



Testimony on Progressive Taxation

New York State Senate Committee on Budget and Tax Reform
Chair, Liz Krueger

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Testimony by
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Thank you for allowing CSEA the opportunity to submit testimony regarding the need for New York State to restructure the state's tax laws to a more progressive model. CSEA is New York's largest public employee union, representing 300,000 active and retired, public and private employees. CSEA members work in every corner of the state providing vital services to all New Yorkers. We work in state agencies, counties, towns, villages and in school districts across New York State.

CSEA members are affected in a multitude of ways by the decisions that will be made in the coming months. Not only are we the providers of so many of New York's public services, but CSEA members also pay taxes and contribute to the New York State economy. It is with this dual perspective – as both providers of service and as taxpaying citizens utilizing these services – that we support a more progressive income tax system as opposed to the combination of slashing essential services while burdening the middle class with more burdensome fees.

We need to look at this economic downturn as an opportunity to reform our personal income tax system and to get it right. Over the last 20 years we have lost billions of dollars in revenues because we have a personal income tax that is not progressive enough. It gives little to no relief to middle income taxpayers, yet it gives great relief to wealthy taxpayers. The wealthy have seen their tax rate drop over the years from a high of 15.375 percent to the current rate of 6.85 percent. The current system is extremely regressive. Under the current system, someone who makes one billion dollars pays the same state tax rate as someone who makes forty thousand dollars. Now is the time to ensure that all New Yorkers are paying their fair share, and everyone is truly sharing the pain of this budget deficit.

New York State has an over reliance on regressive taxes such as sales tax, gas tax, property taxes. We will never be able to control our reliance on these unless we are willing to remake our personal income tax in a manner where everyone pays their fair share. Now is the time for our state leaders to be bold, to fix this tax and to rely less on those taxes that hurt the middle-income taxpayers and the poor.

Governor Paterson's Executive Budget Proposal did not include an income tax increase for the wealthy, but did however include 88 new taxes and fees that would total \$4 billion. These proposals will affect middle class workers who would have to spend a higher percentage of their income. New York's middle- and lower-income households already pay a higher share of their incomes in state and local taxes than the top 5 percent.

Critics, including the Governor, have stated that raising taxes on the wealthy will drive them out of the state. In 2003, New York temporarily raised its top income tax rate from 6.85 percent to 7.7 percent. During that time, the number of wealthy New Yorkers actually grew. New Jersey permanently raised its top personal income tax rate to 8.97 percent in 2004 and has not seen the mass exodus that opponents are warning about.

Many would also lead you to believe that cutting vital services is the only way to get the state out of this current budget deficit. We firmly disagree. Many economists believe that it is better to raise taxes on those with higher incomes than to cut state spending, slash services and impose layoffs. Now is the time to ensure that all New Yorkers are paying their fair share. On behalf of 300,000 active and retired, public and private employees across New York State, CSEA remains committed to providing essential services, preserving jobs and protecting our communities. CSEA believes that this is the time to reform the state's personal income tax structure. Thank you for allowing us to submit testimony today.