

STRONG ECONOMY = FOR ALL COALITION

**NEW YORK STATE LEGISLATURE
Senate Finance Committee
Assembly Ways & Means Committee**

Senator Liz Krueger, Chair
Assembly Member Helene Weinstein, Chair

HEARINGS ON THE 2020-21 EXECUTIVE BUDGET PROPOSAL: TAXES

Testimony of
Michael Kink, Esq. * Executive Director
Charles Khan * Organizing Director

February 13, 2020
Albany, 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 Senator Krueger and Assembly Member Weinstein and members of the Committee. My name is Michael Kink, and I serve as the Executive Director of the Strong Economy for All Coalition. With me is Charles Khan, the Organizing Director. Thank you for the opportunity to present testimony 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.

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

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.

Nine in 10 New York Voters Favor Raising Taxes on Ultra-Millionaires and Billionaires

An extraordinary [92% of New York voters](#) 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

Wealth

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.

Ultra-High Incomes

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 half 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.

Billionaires and Millionaires -- We've got the most and we're getting more

The [Wealth-X 2019 Billionaire Census](#) reports that "New York continues to be the dominant billionaire city" in the world, with 105 billionaires living in the City itself.

The [Wealth-X 2019 World Ultra-Wealth Report](#) 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 [2019 Knight-Frank Wealth Report](#) 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.

New York needs a Billionaires Wealth Tax

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-à-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.