



# **FAIRNESS FEES:**

## ***Reforming Our State's Income and Property Tax Structure***



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# Fairness Fees



**T**he needs of New Yorkers are as pressing now as they have ever been, with the added challenge of a hostile Federal administration. We can rely on Washington for neither financial nor legal support in the days ahead as we provide for the people of this State. As we look to forge a 21st-century standard of life in the face of a Federal administration with an 19th-century worldview, we have to reform and rebuild our income and property tax structures to reflect our new reality. As New York State Lieutenant Governor, I would focus and champion the following:

## **Income taxes -- adjust the brackets upward**

- Our personal income tax brackets were built for an income distribution like we had in the 1980s -- the Reagan era
- In the forty years since then, we've seen an explosion of wealth at the very top while most New Yorkers are struggling or actually moving backwards
- In New York State, the top 1 percent earned 45 times more than the bottom 99 percent, the greatest disparity of any state in America (1)
- Adjusting personal income taxes at the high end -- incomes of \$5 million per year or more -- would provide fairness and reduce inequity

## **Property taxes -- providing relief for working families and seniors**

- In the 90's, then-New York State Governor George Pataki and then-New York State

Senate Majority Leader Joe Bruno cut fees on multimillionaires and claimed to balance the budget. In fact, the cost of the cuts was passed on to counties and municipalities, who were forced to reduce and eliminate services due to lack of resources

- Property taxes went up for working people, while income taxes went down for millionaires and billionaires in Manhattan
- Property tax caps are good stop gap, but if we cut services, in the long run it hurts New Yorkers. We need to do better than just property tax caps; we need property tax relief for the hardest-pressed homeowners -- a check to you from the State, funded by restoring fairness fees on multimillionaires (\$5 million or more)

In addition to this tax reform, we must also look to ways to fairly and responsibly grow our resources to provide for all in our State. Those who would argue there is not enough to fund all of what the people of New York need either can not - or will not - consider one of the oldest lessons: to whom much is given, much is required. In that spirit, I recommend several measures that would yield over \$20 billion for the State budget, while only touching hedge funds, billionaires, multi-millionaires, and others of the super-wealthy, many of whom support these ideas.

### **STOCK TRANSFER FEE: \$10-14 BILLION**

- From 1905 to 1980, New York State collected a small fairness fee on Wall Street stock trades
- In the Reagan era, we began giving the money back to Wall Street - literally collecting this money and then cutting a check - now up to \$14 billion every year
- The majority of this money would be collected from high-frequency “flash traders,” not Grandma or casual traders in the stock markets
- If we just rebated \$4 billion to long-term investors we’d still have \$10 billion for community needs
- New York should reinstate this fee and use it to properly fund our public schools and give property tax relief to working-class homeowners statewide

### **STOCK BUYBACK TRANSFER FEE \$2 BILLION**

- Big multinational corporations are using their big new tax cuts to make their wealthiest investors even richer
- They’re not creating millions of new jobs, they’re not giving big pay raises to their lowest-paid workers – they’re using the money for huge stock buyback

- New York State could raise \$2 billion a year from a .5% fairness fee on the stock buybacks that are hurting our economy and making inequality worse

### **MULTIMILLIONAIRES FEE \$4 BILLION**

- A fairness fee to supplement existing assessments on multi-millionaires
- Raises \$4 billion per year; included in this year's Assembly one-house
- Addresses the deep unfairness of the new federal tax plan
- Assessed only on those people making more than \$5 million every year

### **CARRIED INTEREST LOOPHOLE CLOSURE \$3.5 BILLION**

- Backed by Cuomo, Assembly and Senate Democrats
- Closes a loophole that Trump promised to close but didn't
- A fairness fee on hedge fund and private equity managers who can well afford to pay

### **LUXURY REAL ESTATE FEE \$500 MILLION**

- Progressive fairness fee on real estate transactions over \$5 million
- Part of a package that raises \$500 million per year in Assembly one-house
- Addresses the steep increase in the most luxurious real estate in Manhattan
- New York fees on these properties are lower than other global centers like Hong Kong, London & Paris

The necessary resources to provide for all are available. New York State government can raise the money for needed investment in schools, transportation, housing, clean energy infrastructure and healthcare for all -- and provide direct property tax relief to the hardest-pressed homeowners across our state. Rebuilding and reforming our tax system based on principles of fairness will help all New Yorkers and make our state a better place to live, work and raise a family. All that requires is the will and commitment to make it a reality.

## Spending Cap

**H**aving discussed where we can equitably and fairly raise revenue to better our State, I would like to discuss the other half of the equation: investing this revenue, or more specifically, the will to invest it responsibly. I believe the public treasury is a resource that should be deployed to the betterment of the public. To that end, the imposition of an arbitrary cap on public spending is a shackle we cannot afford in good times, and even less when faced with a hostile Federal administration.

It is important to distinguish the practice of an arbitrary spending cap from the concept of caps in general. For example, New York caps the growth in the property tax. This cap is not arbitrary but established through the legislative process, formed through open debate and negotiation. While I have expressed objections on how the cap is executed in New York City, I support the principle of a cap on property tax increases. The housing crisis in New York is deep and urgent enough without opening the door to increasing burdens on our homeowners.

By the same process, I believe a spending cap can have a place in budgeting. I strongly agree with the words of former Vice-President Joe Biden: “Show me your budget, and I’ll tell you what you value.” To that end, spending caps can help frame debate around the budget and make the final product a true representation of values.



However, an arbitrarily imposed cap from the executive defeats this purpose on all fronts. When adhered to, the executive voluntarily restricts itself from investing money to solve real problems that New Yorkers face. But because an arbitrary cap lacks the legitimacy and force given through open debate and negotiation in the legislative process, it is more susceptible to violation when political considerations are conducive to excess spending, violations New York State is familiar with under the Cuomo Administration.

Beginning with the 2011-2012 Budget, the Governor has long boasted of adhering to a 2 percent cap on State Operating Fund (SOF) spending (2) - the monies directly allocated for agency operations and debt service and, therefore, most reflective of policy decisions. In the February 2018 Executive Budget, the Governor claimed SOF spending increased by just 1.9 percent. However, an analysis by the Citizens Budget Commission demonstrated this number was achieved not through policy decisions but accounting manipulation: moving some spending items off of the SOF books, reclassifying other items as capital spending rather than operational, and more. (3) When this is undone, the CBC calculates SOF spending actually increased 4.1 percent. This marks the second consecutive attempt since the 2016 Presidential election that the Governor attempted with sleight-of-hand to allow for increased spending while trying to

stay true to his personal limitations. (4)

This is not to argue the spending should not have been done as a rule. The needs of New Yorkers are real and it is the obligation of their elected leaders to meet them, particularly on the State level. 1995 stands as a stark reminder that spending cuts on the State level do not exist in a vacuum but are passed on to local government to make good the loss – from \$17.3 million in Erie County (5) to \$670 million in New York City (6), with social services most frequently taking the hit.

Without an arbitrary spending cap, the state would be better able to solve a myriad of pressing challenges, including but not limited to the following:

- **Housing:** At a time when the Federal administration and the state have historically disinvested in public housing, and when the federal government has proposed to triple rents on public housing residents (which would lead to a spike in evictions and increased burdens on shelter systems and other public benefits), the state must be ready to invest additional dollars to maintain facilities and keep people in their homes. (7) For example, in NYCHA, there is almost \$30 billion needed for repairs. We need more than the one-time infusion of \$250 million the Governor delivered recently with a host of strings attached. The fairness fees, as proposed, would allow us to build housing units targeted for deeply low-income New Yorkers and we can get consistent investment in our public housing.



- **Transportation:** States and localities also cannot rely on the federal government to solve transportation issues. For example, the New York City subway system is in a crisis and the state has yet to invest the money needed to improve core operations for nearly 8.5 million New York City residents. (8) Experts predict that the New York City subway system's deficit may swell beyond \$1 Billion in three years. (9)

- **Environment/Climate Change:** A highlight consequence of Trump's abdication of responsibility has been Scott Pruitt's tenure as EPA Administrator. Pruitt's determination to rollback Obama-era environmental regulations and give cover to corporate polluters comes right when Hoosick Falls is in litigation against the companies that poisoned their groundwater (10) and Newburgh has filed suit to compel sufficient actions to clean their water. (11) An arbitrary cap prohibits the executive from reacting swiftly to direct needed resources when emergencies such as these appear. We can also use funding to build out infrastructure to move from fossil fuels to renewable energy.

- **Healthcare:** The current federal government will take every opportunity-by law or by executive action- to dismantle the Affordable Care Act, (12) along with cuts to Medicare and

Medicaid. (13) These programs are literally lifelines to low and moderate-income Americans. The White House has already announced plans to cut \$7 billion in Affordable Care Act subsidies, which would cause at least 1 million Americans to lose coverage, alone. (14) If they are successful, millions more New Yorkers will rejoin the ranks of those uninsured. State investment is needed to stabilize New York's healthcare make and ensure coverage.

- **Education:** The Governor owes New York State schools billions dollars as a result of the court's finding in the Campaign for Fiscal Equity. While the Governor has instituted some increases in the budget over eight years, he has also cut the budget several times during that same period. The 2018 increase still underfunds the state's schools, and will require districts, especially poorer ones, to make tough choices as the school year starts in the Fall. All told, he has never fully funded schools according to the court's requirement. He also gave himself veto-power over a local school district's spending priorities. (15) (16) (17)



**A**s the People's Lieutenant Governor, I want to use my office to ensue that these issues are continuously highlighted and advocated for. New Yorkers should know what's happening with their money and how it can best be used to deal with the kind of issues I've been hearing about as I travel around the state.

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