STRONG ECONOMY FOR ALL COALITION

NEW YORK STATE LEGISLATURE

Senate Finance Committee
Senator Liz Krueger, Chair

Assembly Ways & Means Committee
Assembly Member Helene Weinstein, Chair

HEARINGS ON THE 2024-25 EXECUTIVE BUDGET PROPOSAL: TAXES

Testimony of Michael Kink, Esq. Executive Director
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Good afternoon Senator Krueger, Assembly Member Weinstein and members of the committee. My name is Michael Kink, and I serve as the Executive Director of the Strong Economy for All Coalition. Thank you for the opportunity to present testimony today.

Strong Economy for All is a labor-community coalition working on issues of economic fairness, jobs, income inequality and effective government policies to promote broad prosperity.

We are made up of some of New York's most engaged and effective unions and community organizations, including SEIU Locals 1199 and 32BJ; the United Federation of Teachers, New York State United Teachers and the Professional Staff Congress of CUNY; the New York State Nurses Association; the Retail, Wholesale and Department Store Union; the Communication Workers of America; the New York City Central Labor Council; the Municipal Labor Committee; and community groups including the Coalition for the Homeless, Citizen Action of New York, Make the Road New York, New York Communities for Change and the Alliance for Quality Education.

The Strong Economy For All Coalition is also a founding steering committee member of the Invest in Our New York campaign.

In 2009, 2011 and 2021, our former governors said firmly that they would not raise taxes on the rich — in the depth of the financial crisis and the COVID crisis, two Democratic governors refused to tax millionaires, billionaires and the wealthiest corporations, preferring to cut budgets, increase inequality and let the rich get richer while the public suffered.

In each of those years, people-powered movements worked with organized labor and leading lawmakers to chart a different course: towards tax fairness, toward public investments, and towards broader prosperity for all of us.

By instituting and renewing the Millionaires Tax, closing tax loopholes and raising corporate taxes on just the biggest, wealthiest corporations selling their products here in New York, our state government has raised tens of billions of dollars to fund education, healthcare, housing, affordable clean energy, public transit, social services and other public goods.

Now we are in the midst of an affordability crisis, after the highest inflation in generations drove up prices for housing, groceries, gas and medications. New studies show that over half of the inflation spike was actually the wealthiest corporations padding their profits for the benefit of their richest shareholders,

It's time again for the Legislature to work with labor and community groups against a governor who says she won't increase income taxes on the rich, and who has disparaged other tax fairness reforms.

Polls show it clearly: the people of New York want to tax the rich. Big majorities everywhere in the state in every demographic agree that "New York should increase taxes on the highest earning individuals, highly profitable corporations and the wealthiest New Yorkers in order to fund public programs and services" – including majorities of Republicans and conservatives!

Three out of four New Yorkers disagree with Governor Hochul’s 'no new taxes' pledge — a supermajority of us want real tax fairness, with higher taxes on millionaires, billionaires, and the biggest, most profitable corporations selling products in New York

The good news for the Legislature is that this new poll shows a path forward to popular policies: build affordable housing, prevent crime, and pay for essential investments with revenue from the rich. It’s a recipe for success, written by New Yorkers for New Yorkers, and Albany should make it happen this year.

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TAX JUSTICE IS A NEW YORK TRADITION – LET’S KEEP IT THAT WAY

A new national fight for tax justice is growing in many states, and it has powerful roots in New York.

After the Great Recession of 2008, New Yorkers fought for and secured progressive income tax reforms, including the first-ever modest tax increase on New Yorkers who earn more than $1 million. We fought to maintain these reforms with Occupy Wall Street and Occupy Albany activists to prevent cuts to essential public services.

Twelve years later, during the global pandemic, labor groups and the transformative Invest in Our New York Campaign worked with lawmakers to raise billions of dollars in new public funds from tax increases on billionaires and wealthy corporations to fund initiatives.

This year Strong Economy For All urges lawmakers to pass a comprehensive package of income, corporate and wealth taxes to fund transformative investments in all of our communities:

- **Progressive Income Tax** reforms (S2059-Jackson/A3115-Meeks) would raise over $21 billion annually by creating new brackets within the state's existing personal income tax. This bill would only impact our state's top 5% of income earners.

- **Corporate Tax** reforms (S1980-Hoylman/A3690-Kelles, Shrestha) would raise over $7 billion annually by raising rates on large multistate/multinational corporations that make over $2.5 million in profits in New York, and creating two additional progressive brackets for profits over $10 million and $20 million in profit annually. The changes in the bill would not kick in until corporate profits exceed $2.5 million and would not impact small businesses -- literally 99% of New York businesses would not face an increase.

- A new **Capital Gains Tax** (S2162-Rivera/A2576-Kim) would raise over $12 billion annually by creating a surcharge tax on income generated by buying and selling stocks. The tax would apply only to people who earn over $400,000 as single filers and $500,000 as joint filers. This bill would raise taxes on less than 1% of New Yorkers. In the last few years, both Washington State and Minnesota have passed similar capital gains taxes.

- A new **Billionaires Tax** (S1570-Ramos/A3252-Kelles) would raise over $27 billion in its first year and $1.5 billion annually thereafter by creating a tax that targets the rising value of stocks and investment portfolios. This proposal creates a yearly tax on assets that have accumulated value, requiring billionaires to pay income tax rates on their investment gains, just like homeowners pay property taxes on the increased assessed value of their homes.

- A new **Heirs Tax** (S2782-Brisport/A3193-Solages) would raise $4 billion annually by replacing New York's existing estate tax and creating a new law that treats inherited income over $250,000 as taxable income. The creation of this tax would impact less than 1% of inheritances, those above $250,000 would only be taxed at a low rate of 2.5% and the bill includes specific exemptions for family homes and family farms, to allow the creation of generational wealth for working families while fairly taxing the fortunes of today's billionaire class.

The Invest in Our New York package provides over $50 billion per year in recurring revenue that could easily fund:

- full foundation aid and hold harmless provisions for public schools;
- new investments in Medicaid and public health funding for hospitals,
- home care and community services; public renewable energy infrastructure to assure affordable green energy for every New Yorker while preserving our environment for future generations;
- transformative investments in early education and higher education;
- an end to widespread poverty and homelessness; and
- a once-in-a-lifetime investment in affordable housing through the creation of a twenty-first century Mitchell-Lama program and a new social housing finance authority.

SUCCESSFUL AND POPULAR TAX INCREASES ON THE WEALTHY

The revenue picture in New York has made a dramatic turnaround – we closed this year with a budget surplus of $2.2 billion this year, with $30 billion in reserve and available funds and more surpluses into the future diminished only by DOB's continuing and unrealistic predictions of declining tax revenues and sunsets of high-end tax increases.

This is in large part, according to the NYS department of the Budget and the Office of the State Comptroller, due to the smart and responsible progressive tax policies that were passed in 2021.

The small increase in tax contributions on ultra-millionaires, billionaires and profitable corporations has led to a 31.2% increase in tax collections; roughly $10 billion higher than expected.

A SURTAX ON CAPITAL GAINS MAKES SENSE NOW – WASHINGTON STATE AND MINNESOTA DID IT EFFECTIVELY, WE CAN TOO

According to budget director Blake Washington and deputy budget director Mark Massaroni in their response to questions from reporters at their technical briefing on the budget, this year's shift to a comfortable surplus was fueled by a burst of profit-taking on Wall Street, leading to big capital gains which we currently tax at income tax rates, but which the federal government taxes at a much lower rate.

If we had had the IONY capital gains tax in place this year, our state would have benefited more from this burst in profit-taking, and we probably wouldn't be talking about cuts to schools and inadequate resources to fund public services and local governments.

Washington state and Minnesota have both implemented successful new capital gains taxes in the last few years, and New York should follow their lead.

Washington's Bill ESSB 5096 passed in 2021 and "creates a 7% tax on the sale or exchange of long-term capital assets such as stocks, bonds, business interests, or other investments and tangible assets." The measure only applies to wealthy individuals and covers capital gains allocated in Washington state over $250,000.

Washington raised nearly $900 million in the first year alone, which their Department of Revenue said "exceeded early forecasts" and predicted an increase in revenue as remaining tax filings are submitted.

Minnesota's Bill HF 1938 passed in 2023 and will start in tax year 2024; it applies to "individuals, estates, and trusts with more than $1 million of net investment income in the tax year" and taxes 1% of net investment income over $1 million. Minnesota's newly adopted tax is projected to raise an estimated $209.7 million in its first year.

Both states used their capital gains tax revenue to invest in affordability, including new funding for child care, higher education and working families tax credits as a measure of wealth redistribution and fairness.

MYTHS BUSTED: IT'S WORKING PEOPLE WHO ARE LEAVING NEW YORK IN SEARCH OF AFFORDABLE HOUSING; THE MILLIONAIRES AREN'T MOVING – THEY'RE JUST PAYING MORE TAXES

Because this is often a talking point during tax debates we want to note that the Fiscal Policy Institute late last year published a landmark study demonstrating that high earners move out of New York less often than working & middle class, and do not move in response to tax hikes:

> FPI's report includes novel statistical analysis of the two most recent effective tax increases on high-earning New Yorkers (in 2017 and 2021) and reveals that high earners do not significantly change their migration behavior in response to tax increases. The report also finds that when high earners do move out of New York State, they are more likely to move to other relatively high tax states than to move to low tax states.

The report won front-page coverage across the state, with headlines like "New York's Millionaire Class Is Growing. Other People Are Leaving." Governor Hochul also acknowledged this reality in her State of the State address in January.

It's clear that since the passing of the 2021-2022 budget the sky has not fallen, and the unrelenting fear mongering from billionaire-funded lobby groups moonlighting as think tanks has not come to fruition. There has not been a mass exodus of millionaires, billionaires, or corporations from New York State.

According to Forbes data analyzed by Americans for Tax Fairness, New York now has 130 billionaires with over $661 billion in wealth, who've enjoyed a 31 percent increase in wealth in the past six years.

And the ten-billion-dollar-a-year yield from our popular and successful tax hikes on the wealthy demonstrates that there hasn't been a mass migration of millionaires: most have stayed and paid what they owe.

UNTAXED AND UNFAIR, BILLIONAIRE WEALTH CONTINUES TO GROW – NEW YORK NEEDS A BILLIONAIRES TAX NOW

Americans for Tax Fairness also late last year released a landmark study on the explosion of wealth among 64,000 ultra-wealthy Americans – billionaires and centimillionaires – outlining how an explosion in unrealized capital gains and subsequent large-scale borrowing by billionaires allows this elite class to hoard wealth and live luxuriously while paying absolutely no taxes on their wealth:

> America's ultimate rich–the nation's billionaires and centi-millionaires–inhabit a different economic world than the rest of us. They live off their money instead of their labor and their income does not have to be received in the traditional sense to be enjoyed. That difference is best encapsulated by the huge and growing unrealized capital gains of the uber-wealthy.
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> Under current law, those gains receive an ongoing exemption from taxation in life and a permanent exemption in death. Yet they are largely what funds the extravagant and intrusive lives of the ultra-rich: destabilizing our economy, weakening our society, and endangering our democracy.

The ATF report found that "America's billionaires and centi-millionaires (those with at least $100 million of wealth) collectively held at least $8.5 trillion of "unrealized capital gains" in 2022. These profits from unsold investments constitute the largest source of income for the super-rich."

The Billionaires Tax included in the IONY platform and backed by Strong Economy For All would require New York billionaires to accurately report the value of their unrealized capital gains and pay regular income tax rates on their hoard – just like the Billionaires Tax included in President Biden's budget last year.

ELIMINATE THE SUNSETS AND EXTEND POPULAR REFORMS – KEEP PROGRESSIVE TAX POLICY IN LAW AND END WASTEFUL CORPORATE TAX BREAKS

The data has been overwhelmingly positive. New York should make all the 2021 tax increases on the ultra-wealthy permanent – the income tax increases and the corporate tax increases should be locked in, and new progressive income and corporate tax rates should be included.

It's good policy, there is no reason to go back. In fact, there remains ample room to build on these policies by passing the Invest in Our New York legislative package and making our tax code even more just.

In addition, complete elimination of ineffective and wasteful corporate tax abatements would provide billions in aid for localities. Last January's Senate joint committee hearing plainly laid out the significant failures of these programs.

We recommend a five-year wind-down of all so-called "economic development" tax giveaways, and a five-year ramp-up of the same amount of money in public investments in public goods like affordable housing, education, health care, social services and public renewables.

At the end of five years, we'd have over $11 billion per year in new investments in the things our state needs the most – and the private sector will do just fine without taxpayer subsidies.

Strong Economy For All also supports passage of a digital ad tax (S.5551 Gianaris/A.5842 Walker) on only the biggest advertising platforms (Google, Amazon, Facebook, etc.) to raise $750 million to fund a new Unemployment Bridge Program for excluded workers as well as a half-billion dollars in other sorely needed public services.

INVEST IN AFFORDABILITY, INVEST IN OUR NEW YORK

We should use new revenues to make New York more affordable by:

- Building deeply affordable housing families and individuals can afford to live in;
- Building our CUNY and SUNY systems into the best and most affordable public university system in the country;
- Ending homelessness and poverty;
- Leading the country on affordable childcare and high-quality early education;
- Rebuilding our mental health infrastructure; and
- Building for our sustainable future and lowering energy costs by investing in public renewables and climate-resilient infrastructure.

Once again, the Governor’s budget simply falls short, failing to adequately reflect the urgent needs and real opportunities facing our state. Tinkering around the edges and continuing the Cuomo-Hochul version of trickle-down economics isn’t a winning game plan – at least not for New Yorkers that aren’t already wealthy.

The rich are richer than ever. Corporate profits are sky-high, explicitly rising at the cost of driving up prices and driving down affordability for working people. Especially in the presence of record wealth among the billionaires and centimillionaire class, Governor Hochul’s budget cuts and meager proposed investments aren’t popular, and won’t meaningfully address New York’s affordability crisis.