



NEW YORK STATE SENATOR

Jeffrey D. Klein

More for the Middle

JEFFREY D. KLEIN February 23, 2009

Senator Jeff Klein Calls for Middle Class Tax Cuts and Increases on Higher Income Earners

RWDSU Supports Klein Tax Proposal

NEW YORK-In the midst of legislative negotiations to fill the \$14 billion dollar NYS budget gap, Deputy Majority Leader, Senator Jeff Klein released a progressive tax proposal which would provide middle class tax cuts with stimulating the economy.

Klein's proposal doubles the standard deduction for every type of tax filer and provides a tax cut in the form of a debit card to ensure spending (the standard deduction is a dollar amount reduced from one's total taxable income, thereby reducing their tax liability). Currently, a single person with an adjusted gross income of \$60,000 can deduct \$7,500 from their income, resulting in taxes on \$52,500 of the filer's income rather than \$60,000. Under the Senator's plan, the standard deduction would increase to \$15,000 for a single person, resulting in taxes on \$45,000 of the filer's income rather than \$60,000.

"This is an opportunity to reform an antiquated tax system and start a conversation about creating a system which is more fair and equitable. We need to provide real relief and recovery for middle income New Yorkers who need it the most, while at the same time seeking solutions to generate revenue," said Klein

Klein's proposal also increases taxes on individuals making more than 250K/year with rates increasing from 6.85 to 8.97 percent for millionaires and 10.3 percent for income above \$3 million.

Whether single married or retired, households making less than 250K would receive tax cuts ranging from \$466 to \$1,165 in the form of a debit card. Individuals will be able to use the debit card as they would a gift card- solely for spending, thereby stimulating the economy. The cards will have an expiration date in 2009, as determined by the Dept. of Taxation and Finance, with unspent money reverting back to the state.

An example of the current NYS Personal Income Tax rate structure is as follows: an individual earning just over \$20,000 a year would pay the same marginal tax rate (6.85%) on their last dollar earned as a millionaire would (6.85%). A married couple filing jointly earning just over \$40,000 a year would be taxed at the same marginal rate (6.85 percent) on their last dollar earned as a couple making \$10 million.

The state income tax was once much more progressive, with very wealthy New Yorkers

paying a much greater proportion of their income in taxes than middle-class taxpayers.

In 1972, New York State had a PIT with 14 different brackets ranging from 2 percent to 15 percent. Since then, changes to the income tax have gradually made the personal income tax flatter, ultimately resulting in today's narrow rate range of 4-6.85 percent. This movement toward a regressive income tax has benefited wealthy New Yorkers.

"This is the beginning of the conversation about a short-term solution and long-term recovery. In the short-term we've got to jump start this economy, but the key to long-term stability is creating a tax code that is fair for all New Yorkers."