school programs for 10 years
<i>and</i>	300 new fire trucks across the state
<i>and</i>	3 months unemployment benefits for 125,284 New Yorkers whose benefits ran out
<i>and</i>	A full year's SUNY tuition for 50,000 high school graduates
<i>and</i>	Over 2 million meals a year to home-bound New York City seniors for 10 years
<i>and</i>	Fully funding the Upstate Revitalization Fund to support small business loans; bridges and rail transit work; city development and affordable housing

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

It would more than wipe out next year's projected budget gap...

- ✓ New York's projected budget gap: \$2.4 billion
- ✓ Millionaires tax projected revenue: \$5 billion

OR it can pay for tax breaks for just 4% of New Yorkers – making over \$200,000 a year:

A Household Income of...	Means a <i>Weekly</i> Income of...	Cutting High-End Tax Rates will give these families...
\$24,000	\$462	\$0
\$40,001	\$769	
\$56,000	\$1,077	
\$150,000	\$1,923	
\$350,000	\$5,769	
\$550,000	\$9,615	\$224 <i>more per week</i>
\$1,000,000	\$19,231	\$408 <i>more per week</i>

* \$56,000 is the median household income in New York State.

Millionaires Tax Myth-busters

- ✓ The combined annual income of a teacher and a police officer is \$128,000 - far below the \$300,000 threshold for a couple paying the millionaires tax.
- ✓ Less than 5% of New Yorkers make over \$200,000. Less than 1% of New Yorkers make \$1 million or more.
- ✓ Less than 5% of small business operators in New York pay the millionaires tax - and that includes hedge fund and private equity partners.
- ✓ This year, an estimated 15,000 jobs were put on the chopping block because of the budget hole.
- ✓ For every 100 public jobs lost, 30 jobs are killed in the private sector.

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.

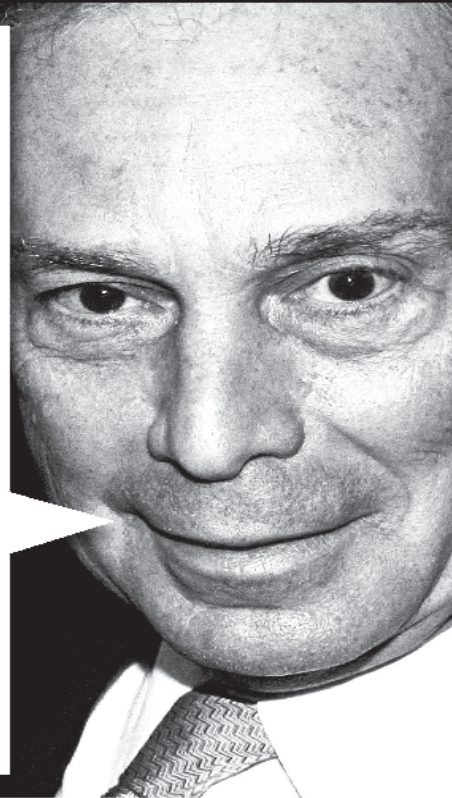
“It is remarkable that the same four states have topped our millionaires ranking for three years running,” says David Thompson, Managing Director of the Phoenix Affluent Market.

“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”

We couldn't have said it better ourselves, Mr. Mayor.

"I can only tell you, among my friends, I've never heard one person say 'I'm going to move out of the city because of taxes.' Not one. Not in all the years I've lived here. You know, they can complain, 'Oh, got my tax bill, it's heavy.' But they've not ever thought that. My friends all want to live here and understand the value." —Mayor Michael Bloomberg, Nov. 13, 2008, Associated Press



Some argue that increasing the top rate of the personal income tax will cause wealthy New Yorkers to move out of the state. Recent studies have shown this won't happen. It didn't happen the last time we responded to a budget crisis by raising the top income tax rate, in 2003. Instead, our economy rebounded and the rich got richer. There's no reason to think it would be different this time. Like Mayor Bloomberg's friends, most wealthy New Yorkers "understand the value" of living in New York. And they understand that drastic cuts in essential state services will destroy the quality of life they value.

**MAKE WEALTHY NEW YORKERS PAY THEIR FAIR SHARE.
THAT'S THE RIGHT THING TO DO.**

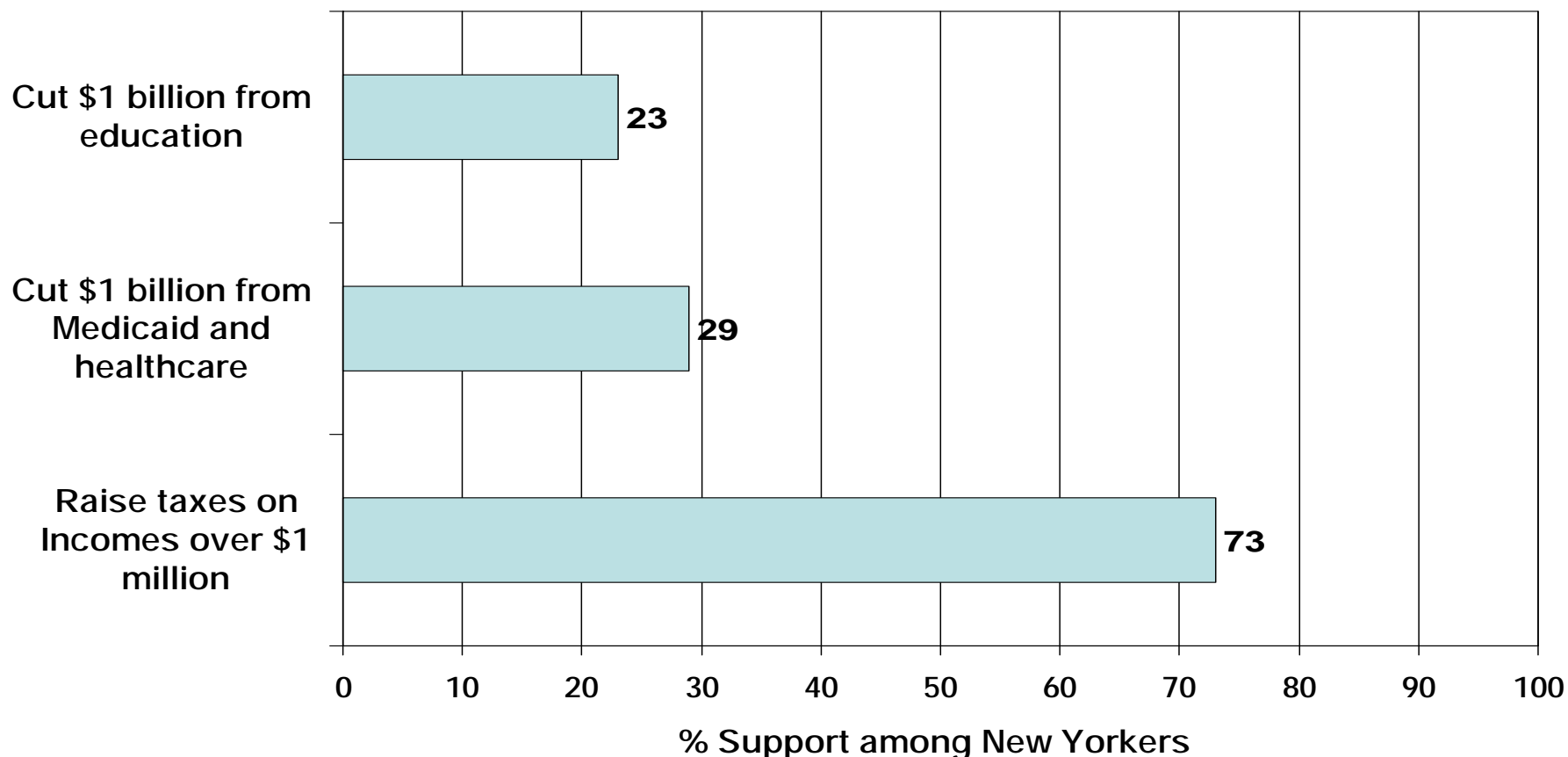


www.aBetterChoiceForNY.org

Paid for by New Yorkers for Fiscal Fairness



Nearly 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.

Resources:

Ron Deutsch, New Yorkers for Fiscal Fairness mkd67@aol.com

Sunshine Ludder, Center for Working Families ludder@cwfnny.org

Fiscal Policy Institute www.fiscalpolicy.org

United for a Fair Economy www.ufe.org

Appendix

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
\$20,000	6.85%
\$200,000	7.85%
\$500,000	8.97%
\$1,000,000*	9.97%

...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.

TOP TAX RATES NOW...

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%

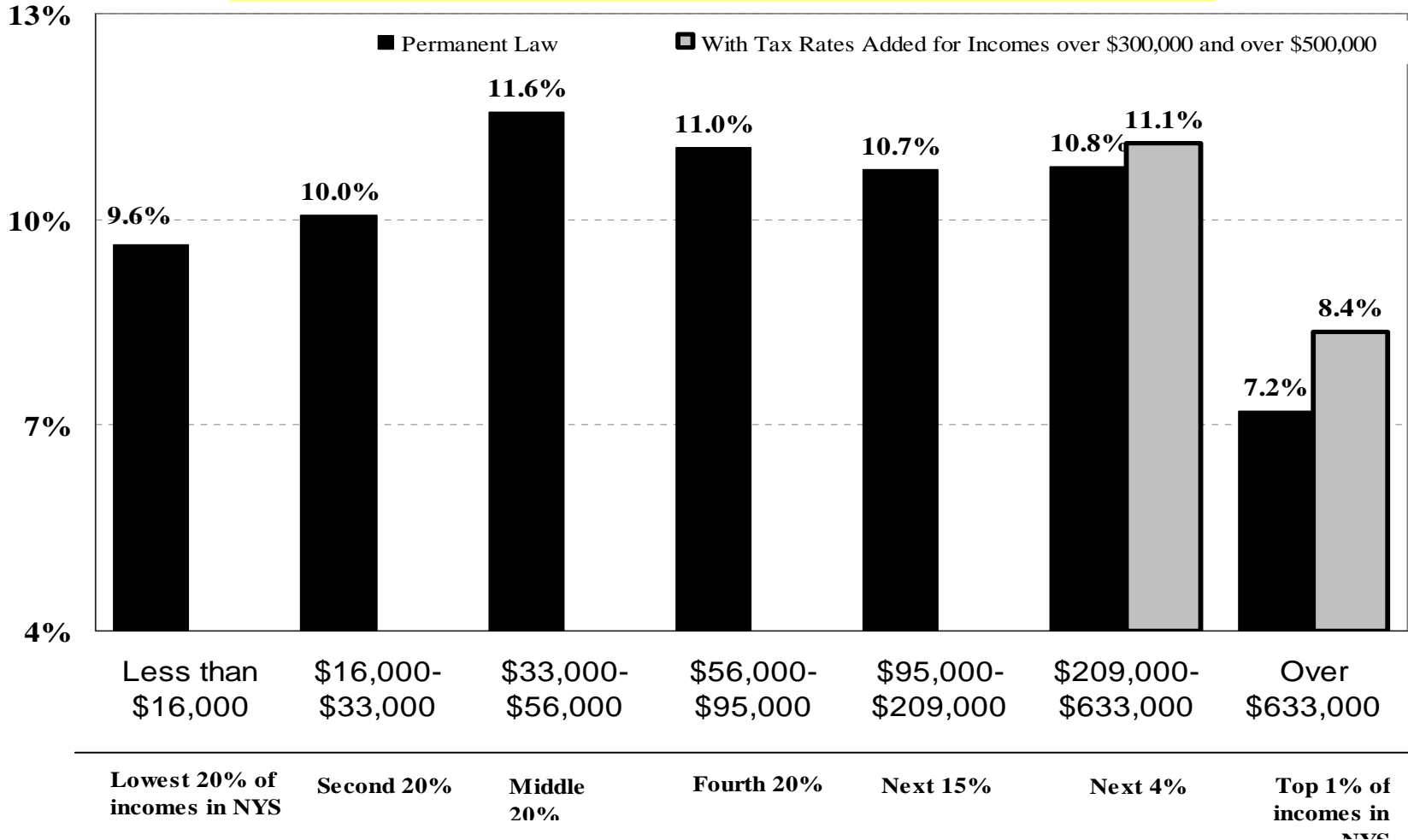
OR A TAX CUT NEXT YEAR...

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.

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.

New Yorkers' Household Income vs. Wall Street Bonuses

1985-2009

