

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