



NEW YORK STATE LEGISLATURE

Senate Finance Committee

Assembly Ways & Means Committee

Senator Liz Krueger, Chair

Assembly Member Helene Weinstein, Chair

HEARINGS ON THE 2023-24 EXECUTIVE BUDGET
PROPOSAL: TAXES

Testimony of Charles Khan

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Center For Popular Democracy

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.

In 2021, the former Governor said that he would not raise taxes on the rich. It was a failure in judgment on his part and it was the legislature that stood with working-class New Yorkers and pushed back securing tax increases on millionaires and wealthy corporations that ensured we had the resources to scale up the services and government action New Yorkers continue to need.

This year low-income, middle and working class families need you to stand with us again.

Fortunately, we can look to our past successes to chart a path forward to build the New York we all deserve.

Two years ago the Invest in Our New York coalition put forth a bold roadmap of taxes that asked the ultra wealthy to pay a bit more. The Legislature led the way on implementing an income tax increase on wealthy New Yorkers making over 5 million a year and on similarly situated corporations making over 5 million.

Since then estimates have shown that these laws have generated over \$10 Billion per year. These increases have directly paved the way for increased investments in public education, rent relief, public transit, and childcare. It has saved many from falling behind and saved working people in New York billions of dollars. It's a data driven roadmap that will make New

York more affordable for the average person dealing with rising costs, struggling to get by.

Since 2021 when these laws went into effect, we've also seen an 8% increase in the number of New York tax filers over \$10 million. At the same time we are seeing the benefits of raising taxes on the wealthy, we are also seeing New York State continue to be one of the best places in America to get rich.

This year the legislature can continue to be a national leader and build on these successes by enacting the [Invest in Our New York updated legislative proposals](#) to raise over \$40 billion in revenue for investment directly into our people and our communities creating deep affordability across the board and opening the opportunity to thrive to millions of families that have so far been priced out.

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 public understands that policymakers have an obligation to ensure millionaires, billionaires, and wealthy corporations that continue to make record breaking profits every year pay what they owe in taxes, and that those public funds are invested directly into our communities for the priorities the public say matter.

Governor Hochul's budget proposal continues to prioritize corporate giveaways, and looks to balance the budget on the backs of working New Yorkers while failing to invest in the services and programs that keep all New Yorkers safe and thriving. Our past and our present tell us that won't cut it. In fact, that strategy is how New York became so unaffordable in the first place.

New York's wealthiest profit from our work, our communities, and our public infrastructure - as a result of our backwards tax system, they are able to avoid paying what they owe. We need to restructure our tax system so that a middle-class family isn't paying the same rates as a millionaire.

That's why we're calling on the Legislature to do the right thing and ensure that ultra-wealthy New Yorkers and wealthy corporations pay back into the system they profit from. We deserve a budget that uplifts and prioritizes middle, working-class, and low-income New Yorkers.

New Yorkers deserve a budget that actually benefits working-class families, Black and Latinx communities, our youth, immigrants and those who are homeless.

It's never been more expensive to live in New York and we need to do what we can to drive down costs and to ensure that people have access to the programs and services that they need.

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

The [national fight for tax justice](#) 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.

The additional public funds – which continue to [exceed economic projections](#) – were directly invested in programs and services that benefit all of us—expanded child care and healthcare, full funding for public schools, emergency benefits for immigrant workers, and new investments in truly affordable housing.

But we can't stop there – these investments have yet to meet the level of need New Yorkers currently face. Policymakers have an obligation to ensure millionaires, billionaires, and wealthy corporations that continue making [record profits](#) pay what they owe in taxes, and invest those public funds directly into our communities.

That's why dozens of New Yorkers and elected officials [rallied earlier this month](#) as part of a [multi-state effort to demand tax justice](#) and new investments in working people to fund our future.

Our wealth tax rally took place at 740 Park Avenue in Manhattan, where [residents have hoarded over \\$100 billion in wealth](#). The ultra-rich are extraordinarily comfortable in New York, and their lives will continue to be luxurious after a reasonable tax on their wealth is implemented.

SUCCESSFUL AND POPULAR TAX INCREASES ON THE WEALTHY

The revenue picture in New York has made a dramatic turnaround – we've got a budget surplus of over \$8 billion this year (with surpluses into the future diminished only by DOB's unrealistic predictions of a severe recession).

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](#). Additionally the Department of the Budget now forecasts budget surpluses of \$5.5 billion per year.

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.

Former Budget Director Robert Mujica noted 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 and 2022 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, New York's 120 billionaires have enjoyed a 30% increase in wealth over the past five years, gaining over \$143 billion in wealth to a new total at the end of 2022 of over \$626 billion dollars.

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.

ELIMINATE THE SUNSETS AND EXTEND POPULAR REFORMS – KEEP PROGRESSIVE TAX POLICY IN LAW

The data has been overwhelmingly positive. New York should make all the 2021 tax increases on the ultra-wealthy permanent – both 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 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 most 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. Tinkering around the edges and continuing the Governor's version of trickle down economics isn't a winning game plan— at least not for New Yorkers that aren't already wealthy.

Across childcare, housing, homelessness, healthcare, and climate initiatives the 2023-24 executive budget shortchanges our future. Especially in the presence of unprecedented resources, the proposed investments are simply not enough. It won't meaningfully address the childcare, housing, affordability, or climate crisis we face.

Hundreds of thousands of low-income and working class New Yorkers are leaving the state because we've failed to take the types of action needed to materially change the dynamics across the state.

The legislature has led the way before and it'll be up to the legislature to lead the way again this year.

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 reassume 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.

The Legislature has led the way to historic investments that 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. We must seize this moment and lead New York into a future brighter than its past.