



**New York State Joint Legislative Budget Committees
2023 Budget Hearing on Taxes
February 9, 2023**

Testimony from the New York City Democratic Socialists of America (NYC-DSA)

Good morning, Chairs Krueger, Weinstein, and members of the Senate Finance Committee and the Assembly Ways and Means Committee. My name is Emily Eisner, and I'm a PhD economist educated at the University of California, Berkeley, with a focus on public finance and macroeconomics. I am testifying today as a representative of the New York City chapter of the Democratic Socialist of America. Thank you for the opportunity to testify today on the economic value of taxing wealthy New Yorkers and corporations, and passing the Invest in Our New York legislative package in the FY24 state budget.

New Yorkers work hard. To provide for our families. To help our friends. To take care of our neighbors. To build a future we'd be proud to watch the next generation grow up in. If New York were a country, it'd be the tenth richest in the world, with an economy roughly the same size as South Korea, Canada, and Italy. On a per-capita basis, New York is wealthier than the countries Norway, Denmark and Sweden — countries that have demonstrated the capacity for robust social services. However, far too many New Yorkers face housing insecurity, joblessness, and trouble paying the most basic household expenses. New York is the most unequal state in the country, has a higher level of unhoused people than almost anywhere else in the country, and ranks second to last in education equity.¹ Nearly half (47%) of New Yorkers report trouble paying their regular expenses on any given week.² New York's millionaires and billionaires pay far less in taxes, as a percent of their overall income, than the average New Yorker.

If it were up to us, we'd fund a New York where *every* working parent can trust their kids in quality care. Where *every* student gets the education they need for tomorrow, debt and regret-free. Where new, state-of-the-art housing are *our* next homes. Where we build wind and solar power to transition away from fossil fuels, shrink utility bills and make our future beautiful and equitable for all. In order to achieve greater equality within our state, we propose that New York build a progressive taxation system, and directly spend on public goods that will benefit all New Yorkers.

¹ WalletHub, August 2022. "States with the Most & Least Equitable School Districts"
<https://wallethub.com/edu/e/states-equitable-school-districts/76723>

² Office of New York State Comptroller, December 2022. "DiNapoli: Nearly 14% of New Yorkers Live in Poverty; Surpasses National Average for Eight Straight Years"
<https://www.osc.state.ny.us/press/releases/2022/12/dinapoli-nearly-14-percent-of-new-yorkers-live-poverty-surpasses-national-average-eight-straight-years>

I. New Yorkers need economic security, safety, and justice.

As most of us are well aware, New York faced a devastating blow in 2020 as the pandemic arrived in the United States. As of January of this year, New York state lags behind the rest of the country, yet to return to pre-COVID employment levels.

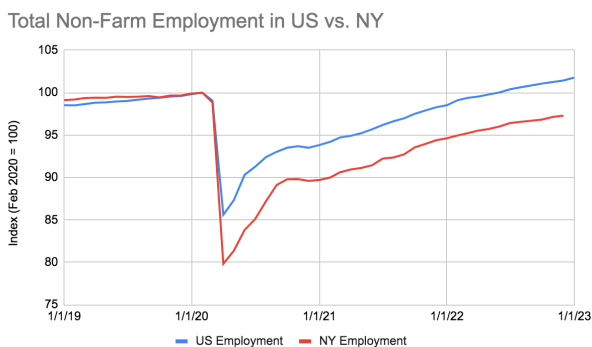


Figure 1: Data from the BLS and FRED

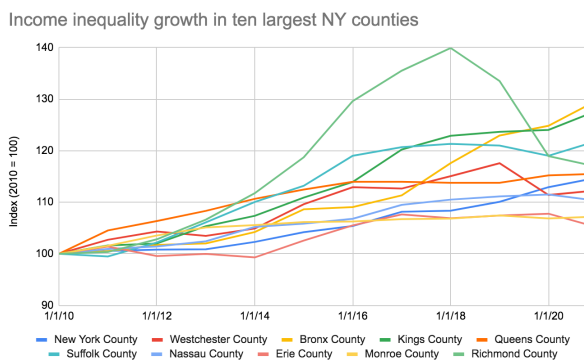


Figure 2: Data from US Census Bureau and FRED

Income inequality in New York — defined as the ratio between the mean income of the top quintile of earners and the mean income of the bottom quintile of earners — has been growing consistently since 2010 in all of the top ten largest counties in the state. Income inequality is associated with lower life expectancies, worse health and wellbeing, and heightened social ills. As the most unequal state in the country³, New York has the second highest homelessness rate⁴, is 29th in terms of child well-being⁵, 39th in terms of public hospital safety⁶, and 49th in state and local education funding equity⁷.

In the past three years, while New York families have had to manage their way through a global pandemic, New York’s millionaires and billionaires have accrued huge amounts of wealth. Meanwhile, the cost of housing, food and energy have sky-rocketed, threatening the livelihoods of far too many families. Rising interest rates intended to lessen inflation hurt the bottom of the income distribution more than the top — creating an even more urgent need for redistribution towards New York’s working-class families. A looming possible recession only adds more reason to bolster revenue preemptively and prepare to support New Yorkers in a time of need.

³ As measured by the state’s gini coefficient. World Population Review, “Income Inequality by State, 2023.”

<https://worldpopulationreview.com/state-rankings/income-inequality-by-state>

⁴World Population Review, “Homeless Population by State 2023.”

<https://worldpopulationreview.com/state-rankings/homeless-population-by-state>

⁵ The Annie E. Casey Foundation. “2022 Kids Count Databook”

<https://assets.aecf.org/m/resourcedoc/aecf-2022kidscountdatabook-2022.pdf>

⁶Fall 2022 Leapfrog Hospital Safety Grade State Rankings.

<https://www.hospitalsafetygrade.org/your-hospitals-safety-grade/state-rankings>

⁷Adam McCann, Wallethub, “States with the Most & Least Equitable School Districts.”

<https://wallethub.com/edu/e/states-equitable-school-districts/76723>

II. Revenue Priorities

Taxation is the primary tool that policy-makers have to redistribute and create a more healthy and egalitarian society. Taxation is of crucial importance in raising revenues for important public goods and services, and a strong social safety net. Additionally, taxation is used to build a safe and just society by redistribution and reducing income and wealth inequality.

Our platform is widely supported by New Yorkers. When surveyed, 70% of New York residents prefer increasing taxes on the wealthy and investing in public goods and services over maintaining low tax rates for wealthy residents and corporations.⁸ An overwhelming majority of New Yorkers — 84 percent — want state leaders to tax New York’s billionaires.⁹

This narrative complements the fact that unequal societies are far more likely to have problems such as crime, violence and addiction. Taxing the rich is one of our primary policy tools for reducing inequality. Research has shown [again](#) and [again](#) that [economic inequality is a major driver of violence](#). Inequality is what causes violence — even more so than poverty. Thus, it is not enough to target poor New Yorkers for needs-based assistance; We must restructure our economy by taxing the rich and redistributing money and resources into universal programs that benefit all New Yorkers.

The inflation over the past two years, higher interest rates set at the Federal level, and a potentially looming recession all place more burden on low-income and working class people more than they do on the wealthy. In order to combat the negative impacts of these external economic issues, policy-makers have a responsibility to redistribute from the wealthy to the poor and working class.

⁸ *New Yorkers on the Economy*, Topos Partnership, Oct 2022. <https://toposcloud.egnyte.com/dl/dXTuC4kKzA>

⁹ Targetsmart Research, January 2023, <https://drive.google.com/file/d/18C0Z5qdTs6k0I6qbfTU5RH5V7Dege83/view>

Number of filers reports >\$10 million in income has grown since 2017 tax reforms (which increased state tax burden).

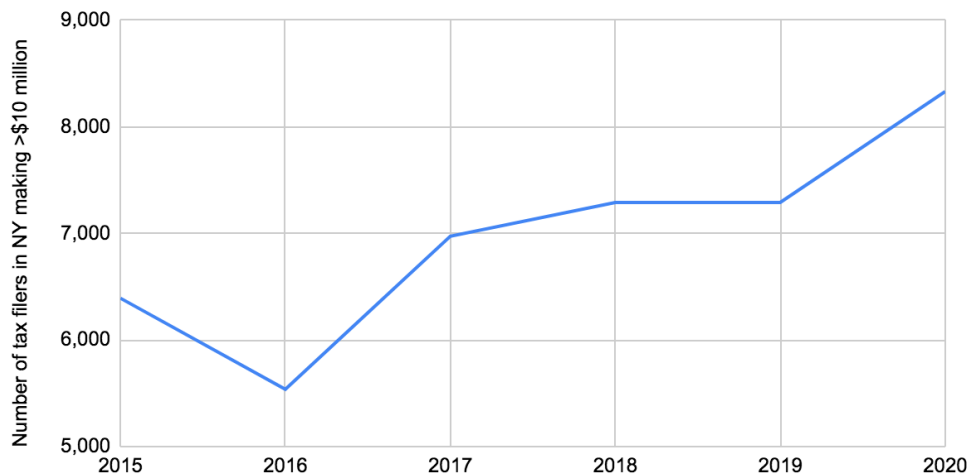


Figure 3: Data from IRS SOI.

Policy-makers frequently cite concerns over migration of the wealthy to avoid high tax rates. However, evidence suggests very little of this “tax migration” and if anything, the individuals most likely to leave the state over the past few years have been those facing high costs of housing, food, childcare, and energy. Research shows that states with higher taxes have room — without fear of increased out-migration — to raise additional revenue needed for housing, health care, infrastructure, and other things that improve their residents’ lives and make their state more attractive¹⁰.

In 2017, the Tax Cuts and Jobs Act altered the tax burden of state taxes across the US by limiting the amount of the federal refund one could get for paying their state taxes. However, this policy change has not resulted in fewer New Yorkers filing incomes over \$10 million. The same pattern exists for New Yorkers filing over \$1 million, suggesting that no major tax flight took place. After New York’s 2009 tax increase, [New York saw its number of millionaires more than double](#) in the 10 years following the tax increase: from 27,730 in 2009 to 57,210 in 2018.

Currently, Governor Hochul is using a not-yet-materialized recession to avoid raising taxes on the wealthy. This argument is misleading and incorrect. Raising taxes on the most wealthy will do very little to exacerbate a recession. If a recession were to occur, however, raising taxes will raise the necessary revenue to support New Yorkers who will be hit hardest.

¹⁰ <https://www.cbpp.org/blog/tax-related-migration-is-grossly-exaggerated-a-research-preview>

The taxes proposed by the Invest In Our New York coalition and endorsed by the NYC-DSA are designed to create a truly progressive state tax system that ensures people pay a fair and just proportion of their income into the state budget so that the state can provide universal public goods and a strong social safety net. Currently, the New York state tax system is regressive, meaning that the wealthiest pay a smaller proportion of their incomes than the majority of New Yorkers.

The Corporate Tax ([S.1980/A.3690](#)) raises \$9 billion.

- Corporate tax rates have been falling at the Federal level for decades. In 2017, Republicans cut the federal corporate tax rate from 35% to 21%. Many businesses, such as LLCs and partnerships, don't pay corporate tax at all.
- Our bill captures some of the lost revenue from the federal corporate tax cut by raising taxes by 7% on the most profitable companies, the same amount proposed under Build Back Better.
- In 2021, due to our advocacy, New York State added a new corporate tax bracket for businesses making over \$5 million a year, raising their tax rate from 6.5% to 7.25%. But this sunsets in 2023. We must ensure this tax is made permanent and expanded to make the wealthiest corporations pay what they owe.

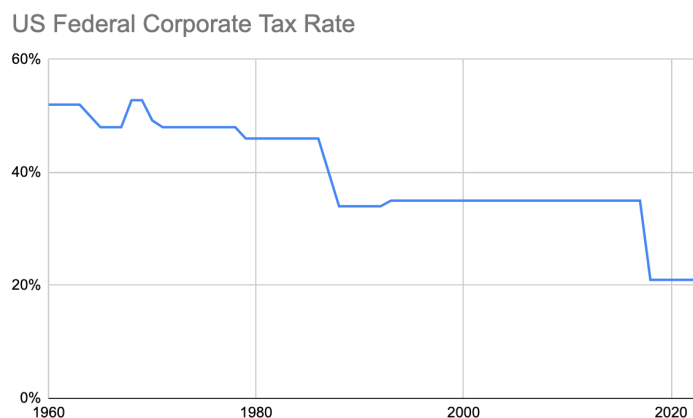


Figure 4: U.S. Federal Corporate Tax Rates from 1960 to present. Source: [Tax Foundation](#)

Capital Gains Tax ([S.2162/A.2576](#)) raises \$10 billion.

- Most New Yorkers pay taxes on their wage income with every paycheck. But the very wealthy make much of their money from buying and selling investments, or “capital gains,” not wages.
- Federal tax law provides a large tax break for capital gains, leaving money on the table and favoring the very wealthy. Our bill captures some of that lost federal revenue and corrects for the horrendously regressive federal tax scheme.

- The bill could raise over \$10 billion in revenue while only affecting the top 1-2% of earners in the state and only raising their overall taxes by a relatively small amount.¹¹
- This tax also addresses the issue of income-shifting whereby wealthy people categorize some of their income as capital income that would for most people be counted as labor income.

Progressive Income Taxes (“PIT”) (S.2059/A.3115) raise \$15 billion.

- In 1972, the state tax code included fourteen tax brackets. In subsequent years, Republicans eliminated the brackets for the wealthiest and narrowed the range of taxes to benefit the wealthy.
- In 2021, we fought and raised the PIT for those making over \$1 million a year, and added progressive tax brackets at \$1M, \$5M, and \$25M.
- Today, we’re fighting to restructure the income tax code to create more progressive tax brackets and raise revenue from the top 5% wealthiest New Yorkers.
- Our bill will increase taxes for single filers making \$450,000 or more, and joint filers making \$500,000. It includes new tax brackets so that the tax is much more progressive.

Heirs Tax (S.2782/A.3193) raises \$8 billion.

- We have the highest tax rates on income from work, lower tax rates on income from investments, and no taxes on inherited income. The rich remain rich because they inherit enormous amounts of wealth, often completely untaxed.
- Large inheritances pool huge amounts of money in the hands of people who don’t need it and don’t use it productively.
- It’s much better for the economy and society if that money is used by the government to pay for infrastructure, health care, education, and housing.
- This bill would overhaul our inheritance taxes with an Heirs Tax that treats inheritances as taxable income.

Mark-to-Market Billionaires’ Tax (S.1570/A.3252) raises \$34 billion the first year, then \$1.7 billion each year thereafter.

- The wealthiest New Yorkers pay almost no tax on their vast accumulations of wealth because they almost never sell their assets. Billionaires use these assets to derive huge amounts of cash through loans and other instruments, and then pass on their wealth to their heirs while avoiding taxes.
- The mark-to-market income tax creates a yearly tax on the annual increase in value of a billionaire’s total wealth. This would require billionaires to pay tax on their real economic income (their total gain in wealth).

¹¹ FPI and ITEP revenue estimates.

III. Spending Priorities

State spending is crucial for providing needed public goods such as education and public transportation as well as to buffer against economic recessions and provide assistance to those in need. Our spending proposals begin the process of building a more robust and sustainable future for New Yorkers across all income and wealth levels by strengthening public goods, public infrastructure, lessening the rising cost of living, and providing pathways to economic well-being and safety for all. These spending priorities also utilize direct public spending and partner with labor unions to strengthen wages and opportunities for the working class. These spending methods will buffer against a recession due to the creation of new jobs and strengthening the social safety net.

Housing Security has been eroding, and corporate developers are getting richer while the majority of people are increasingly at risk of losing their homes. Rents across New York increased up to 40% over the last two years, and homelessness is at levels unseen since the Great Depression. This crisis, in one of the world's richest states, has fallen hardest on people of color, but the lack of access to safe, affordable housing hurts all of us. To ensure housing security, we need to pass the following:

- **Good Cause Eviction** (S.305) allows tenants to defend themselves in court against evictions and extreme rent hikes.
Lead Sponsor: Senator Julia Salazar
- **Housing Access Voucher Program (HAVP)** (S.568) provides rental subsidies for New Yorkers who are homeless or at risk of losing their homes and caps tenants' rents at 30% of their income. Investing **\$250 million** into HAVP will create up to 16,000 vouchers to house New Yorkers.
- **Tenant Opportunity to Purchase Act (TOPA)** (S.221) gives all tenants the right to own or remain as renters in their homes when their building is up for sale.
 - Tenants will be able to convert their building to resident-controlled social housing, non-profit rentals, community land trusts, or more, using existing public subsidy programs. This reduces incentives for landlords to keep buildings in disrepair to sell them to the highest buyer.
 - Taxing the rich and investing **\$250 million** in TOPA funding will convert 1,600 homes to democratically-controlled social housing in the first year alone.
- **The Social Housing Development Authority** (Bill in progress) will acquire, renovate, and build deeply and permanently affordable housing for public and community

ownership. Investing **\$5 billion** into social housing will create 7,000 new homes a year, including 4,800 low-income units.

- **Fund Public Housing** with **\$6.2 billion** for badly-needed repairs in New York City Housing Authority (NYCHA) and cancel **\$454 million** in rent arrears for NYCHA residents who did not qualify for Emergency Rental Assistance. **\$500 million** will also fund upstate public housing authorities.

Universal Childcare and Education means providing free childcare to all New Yorkers, and ensuring all New Yorkers can attend our public colleges tuition-free. In one of the world's richest states, we can afford high-quality universal education:

- **Investing \$5 billion** for **The Universal Childcare Act** will create a statewide, high-quality, free childcare system that meets the needs of children and families, invests in the childcare workforce, and ensures *all* children can access care, regardless of immigration status.
- **Investing \$5 billion** towards **A New Deal For CUNY** ([S.2146](#)) and **Free SUNY** (Bill in progress) will fund free tuition at New York's two public university systems.

A Green New Deal for New York is critical to fighting climate change and transitioning away from an energy system that poisons our air and water and hikes our energy bills — all in the name of corporate profit. We need to build renewable energy that makes our communities healthier, safer, and more affordable.

- The **Build Public Renewables Act** ([A.279/S.4134](#)) enables the New York Power Authority (NYPA) to build enough renewable energy to meet our climate targets. Investing **\$500 million**, along with strong labor provisions and a mandate to build, will jump start NYPA to be able to implement this bill.
- Investing **\$5 billion** towards **Building Retrofits** (Bill in Progress) will weatherize buildings for renters and low-income homeowners to improve our homes, and make them more energy efficient.
- **MTA Freeze Fares, Fund Frequency, & Free Bus Act**, or "**Formula 3**" ([S.04024](#)) is a comprehensive spending proposal to fund the MTA to keep fares at \$2.75, increase subway and bus frequency, and phase in free buses over the next four years. By taxing the ultra-rich and their corporations, we can invest **\$3.3 billion** per year and create desperately needed improvements in the nation's largest public transportation system

IV. Kathy Hochul’s plan is not good enough.

I will leave off with a few comments about the shortcomings of Governor Kathy Hochul’s proposed budget. Overall, Governor Hochul has designed a budget that leaves major gaps in spending and public good provisions. Her market-solution approach to policy-making will not result in robust and sustainable solutions and will instead continue re-allocating funds towards the wealthy rather than redistributing towards the working class. Hochul’s budget is missing critical working class needs:

- Hochul’s revenue proposals fail to tackle New York State’s monstrous inequality by taxing the rich. Extending the temporary 9-A corporate tax is not enough; it should be permanent. We must close the capital gains tax loophole and tax the rich on it. We must tax inherited wealth and all the other loopholes that have been built to favor the wealthy over working New Yorkers. It’s long past time to pass [the full #TaxTheRich package](#).
- Hochul’s housing platform leaves out Good Cause eviction protections, social housing provisions, the Housing Access Voucher Program, and the Tenant Opportunity to Purchase Act. It prioritizes rich landlords over both tenants grappling with unaffordable rents and the construction workers who build our homes. For all Hochul’s rhetoric about taxes driving people out of the state, [skyrocketing housing costs](#) are what’s actually forcing New Yorkers out: her plan will not fix this.
- Hochul’s childcare platform fails to ensure that all families get free, high-quality childcare, regardless of immigration status. With the average cost of childcare at \$15,000 a year,¹² New Yorkers simply cannot afford to raise families without universal childcare.
- Hochul’s education platform sells out public schools by expanding charter schools and diverting funding there. It fails to make higher education available to all New Yorkers and even proposes tuition increases for New York’s public university systems instead of adopting a New Deal for CUNY and Free SUNY. We should continuously invest in public schools to achieve education equity and invest in our public university systems to ensure everyone can access higher education.
- Hochul’s “diet-Build Public Renewables” proposal notably excludes the “[exceptional labor language](#),” democratization provisions, and mandate to build that defined the Build Public Renewables Act proposed by the Public Power Coalition. It also leaves out the building retrofits that renters and low-income homeowners need to weatherize our

¹² Center-based child care, for example, costs around \$15,000 a year per child in the New York City area. Yet while the state’s child care assistance program provides vital support to many low-wage parents, the proposed income limit for 2024 - \$93,200 for a family of four - is too low to benefit most union households with two working parents. See New York State Office of Children and Family Services (OCFS), “Table 6: The 50th percentiles (i.e., median) of rates per county cluster group, provider type, age group, and rate type,” *New York State Child Care Market Rate Survey Report 2022*, p.32, available at <https://ocfs.ny.gov/main/reports/2022-Child-Care-Market-Rate-Survey.pdf>

housing stock. We need an energy transition that creates good union jobs, guarantees our clean energy future, and makes our energy system accountable to us.

- Hochul's transit platform is more focused on policing than quality service. It fails to address frequency and accessibility. We must pass the full [#FixTheMTA package](#) to build the transit system we deserve.

What's more, Governor Hochul's platform proposes raising essential revenue through taxes on casinos in the New York city area which might very well impose another regressive tax on New Yorkers. These solutions are unacceptable in a time where there is so much support for taxing the rich and so much need for robust and sustainable public services.

V. Conclusion.

Thank you for taking the time to read and consider this testimony. New York has the resources to build a truly pioneering state policy framework that includes public goods that benefit all New Yorkers. I look forward to answering your questions and continuing to advocate for a stronger, equitable and more just New York.