NEW YORK STATE LEGISLATURE
Senate Finance Committee
Assembly Ways & Means Committee

Senator Liz Krueger, Chair
Assembly Member Helene Weinstein, Chair

HEARINGS ON THE 2022-23 EXECUTIVE BUDGET PROPOSAL: TAXES

Testimony of Charles Khan
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Good afternoon Senator Krueger, Assembly Member Weinstein and members of the committee. My name is Charles Khan and I am coordinator of state and local tax campaigns at the Center for Popular Democracy. Thank you for the opportunity to present testimony today.

The Center for Popular Democracy is a network of 53 grassroots organizations across 131 cities, 34 states, Puerto Rico, and Washington DC, including 4 affiliates in New York State. We work to create equity, opportunity and a dynamic democracy where people of color, immigrants, working families, women, and LGBTQ communities thrive together, supported by a resilient economy and political institutions that reflect our priorities.

First, I’d like to congratulate the legislature on the historic budget passed last year that has brought us to this moment. This time last year the state was looking at an $11 billion deficit that presented enormous challenges and suffering.

The legislature adeptly navigated the data and vastly differing experiences of New Yorkers to make smart short and long term investments in people and communities that has not only avoided the worst case scenario but also put New York in a position of strength with this year’s budget surplus at $10 billion before the Governor’s proposed $5 billion deposit into the rainy day fund.

It’s important to note the obvious: we’re not through the storm yet, millions of New Yorkers remain in crisis, and New York can’t afford to take our foot off the gas.

SUCCESSFUL AND POPULAR TAX INCREASES ON THE WEALTHY

Nonetheless New York has made a dramatic turnaround.

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 last year. 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. Additionally the Department of the Budget now forecasts budget surpluses of $5.5 billion per year.

The public overwhelmingly supports you in these actions. Over 70% of New Yorkers support it, making it one of the most popular issues in the state.

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 since the passing of last year's 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.

Budget Director Robert Mujica noted in his budget debrief that NY has seen an increase in the number of millionaires which is a new all-time record. He also noted that there has been no evidence of moving millionaires.

Indeed it appears that fear is a myth. While the full data on 2021 tax filings has not been made public yet, from what we can see the wealthy in New York continue to do better than ever.

According to Forbes Data From the beginning of pandemic until now there has been 39.7% increase just amongst NY billionaires, over $200 billion. 2021 smashed NYC records for luxury real estate sales and 2022 started no different with the first week of January breaking the record for most $4M leases signed, ever. The explosion in wealth has also led to a national shortage of yachts and private jets.

ELIMINATE THE SUNSET – KEEP PROGRESSIVE TAX POLICY IN LAW

The data has been overwhelmingly positive. New York should consider making the 2021 tax increases on the ultra-wealthy permanent. Its 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 New York package of bills and making our tax code even more just.

PRIORITIES: INVEST IN OUR NEW YORK

New York, however, has seen an out-migration of working class and poor New Yorkers. These New Yorkers have always been the most likely to leave. I believe we live in the greatest state in our union. We can and should use new revenues to make New York more attractive to those parties by:

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

Disappointingly, this year's budget falls short and fails to adequately reflect the opportunities in front of us.

Across childcare, housing, homelessness, healthcare, and climate initiatives the 2022 executive budget shortchanges our future. Especially in the presence of unprecedented resources the proposed investments are simply not enough. It wont meaningfully address the childcare, housing, affordability, or climate crisis we face.

In response to the $2.8 billion in tax cuts proposed in the 2022 executive budget we first commend the attempt made by the Executive to help New Yorkers navigate the multi-decade affordability crisis that has gone into overdrive due to the failure of our national supply chain.
RESPONSES TO THE EXECUTIVE BUDGET: INVEST IN PUBLIC GOODS, LIMIT SHORT-TERM TAX BREAKS

We offer these suggestions:

First the Executive Budget proposes the acceleration of “middle class” income tax cuts that will cost roughly $800 million over the next 2 years. If the stated purpose of this tax cut is to provide relief for middle class families we would first implore the legislature to target this tax cut more accurately.

According to the Census Bureau New York’s median income is just under $70,000/yr. Even if we double those incomes to generously encompass middle class earnings we would only arrive at $140,000/yr. The Executive Budget proposes providing tax cuts to those making as much as $270,000 almost 400% more than actual middle-class individuals earn every year. It’s clear this is not the middle class and the legislature should act to narrow the benefit of this cut to only those making $150,000 or less per year. Then our rhetoric will match our policy.

Second, the Executive Budget has proposed a one-time Homeowner Tax Credit valued at $2.2 billion. We support efforts to reverse the long term damage done to localities by Governor Pataki’s massive income tax cuts for the wealthiest New Yorkers. Those tax cuts sparked the beginning of a massive shift of costs onto localities, with limited options for funding essential programs. Ultimately this forced localities to dramatically raise property taxes to their current crisis levels.

The thing is, one-time checks conveniently timed right before an election, are not a solution to this problem. It would be far more helpful to homeowners and communities for the state to resume a larger share of education and medicaid costs which account for the 2 largest expenditures by local governments.

Our long-term solution for New York property tax issues must focus on shifting funding away from property taxes altogether, which create harmful inequities in both systems, and instead choose to fund these essential programs through wealth and income taxes.
Additionally, the elimination of ineffective and wasteful corporate tax abatements would provide billions in aid for localities. January’s Senate joint committee hearing plainly laid out the significant failures of the program.

Each year corporate property tax abatements fail to have the desired economic outcomes while draining billions from school and local resources. This type of corporate waste shifts costs and responsibility onto taxpayers instead of ensuring businesses meet their obligations to the communities in which they reside.

Last year’s historic investments were a great downpayment on our future. The 2021 budget made a tangible difference in the livelihoods of millions of our neighbors and should serve as a roadmap, not an outlier, for budgets going forward, including this year’s budget. With significant multi-year surpluses forecasted we must seize this moment and lead New York into a future brighter than its past.