

#MakeBillionairesPay Budget Justice for a Democratic Economy

“While they prate of economic laws, men and women are starving. We must lay hold of the fact that economic laws are not made by nature. They are made by human beings.” New York Governor Franklin Delano Roosevelt, acceptance speech at the Democratic Convention (July 2nd, 1932)

Fundamental tax reform is at the heart of the democratic effort to combat extreme inequality and corporate dominance.

An equitable and sustainable tax system serves three related functions: it raises revenue to fund our needs, distributes resources to promote equality, and regulates our economy to align it with democratic values.

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.

But instead of investing in our communities, billionaires prioritize financial profits that produce no social value and raise the cost of living.

New York has the wealth and the resources to fund universal healthcare, quality education, housing for all, and a green new deal. We just need to enact the taxes necessary to fund them.

We propose the following high-level tax program to begin the democratization of New York’s economy. These measures are intended to raise the revenue necessary to fund basic services for all working people such as housing, healthcare, education, and transit, and to fight climate change. They are also intended to undermine the power of a wealthy elite that stands opposed to the realization of this democratic vision.

Our program has three simple prongs: Meaningful new or increased taxes on 1) Wealth, 2) Ultra-High Incomes, and 3) Big Corporations and Wall Street.

I. 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 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), 485(a), and 581, which provide wealthy property owners with immense and unconscionable subsidies.

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.

2. Top Income Earners

Ultrarich 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 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 (1) higher individual income rates for the top 1% of income earners and (2) a surcharge on long-term capital gains.

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 19% on carried interest income to fully offset unfair federal tax subsidies for hedge fund and private equity managers.

3. Corporate Tax

Historically, the state governments 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, 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 (2015) reformed its corporate tax to lower overall rates and eliminate the special tax on banks.

It’s time to reverse this trend, targeting the largest corporations and extractive financial firms:

- A. 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.
- B. We support a tax on publicly-traded corporations that pay the CEO one hundred times more than median pay for workers.
- C. We support a new tax on the profits of the financial sector to replace the old Banking Corporation 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.

- A. 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.
- B. We support a tax on corporate stock buybacks, which were illegal until 1982.
- C. 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.

Conclusion

In summary, taxing the rich is actually pretty simple - you’re taking a big chunk of money and moving it from investments made by the most wealthy to those made by the government. Conservatives who believe private investment is preferable to public investment will argue that these taxes will drive capital flight and deplete the capital stock, which can be used for productive investment. The concern is misplaced for three reasons. First, it presumes that capital is scarce, which is currently not the case. The truth is “the world is awash in credit, and credit is cheaper than ever before.” Second, our proposals are rooted in a conviction that the market is failing as a valuation mechanism, and that democratic values are a more reliable guide for productive investments. We believe that directing the revenues to healthcare, education and housing is likely to be more economically productive, by supporting and stabilizing the working population, than leaving capital locked up in investments made by and for the wealthy. Most fundamentally, the modern regime is neither politically nor economically sustainable. Whether the stock market is 1 or 2 percent lower in 2050 is meaningless - what matters is whether or not our planet is recognizable or ravaged by catastrophic storms and destabilized by flooding and droughts. What matters is whether or not our democracy survives or is transformed into an oligarchy.

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 housing, transit and even single payer healthcare. 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.

Budget Justice: Tax The Rich

Wealth	Wealth Tax	Pied-a-terre, Luxury land, and Yachts and Jets Taxes	Eliminate Millionaire Property Tax Subsidies: 421(a), 485(a), and 581	Estates and Gift Tax	
Income	Millionaires Income Tax	Capital Gains Taxation (Carried Interest Fairness Fee)			
Corporations	Raise Corporate Income Taxes (CEO Pay Gap Surtax)	Raise Financial Corporations Income Taxes (Bank Tax)	Financial Transactions Tax (Stock Transfer and Stock Buyback Taxes)	Digital Services Tax	Corporate Landlord Tax;