STRONG ECONOMY FOR ALL COALITION

NEW YORK STATE SENATE
MANHATTAN BUDGET FORUM

Testimony of
Michael Kink, Esq. * Executive Director

February 29, 2020
New York, New York

Fair-share tax policies are essential to address extreme economic inequality in New York, to properly fund needed investments in our future, and to assure that New York is a place where all New Yorkers can live and thrive.

This year we urge the Legislature to respond to New York's inequality crisis, close our budget deficit, and end budget austerity with a progressive revenue package for New York that will tax the wealth of billionaires, the incomes of ultramillionaires, and speculation and financialization on Wall Street and in large corporations.

Our testimony includes a 14-point plan with specific tax policies and legislation that would raise over $35 billion to fund needed investments in public education, housing, health care, public transit and a Green New Deal for our climate and our environment.

Good afternoon Senators. My name is Michael Kink, and I serve as the Executive Director of the Strong Economy for All Coalition. Thank you for the opportunity to testify today. Strong Economy for All is a labor-community coalition working on issues of economic fairness, jobs, income inequality and effective government policies to promote broad prosperity.

We are made up of some of New York's most engaged and effective unions and community organizations, including SEIU Locals 1199 and 32BJ; the United Federation of Teachers, New York State United Teachers and the Professional Staff Congress of CUNY, NYSUT; the New York State Nurses Association, the Retail, Wholesale and Department Store Union and the Communication Workers of America; the New York City Central Labor Council, the Municipal Labor Committee; and community groups including the Coalition for the Homeless, Citizen Action of New York, Make the Road New York, New York Communities for Change and the Alliance for Quality Education.

BILLIONAIRE WEALTH TAX **$10 BILLION ANNUALLY** A tax on the last ten years of unrealized capital gains of billionaires' speculative wealth, with accompanying estate tax, gift tax and capital gains tax reforms.	**ULTRA-MILLIONAIRES INCOME TAX** **$2.2 BILLION ANNUALLY** Creates higher income brackets for those who earn over $5M (9.32%); $10M (9.82%); and $100M (10.32%)
PIED-A-TERRE TAX **$650 MILLION ANNUALLY** Property tax assessment on the mostly-vacant extra homes of the rich.	**STOCK BUYBACK "Corporate Greed" TAX** **$3.2 BILLION ANNUALLY** A targeted tax on publicly-traded corporations that buy back stock in securities markets
CARRIED INTEREST FAIRNESS FEE **$3.5 BILLION ANNUALLY** Taxes the "carried interest" income of hedge funds and private equity firms as traditional income.	**CORPORATE TAX REFORM** **$1.5 BILLION ANNUALLY** A sliding scale filing fee for LLCs and a progressive tax on the biggest corporations.
"Hudson Yards" LUXURY LAND TAX **AMOUNT TBD BY LEGISLATURE** Special property tax assessment on the highest value land tracts in Manhattan.	**CEO PAY-GAP TAX** **AMOUNT TBD** A 10% tax on firms whose CEOs make over 100 times the company's median pay and a 25% tax on companies whose CEOs over 250 times the firm's median pay.
ELIMINATE 421-A and 485-A **$4 BILLION ANNUALLY** Eliminates wasteful development incentives that fuel displacement and provide no affordable housing.	**CORPORATE LANDLORD TAX** **$4 BILLION ANNUALLY** Taxes private equity mezzanine debt like traditional mortgages.
TWENTY FIRST CENTURY BANK TAX **$500 MILLION OR MORE ANNUALLY** Reinstates a tax on banks, recently eliminated during Rebpulican control in Albany, and adds financial firms like private equity and hedge funds.	**TAX YACHTS AND JETS** **AMOUNT TBD** A tax on privately owned yachts and jets worth over $235,000.
DIGITAL ADVERTISING TAX **$700 MILLION ANNUALLY** Tax on digital advertising on the largest ad platforms.	**STOCK TRANSFER TAX** **$13 BILLION ANNUALLY** Sales tax on on Wall Street stock transfers, which is currently rebated under State law.

Despite a decade of recovery from the Wall-Street-caused recession, communities across New York remain mired in crisis.

New York has the highest level of inequality of any American state — our state is home to 112 billionaires with over $525 billion in wealth, and to 92,000 New Yorkers who sleep in shelters or in the streets.

Instead of investing in our communities, the billionaires prioritize financial profits that produce no social value and raise the cost of living.

The top 1% has taken all the wealth and income gains of the last 30 years. Regular New Yorkers have seen their income and their wealth either stagnant or moving backwards.

New York has the wealth and the resources to fund quality education, housing for all, universal healthcare, great public transportation, rebuild our infrastructure and a Green New Deal. We just need to enact the taxes necessary to fund them.

<u>Nine in 10 New York Voters Favor Raising Taxes on Ultra-Millionaires and Billionaires</u>

An extraordinary <u>92% of New York voters</u> favor passing legislation that would address the state budget shortfall by raising taxes on wealth over $1 billion, on incomes over $5 million, and on luxury homes.

Tax legislation including the following three provisions enjoys support from 92% of New Yorkers, including 66% strongly in favor:

- Apply a 2% state tax on an individual's wealth greater than $1 billion.
- Raise the state income tax rate on income above $5 million per year.
- Apply a new tax on luxury homes and apartments in New York that are worth more than $5 million and are not a family's primary residence.

Support crosses party lines, encompassing 95% of registered Democrats, 89% of unaffiliated voters, and 87% of Republicans, and is found across the state: 92% in New York City, 91% in the NYC suburbs, and 91% upstate.

By a lopsided 74-point margin, voters prefer adopting these three tax measures (87%) rather than reducing spending on education, healthcare, and other programs (13%).

By nearly a six-to-one ratio, New Yorkers predict that passing these three tax measures will have a good (64%) rather than bad (11%) impact on the New York economy. Even Republicans (55% to 17%) and voters with incomes over $100,000 (73% to 5%) expect a positive economic effect. Any claims by opponents that these initiatives will weaken the state's economic competitiveness are thus unlikely to be found credible by the electorate.

Fundamental tax reform is at the heart of the democratic effort to combat extreme inequality and subsequently give New Yorkers, some for the first time, the opportunity to thrive.

An equitable and sustainable tax system should serve three related functions: it raises revenue to fund our needs, distributes resources to promote healthy, thriving, and safe communities, and regulates our economy to align it with democratic values.

We recommend progressive tax reforms with three simple elements: meaningful new or increased taxes on

- Extreme Wealth
- Ultra-High Incomes
- Big Corporations and Wall Street

<u>Wealth</u>

First, we strongly support wealth taxation, as has been popularized by Senators Bernie Sanders and Elizabeth Warren. It is important to realize, however, that New York already has a wealth tax in the form of the real property tax.

As currently configured, local property taxes are unfair, unequal and exacerbate New York's growing affordability crisis. Many homeowners in New York struggle to pay high property taxes on their homes -- their main or only source of wealth.

Meanwhile, billionaires pay little or no taxes on their vast holdings of publicly-traded securities, corporations, yachts, jets, art and other luxury goods.

- We support a **state-level wealth tax** on unrealized capital gains and other assets, applied to the wealth of billionaires.

- We propose raising taxes on **pied-à-terre** apartments and homes, **luxury land**, **yachts and private jets**.

- We support progressive reforms to New York's **estate tax**, including a **gift tax** on multi-million dollar gifts of property, cash and securities to stop ultra-wealthy families from dodging taxes. We also support taxing estates of over a million dollars, down from the currently tax-free inheritance of $11 million.

These policies would raise billions in revenue which we can direct towards collective investments into quality education and housing.

To support homeowners and small businesses, we propose fair-share reforms to the property tax system, including **eliminating sections 421(a) and 485(a)** which provide wealthy property owners with immense and unnessaccary subsidies without making a real dent in New York's twin crises of homelessness and housing affordability.

Eliminating these subsidies for wealthy developers will add hundreds of billions in value back into the property tax rolls, lessening the burden on regular New Yorkers.
<u>Ultra-High Incomes</u>

Ultra-rich New Yorkers can afford to pay higher income taxes, particularly given our state's urgent needs.

Our current Millionaires Tax hasn't pushed out the super-rich: we have 72% more millionaires than when we instituted the tax. Those leaving are primarily poor, working and middle-class people and retirees.

Income tax rates for the ultrarich here are not the highest in the nation -- New Jersey has higher brackets on multi-million-dollar incomes, as does California.

We support increased taxes on the highest incomes through

- Higher individual income rates for **ultramillionaires** -- those making over $5 million, $10 million and $100 million per year.
- A state-level fairness fee on **"carried interest"** charged by hedge funds and private equity funds.
- A surcharge on the long-term **capital gains** of the ultrarich.

Most of the income enjoyed by the wealthy comes from investments they have inherited or extracted, often in predatory enterprises like private equity and hedge funds.

Earnings from these investments receive a huge tax benefit under federal law: They are taxed at <u>half</u> of the normal tax rate . Tax benefits for the wealthy have only increased under Trump's "Tax Scam" law passed in 2017.

We are not powerless in the face of these grotesque hand-outs. New York should impose a surcharge on long-term capital gains to offset federal tax subsidies to the rich.

Perhaps the most infamous application of the capital gains tax benefit is the "carried interest" exception, which benefits investment managers. The payment they receive for their management services, which would normally be taxed as ordinary employment income, is instead taxed at the lower rate for investment income.

We propose a "fairness fee" of 17% on carried interest income to fully offset unfair federal tax subsidies for hedge fund and private equity managers.

Big Corporations and Wall Street

Historically, state government granted corporate status to companies set up to build critical infrastructure like canals, bridges and railroads. Corporate status was a reward for companies with a credible commitment to advancing the public interest.

Today's corporations are multinational giants with no moral allegiance to the communities they occupy. While some add real value, many others rely on monopoly power and information asymmetries to exploit both their employees and consumers.

Instead of investing in workers and wages, corporations translate their economic power into political power to build rigged legal systems that they use to multiply their profits.

Finally, many simultaneously pollute our world with plastic, waste and carbon dioxide, refusing to pay the price for their unsustainable practices.

Instead of working to bring corporations to heel, New York recently cut corporate tax rates and eliminated the special tax on banks.

It's time to reverse this trend, targeting the largest corporations and extractive financial firms.

- We support a **progressive reform of rates** for the General Business Corporation Tax, with **higher rates and higher LLC filing fees for the biggest corporations.**

- We support a **CEO pay-gap tax** on publicly-traded corporations that pay the CEO one hundred times more than median pay for workers.

- We support a new tax on the profits of the financial sector to replace the old Banking Corporation Tax -- a **21st Century Bank Tax**. This tax would apply to a broader range of financial institutions and investment management businesses, essentially updating the old tax on banks.

New York's financial sector is overgrown, raising the cost of living for the many while enriching a small sliver at the top. Excessive trading activity can be destabilizing, and speculation and greed routinely lead to devastating financial crises.

The mainstream economics literature increasingly shows that an overgrown financial sector can harm the non-financial economy, and many modern economies, including Hong Kong, France, Germany and the United Kingdom have enacted financial transactions taxes that haven't resulted in mass flight of financial companies.

- We support restoring New York's **Stock Transfer Tax**, imposed from 1905 to 1981 and rebated at a 100% rate ever since -- and we support **expanding** the tax to derivatives, synthetic debt obligations and other securities.

- We support a **tax on corporate stock buybacks**, which were illegal until 1982.

- We support a **"corporate landlords tax" on mezzanine debt** used by private equity and financial firms for mass acquisition of rent-regulated homes to drive gentrification.

Finally, we recognize that the mass collection and sale of personal data for explosive profit carries significant costs to individuals and our communities.

Many countries, states and localities are now engaged in an effort to update their tax systems to target companies such as Facebook, Google, Amazon and Microsoft, which profit off of the activities of millions of users while avoiding tax.

- New York should impose a tax on those large platforms with a **"data tax"** or digital services tax on advertising and data sales that have so far escaped taxation through corporate tax dodging.

<u>Billionaires and Millionaires -- We've got the most and we're getting more</u>

The <u>Wealth-X 2019 Billionaire Census</u> reports that "New York continues to be the dominant billionaire city" in the world, with 105 billionaires living in the City itself.

The <u>Wealth-X 2019 World Ultra-Wealth Report</u> shows that New York "has regained its position as the world's largest UHNW city, with the number of ultra-high net worth individuals rising to nearly 9,000."

The "Knight Frank Wealth Report," a world guide to prime property and wealth, continues to place New York at the very top of the global cities most attractive to Ultra High Net Worth Individuals (UHNWIs).

The <u>2019 Knight-Frank Wealth Report</u> ranks New York number two in the world overall, number one for wealth, number one for investment, number three for lifestyle and number one for future prospects.

New York is number one in the world for private jet ownership.

The Knight-Frank report predicts a 15% increase for UHNWIs in New York City (those with $30 million in investable assets not counting their primary residence) in the next five years.

Knight Frank predicts that New York City will be the number-one city worldwide for UHNWIs in 2028, far ahead of cities, states and city-states that tax residents at far higher rates than we do.

New York has room to tax billionaires and millionaires fairly and appropriately and remain very attractive in terms of property, business and culture.

There's no reason to hold back for fear of fleeing millionaires and billionaires, particularly when academic studies repeatedly demonstrate that UHNWIs and HNWIs don't make decisions based on incremental changes in state tax policy.

<u>New York needs a Billionaires Wealth Tax</u>

According to Wealth-X and Forbes, New York is home to at least 112 billionaires with over $525 billion in net worth.

We encourage lawmakers to develop and pass a "Billionaires Wealth Tax" to tax unrealized capital gains which almost never get taxed under current federal and state law. This targeted proposal should include a yearly assessment on the speculative wealth of 112 billionaires -- no one else would pay.

We encourage lawmakers to include a ten-year lookback period with new, stronger definitions of personal and corporate residency, and a strengthened law on the economic substance of transactions to prevent tax dodging by New York-based billionaires and their corporations.

And we encourage you to accompany this new measure with reforms to the capital gains tax, the estate tax and a new gift tax on the ultrarich, to assure the public that billionaires won't avoid taxes through huge gifts to their children, or through extinguishing accumulated capital gains tax responsibilities upon their death.

Even if we raise $10 billion per year in revenue (what a 2% tax on accumulated wealth would raise), it's likely that most billionaires will end up with the same or more wealth as when they started because their investments make money at a rate of 8-10%.

We encourage you to develop a law that would

- tax unrealized capital gains created in-state, regardless of eventual residency;
- capture the interaction of personal residency and locus-of-business statutes and case law;
- strengthen tax compliance laws including economic substance of transactions;
- include a look-back period for wealth calculation that would prevent a 'rush to the exits' upon passage; and
- utilize mark-to-market taxation to focus on leveraged/dynamic character of capital in the twenty-first century.

*****

As one of the wealthiest states in America, New York has the financial resources to fully fund ALL of our basic needs.

The tax dollars are available; we just need to know where to look for them. We can fully fund public education, housing, transit and health care for all -- along with a New York Green New Deal to bring climate justice to all New Yorkers.

In this 2020 budget cycle, we must reject austerity and begin to create a budget and tax system that reflects our values of a just society for all.

FOURTEEN TAX-THE-RICH REVENUE PROPOSALS FOR 2020
These measures would raise over $35 billion per year

1: Billionaire Wealth Tax

A wealth tax on billionaires -- yearly mark-to-market assessment on unrealized capital gains, with accompanying estate tax and gift tax reforms on billionaire wealth.

- Support including in the Assembly and Senate one-house budgets.

2: Ultramillionaires Income Tax

An income tax on ultramillionaires -- increased tax brackets on income over $5M (9.32%), $10M (9.82%) and $100M (10.32%) per year.

- Support including in the Assembly and Senate one-house budgets.

2019 Assembly one-house: Part P of the Assembly 2019 budget bill A.2009B
Additional bills from Senators Salazar, Sanders, Gianaris and Jackson

3: Pied-á-Terre Tax

A yearly assessment on luxury non-primary residences worth over $5 million.

- Support 2020 bill from Senator Hoylman and Assembly Member Glick and include in Assembly and Senate one-house budgets.

2019 version was Senate Bill S.44 and Assembly Bill A.4540

4: Stock Buyback "Corporate Greed" Tax

A targeted tax on destructive stock buybacks at the rate of 0.5 percent of the value of open market share repurchases.

- Support 2020 Metzger/Niou bill: Senate Bill S.7629 and include in Assembly and Senate one-house budgets.

5: Carried Interest Fairness Fee

A state-level surtax on "carried interest" fees charged by hedge fund and private equity managers.

- Support 2020 bill Senate Bill S.303 (Hoylman) Assembly Bill A.3976 (Aubry) and include in Assembly and Senate one-house budgets.

6; Corporate tax reform to tax huge multinational corporations more

Progressive tax rate reforms and LLC filing fee increases targeted at multinational corporations.

- Support including in Assembly and Senate one-house budgets.

7: "Hudson Yards Tax" Luxury Land Tax

A targeted tax on the highest-value land in Manhattan, including "Billionaires Row" on 57th Street, Park Avenue and Hudson Yards.

- Support including in the Assembly and Senate one-house budgets.

8; CEO Pay Gap Tax on Big Business

A targeted tax on publicly-traded corporations that pay their CEO 100 times more than average workers.

- Support 2020 bill Senate Bill S.1659 (Skoufis) and Assembly Bill A.7454 (Kim) and include in Assembly and Senate one-house budgets.

9: Stop Subsidies for Real Estate Billionaires: Eliminate 421-a and 485-a

Stop public subsidies for luxury development and redirect funding to affordable, homeless and public housing.

- Support 2020 bills under development and include in Assembly and Senate one-house budgets.

10: Corporate landlord tax

A new fee on mezzanine debt used by private equity and hedge funds for large-scale purchases of rent-regulated housing.

- Support 2020 bill Senate Bill S. 7231 (Salazar) Assembly Bill A. 9041 (Epstein) and include in Assembly and Senate one-house budgets.

11: 21st Century Bank Tax

Reinstate a higher corporate tax on the biggest banks, private equity funds, hedge funds and venture capital firms.

- Support including in the Assembly and Senate one-house budgets.

12: Restore the Yachts and Jets Tax

Reinstate a state sales tax on luxury yachts and private jets.

- Support 2020 bill: Senate Bill S. 7135 (Hoylman) Assembly Bill A. 9053 (Carroll) and include in Assembly and Senate one-house budgets.

13. Data tax on digital advertising

Targeted tax on digital advertising by the biggest ad platforms

- Support including in the Assembly and Senate one-house budgets.

14. Stock Transfer Tax

Stop rebating the small sales tax on Wall Street stock trading.

- Support 2020 bills: Senate Bill S. 6203 (Sanders) Assembly Bill A. 7791 (Steck) Senate Bill S. 3315 (Myrie) and include in Assembly and Senate one-house budgets.

EMPIRE STATE INDIVISIBLE

February 29, 2019
New York, New York

NEW YORK STATE LEGISLATURE:
2020 NYS SENATE MANHATTAN STATE BUDGET FORUM

Senate Finance Committee, Senator Liz Krueger, Chair
Assembly Ways & Means Committee, Assembly Member Helene Weinstein, Chair

Testimony of Ricky Silver, Co-lead Organizer, Empire State Indivisible

EMPIRE STATE INDIVISIBLE

On behalf of Empire State Indivisible, I'd like to thank Senator Krueger, Assembly Member Weinstein and members of the Committee for allowing me to testify on the upcoming NYS Budget. For background, Empire State Indivisible, is a constituent action group made up of volunteer activists who know that a healthy, functioning democracy depends on everyday individuals engaging in their representative government. We helped organize and mobilize the movement that brought massive change to Albany in the 2018 election cycle and now we are working hand in hand with our advocacy partners to deliver a fairer, cleaner, kinder and more equitable New York---one not built on the backs of the poor and marginalized, but one that will make our state a leader in creating solutions to the most pressing issues of our time.

As we enter the final weeks of budget negotiations in Albany, we are once again headed towards a fight over big money's role in our state's politics. The Governor's budget proposal falls woefully short of addressing the accelerating economic inequality in our state.

While the fight over healthcare, education, and housing funding has rightfully taken center stage, it's also important to note that the Governor did not include any funding for a reform fundamental to all of these issues: the state's new public financing program. That program, despite room for improvement, is New York's single best hope for reversing the flow of power in Albany away from the wealthiest and towards the people. Our lawmakers must step up and insist that the final budget provide funding for this vital reform.

Advocates across the state have rallied around public financing as a critical tool for reducing the influence of big money in our elections. The New York State program is designed to empower small donors to political campaigns by matching their donations with public money, while making it possible for people who aren't rich and don't have connections to the wealthiest to run competitive campaigns for office. We need to lift up the voices of the people who are most impacted by Albany's policies to tackle New York's economic inequality head on.

Many of our state's activists and organizers are now pushing for Budget Justice, challenging the legislature to deliver a vision for our state where all can prosper. Budget Justice means taxing the vast, under-assessed extreme wealth in our state to raise an estimated $35+ billion, and investing it to make New York a better, fairer, safer home for us all.

Recent polling has shown that 9 out of 10 New Yorkers support these policies. Yet, the Governor continues to push back on raising revenue to address these challenges in favor of an austerity approach that disproportionately burdens working families and the poor across the state.

When over 90% of New Yorkers support policies to "tax the rich", and the legislature doesn't act, what else could explain this discrepancy other than the outsized influence of money in our politics?

Much has been said about the result of the public financing commission's work: an imperfect policy with the added baggage of a misguided attack on our state's minor parties. What has been lost in the discussion is the program's substance: a set of changes to the way our elections are funded that will amplify the voices of New Yorkers who are now marginalized by state politics.

From reducing campaign contribution limits, to a progressive public-matching system designed to account for diverse income levels across the state's districts, New York is poised to take the first step towards uplifting the voices of women; of people of color; of the working and middle classes; and of any and all under-represented New Yorkers in the political process.

By law, our new public financing program must be up and running by November 2022 to support the 2024 legislative and 2026 statewide elections. Much careful thought went into mapping out the proper funding and resources to ensure this timeline was achievable.

For the state budget now under negotiation, the most critical expenditures for the public financing program are for technology development and staff. The $2.7 million that the State Board of Elections has requested for the program for this upcoming year is minimal compared to our state's $178 billion budget.

I urge you to lead where the Governor has failed. New Yorkers love being #1. But being #1 in inequality is a failure of leadership. We can chart a new path for New York by acknowledging this inequality and tackling it with everything we have. We need a progressive tax system. And we need Public Financing.

Saturday, March 1, 2020

NYS Senate Manhattan Budget Hearing

Testimony of Jon McFarlane

It is an obscenity that individuals like Michael Bloomberg, Jeff Bezos, Rupert Murdock and sport team owners of the NFL (National Football League), NBA (National Basketball League), and the MLB (Major League Baseball) are allowed to skirt the system by paying taxes at a much lower rate than me and most of the people in this very room.

It's a travesty that most billion dollar corporations pay no taxes at all while the common man has to dig into his her pocket every year before April 15 to find enough coins to pay his/her share to the federal and state government.

These corporations specialize in profiting off the blood and sweat of black, brown and low income people via scarce and inadequate health coverage and salaries that often fall way short of the federal poverty line index.

Is it too much to ask these same corporate honchos, hedge fund managers and casino owners to pay a couple of cents per dollar to guarantee sustainable resources for all of us?

Sustainable resources like community

investments in the form of very affordable housing, education, mental health, employment, and reentry resources for the formerly incarcerated.

In closing, I ask that the legislature pass a fair and equittable budget by taxing billionaires now.

Fully Fund CUNY!

Jon McFarlane
Vocal-NY
Civil Rights Leader

Chair Krueger, Chair Weinstein, and members of the Finance and Ways and Means Committees,

My name is David Siffert, and I am the President of the Village Independent Democrats. I am also an attorney, and I was previously employed as a tax lawyer at Gibson, Dunn & Crutcher, advising corporate clients and high net-worth individuals on tax issues.

I submit this testimony in support of Budget Justice. As you will likely hear from others, New York State is among the wealthiest in the United States and has the highest inequality. In part, this is because we have a tax system that is regressive. I mean this in the strictest sense – the poorer you are, in New York, the higher the percentage of your income you are likely to pay in State and local taxes. That fact must change, and – importantly – it can change.

As you know, tax policy is highly complicated and technical. As you likely also know, advocacy on the issue often isn't. The result of an oversimplified back-and-forth, where one advocate says that a proposed tax will destroy the tax base because rich people will move, and another says that rich people never move in response to new taxes, is often complete inaction. Worse, without sufficient expertise, proposed new tax bills can have flaws in them, which can serve as a convenient excuse to table or even kill a bill. On top of all this, political pressure against taxes – even taxes that would affect only one percent or fewer of New Yorkers – can be intense.

I am writing, first and foremost, to urge you not to give up, in the face of the maelstrom. Tax policy is hard work, from a design perspective, from a drafting perspective, and from a politics perspective. But it is some of the highest impact work that our government does, which is why you all sit on these two committees.

A number of excellent proposals are already on the table, and I urge you to move them swiftly and include them in the budget. The pied-a-terre tax bill, the ultramillionaire's tax, the carried interest fairness act, and the real estate mezzanine debt bill are all well-designed and low-risk, and they can alleviate substantial pressure on this year's budget.

Other bills have taken a backseat, are still in development, or are not yet proposed, but could generate substantial revenue with few ill-effects, if properly designed. Commercial and residential vacancy taxes are crucial in ensuring small businesses and middle class New Yorkers can afford rent, while also raising revenue from those who own property beyond their primary homes. New York State could end the water's edge election, move to worldwide combined reporting, and conform (as the US and NYC already do) to GILTI. This would prevent corporations from hiding profits earned in New York in tax havens overseas. At the same time, we have flexibility to increase corporate taxes without worrying about corporations fleeing the state – because we tax on revenue earned in New York, as opposed to the corporation's domicile. We can explore capturing capital gains on a mark-to-market basis, preventing wealthy individuals from hoarding unrealized income until death, whereupon their assets' basis is stepped up, wiping out the ability to tax them. At the same time, New York could institute an inheritance tax to accompany its wealth tax, increasing revenue from unearned income.

Ideas for increasing revenue are nearly limitless, and I am available to talk about these ideas and others at length with any of you. Many of these ideas specifically target the wealthiest New Yorkers without creating substantial incentive for them to move to avoid taxes. Others need to be carefully drafted and planned to minimize those risks, but if done right could be a tremendous boon. I have personally spoken to about a dozen of the country's leading tax policy experts, and there is no fatalism about New York's ability to increase revenue progressively without sabotaging our economy.

New York needs the money. This year's budget is allegedly in a $6 billion hole. Meanwhile, years of an unnecessary 2% spending cap have left many necessary services, from housing to education to infrastructure, in shambles.

Raising the money is complicated. Tax policy is complicated. But it is the most important thing the legislature can do right now, and it deserves time, attention, and work. A recent poll found 90% of New Yorkers support increasing taxes on the rich. The popular will is there. We need you, specifically the members of the Finance and Ways & Means Committees, to prioritize raising revenue progressively. It will take time to plan, draft, and negotiate the myriad bills needed to fund New York's acute needs. But the money is there, if you are willing to put in the work.

Respectfully submitted,

David Siffert
President, Village Independent Democrats

Manhattan Budget Town Hall
Testimony from Allison Downing
February 29, 2020

Thank you, Senators Kavanagh, Hoylman, Krueger, Serrano, Benjamin, and Jackson, and your amazing staffs, for the opportunity to present my suggestions for the 2020 budget process.

My request is simple: ask a tiny bit more of a few thousand of your constituents, use that revenue to adequately fund programs that millions of New Yorkers, including hundreds of thousands of your constituents, rely on, and absolutely refuse to vote for any budget that does not do this. **Forced austerity in one of the wealthiest societies ever to have existed is a breathtaking act of negligence. Don't stand for it. Stand united against it.**

I have heard, ad nauseum, the fear that raising taxes in an election year is a nonstarter because the opposition will weaponize it against the Democratic majority.

I beg you, flip that fear over and own it. Instead of crouching and hiding and (inexplicably) apologizing after the fact for doing the right thing (*see, e.g.*, bail reform), you should jump in gleefully and happily, shouting from the rooftops how thrilled you are to have found a way to improve the lives and lower the tax burden of millions of New Yorkers (which can be true! You can pass a law that taxes 9,000 people a bit more and use that money to lower millions of homeowners' property tax bills! You have that power! Isn't that *amazing*?!?)!

We know from terrible experience that assuming that the facts will speak for themselves and that the press will cover the story correctly and that the opposition won't lie manifestly does not work. So you should talk, often and with great relief, about all the bad things that would have happened if you hadn't raised taxes on a tiny number of people: millions of students would be learning in crowded classrooms with old materials in decrepit buildings, the climate emergency would go unaddressed for yet more years, Medicaid patients would be turned away at hospital doors, public housing would fall even further into disrepair, property taxes would continue to climb, and seniors would receive even fewer meals. Whew, aren't you glad that you are about to use your power to stop those scenarios cold in their tracks?

Be brave! You can do it!

If the consultants tell you that no one can raise taxes in an election year, ask them what happens when politicians lower taxes in an election year. Then go lower 99.9% of New Yorkers' taxes by raising revenue from 0.1% of New Yorkers!

If the governor tells you he won't get rid of his arbitrary and cruel 2% spending cap, ask him why he wants to harm 20 million New Yorkers. Then go and vote NO on any budget that includes this cap!

If your extraordinarily wealthy constituents tell you they will leave New York State if you raise their taxes, ask them to reflect on what drew them here in the first place. New York is already a high-tax state, so they have already been paying way more than they would if they lived in Kansas. Everyone knows that all of us (including extraordinarily wealthy people) are here for very good reasons: New York is, obviously, the most amazing city in the world. What got it to this fantastic place is enormous investment by government in its people and infrastructure. You can let your fabulously lucky ultramillionaire constituents know that asking them to contribute a tiny percentage more will preserve and improve the home they love. Then go and vote for a small wealth tax and a large education budget!

If you own these new revenue streams, if you come out front swinging and proud of the fact that you are lowering the burden on millions of New Yorkers, if you refuse to let the opposition get ahead to shape an untrue narrative, if you refuse to vote for a budget with a spending cap, you will improve the lives of all New Yorkers.

And here you guys maybe thought you were just ordinary people, powerless against the forces of a few monumentally wealthy people and a governor with a cruel agenda. But no! You have almost magical power: if you **stand together** and say NO to any budget that doesn't include new taxes on billionaires and ultramillionaires, and NO to any budget that doesn't fairly fund programs that our most vulnerable rely on, **you can win**.

And then we all win.

Thank you, and I would love to talk this over further with any of you.
Allison Downing

Attached please find a draft press release that I ask you to jointly issue today.

For: Immediate Release
From: The Honorable Brian P. Kavanagh, Brad Hoylman, Liz Krueger, José M. Serrano, Brian Benjamin, and Robert Jackson
Date: March 1, 2020

We six Manhattan senators are thrilled to announce that we stand together – the Manhattan Six, if you will – against any budget that does not provide adequate funding for all of our constituents. We categorically reject these Hunger Games where the governor demands that we choose between the disabled and public housing, between kindergartners and college students, between domestic violence victims and the climate. These are false choices, and we hereby use our collective voice to tell all of our constituents, and indeed, all New Yorkers, that we will not be complicit in these cruel and unnecessary choices.

Therefore, we announce that we six will vote NO on any budget that retains the governor's arbitrary and cruel 2% spending cap. We will vote NO on any budget that does not seek revenue from our most fortunate citizens, those 9,000 unimaginably wealthy New Yorkers who have hundreds of millions to billions of dollars. The vast majority of these remarkably fortunate people are our constituents and we say to them: we are asking you to share a tiny fraction of your great good fortune with your neighbors. Thank you.

To the rest of our constituents we say: we got you. We won't make you fight among each other for scraps anymore. We see each of you and we hear each of you and we will fight our hardest for each of you.

To the governor we say: we know you have great power in the budget process and we know how you use the bully pulpit, but we also know that you cannot sign an unpassed bill. We must serve the many who elected us and vote NO on any budget bill that does not deal fairly with all New Yorkers. If the governor chooses his spending cap and 112 billionaires over the interests of 20 million New Yorkers, that is on him. We will not be complicit, and there is little we can do but vote NO on any unjust bill.

To New York State we say: we CAN imagine a state where all can prosper. We're on it.

NYS Senate Manhattan State Budget Forum
February 29 2020
New York Academy of Medicine
1216 Fifth Avenue NY NY

Annotated oral testimony provided by: Michelle Gittelman
Mich6285@gmail.com

I'm asking you to lead the fight to raise revenue by ending corporate welfare and taxing the very rich.

I'm not here to say that it should be done, but that is must be done.

Income inequality in NY is on a par with Colombia, Guatemala and Honduras[i]. That is unacceptable. And it's a direct result of our budget and tax policies. If you're very rich in NY, you pay proportionately less in state and local taxes than the rest of us. Yet we are told we cannot afford to invest in our communities. Austerity and lack of revenue are literally starving us.

The arguments against ending corporate welfare and taxing the rich fly in the face of the facts and the evidence as shown in the research.

We are told that rich people will leave. And that's true, many do leave. But it's not an argument not to do it. Research shows that even if you account for mobility and tax avoidance, the revenue raised STILL goes up[ii]. As for corporations, look at Amazon – one year later, they are back in NY and **adding more jobs than they would have if they got the deal**[iii]. Corporate welfare cost states about 40% in lost revenue– but there's no evidence of gains[iv].

We are told that taxes are already too high. And it's true: New Yorkers pay the highest property taxes in the country[v]. But that's because our towns and counties **shoulder more in government services than anywhere else in the country**[vi]. That only reinforces the inequality spiral: poor communities get terrible services, rich ones get excellent schools, roads, fire and police, etc. If we had a progressive tax system and redistributed that revenue, on average everyone's taxes would go DOWN, and services would rise across the state, not only in rich communities.

NONE of the argument against taxing the rich take into account the long term effects of **trading economic austerity for economic security**. What happens when you invest in better infrastructure, better educated students, affordable housing options, healthcare, a cleaner environment? These are investments that will contribute to growth, lower poverty, lift living standards, and increase the tax base. I would trade a few billionaires for that vision of our future – wouldn't you?

---

[i] Fiscal Policy Institute, "The Unequal State of NY", Brief Look, Dec 2019. "New York's high inequality index of 0.516 places it between Honduras (0.5153) and Columbia (0.5163)".
Sommeiller, Estelle, and Mark Price. 2018. The New Gilded Age: Income Inequality in the U.S. by State, Metropolitan Area, and County. Economic Policy Institute, July 2018

[ii] "We find that billionaires' location is highly sensitive to state taxes. . .but despite high tax mobility, we find that the revenue benefit of a tax exceeds the cost for the vast majority of states" (including New York) (Moretti and Wilson, 2019)
Moretti and Wilson, "Taxing Billionaires: Estate Taxes and the Geographical location of the Ultra Wealth", NBER Working Paper #26387 October 2019
Rauh and Shyu, "Behavioral Responses to State Income Taxation of High Earners: Evidence from California", NBER Working Paper 26349, October 2019
Young et al, "Millionaire Migration and Taxation of the Elite: Evidence form Administrative Data", Americal Sociological Review, 2016 vol 81(3)

[iii] Keiko Morris, Wall Street Journal, Dec 6, 2019, "Amazon Leases New Manhattan Office Space, Less Than a Year After HQ2 Pullout": "Tech giant agrees to take 335,000 square feet in Hudson Yards neighborhood in deal without any financial incentives from city or state. . . The giant online retailer said it has signed a new lease for 335,000 square feet on Manhattan's west side in the new Hudson Yards neighborhood, where it will have more than 1,500 employees" https://www.wsj.com/articles/amazon-leases-new-manhattan-office-space-less-than-a-year-after-hq2-pullout-11575671243

Kimberly Adams, Marketplace, Sept 30 2019. "After the fanfare, Amazon's HQ2 slowly gets going in Virginia" Ardine Williams, Amazon's vice president of workforce development, pointed out the hiring for HQ2 was always going to be a slow process. "The 25,000 jobs for Arlington are scheduled for the next 10 to 12 years," she said, standing in front of flapping Amazon banners and the large white tent where the fair was being held. "So that's a ramp [up] after this year of 400 of about 1,000 to 1,500 [jobs] per year.
https://www.marketplace.org/2019/09/30/after-the-fanfare-amazons-hq2-slowly-gets-going-in-virginia/
[iv] Cailin R. Slattery and Owen M. Zidar, "EVALUATING STATE AND LOCAL BUSINESS TAX INCENTIVES", National Bureau of Economic Research Working Paper 26603 http://www.nber.org/papers/w26603
"[S]tate and local business tax incentives in the United States. . . amounted to nearly 40% of state corporate tax revenues for the typical state, but some states' incentive spending exceeded their corporate tax revenues. . . Comparing "winning" and runner-up locations for each deal/ / /we find that average employment within the 3-digit industry of the deal increases by roughly 1,500 jobs. While we find some evidence of direct employment gains from attracting a firm, we do not find strong evidence that firm-specific tax incentives increase broader economic growth at the state and local level. Although these incentives are often intended to attract and retain high-spillover firms, the evidence on spillovers and productivity effects of incentives appears mixed. As subsidy-giving has become more prevalent, subsidies are no longer as closely tied to firm investment. If subsidy deals do not lead to high spillovers, justifying these incentives requires substantial equity gains, which are also unclear"
[v] New York State Tax Relief Commission Final Report, 2013. "New Yorkers continue to face some of the highest property tax bills in the nation, whether measured in absolute terms, or as a percentage of home value" http://www.governor.ny.gov/assets/documents/greenislandandreportandappendicies.pdf

[vi] Fiscal Policy Institute, 2020. Economic and Fiscal Outlook: Pathway to Shared Prosperity. "Local governments in New York carry a portion of the shared state/local expenses that is nearly unparalleled in the rest of the country. Figure 2 shows that the local share of combined state/local funding responsibilities is higher in New York State than in almost all other states." Nationally, the average local share of state/local expenses is 39%. At 54%, the New York's local share is exceeded only by New Hampshire and Arkansas.