



CBC Statement in Regard to the New York State Joint Legislative Budget Hearing on Taxes

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New York, NY – February 23, 2021 - Citizens Budget Commission (CBC) President Andrew S. Rein released this statement on behalf of the CBC:

"New York State can balance its budget without increasing personal income taxes or delaying the middle class tax cut, as CBC outlined last week in its report [Balancing Act](#). The options presented would balance this and next year's budget even if New York State receives \$6 billion additional federal aid—what the Governor characterized as the "worst case" scenario. Furthermore, last evening the State updated its tax receipt estimates, increasing projections \$1.6 billion annually. This more than offsets the cumulative value of the proposed income tax changes over the fiscal year 2021 to 2025 period.

Increasing income taxes now increases the risk that high-income earners leave the State, taking their income and possibly business interests with them. This would be counterproductive, both fiscally and economically. The top 1 percent of earners finance approximately 20 percent of the State Operating Funds budget through income taxes. The Fiscal Year 2022 Executive Budget proposes a "temporary" surcharge on high-income taxpayers. This proposal—layered on top of the State's repeatedly extended "temporary millionaire's tax" from 2009 and New York City's personal income tax—would give New York the highest top marginal personal income tax rate in the nation. The proposal heightens the mobility risk, which already was present due to New York's high taxes, the federal cap on the deductibility of State and local taxes ("SALT cap"), pandemic-related closures of amenities, and the viability of being outside of New York as demonstrated by the past 11 months of telecommuting and remote business administration and leadership. The Governor's proposal is but one option being presented.

Given these risks, the State should pursue other options to balance the budget. CBC's recommendations include eliminating unproductive economic development spending, appropriately financing capital investment, and targeting education aid to low wealth school districts. Furthermore, it appears more and more likely federal aid to the State will far exceed the \$6 billion "worst case," which would provide the opportunity, if used wisely and combined with actions to restructure State spending, to put the State on better fiscal footing in the long run."