

Testimony from The Reverend Peter Cook  
Executive Director of the New York State Council of Churches  
to the Joint Tax Hearing  
New York State  
February 12, 2019

My name is Peter Cook and I am the Executive Director of the New York State Council of Churches. The Council represents 8 Protestant denominations and approximately 7,000 congregations in every part of New York. I am pleased to have this opportunity to offer our perspective on the state budget by addressing the problem of wealth inequality and challenging claims that the state government does not have the resources to appropriately help millions of New Yorkers.

For a very long time, it would seem that the budget for the State of New York has consistently held the line on spending for the poor and disenfranchised. The imposition of the 2% spending cap is arbitrary and has been unevenly applied where by health care and education spending has been slightly higher than 2% which means every thing else in the budget has seen only a slight bump or, in many cases, has been effectively cut. The 2% spending cap does not apply to economic development programs which have seen dramatic increases in the Executive budget. To compound the budget strain, counties and municipalities have had to consistently pick up costs which should be born by the state.

A good example would be costs for Medicaid which, with the exception of New York, is a cost other states assume as part of their statewide budgets. The cost shift for Medicaid to counties is compounded with a lower percentage of state government spending on education budgets born by the state than is born by other states. You also have complaints from municipalities about unfunded state mandates because of an unwillingness of the state to pick up its responsibilities to fund what they pass.

All of this cost shifting short changes children, local governments and those with medical and other needs, while putting upward pressure on taxes for homeowners. Indeed, the inability to deduct over \$10,000 for state and local taxes or SALT under the Federal Tax Cut and Jobs Act of 2017, ties municipalities hands even more and makes it difficult for the state to offer meaningful actual tax relief.

The Governor is right to challenge the Federal Government to lift the SALT Cap. We share his outrage. However, while we seek to remedy the injustices of the Federal Government's tax scheme and change the law, there are things we should be doing as a state right now to address wealth inequality and fix our broken tax system.

Quite simply, we need to ask the very wealthiest New Yorkers to pay more money to both invest in our citizens who have long been neglected in state budgets and to provide meaningful property tax relief. While the SALT cap did add somewhat to the property tax burden on the very wealthiest, that burden was dramatically offset by a massive financial windfall which came to them because of other aspects of the 2017 Federal tax law. These Federal tax benefits, given to the very richest New Yorkers, did not flow to homeowners who could not avail

themselves of those benefits. The result is that taxes go up for many New Yorkers including homeowners while the very wealthiest saw a massive net tax cut.

The Governor and the Comptroller have projected a 2.5 billion dollar revenue shortfall because they claim that the wealthiest New Yorkers are leaving the state because of the SALT Cap. This assertion deserves our real skepticism. Why would the wealthiest New Yorkers be leaving if they saw a massive net gain in their fortunes because of the 2017 tax law? It may be true that some New Yorkers are leaving the state because their property taxes are too high but its not likely this is the case for the very wealthiest. As a matter of fact, we have 63% more millionaires now than before we started our current Millionaires Tax. in 2017 New York City enjoyed a 15% one-year increase in residents with over \$30 million in assets and is now home to 103 billionaires. Given this dynamic it seems reasonable to question the assertion about a millionaire and billionaire exodus from the state because of the SALT Cap and ask the very wealthiest New Yorkers to give back a fraction of their massive net gains from the Federal tax code to the state (even after taking into account the SALT Cap). Recapturing some of the tax windfall which flowed to the wealthiest, could provide some real property tax relief to these homeowners truly hurt by the SALT Cap while reversing the systemic disinvestment of the state in the needs of our most vulnerable citizens.

I offer this analysis as a way to say that that the state needs to be investing a lot more in the needs of the poor and middle class and providing meaningful tax relief by asking the very wealthiest who live in a handful of zip codes to pay some more. I believe we can erase the projected revenue deficit of 2.5 billion which is questionably due to millionaires leaving the state. Instead we need to ask those folks to invest in making New York a more attractive place to live and work for our residents including those who work in the companies of these very wealthy people.

More specifically, we make the following requests to improves the flow of revenue to the state budget.

1. Add some tiers to the millionaire's tax to capture a fraction of the explosion of wealth of multi-millionaires and billionaires.
2. We need to join other large cities around the globe and impose a mansion tax. It was breath taking, for instance, to read about a billionaire who actually bought the most expensive residence in the world—a 222 million dollar penthouse-- in Manhattan in a district with the highest concentration of billionaires in the world. It's interesting, in this case, that a billionaire purchased this extraordinarily expensive home in New York even after the imposition of the SALT Cap.
3. The state needs to keep the stock transfer tax like we used to do and get rid of the current system of collecting the tax and then immediately refunding it. Assemblyman Phil Steck, who represents a politically divided district in the Capital Region, has been making this proposal for years to collect and keep the stock transfer tax and it consistently gets ignored. Why?

4. The state needs to impose a tax on stock buy backs which was a typical way corporations used their windfall from the Federal Tax code. As this committee is aware, corporations used their massive tax cut not invest in the economy and their companies and employees as was promised by the authors of the tax law, but instead used the money to buy back their stock which raised its value for the few who were fortunate enough to own stock in that company. The buy backs only added more to the tax windfall of the few. We need to capture some fraction of these tax buy back provisions.
5. Close the carried interest loop hole, as proposed by the Governor, to tax the income of hedge fund managers in the same way we tax everyone else.

If state enacts even half of these proposals or phase them in over 3 to 5 years, it could erase this deficit and the state would have plenty more to invest in addressing poverty in this state while providing meaningful property tax relief.

If we had the additional revenue from the state, let me offer some illustrative examples of what the state could be doing with that money.

1. The state could finally pay workers in state contracted facilities at least the minimum wage and give them cost of living increases which have consistently been removed from state budgets. To underpay these professionals who care for our most vulnerable citizens with wages less than what we pay people who work at Burger King is very disheartening and immoral. Many facilities, which serve to severely disabled for instance, are at risk of closing because of the state's chronic disinvestment and underpayment.
2. While we are witnessing an unprecedented investment in larger infrastructure projects which. to be sure add some benefit to our economy, that investment unfortunately comes at the expense of tax burdened communities which need state aid to supplement their strained budgets to fix roads, build housing, and cover basic expenses. For instance, its terrible that Albany has to beg every year to get relief from the state to compensate for its loss in revenue because of non-taxable state owned property.
3. While there is more spent on education in the state budget every year, this aid is insufficient to help rural and other tax burdened school districts. The state needs to invest in our schools by picking up a higher percentage of school spending while not forcing school districts to rely so heavily on property taxes to fund their schools. As I said, the state picks up a lower percentage of overall education spending than other states much to the consternation of parents and homeowners who want good schools.
4. We need live up to our rhetoric to help immigrants, and give access to the Essential Plan to our undocumented residents. Their labor contributes significantly to the health of our companies and economy but they do not have the same protections and benefits afforded to other workers. Another reform could be to raise subsidies to people with high deductible health insurance policies. These are two of many reforms

we need to put in place to strengthen our health care system as we take steps towards a single payer system which will guard the health of all New Yorkers while offering tax relief and enhancing our economy.

5. We could embrace the proposal of Senator Zellnor Myrie and raise the wage to at least \$3.00 an hour for people in our prisons who currently make on average of 62 cents an hour and whose hard labor contributes to prosperity of the state and the for-profit contractors for whom they work. We have not raised the wages of prisoners in a quarter of a century and pay them some of the lowest wages in the nation. With their low wages, those prisoners often go into debt to pay for increased commissary and phone costs. While we are at it we need to restore the state bus program which helps families in downstate see their loved ones who are incarcerated up state.
6. We need to significantly expand the Home Stability and Support program which seeks to keep people in their homes and not cause them to enter the more-costly and less desirable shelter system.
7. The costs of childcare constitute for many families the highest percentage of their already overstretched budgets. Child care costs are a big contributor to keeping families in poverty and creating an unstable home environment for children. The state needs to dramatically expand funding for pre-k much more than what the Governor has proposed while enhancing other child care related credits which help reduce the financial burden on families with young children.
8. We could properly implement criminal justice reforms and election reforms by offering to help counties entrusted with implementing these policies.
9. We could, again, offer tax relief for homeowners by the state picking up the costs of Medicaid and a higher percentage of costs for education.

I could go on about other needs. It is disheartening to come to the capital every session to hear residents advocating for adequate funding in our state budgets but being told there is no money because the state won't do what it should to tax people at the very top. Imposition of the 2% spending cap, combined with an unwillingness of the state to appropriately tax the wealthy, creates an untenable situation of citizens fighting with each other over one piece of pizza metaphorically speaking, when we could have two or three pieces with more revenue. The austerity narrative of the state is just disheartening especially as we witness massive financial gains at the very top and have more billionaires in New York than just about any other state.

The New York State Council of Churches, since the late 19<sup>th</sup> Century, has been devoted to lifting up and empowering the poor and middle class in this state. Churches are often on the front line of helping people who are sufferings by offering significant amounts of charity. We are clear, however, that the government has a responsibility to make changes to laws and address structural inequities to provide the assistance that charity alone has never been able to adequately provide. This is why we are so animated in our proposals to law makers to build a just state budget. We have outlined our requests for a just state budget in our New Hope, New York

Budget Principles which we developed in conjunction with the Fiscal Policy Institute, Strong Economy for All and many others. We will be profiling the New Hope, New York Budget Principles through teach ins and press conferences in every part of the state beginning in Saratoga Springs tomorrow and ending in time for the production of the submission of one house budget bills. I submit those Principles as part of my testimony. They can also be found on our website at [WWW.nyscoc.org](http://WWW.nyscoc.org).

Thank you for the work you are doing to build a more just and moral state budget and to fix our broken and inequitable state tax system which underfunds that budget and favors a few tax payers at the expense of many others.