new york state COUNCIL OF CHURCHES

Testimony Submitted to the New York State Senate Select Committee on Budget and Tax Reform by the New York State Council of Churches and Lutheran Statewide Advocacy, March 12th, 2009

Chairwoman Krueger, members of the Select Committee on Budget and Tax Reform, I am The Rev. Daniel Hahn, Director of Lutheran Statewide Advocacy, the New York State public policy office of the Evangelical Lutheran Church in America, and Public Policy Consultant to the New York State Council of Churches, which represents eight Protestant denominations in New York State.

The ethical touchstone in our considerations of New York State's tax structure is community. Community implies that a society is mindful of the well being of all its members, and committed to upholding the dignity of each. These social values pervade our scriptures, from the community-building of the Torah, to the harsh societal critiques from the Prophets, to the restoration of wholeness to outcasts by Jesus. We believe that community can be and should be the mark of any just society. As The Rev. Dr. Martin Luther King, Jr., believed:

> For Dr. King, The Beloved Community was not a lofty utopian goal to be confused with the rapturous image of the Peaceable Kingdom, in which lions and lambs coexist in idyllic harmony. Rather, The Beloved Community was for him a realistic, achievable goal… Dr. King's Beloved Community is a global vision, in which all people can share in the wealth of the earth. In the Beloved Community, poverty, hunger and homelessness will not be tolerated because international standards of human decency will not allow it. Racism and all forms of discrimination, bigotry and prejudice will be replaced by an all-inclusive spirit of sisterhood and brotherhood… [1]

[1] http://www.thekingcenter.org/prog/bc/index.html

New York State falls short of community most egregiously with respect to its wealth gap. According to the Center on Budget and Policy Priorities, New York has the worst income inequality in the nation.[2] In New York State, those with incomes in the top 5% have average incomes 15.4 times as large as the poorest 20% of families. This disrupts community. Where there is such stratification, it is historically and universally true that some people matter more than others, and that the least matter least of all.

Mindful of the disrupted community that is New York State, the New York State Council of Churches has drafted and approved Principles for Ethical Budget Decisions. The full statement is attached, but the opening section is particularly relevant:

> Budgets are moral documents that reflect a society's values. Our government is responsible for protecting the least of its citizens and providing for its most vulnerable members. Addressing basic human needs is a fundamental responsibility of our government.
>
> In the give and take of political debate moral principles are crucial. Without such principles firmly grounding deliberations, so-called "solutions" often endanger the vulnerable while benefiting the comfortable. We suggest addressing the budget crisis based on what kind of society we want to live in and submit the following principles as guidelines for how the state raises and spends money:
>
> 1) Every human being has dignity and worth by their very personhood.
> 2) The common good needs to be considered in all deliberations and policy decisions
> 3) Providing for basic human needs benefits all of society.

As law professor and ethicist William G. Ross points out, the wealth gap also demeans the dignity of labor, diminishing the dignity of persons by transforming workers from valued employees into fungible economic objects. In the secular language of ethicist Immanuel Kant, it violates the categorical imperative by treating people as means to an economic end rather than valuing their humanity and work as an end in itself. [3]

[2] http://www.cbpp.org/4-9-08sfp.pdf
[3] http://archive.elca.org/jle/print.asp?k=751#_edn7

The relationship between the wealth gap and tax policy may or may not be causal; there are competing theories concerning all the factors that contribute to the wealth gap. However, all would agree that tax policies which disproportionately favor the affluent do in fact mirror the gap. New York State's tax policies are a mirror of the wealth gap.

As the rich got richer, New York State cut its top personal income tax rate by more than 50 percent over the last 30 years – from 15.375% to 6.85%.[4] Through this decade, incomes have soared for the top 5% of New York's taxpayers while the income of the bottom 95% has fallen.[5] In addition to the wealth gap itself, there has been deterioration in job quality—lower wages, fewer benefits and career ladders, and less economic security, a wage-productivity gap—New York's productivity grows while workers' living standards stagnate, and a dramatic rise in the number of working poor.[6]

As these disturbing trends continue, New York State maintains a virtual flat tax that is costing New York State more than $20 billion this year relative to the income tax structure as it was in 1994.[7] New York *has* a virtual flat tax because its top rate begins at the modest adjusted gross income of $20,001 a year.

Income range, single taxpayers	Tax rate
$0 and $8,000	4%
$8,001 and $11,000	4.5%
$11,001 and $13,000	5.25%
$13,001 and $20,000	5.9%.
$20,001 and over	6.85%.

[4] http://www.fiscalpolicy.org/20092010BriefingBookJanuary14.pdf, slide 43
[5] Ib. id., slide 34
[6] Ib. id., slide 25
[7] Ib. id., slide 42

Speaking to Congress in favor of the estate tax in 2007, Warren Buffett, the chief executive of Berkshire Hathaway and one of the richest people in the United States, articulated sentiments consistent with ours:

> "Dynastic wealth, the enemy of a meritocracy, is on the rise. Equality of opportunity has been on the decline. A progressive and meaningful estate tax is needed to curb the movement of a democracy toward plutocracy."

We would argue the same for a progressive and meaningful state income tax. Buffett also said:

> "In a country that prides itself on equality of opportunity, it's becoming anything but that as the gap between the super-rich and the middle class is widening."

Tax policies have consequences. New York State spent 2008 facing down enormous deficits, which continue into this year. The Governor and Legislature did so by cutting programs while refusing to touch New York's virtually flat income tax structure. New Yorkers were told that everyone would have to pull in their belts, but the affluent were not included in that "everyone." As to the least of these among us, let it be said that it is difficult to pull in one's belt when that belt is around one's neck. To the point, even funding for the Hunger Prevention and Nutrition Assistance Program (HPNAP) was cut more than once over the past year. Now this program gets food to our congregation-based feeding programs, where the church, along with others, meets the survival needs of those for whom New York does not. These programs are the safety net beneath the safety net, and even these crumbs were taken from the mouths of the hungry. To be sure, we applaud Governor Paterson's proposed increase in HPNAP, but even the proposed $4.4 million plus the $1 million in emergency funds disbursed earlier this year only bring HPNAP to the approximate levels that were in place when this Governor took office. Meanwhile, the recession has deepened and demand on our feeding programs, according to our providers, has soared.

New York is a part of the national health care crisis also. Approximately 3.2 million New Yorkers, almost one in six, lack health insurance coverage. Most uninsured New Yorkers work for a living, but cannot afford health insurance coverage.[8] Yet as New York chooses to cut spending while refusing to adjust income tax rates, it shirks its responsibility for its citizens' health because new programs are off the table.

The current income tax structure is unfair. It is destructive to community. It insulates the more affluent while diminishing the quality of life for everyone else.

It has been argued that adjusting income tax rates to be more progressive would ultimately hurt New York financially. Jobs would be lost. Affluent New Yorkers would move elsewhere. History says otherwise.

Facing a $12 billion deficit due to the post-9/11 recession, the New York State legislature instituted a three-year surcharge on upper incomes, adding these brackets:

$100,001 and $500,000	7.375%
$500,001 and over	7.7%

The 2003 tax increases did not have the negative economic effects that Governor Pataki predicted. Employment increased,[9] as did the number of high-income tax returns.[10]

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[8] http://lipc.org/fhp.htm
[9] Op. cit. slide 44
[10] Ib. id., slide 45

Although the surcharge did not *cause* these happy results, they certainly did no harm. Thus do we feel confident that adjusting income tax brackets to deal with New York's shortfall is just while doing no significant harm.

Community is failing in New York, and its prospects grow dimmer. It need not be so. Either we pull together or it's everyone for him or herself. Government plays a powerful role. Its policies set the tone for what kind of society we are. What we do with income taxes in this state – favor the well-off or distribute the responsibilities fairly – tells us what kind of society we are.

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<u>Attachments</u>

I. New York State Council of Churches' Principles for Ethical Budget Decisions

II. New York State fact sheet from CBPP "Pulling Apart" (2008)

new york state COUNCIL OF CHURCHES

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Principles for Ethical Budget Decisions

We, of the Christian tradition believe it is of utmost importance to consider the moral basis of decisions we make. Our holy writings call us to care for those society neglects and to be daring in our interactions with institutions that stray from the doing of justice.

Budgets are moral documents that reflect a society's values. Our government is responsible for protecting the least of its citizens and providing for its most vulnerable members. Addressing basic human needs is a fundamental responsibility of our government.

In the give and take of political debate moral principles are crucial. Without such principles firmly grounding deliberations, so-called "solutions" often endanger the vulnerable while benefiting the comfortable. We suggest addressing the budget crisis based on what kind of society we want to live in and submit the following principles as guidelines for how the state raises and spends money:

1) Every human being has dignity and worth by their very personhood.

2) The common good needs to be considered in all deliberations and policy decisions.

3) Providing for basic human needs benefits all of society.

4) Education is necessary to equip children to face the challenges of the future. In this society only a strong public education system can ensure this opportunity for all children.

5) All persons have a right to basic preventative, primary and long-term health care services

6) Work is important to human well-being. One of the major tasks of today's society is to seek ways for all who are able to work to find meaningful employment at a livable wage.

7) As the economy worsens, reliable jobs with decent wages disappear, and the gap between the "haves" and "have-nots" widens. Fairness and balance need to guide decisions affecting profit-makers and workers.

8) Our criminal justice system needs to be structured in ways that contribute to the wholeness of victims, offenders and the community. Issues of class and race which unevenly affect arrests, sentencing, treatment while incarcerated, parole and the use of the death penalty need to be addressed.

9) Decisions of a society need to take into account the health of land, forests, air, streams and seas as well as profits and jobs. We believe the essential needs of all people can be met while preserving a viable habitat for future generations.

We commend these principles to decision-makers as a touchstone to guide their work as they seek to resolve present and future economic problems of our state. We pledge to work with them toward public policies that reflect these shared values.

New York

Income Inequality in New York Is Worst in Nation

New York's Richest Families vs. Poorest Families

- The *richest* 20 percent of families have average incomes **8.7** times as large as the *poorest* 20 percent of families.
- This ratio was **6.7** in the late 1980s.
- This growth in income inequality is the **5th** largest in the nation.
- The very richest families — top 5% — have average incomes **15.4** times as large as the poorest 20 percent of families.

The gap between New York's richest and poorest families is the largest in the nation.

New York's Richest Families vs. Families in the Middle

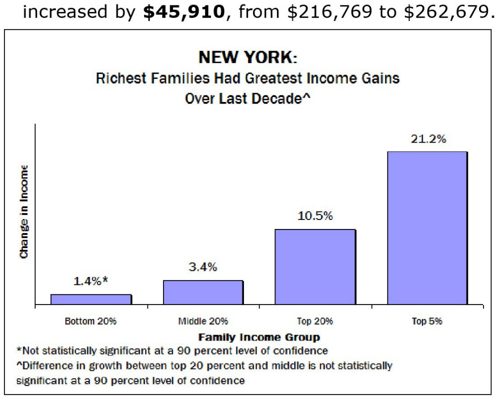
- The *richest* 20 percent of families have average incomes **2.8** times as large as the *middle* 20 percent of families.
- This ratio was **2.3** in the late 1980s.
- This growth in income inequality is the **6th** largest in the nation.

The gap between New York's richest families and families in the middle is 4th largest in the nation.

A Closer Look: Short- and Long-term Trends

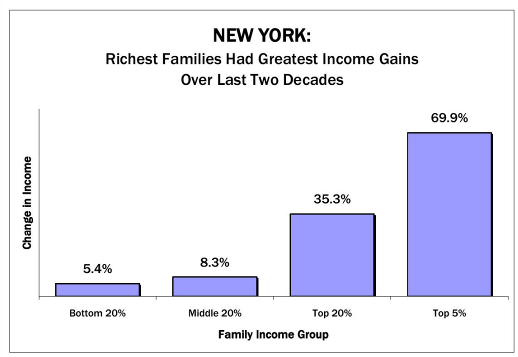
Late 1990s to mid-2000s

- The average income of the *poorest* fifth of families did not change significantly.
- The average income of the *middle* fifth of families increased by **$1,702**, from $50,378 to $52,080.
- The average income of the *richest* fifth of families increased by **$14,030**, from $134,162 to $148,192.
- The average income of the *richest* 5% of families increased by **$45,910**, from $216,769 to $262,679.



Late 1980s to mid-2000s

- The average income of the *poorest* fifth of families increased by **$882**, from $16,225 to $17,107.
- The average income of the *middle* fifth of families increased by **$3,984**, from $48,097 to $52,080.
- The average income of the *richest* fifth of families increased by **$38,681**, from $109,511 to $148,192.
- The average income of the *richest* 5% of families increased by **$108,112**, from $154,567 to $262,679.



Center on Budget and Policy Priorities

Economic Policy Institute

Based on the latest available data (2004-2006)
Source: Center on Budget and Policy Priorities and Economic Policy Institute
Pulling Apart: A State By State Analysis of Income Trends.
Available at: http://www.cbpp.org/4-9-08sfp.htm