

PRESS RELEASE

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Over 100 Organizations Call Upon Leaders to Listen to the Public and Support the Millionaires' Tax

ALBANY (March 26, 2008) -- Over 100 community, religious, education, labor and human services organizations from throughout New York State held a press conference today, urging Albany leaders to raise taxes for millionaires instead of cutting services like education, health care and infrastructure. The groups endorsing the "Better Choice Budget Campaign" called for a temporary income tax surcharge for families with income over a million dollars, saying that the surcharge is the best way to fund a fair budget that invests in New York's working families. The groups have been working together since 2002 to convince state leaders to make "better choices" when balancing the state budget.

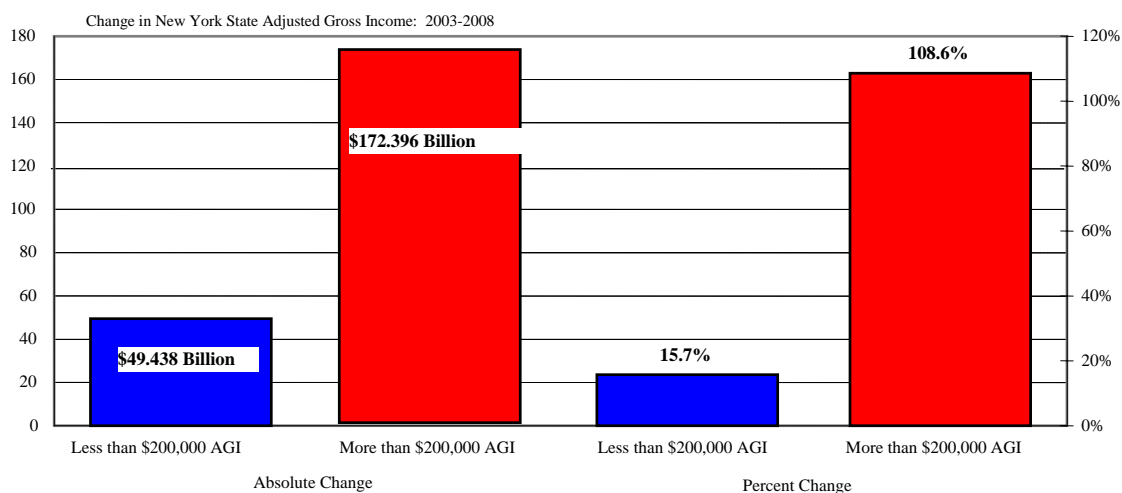
The groups also called for property tax relief, urging more support for local governments through "revenue sharing" and protection for homeowners by means of a property tax circuit breaker program to replace the ill-conceived STAR rebate checks. They said that the so-called millionaires' tax would pay for these property tax relief measures.

Some lawmakers already support the millionaires' tax. Assembly Democrats have passed a budget plan that includes a temporary increase of less than one percent (from 6.85 to 7.7 percent) on taxpayers with taxable incomes of more than \$1 million a year. And Quinnipiac College's Polling Institute released a poll on March 24 showing that New York State voters support, 77 to 19 percent, a plan to raise state income taxes by 1 percent on people making more than one million dollars a year. Even Republicans back the millionaires' tax 65 - 31 percent, while Democrats back it 83 - 13 percent and independent voters back it 81 - 16 percent.

The Better Choice Budget Campaign groups argued that not only would the millionaires' tax preserve commitments to health and education, it would also restore an important bit of tax fairness to New York's state-local tax system. Figures from the Institute on Taxation and Economic Policy show that about 6 percent of top earners' incomes go to state and local taxes, while middle income and working class families must spend well over 10 percent of their income on state and local taxes. And, much of the income growth of the past decade has been at the very top. Even with the Assembly's millionaires' tax, those with high incomes will take home more than they did in 2003.

"We must look at the overall tax burden in this state and realize that over the last two decades, as we have continually cut the top rate of the income tax, we have seen dramatic increases in property taxes across the state," said Trudi Renwick, Senior Economist with the Fiscal Policy Institute. "New York's leaders could relieve the pressure on the property tax, increase funding for critical services, restore revenue sharing and make sure that working families are not shouldering the tax burden for the rich by restoring some of the personal income tax's lost progressivity. We must start undoing the damage that has been done to the tax system over the last 20 years."

New York's income growth since 2003 has been concentrated among the top five percent.



Source: New York State Division of the Budget.

Opponents of increasing high-end income taxes sometimes claim that it would give wealthy New Yorkers the incentive to move out of state to avoid the tax. The Better Choice groups noted that there was no surge in migration the last time a surcharge was enacted. Ron Deutsch, Executive Director of New Yorkers for Fiscal Fairness, said, "In 2003, the legislature raised the top marginal rates on the personal income tax for wealthy filers for three years, to help balance the budget during a period of large budget deficits. During those three years, employment actually went up in New York, and so did the number of high-income wage earners. In fact, since 2003, the wealthiest 5 percent of New Yorkers saw their incomes increase 108 percent, while the rest of us saw only a 15 percent increase."

Others say that in time of economic downturn, it's better to cut spending than to raise taxes. But Nobel prize winning economist Joseph Stiglitz concluded that high-end tax increases do less harm to the economy in his paper, *Budget Cuts vs. Tax Increases at the State Level: Is One More Counter-Productive than the Other During a Recession?* Stiglitz concluded that cuts in government spending on goods and services that are produced locally (like education and healthcare) and cuts in transfer payments to lower-income families are most damaging to the economy, since they come closest to taking dollar for dollar out of the local economy.

Aside from the millionaires' tax, the Better Choice Budget Campaign outlined five additional strategies for closing the state's budget gap:

- **Closing loopholes** that allow large, profitable corporations to avoid paying their fair share of state taxes.
- **Stopping sweetheart deals** with high-priced consultants who are being overpaid to do jobs that state workers can do better and cheaper.
- **Lowering drug prices** for state and local governments by using New York's purchasing power to get a fair deal from the drug companies.

- **Reforming economic development programs** by improving the effectiveness and accountability of Industrial Development Agencies (IDAs), the Brownfield Clean Up Program (BCP) and the Empire Zones program.
- **Enacting the Bigger, Better Bottle Bill** and making the beverage bottling industry return unclaimed bottle deposits.

The groups charged that the state should continue to eradicate wasteful contracts for jobs that state workers could do better and for less. According to Kenneth Brynien, president of the Public Employees Federation (PEF), “Governor Paterson has called for a 2 percent cut in all state agencies operating costs. These cuts should come from state agency expenditures on costly consultant contracts that waste between \$500 million and \$750 million a year.” Brynien pointed out there were 16 state agencies paying consultants an average of \$180,000 a year. The Office of Technology alone is paying 207 consultants an average of \$267,044 a year, for work that Brynien said could be done for less than half the cost by state employees, even including the cost of their benefits. He called on the governor and legislature to reduce the State’s reliance on expensive consulting contracts.

The Better Choice Budget Campaign also supports the passage of the Bigger, Better Bottle Bill and urged state leaders to recapture the almost \$200 million the beverage distributors are now keeping, for unclaimed bottle deposits. According to Joseph Stelling, Campaign Organizer for the New York Public Interest Research Group, “For 25 years the beer and soda companies have profited from the unclaimed deposits from New York’s bottle bill. It’s time to close the corporate loophole and require the beverage industry to return the nickels to the state to fund environmental programs like recycling and parks. Updating the bottle bill is a win-win for the people of New York—making our communities cleaner and healthier, and generating an estimated \$180 million a year in new revenue.”

Advocates for the state’s poorest citizens have also been major supporters of the Better Choice Budget Campaign since its inception. According to Mark Dunlea, executive Director of the Hunger Action Network of New York State, “All too often in the past, state budget deficits have been balanced on the backs of the poor. At the same time, the state’s tax policies of the last three decades have provided major tax cuts for the wealthy while shifting more of the tax burden onto the regressive local sales and property tax. It is unfair that while lawmakers refuse to invest in programs to help the poor they have created a tax system where the poorest New Yorkers pay twice as much of their income in state and local taxes than the wealthy. The end result is that almost a third of the residents in our upstate cities live in poverty. It is time to stop using the mantra of no new taxes as a way to hide the fact that our state tax and budget policies help the rich at the expense of low and moderate income families.”

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