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Accept It: New York Thrives on Inequality

The state is becoming even more dependent on the income taxes of the 1%

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Inequality is widening in New York, which may be a bad thing, but the state is benefiting by collecting billions of dollars in income-tax revenue from the 1%.

Such a conclusion comes from connecting the dots on two studies released in recent days by the progressive Economic Policy Institute and the fiscally conservative **Citizens Budget Commission**.

According to the new study from EPI, New York state ranked No. 1 in inequality in 2013. (EPI focused on states, metropolitan areas and counties; I'll break down New York City by boroughs in my next post.) Inequality has increased in recent years, but remains a few percentage points below the 2007 peak.

NYS inequality by the numbers

	NYS	U.S.
Avg. income of 1%	\$2,006,632	\$1,153,293
Avg. income of 99%	\$44,163	\$45,567
Minimum to be 1%	\$517,557	\$389,436
Change in income share of top 1% (percentage points)	31.0	20.1
Top-to-bottom ratio	45.7	25.3

Data for 2013

Source: Economic Policy Institute

The top 1% of earners in the state, meanwhile, now pay 41.5% of the personal income taxes the state collects, according to the CBC. Most of that money comes from people making \$1 million or more, who account for 40.2% of personal income taxes. For all the complaints that these people don't pay enough, the progressive nature of the state tax system is illustrated by these facts:

Million-dollar earners represent 0.6% of taxpayers.

They account for 27% of income (adjusted gross income on tax returns).

Founded in 1932, the Citizens Budget Commission is a research and watchdog organization devoted to enhancing New York's competitiveness through promotion of sound state and local budget and management practices.



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Yet they pay 4 in every 10 income tax dollars.

The Citizens Budget Commission explains that this is crucial because the state has come to rely more than ever on the income tax (63% of all revenue in 2016), and when the next recession comes, income taxes will be the first to slide. Worse, the 1% get a disproportionate share of their income from markets, and a market decline will have a big impact on the state.

In the event of an economic downturn that was the average of the last three recessions, the state budget deficit would skyrocket to \$12 billion within two years—the equivalent of fiscal Armageddon.

NYS income taxes by the numbers

% of NYS revenues	63%
% paid by top 1%	41.5%
% paid by millionaires	40.2%

Date for fiscal 2016 ended March 31

Source: Citizens Budget Commission