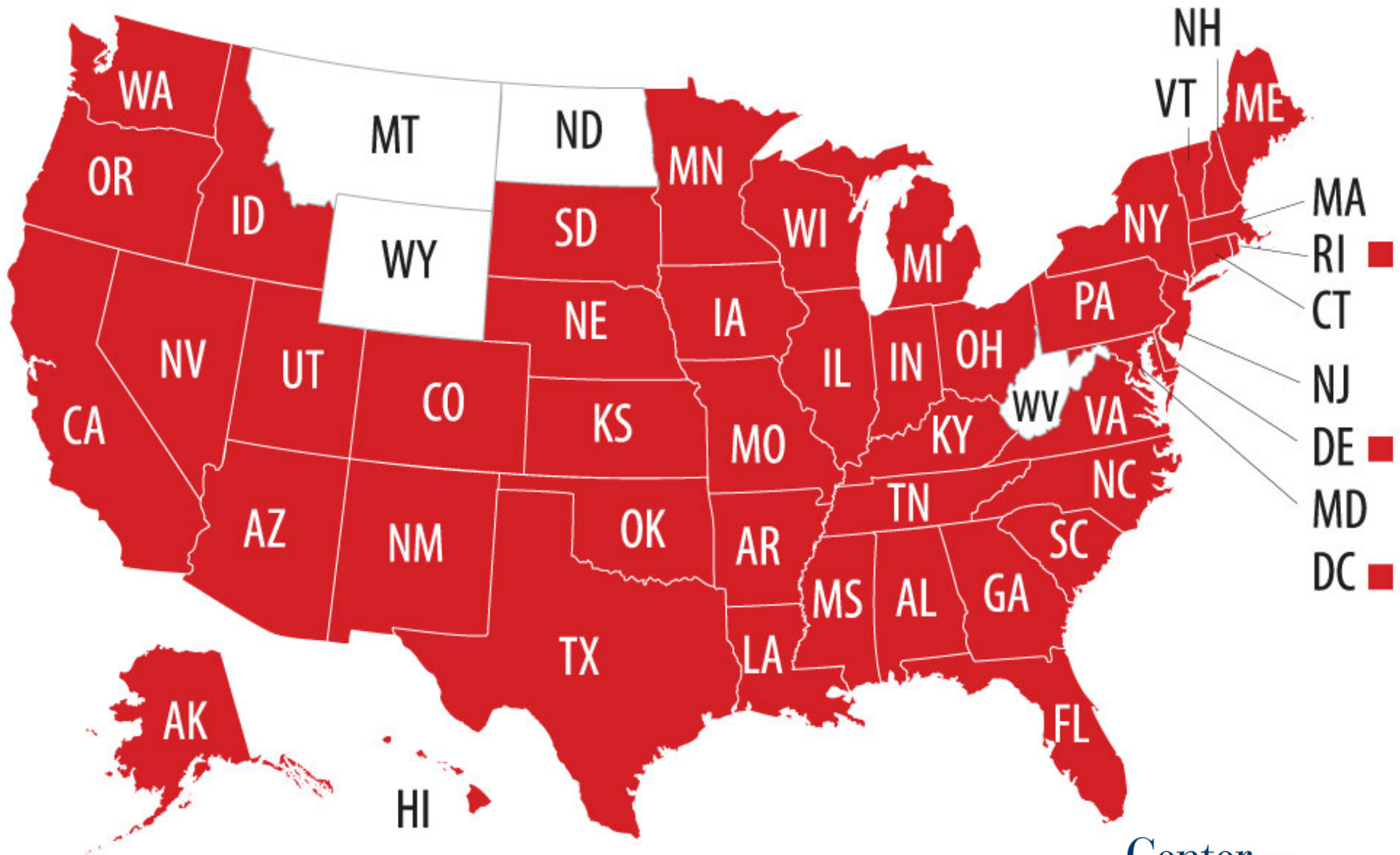


The Better Choice:
Meeting New York State's Economic Challenges with
Fair Fiscal Policies

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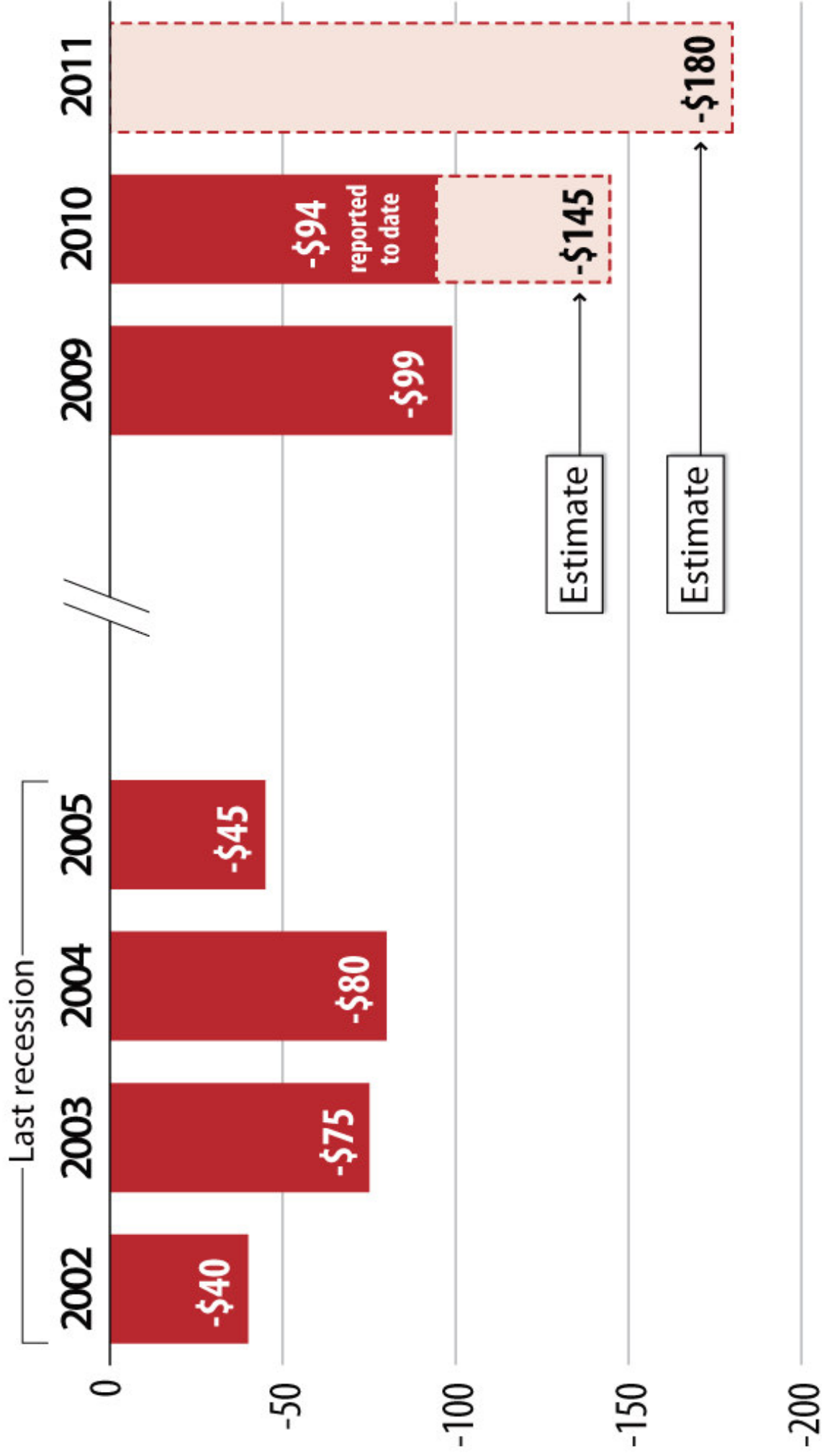
46 States Are Facing Budget Shortfalls



Note: Includes states with shortfalls in fiscal 2009 or projected shortfalls for fiscal 2010.

How Bad Will It Get?

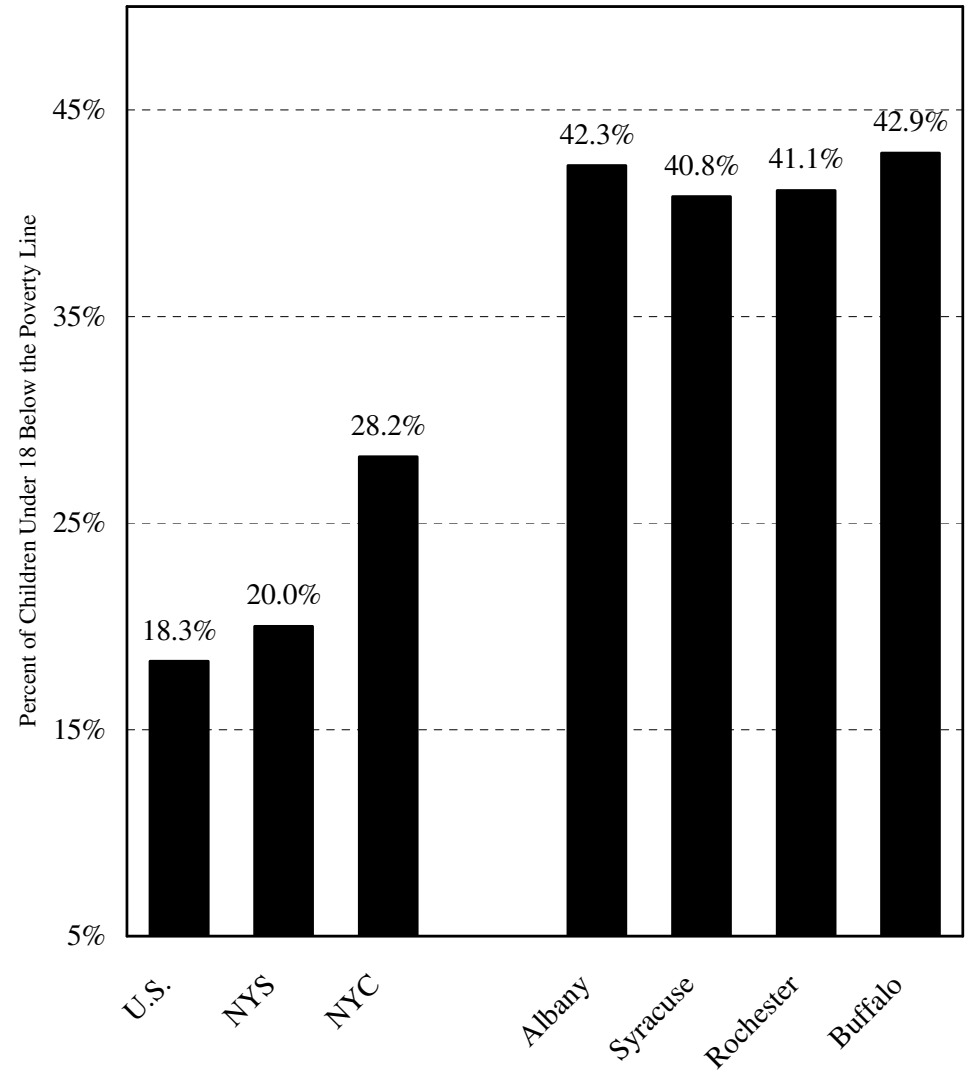
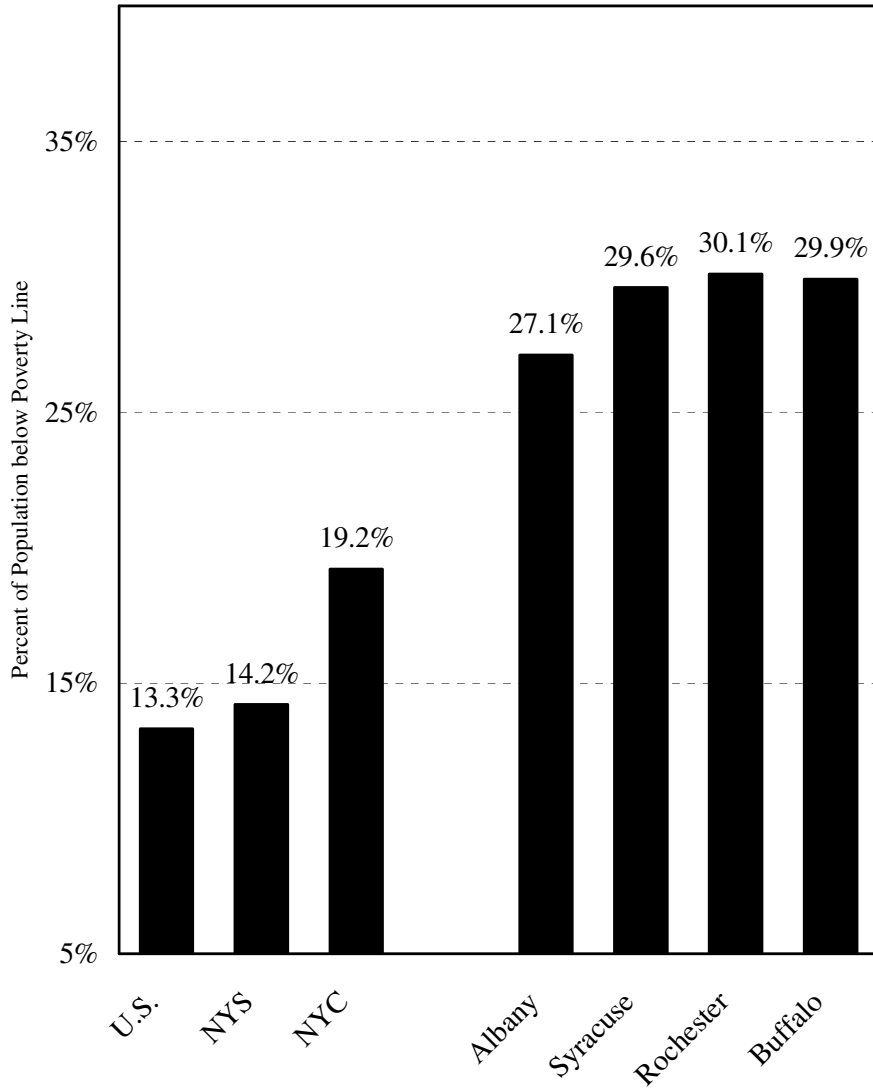
Total state budget shortfall in each fiscal year, in billions



The recession hit NYS later than the rest of the US, but job losses in New York are mounting ...



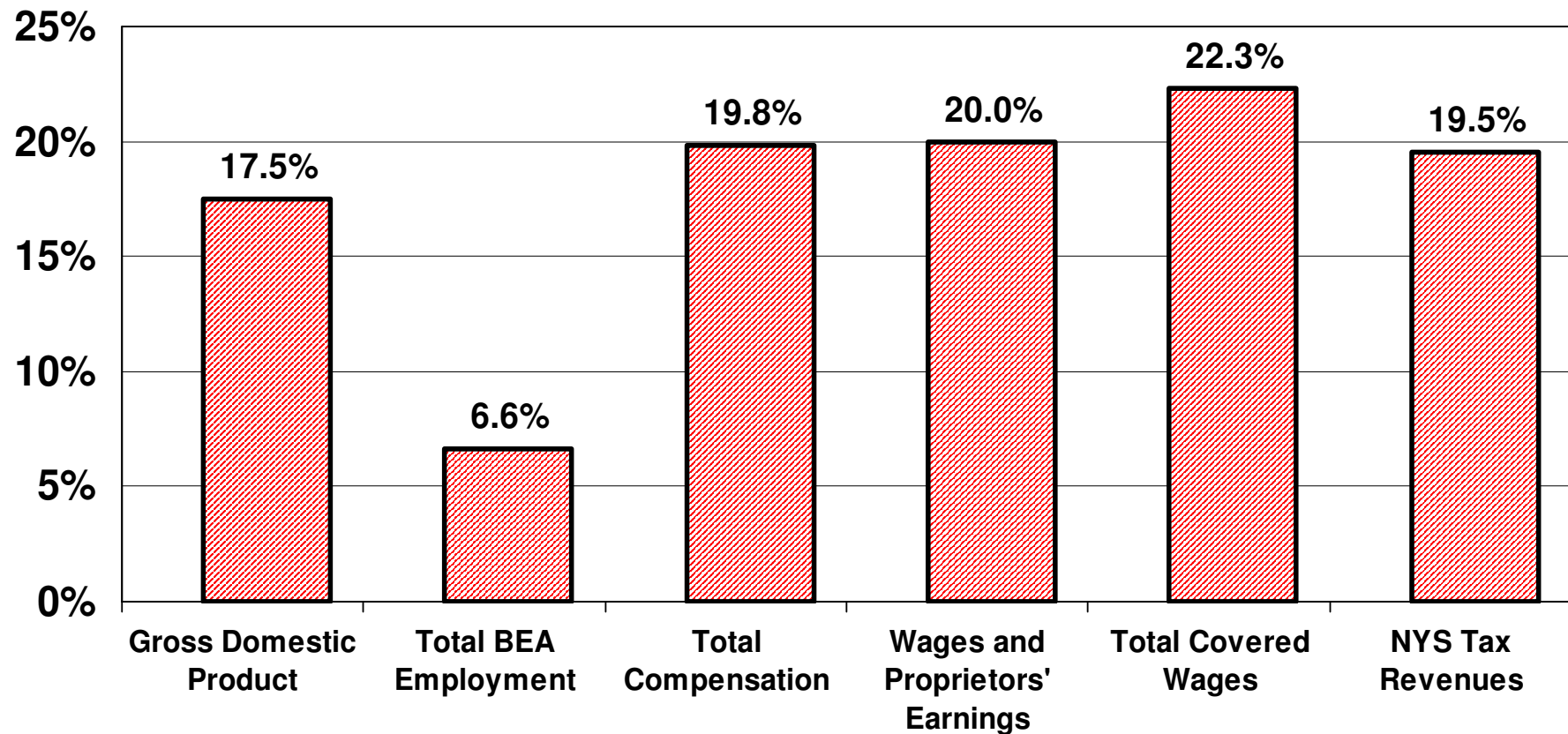
Poverty rates are much higher in the major upstate cities than in New York City or the national average.



Source: American Community

NYS's economic and fiscal dependence on the finance sector

Finance and Insurance Sector's Share of Key NYS Economic and Fiscal Measures



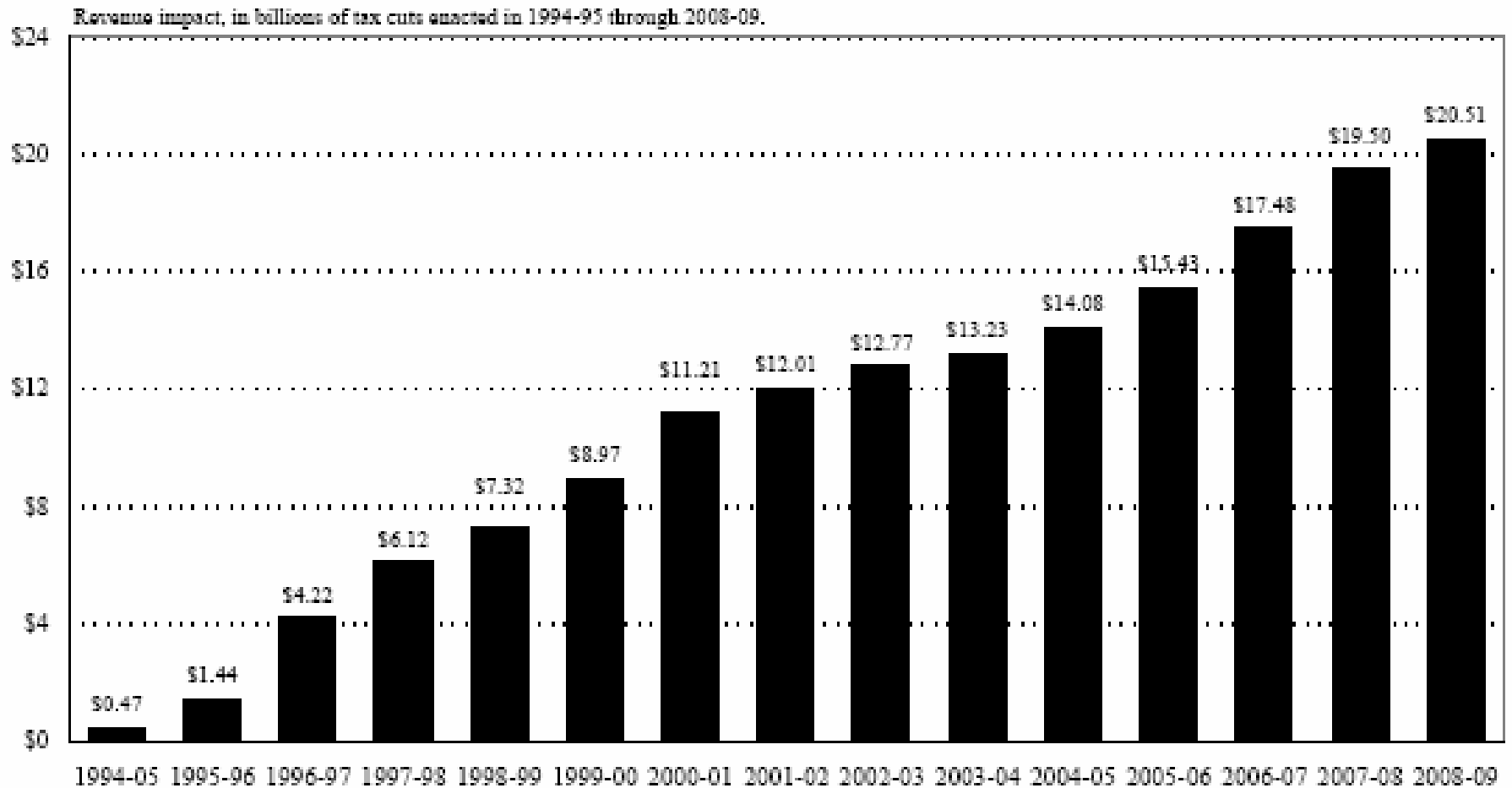
New commitments were made without new revenues to pay for them.

State spending in areas other than health, education, STAR, and transportation grew by less than 3% a year from 2004 to 2008.

Expensive (and mostly important) new commitments were made in the last several years without any new revenue streams to pay for them:

- Family Health Plus Takeover and Medicaid Cap - \$1 billion this year; \$1.35 next year and \$2.5 billion in 2010-11
- STAR – From \$2.5 billion in 2001-02 to \$6.0 billion in 2010-11
- CFE Settlement - \$5.5 billion in new foundation aid by 2010-11. Cost of facilities component (Excel Aid) adopted in 2006 grows annually.
- \$1.2 billion to AMD for Chip Fab Plant in Luther Forest

The tax cuts enacted since 1994 are reducing state revenues by over \$20 billion.



What is the least harmful way to close state budget gaps in a recession?

- States have to balance their budgets in both good times and bad. During recessions states are almost required to slow the economy down even more by cutting spending and increasing taxes.
- The least damaging of all the budget balancing options available to states during recessions is to raise taxes on the portion of income over a relatively high level, i.e., on the portion of household incomes that is least likely to be spent.
- It also makes sense for the federal government to provide fiscal relief to the states during recessions. This reduces the amount of budget cutting and tax increasing necessary at the state level. If the federal government doesn't help the states during recessions, then state budget balancing actions will cancel out a lot of the positive impact of federal stimulus efforts.

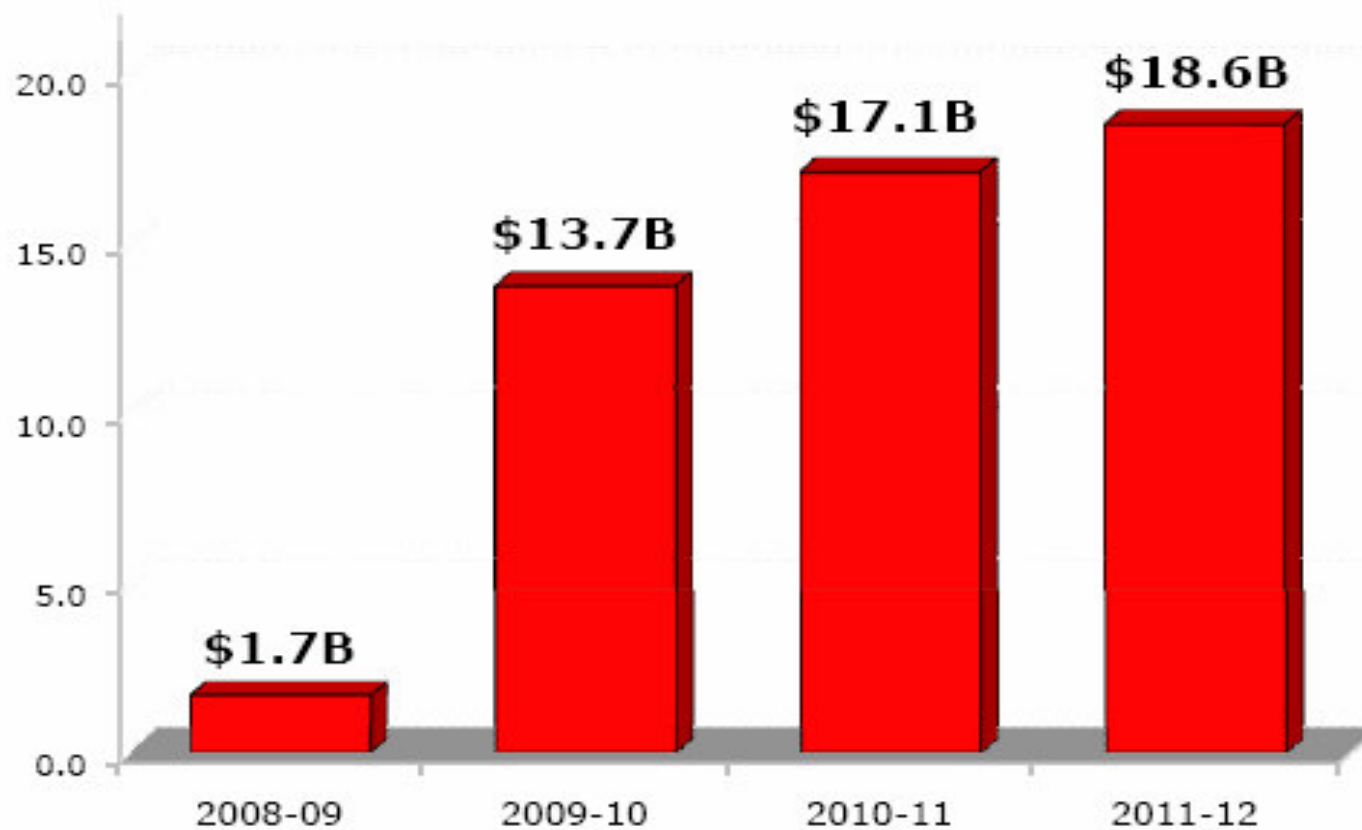
Tax increases vs. spending cuts: which is worse during a recession?

Economist Peter Orszag (now CBO director) and Nobel Prize winner Joseph Stiglitz:

- “...tax increases on higher-income families are the least damaging mechanism for closing state fiscal deficits in the short run.”
- “Reductions in government spending on goods and services, or reductions in transfer payments to lower-income families, are likely to be more damaging to the economy in the short run...”
- Stiglitz in a March letter to Paterson, Bruno and Silver: “Raising taxes and maintaining public expenditures (including investments) also helps America in meeting its long run needs.”

Four-year Deficit: \$51.1 Billion

Projected General Fund Deficits

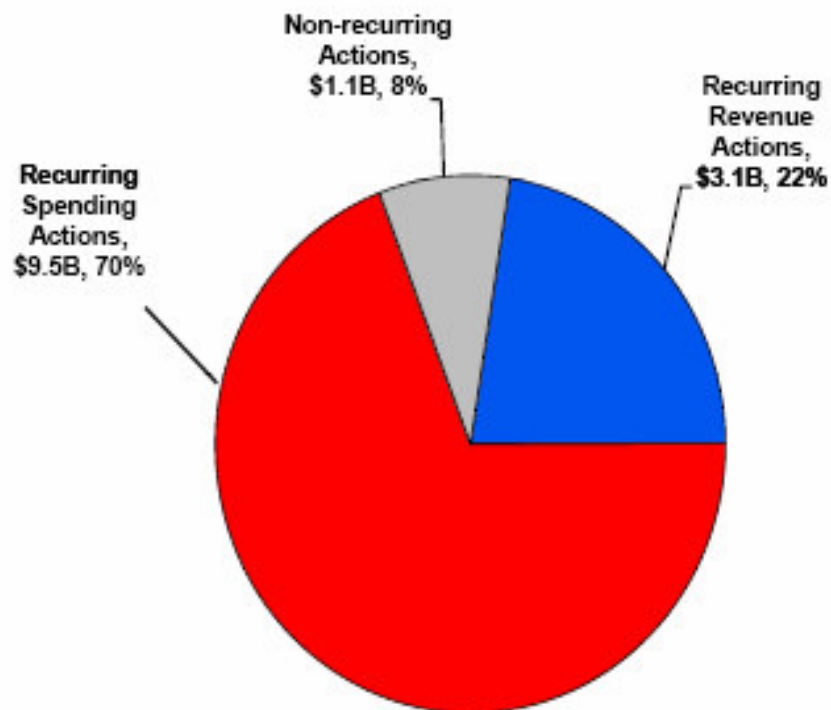


2009-10 Executive Budget Overview

Balanced plan for a balanced budget:

- Recurring Actions (92%)
 - Recurring Spending (70%)
 - Recurring Revenue (22%)
- Non-recurring Actions (8%)
- Does not include Federal Stimulus Package or use of Rainy Day Reserves.

\$13.7 Billion Savings Plan



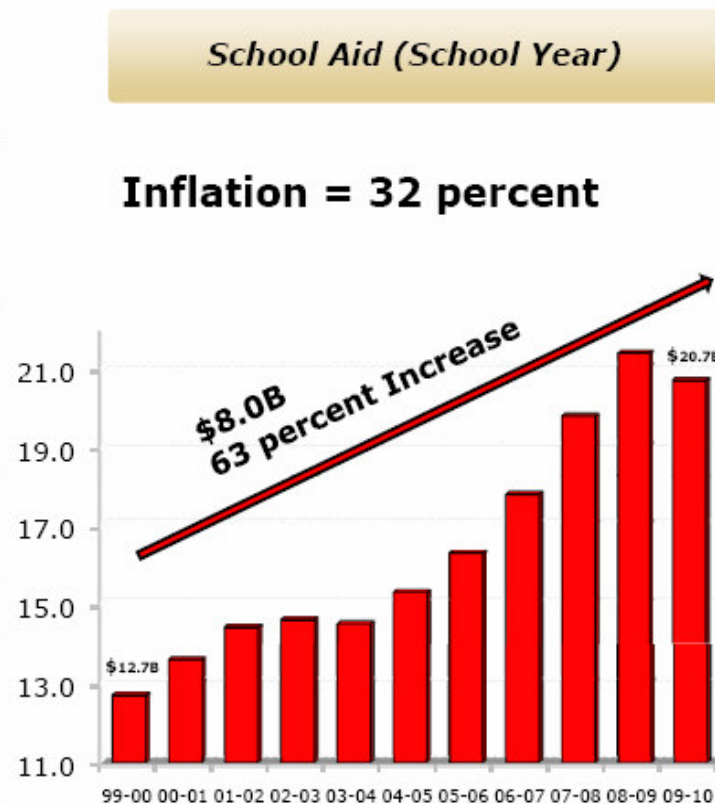
Big Picture – Governor’s budget calls for “shared sacrifice” by everyone except top 5%.

- Big cuts in school aid and Medicaid; but cuts in every area.
- State workers and employees of human services nonprofits asked to forego wage increases. State employees also asked to accept a payroll “lag” and further workforce reductions -- 521 layoffs and a total reduction of 3,108 – but Governor says layoffs go to nearly 5,000 without “concessions.”
- Proposed budget would dramatically increase health insurance premiums for retired state workers.
- Higher education tuition increases and health insurance assessments will put squeeze on middle class families.
- Revenue increases are mostly fees or regressive consumption taxes.
- There are so many proposals that hurt people and the economy in the Executive Budget that even with aid from the federal government and a reasonable high end income tax increase, the Legislature will still not be able to undo them all.

School Aid

Adjusting to Changing Fiscal Circumstances

- Remain committed to \$7.0 billion increase in School Aid originally proposed in 2007-08. But have to responsibly adjust timeframe to changing fiscal circumstances.
- Year-to-year School Aid reduction of \$698 million (3.3 percent). School Aid would total \$20.7 billion.
 - Maintain Foundation Aid and UPK at 2008-09 levels. Extend phase-in from four years to eight years.
 - One-time Deficit Reduction Assessment. Partially offset by increases in some other aid categories such as Building Aid.



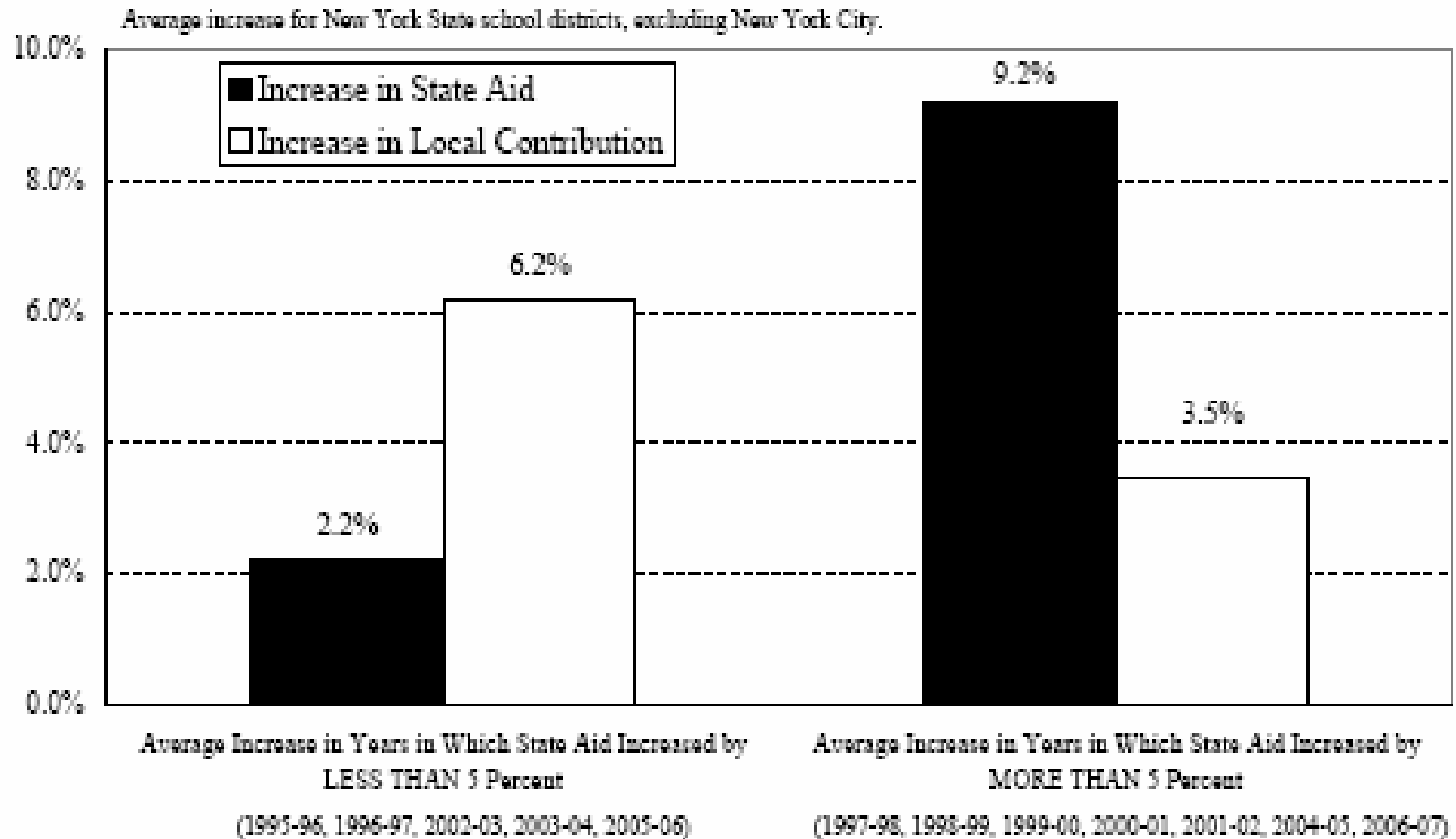
Not only is the Executive Budget proposing to cut school aid by \$2.5 billion compared to what was planned for 2009-10 but it is cutting it by \$635 million compared to this year (2008-09)

Proposed "Below the Line" School Aid Cuts Allocated Among Affected Aids

TABLE II-A
SUMMARY OF AIDS FINANCED THROUGH SCHOOL AID APPROPRIATIONS
-- 2008-09 AND 2009-10 SCHOOL YEARS -- NEW YORK STATE

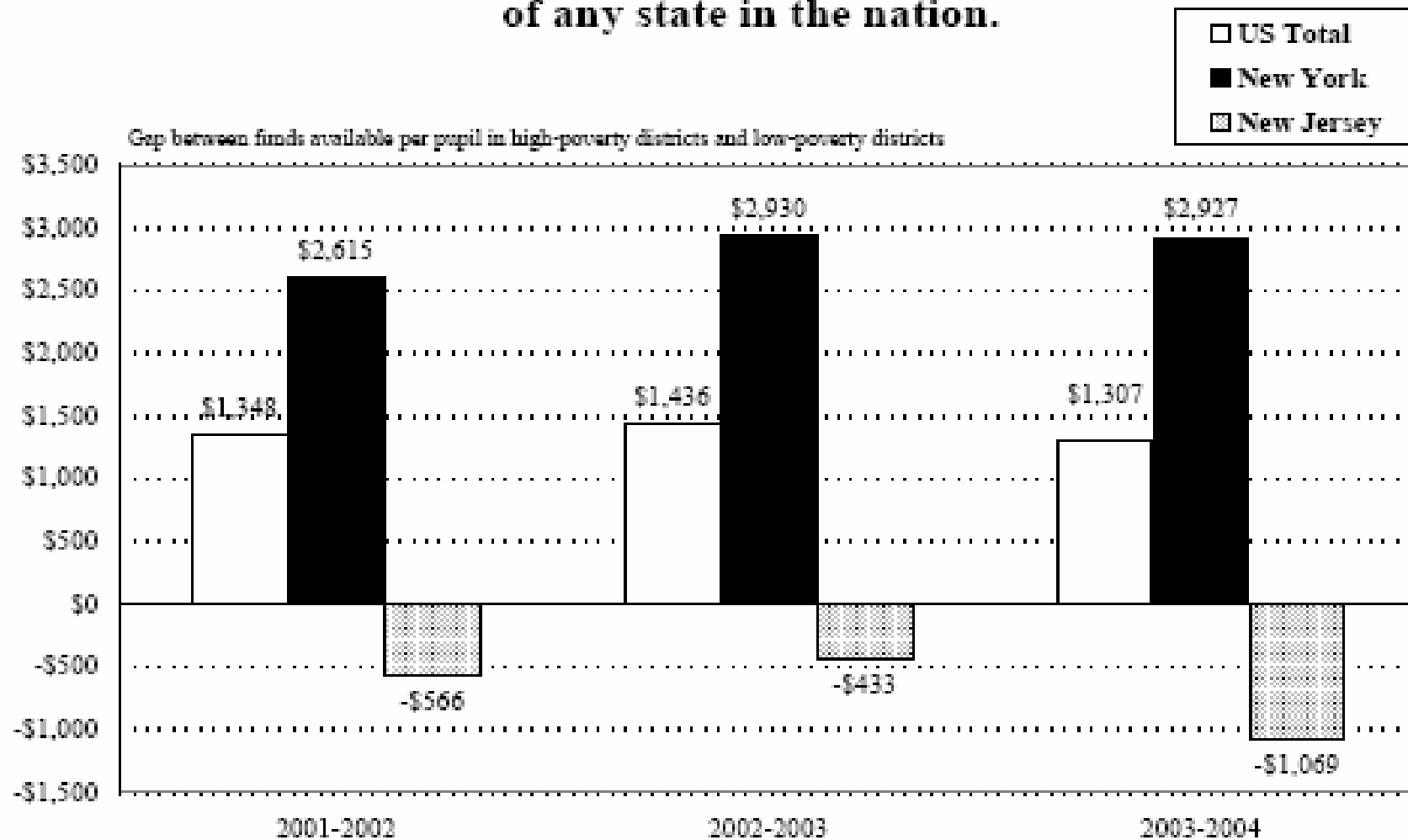
AID CATEGORY	2008-09 School Year	2009-10 School Year	Change Amount	Percent
(-----Amounts in Millions-----)				
I. Formula Based Aids:				
Foundation Aid	\$14,873.59	\$14,018.87	(\$854.73)	(5.75) %
Public Excess High Cost Aid	412.50	436.88	24.39	5.91
Private Excess Cost Aid	262.09	282.33	20.24	7.72
Operating Reorganization Incentive Aid	2.86	2.49	(0.37)	(12.98)
Textbook Aid	184.83	171.28	(13.55)	(7.33)
Hardware & Technology Aid	37.50	35.48	(2.02)	(5.39)
Software Aid	45.53	42.69	(2.85)	(6.26)
Library Materials Aid	19.40	17.99	(1.41)	(7.27)
BOCES Aid	672.79	657.14	(15.65)	(2.33)
Special Services	196.78	194.22	(2.56)	(1.30)
Transportation Aid (Including Summer)	1,525.55	1,516.41	(9.14)	(0.60)
High Tax Aid	204.70	188.97	(15.73)	(7.68)
Universal Pre-K	401.23	401.23	0.00	0.00
Academic Achievement Grant	1.20	1.14	(0.06)	(4.96)
Supplementary Educational Improvement Plan	17.50	16.63	(0.87)	(4.95)
Charter School Transitional Aid	20.28	17.68	(2.60)	(12.80)
Full Day K Conversion Aid	5.40	2.53	(2.87)	(53.20)
Academic Enhancement Aid	8.32	8.04	(0.28)	(3.39)
Supplemental Public Excess Cost Aid	4.31	3.97	(0.34)	(7.78)
Formula Based Aids Total	\$18,896.36	\$18,015.97	(\$880.39)	(4.66) %
EXCEL Debt Service - New York City	97.00	130.00	33.00	34.02
Building Aid/Reorganization Building	1,992.75	2,204.51	211.76	10.63
	2,089.75	2,334.51	244.76	11.71
Total Formula-Based and Other Aids	\$20,986.11	\$20,350.48	(\$635.63)	(3.03) %

There is a strong inverse relationship between changes in state aid to education and changes in local property tax levies.



Source: New York State Education Department, Fiscal Profiles. State Aid includes STAR reimbursements.

New York has the largest gap between the resources available in high-poverty and low-poverty school districts of any state in the nation.



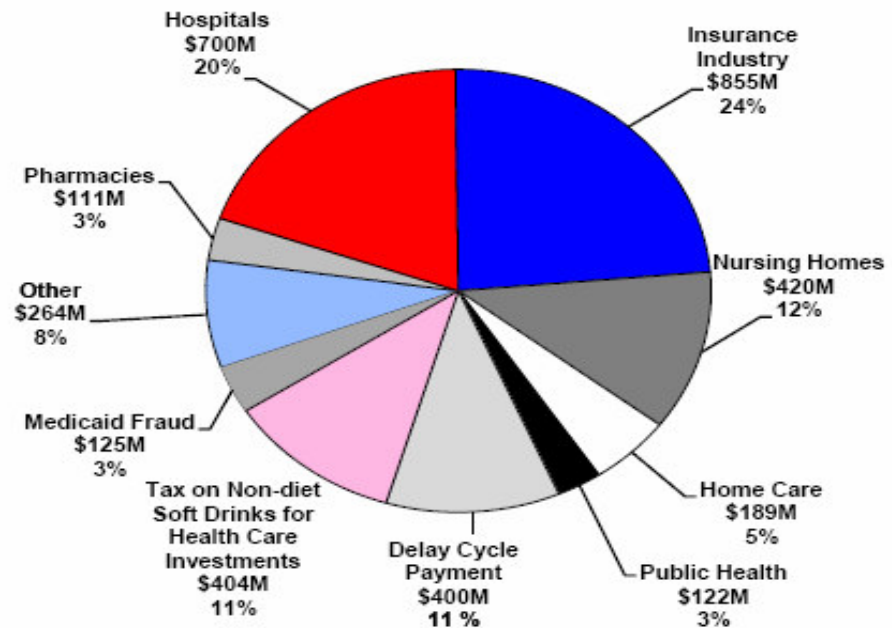
Source: The Education Trust Funding Gap reports from 2004, 2005, 2006

Health Care

Medicaid/Health Care Overview

- Balanced plan spread across all sectors.
- Reduces growth. No year-to-year reduction. Medicaid spending will still be highest in the nation.
- No reductions in eligibility or benefits for Medicaid recipients.
- Continues implementing critical reimbursement reform efforts to improve quality, efficiency of New York's health care system.

2009-10 \$3.5 Billion* Savings Plan



-23-

*Net total after \$60 million in New Investments

Hospitals: Total cuts of \$1.4 billion

- **Cost of Living Adjustments** -- Elimination of the remaining 2008 and the entire 2009 inflation updates, known as the “trend factors,” (\$175m total Medicaid);
- **Across-the-board Cuts** -- 8% inpatient reimbursement rate reductions through March 31, 2009, and 2% through March 31, 2010 (\$132m total Medicaid);
- **Hospital Tax** - Implementation of a 0.7% tax on hospital inpatient revenue (\$316m);
- **Reimbursement Rate Changes** -- rebasing the Medicaid inpatient rates by updating base year costs to from 1981 to 2005, beginning July 1, 2009 with no-phase in.
- **Graduate Medical Education** – a proposal to cut and redistribute funding. The Governor’s proposal would cut 20% of the remaining HCRA GME funding (\$24.3 million) permanently. In addition, the remaining \$282 million would be distributed through the Indigent Care Pool.

Home Care/Personal Care: Total cuts of \$360 million

- **Elimination of Licensed Agencies** – Under proposed language, licensed agencies would no longer be allowed to provide home care services under the Medicaid program.
- **Cost of Living Adjustments** -- Elimination of the remaining 2008 and the entire 2009 inflation updates, known as the “trend factors,” (\$148m total Medicaid);
- **Across-the-board Cuts** -- 1% rate reductions for all home care/personal care providers through March 31, 2009; and 4.5% reduction for CHAAs from April 1, 2009 through December 31, 2009, and a 2.5% reduction for LTHHC, AIDS home care and Personal Care through March 31, 2010. (\$38.8m total Medicaid);
- **Home Care Tax** -- implementation of a 0.7% tax on home health provider revenues (\$19.1m)
- **Personal Care in Managed Care** – personal care services would be moved from fee-for-service to the Medicaid managed care plan benefit package. (\$1.8m total Medicaid).
- **Rate methodology changes** -- reduce the cap on administrative costs for certified home health agencies with revenues of greater than \$20 million and lower the ceilings applicable to home care rates from 110% to 100% of the weighted average costs within each agency’s peer group. (\$97m total Medicaid)
- **Reimbursement Rate Reform** -- the State would implement, beginning on January 1, 2010, an entirely new reimbursement methodology based on episodes of care. The State documents describe the methodology as similar to the Medicare reimbursement methodology for home health services. This would reduce payments to providers by \$73 million for the last quarter of State fiscal year 2009-10. On an annual basis, this would reduce payments by approximately \$290 million.

Nursing Homes: Total cuts of \$845 million

- **Across-the-board Cuts** -- 8% rate reductions through March 31, 2009, and 2% through March 31, 2010 (\$185m total Medicaid);
- **Cost of Living Adjustments** -- Elimination of the remaining 2008 and the entire 2009 inflation updates, known as the “trend factors,” (\$249m total Medicaid);
- **Reimbursement Rate Reform** -- rebasing, as enacted by the Legislature in 2005, would be completely eliminated and a new methodology would be implemented, beginning March 1, 2009. Workforce recruitment and retention funds would be eliminated as part of the new methodology. The budget also proposes to phase-out 6,000 nursing home beds and replace them with “community-based alternatives.” (\$351m total Medicaid).

Human Services

Increases Welfare Grant by 30% over 3 year period

The budget also includes a number of other investments to maintain a safety net for those in need. These include:

- **Increased Food Bank Funding.** Increased funding to food banks, food pantries, soup kitchens and emergency shelters by \$4.4 million to address growing needs in these difficult times. These safety-net providers are experiencing an unprecedented increase in requests for nutrition assistance, especially from individuals and families that have never before needed such assistance.
- **Increased Access to Insurance Coverage.** To enable eligible children and adults to secure and keep coverage, the face-to-face interview, finger imaging, and asset test requirements will be eliminated. Also, barriers to enrollment in Family Health Plus for public employees and for 19 and 20 year olds who do not live with their parents will be removed.
- **Expanded Access to Health Care Coverage.** New York will request a waiver from the federal government to expand the Family Health Plus program to cover adults up to 200 percent of the federal poverty level with no new State funding required.
- **Increased Indigent Care Funding for Teaching Hospitals.** \$141.3 million in State-only Graduate Medical Education funding will be redirected to the State's indigent care pool to compensate teaching hospitals that serve uninsured patients. This will help ensure that those who lose their insurance in this economic downturn continue to have access to these facilities.
- **Increased Indigent Care Funding for Community Clinics.** Subject to approval of a federal waiver, the indigent care pool for health clinics will be doubled in size (\$55 million to \$110 million) and, for the first time, expanded to include mental health clinics licensed by the Office of Mental Health.
- **Other actions included in 2008-09** included providing \$150 million in increased availability of federal food stamp benefits for low and moderate income families, and expanding the eligibility for Home Energy Assistance Program (HEAP) aid for emergency assistance.

Governor Paterson is proposing to reduce state spending by \$84 million in 2009-10 and \$79 million in 2010-11 by reducing the state supplement for SSI (Supplementary Security Income) recipients.

	<u>Monthly NYS Supplement for SSI Recipients</u>			
	<u>Individuals</u>	<u>Couples</u>	<u>Individuals Living with Others</u>	<u>Couples Living with Others</u>
Current (has not been increased for 20 years)	\$87	\$104	\$23	\$46
Proposed for June 2009 through December 2009	\$63	\$77	\$7	\$25
Proposed for January 2010 and thereafter	\$70	\$85	\$12	\$32

65

Tax and Fee Actions

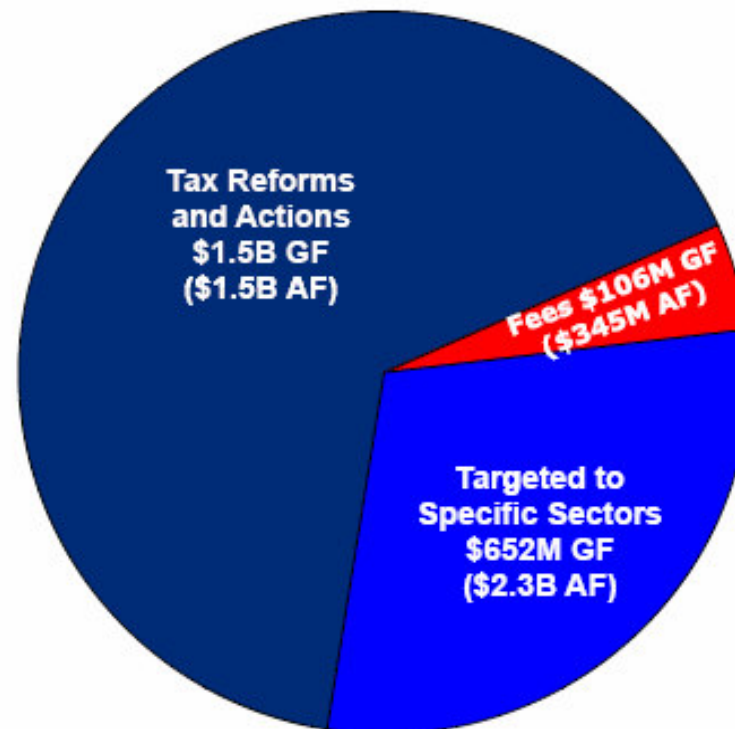
**\$2.2 Billion General Fund
(\$4.1 Billion All Funds)**

Tax Reforms and Actions

Examples:

*Eliminate Clothing Exemption;
Eliminate Ineffective Gas Tax Cap;
Close Digital Download Loophole;*

*Wealthy Share in Burden (\$216M)
Luxury Tax on High-cost Furs, Jewels, Jets
Limit Deductions for Millionaires
Close Hedge Fund Loophole
Close Tax Free Yacht/Jet Loophole*



Fees

Examples:

*Drivers License (Last Changed 1992)
License Plates (Last Issued 2001)
Auto Registration (Last Changed 1998)
Tobacco Retail Fee (Last Changed 1990)*

Specific Sectors

Examples:

*Tax on Non-diet Soft Drinks
Utility Assessment
Insurance Assessment for Timothy's Law
Reinstitute Hospital Assessment
Reinstitute Home Care Assessment*

Federal Stimulus Spending Provisions That Impact New York

(preliminary state/local two year estimates, \$ in thousands)

	National Total	New York
<i>State Fiscal Relief</i>		
Medicaid - FMAP Increase	\$87,000,000	\$10,986,000
State Fiscal Stabilization - Education Restoration	\$39,524,000	\$2,500,000
State Fiscal Stabilization - Other Government Services	\$8,793,000	\$556,000
State Fiscal Stabilization - Education Incentive Grants	\$5,000,000	TBD
Sub-total	\$140,317,000	\$14,042,000
<i>Infrastructure and Energy</i>		
Transportation: Mass Transit	\$8,400,000	\$1,245,000
Transportation: Highways & Bridges	\$27,500,000	\$1,120,000
Transportation: Rail	\$9,300,000	TBD
Transportation: Air	\$1,300,000	TBD
Transportation: Discretionary Surface Transportation	\$1,500,000	TBD
Clean Water State Revolving Fund	\$4,000,000	\$435,000
Drinking Water State Revolving Fund	\$2,000,000	\$85,000
Weatherization	\$5,000,000	\$404,000
Energy Efficiency and Conservation Block Grant	\$3,200,000	\$31,000
State Energy Program	\$3,100,000	\$126,000
Broadband Access & Expansion	\$7,200,000	TBD
Science Facilities, Research, Instrumentation	\$9,000,000	\$450,000
Nuclear Waste Cleanup	\$483,000	\$75,000
Environmental Programs	\$900,000	TBD
Sub-total	\$82,883,000	\$3,971,000
<i>Health and Human Services</i>		
Health Information Technology	\$19,000,000	TBD
Public Health Programs	\$1,000,000	\$60,000
IDEA for Infants & Families	\$500,000	\$25,000
Food Stamp Benefit Increase	\$19,900,000	\$1,289,000
Food Stamp Administration	\$291,000	\$30,000
WIC Program Administration	\$500,000	\$34,000
Senior Nutrition Program	\$100,000	\$7,000
Homeless Assistance	\$1,500,000	\$142,000
Child Care Block Grant	\$2,000,000	\$100,000
Child Support Administration	\$1,000,000	\$34,000
Title IV-E Programs (Foster Care/Adoption Assistance)	Unknown	\$107,000
Community Service Block Grant (CSBG)	\$1,000,000	\$110,000
SSI - One-time Payment	Unknown	\$166,000
Workforce Investment Act (WIA)	\$3,950,000	\$174,000
UI Benefit Extension & Administration	\$27,150,000	\$1,256,000
UI Modernization	\$7,500,000	\$442,000
Employment Services	\$400,000	\$23,000
Vocational Rehabilitation (Title I)	\$540,000	\$28,000
Rehabilitation Services & Disability Research	\$140,000	\$7,000
Neighborhood Stabilization Program	\$2,000,000	\$49,000
HOME Investment Partnerships	\$2,250,000	\$245,000
Community Development Block Grant (CDBG)	\$1,000,000	\$103,000
Public Housing Capital Fund	\$3,000,000	TBD
Public Housing Retrofits	\$1,000,000	TBD
Section 8 Retrofits	\$2,250,000	TBD
TANF Block Grant - Emergency Fund	\$5,000,000	\$7,000
Sub-total	\$102,971,000	\$4,438,000
<i>Education</i>		
Title I	\$13,000,000	\$940,000
IDEA/Special Education	\$12,200,000	\$760,000
Head Start & Early Head Start	\$2,100,000	\$130,000
Pell Grant Increase	\$15,600,000	\$180,000
Enhancing Education Technology	\$650,000	\$61,000
Education for Homeless Children & Youth	\$70,000	\$7,000
Teacher Incentive Fund	\$200,000	TBD
Sub-total	\$43,820,000	\$2,078,000
<i>Public Safety</i>		
Byrne/JAG	\$2,000,000	\$107,000
Community Oriented Policing Services (COPS)	\$1,000,000	TBD
Homeland Security - Fire Station Construction	\$210,000	TBD
Other Public Safety Programs	\$990,000	TBD
Sub-total	\$4,200,000	\$107,000
Grand Total*	\$374,191,000	\$24,636,000

* Does not include approximately \$90 billion in other federal spending items included in the Act which do not impact New York or cannot be quantified.

Potential solutions

- Use the “state fiscal relief” being provided as part of the federal stimulus bill to reduce the cuts necessary to balance the state budget.
- Collect taxes that are due – especially cigarette taxes on reservation sales to non-native americans – estimates of the revenue currently being lost range from \$400 million to \$1.6 billion a year
- Pass the Bigger Better Bottle Bill and close the bottle bill loophole so the state receives deposits from unreturned bottles rather than the industry keeping the money - **about \$200 million a year is currently being lost to bottlers because of this loophole.**

Potential solutions

- Improve the effectiveness and accountability of the state's Industrial Development Agencies; Apply the Brownfield Clean-Up Program reforms to “grandfathered” projects; and Allow the Empire Zones program to expire.
- Buy prescription drugs in bulk for Medicaid, state employees, and other state programs – FPI has estimated that **this would save at least \$100 million a year; other estimates of potential savings are much higher.**
- Reduce the use of high priced consultants for work that state employees can do as well at much lower cost. Last year the state moved to hire more highway design engineers and to reduce the use of outside consultants for this work. The state needs to move in the same direction for computer programming and other professional services. **FPI has estimated that this could save \$500 million over the next three years, and \$500 million a year thereafter.**

Potential solutions

- Adopt a temporary increase in the tax rates on the highest-income New Yorkers, as was done in 2003 – would yield between \$2 to \$7 billion, depending on the income levels and rates
- While income is increasingly concentrated at the top of the income distribution, the state tax system has moved in the opposite direction - - eliminating brackets from the top and the bottom and moving to a virtual flat tax with 5 brackets in a very narrow range – from a low of 4% to a high of 6.85%

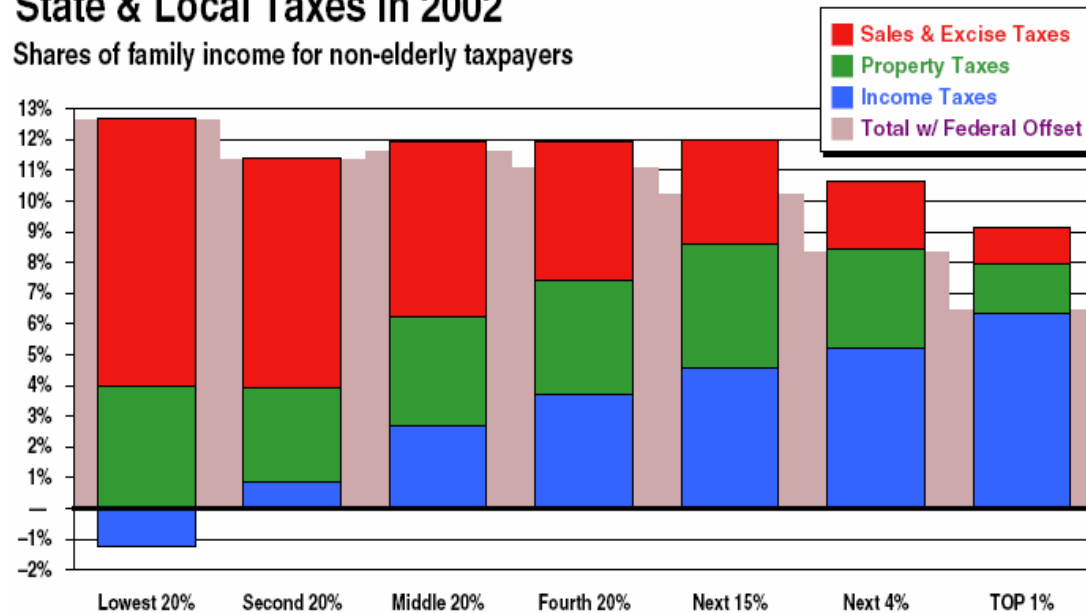
A move toward Tax Fairness is also warranted on the basis of the increased concentration of income at the top.

- Richest 1% of Americans now get nearly a quarter of all income—the highest share since 1928.
- NYS has widest gap between rich and poor and between the rich and the middle 20% of the income distribution.
- In NYS, top 1% got 29% of all income in 2006—more than two-and-a-half times combined income of the bottom half. In NYC, top 1% income share is 37%.
- While NYS's income tax is mildly progressive, the overall state local tax system is regressive because of the heavy local reliance on regressive sales and property taxes.
- 14 states now have higher top income bracket than NYS.

New York

State & Local Taxes in 2002

Shares of family income for non-elderly taxpayers



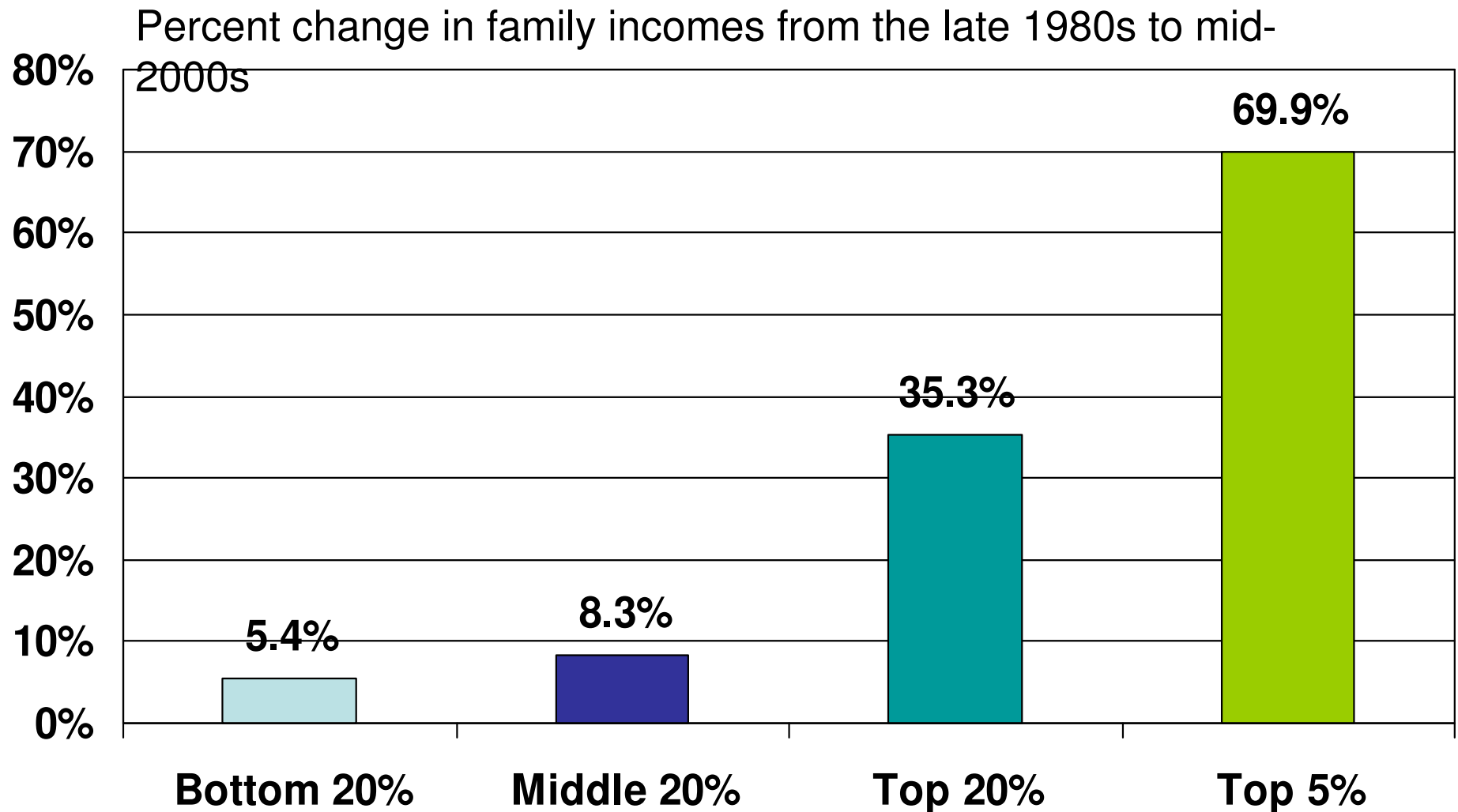
Income Group	Lowest 20%	Second 20%	Middle 20%	Fourth 20%	Top 20%		
	Income Range	Income Range	Income Range	Income Range	Next 15%	Next 4%	TOP 1%
Average Income in Group	\$8,700	\$20,700	\$34,900	\$56,800	\$102,000	\$250,000	\$1,663,000
Sales & Excise Taxes	9.5%	7.5%	5.7%	4.5%	3.4%	2.2%	1.2%
General Sales—Individuals	3.9%	3.6%	2.9%	2.5%	1.9%	1.3%	0.7%
Other Sales & Excise—Ind.	2.7%	1.6%	1.1%	0.7%	0.5%	0.3%	0.1%
Sales & Excise on Business	2.9%	2.3%	1.7%	1.3%	0.9%	0.6%	0.4%
Property Taxes	4.4%	3.0%	3.5%	3.7%	4.1%	3.2%	1.6%
Property Taxes on Families	3.9%	2.7%	3.1%	3.2%	3.5%	2.7%	0.7%
Other Property Taxes	0.5%	0.4%	0.4%	0.5%	0.5%	0.6%	0.9%
Income Taxes	-1.2%	0.8%	2.7%	3.7%	4.6%	5.2%	6.3%
Personal Income Tax	-1.3%	0.8%	2.6%	3.7%	4.5%	5.1%	6.0%
Corporate Income Tax	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.3%
TOTAL TAXES	12.7%	11.4%	11.9%	11.9%	12.0%	10.6%	9.1%
Federal Deduction Offset	-0.0%	-0.1%	-0.3%	-0.8%	-1.8%	-2.3%	-2.7%
TOTAL AFTER OFFSET	12.6%	11.3%	11.6%	11.1%	10.2%	8.4%	6.5%

Note: Table shows 2002 tax law at 2000 income levels.

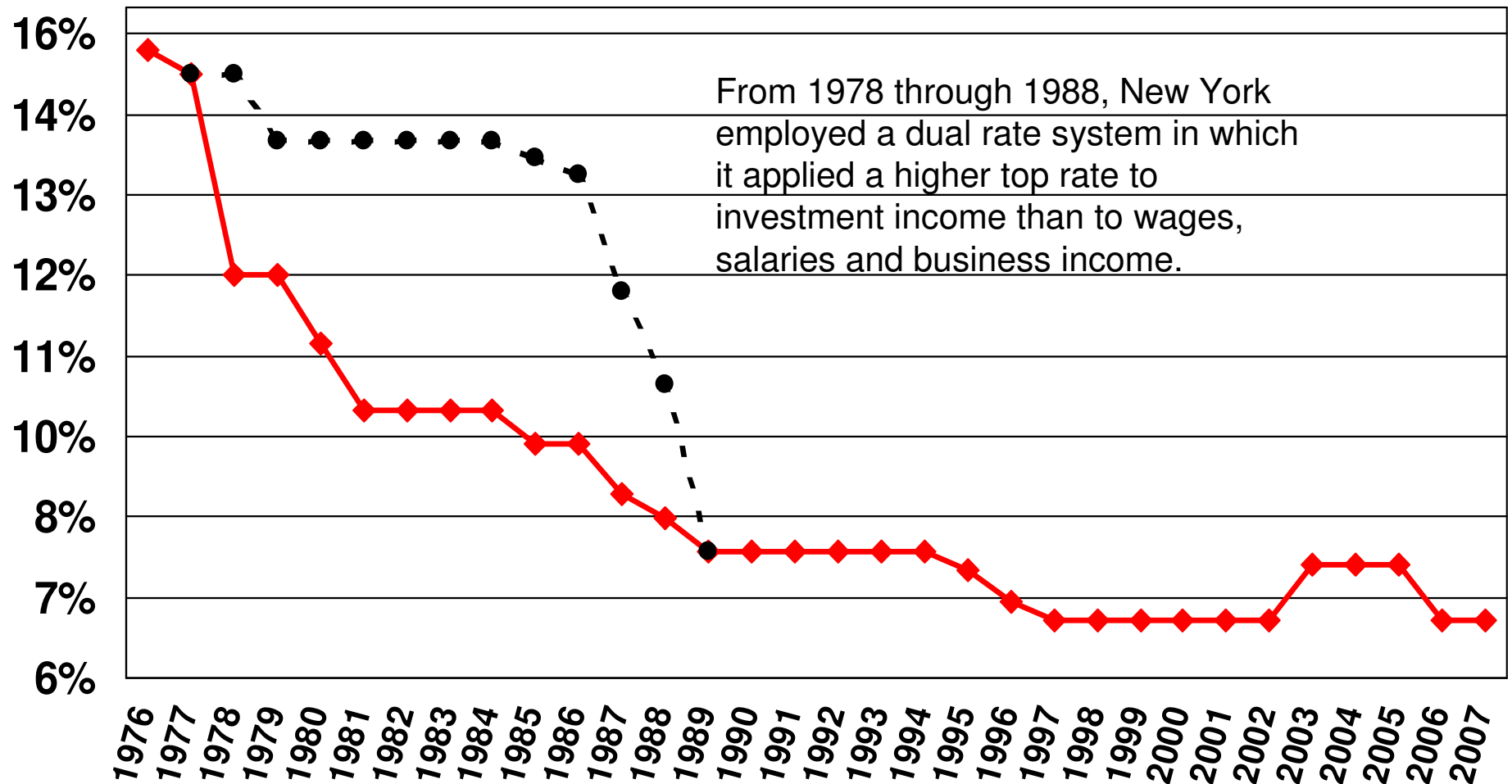
Hypothetical Graduated Rate Options

<u>\$200,000 to \$500,000</u>	<u>\$500,000 to \$1 million</u>	<u>\$1 million to \$5 million</u>	<u>\$5 million to \$10 million</u>	<u>Over \$10 million</u>	Estimated Annual Revenue
1.00%	2.00%	3.00%	3.00%	3.00%	\$4.3 Billion
1.50%	2.50%	3.50%	3.50%	3.50%	\$5.2 Billion
1.00%	2.50%	4.00%	4.00%	4.00%	\$5.5 Billion
1.00%	2.00%	3.00%	4.00%	5.00%	\$5.1 Billion
1.50%	2.50%	3.50%	4.50%	5.50%	\$6 Billion

The richest New York families have had the greatest income gains.



But, over the last 30 years, New York State has cut its top personal income tax rate by more than 50 percent, from 15.375% to 6.85%.



New York's top state personal income tax rate is at an historical low relative to New Jersey and Connecticut.

	<u>1976</u>	<u>1985</u>	<u>2003</u>	<u>2004</u>	<u>2006</u>
New York	15.375%	9.5%	7.7%	7.7%	6.85%
New Jersey	2.5%	3.5%	6.37%	8.97%	8.97%
Connecticut	0	0	5.0%	5.0%	5.0%

Note: The tax rates shown above are for wages, salaries and business income. Prior to 1991, Connecticut taxed the interest, dividends and capital gains of high income residents but it did not tax business income, wages, salaries and other income. From 1978 through 1988, New York employed a dual rate system in which it applied a higher top rate to investment income than to wages, salaries and business income. For 1985, the top rate applicable to investment income was 13.5%.

Lessons Learned from Past Recessions

- 1990s recession – relied on a strategy of only massive budget and service cuts.
- In January of 2003, New York State built up a combined deficit of \$11.5 billion for the upcoming 2003-04 fiscal year and the close-out of 2002-03; and Governor Pataki proposed closing that gap primarily through service cuts.

Déjà Vu All Over Again

- In response to Governor Pataki's 2003-04 Budget, the State Legislature adopted, over the Governor's vetoes, a much more practical approach to balancing the state budget that included a temporary three-year income tax increase of less than one percent on taxpayers with taxable incomes above \$500,000, and a smaller increase on families with taxable incomes above \$150,000.

Temporary Surcharge

- 2003, 2004, 2005 – tax years enacted
- Rate changes:

Income over **\$500,000 – 7.7% fixed for 3 yrs.**

Incomes over: **\$100,000 – single**

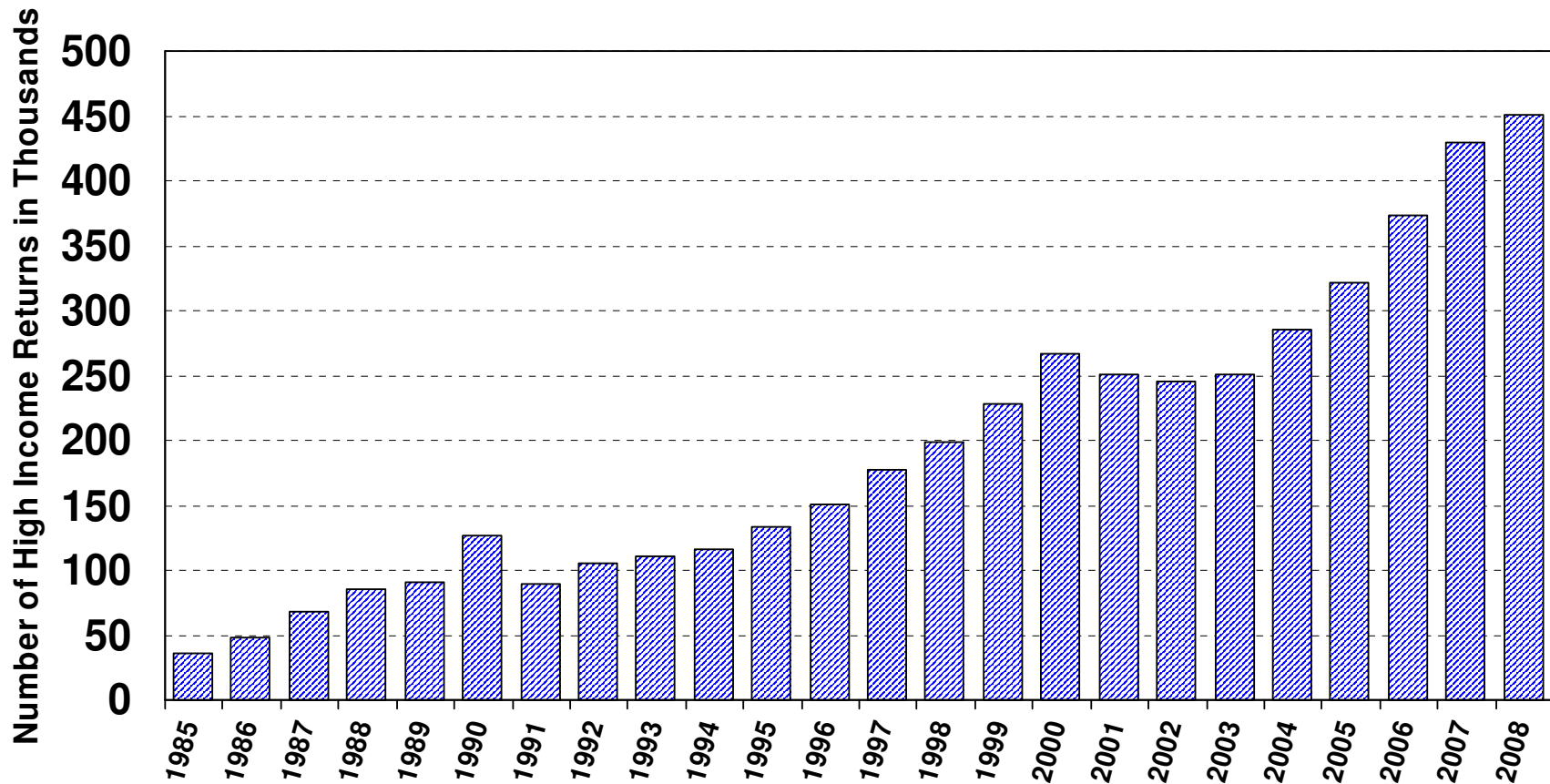
\$125,000 – HOH

\$150,000 - Married

Gradually reduced each of the 3 years:

7.5%(2003) - 7.375% (2004) – 7.25% (2005)

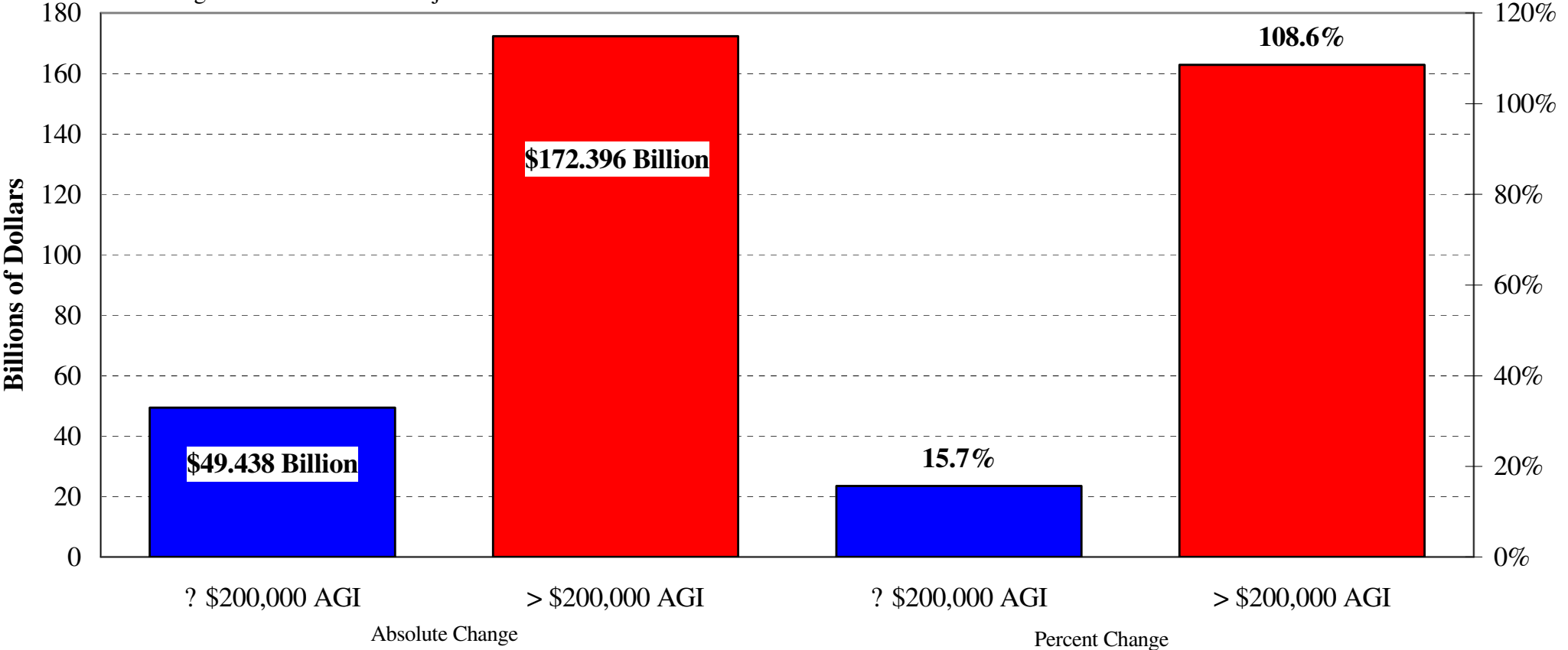
Following the adoption, in 2003, of the 3-year temporary increase in the top rate on New York State's Personal Income Tax, from 6.85% to 7.7%, the number of high-income returns and the amount of income reported on those returns both grew significantly.



Source: New York State Executive Budget for 2008-09, Economic and Revenue Outlook, Figure 57

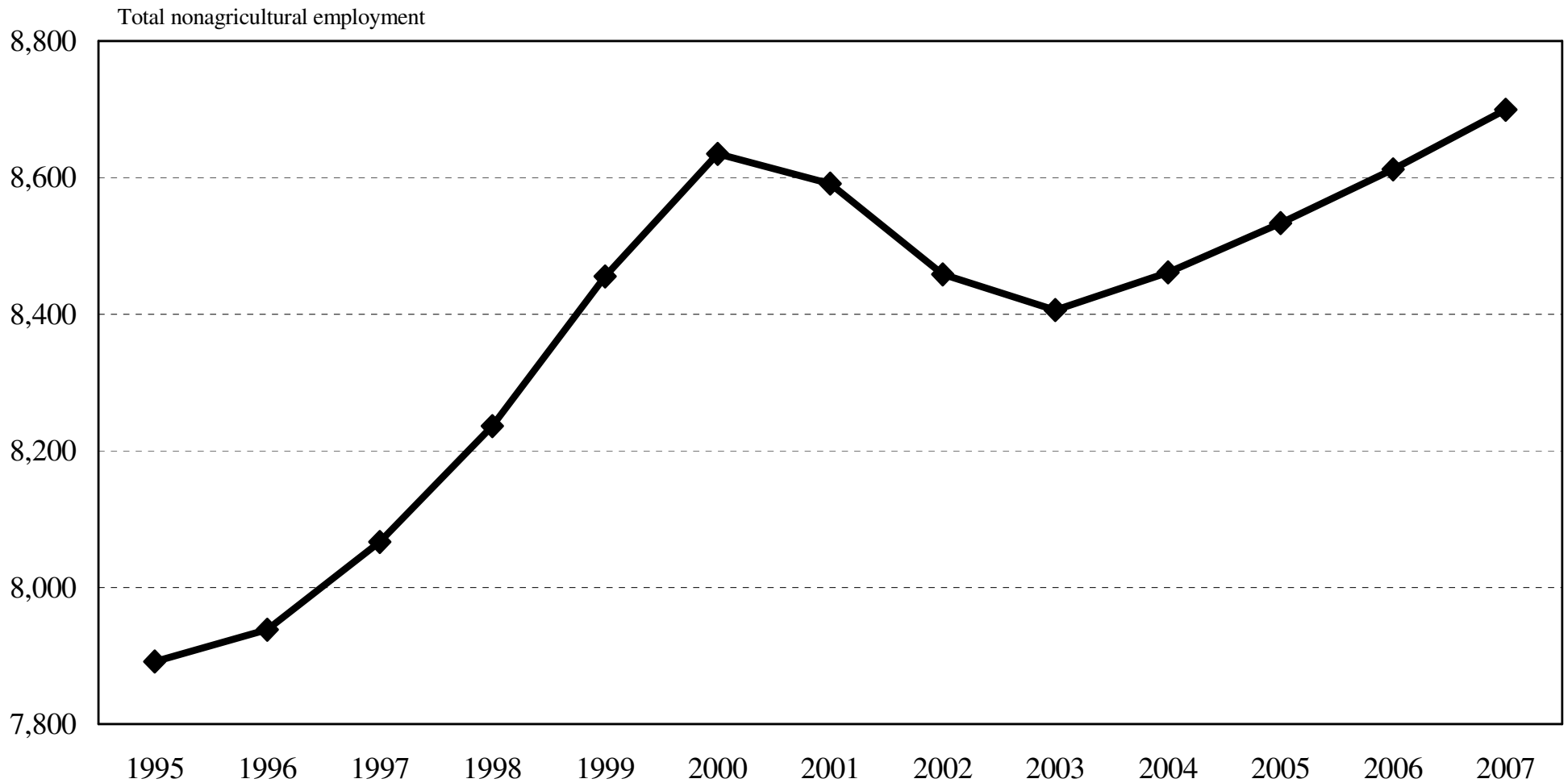
New York's income growth since 2003 has been concentrated among the top five percent.

Change in New York State Adjusted Gross Income: 2003-2008



Source: New York State Division of the Budget.

The 2003 tax increases did not have the negative economic effects that Governor Pataki predicted.



Source: US Department of Labor. 2007 annual employment level projected based on 11-month change.