

## The truth about taxes

**Don't believe the myth; higher rates won't drive out the rich**

By **SUNSHINE LUDDER**, Commentary

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The fear that "people will move to pay less taxes" evokes an enduring myth: New York's millionaires' tax will drive the rich to other states.

But saying it — even saying it over and over and over again — doesn't make it so.

Gov. Andrew Cuomo, former Gov. David Paterson and New York City Mayor Michael Bloomberg all have echoed the claim that the state loses out when we ask wealthy people to pay their fair share.

In fact, reliable evidence points to a different conclusion: Higher state income tax rates for the wealthy don't push them out. But those taxes do generate revenue to fix roads and bridges, educate our children and keep our drinking water clean. That's good for everyone

Whether it's extending the current millionaires' tax, which is set to expire Dec. 31, or restructuring the state's tax code, as the governor is now considering, that evidence should count.

Research by Princeton University academics, among others, makes it clear that high earners don't pull up stakes when taxes go up.

Princeton's study showed that New Jersey's tax surcharge on high incomes, enacted in 2004, increased revenues by nearly \$1 billion a year and contributed, at most, to only tiny numbers of wealthy taxpayers moving out. Today, New Jersey ranks third among all states in proportion of high net worth households, according to Phoenix Marketing International, a market research firm.

A 2011 report by Professor Jeffrey Thompson of the University of Massachusetts at Amherst similarly concluded that taxes don't significantly impact the decisions of New Englanders to move. It's the job market, affordable housing and family considerations that do.

In California, the number of millionaire taxpayers increased by 38 percent between 2004 and 2006, even as a surcharge on high incomes took effect in 2005. In the same period, California's total number of taxpayers rose only 4 percent.

What we know about New York's experience strongly suggests that our own millionaires' tax — while generating close to an additional \$5 billion a year — is not causing the richest to leave.

Consider this:

When New York's previous surcharge on high incomes was in place, from 2003 to 2005, the state saw about a 30 percent growth in high-income tax returns.

A study by the New York City comptroller's office found that households with \$250,000 or above in annual income were the least likely group to leave the city.

The number of New York households worth at least \$1 million increased by about 10 percent from 2009 to 2010, when the surcharge on high incomes was in place.

None of this is a surprise. New York City, where nearly half of the state's income is generated, is an international finance capital with unequaled cultural amenities.

That seems to be one reason why anti-tax zealot David Koch — one of the wealthiest people in the world — chooses to live there.

Where else could he be a five-minute ride away from Lincoln Center, where he can get his fill of the world-class opera and ballet that he so enjoys?

And let's keep the tax rates in perspective. The state's millionaires' tax amounts to an exceedingly modest 1 percent to 2 percent surcharge. In fact, the wealthiest 1 percent of New York taxpayers pay only about 8 cents of every dollar to state and local taxes — even with the surcharge. By contrast, middle- and working-class families pay 12 cents.

Unbelievably, our millionaires' tax is scheduled to expire on Dec. 31. That means someone who earns \$1 million will get the equivalent of a \$21,200 tax cut in 2012 — about what they earn in one week. Those earning a half-million dollars will get \$5,000.

Meanwhile, New York's middle-class and struggling households — from health care workers to retail clerks and job seekers — will be asked to fund their tax cut, with bigger class sizes for their children, crumbling roads and backed-up courts.

That doesn't make sense. That's why Governor Cuomo and the Legislature must seize the opportunity to use the tax code wisely — not only to spread the tax burden more fairly but to save and create decent jobs. New York's future depends on it.

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