New York State COUNCIL OF CHURCHES

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Isaiah 10:1-2:

Woe to those who make unjust laws,
to those who issue oppressive decrees,
to deprive the poor of their rights
and withhold justice from the oppressed of my people,
making widows their prey
and robbing the fatherless.

Acts 2:43 to 47

43 Awe came upon everyone, because many wonders and signs were being done by the
apostles. 44 All who believed were together and had all things in common; 45 they would sell their
possessions and goods and distribute the proceeds to all, as any had need. 46 Day by day, as they
spent much time together in the temple, they broke bread at home and ate their food with glad
and generous hearts, 47 praising God and having the goodwill of all the people. And day by day
the Lord added to their number those who were being saved.

Luke 12:48

From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked.

My name is The Reverend Peter Cook and I serve as Executive Director of the New York State Council of Churches. We have been in existence since 1891 and represent eight denominations and approximately 7,000 Protestant congregations in rural, suburban and urban regions in every part of the state. From our inception, we have been shaped in our view by the Social Gospel and Christian Socialist movements. The Gospel compels us to advocate for changes in state and federal laws and policies which address structural economic and racial injustice and lift up the most disenfranchised and vulnerable people in our state. Central to our concern for over 130 years has been to shape a moral government budgets which are funded with a progressive tax system rather than the very regressive tax system (effectively a flat tax system when looking at all taxes) which is currently in vogue here in New York.

The state of New York is projecting a significant deficit ranging from 8 billion to 15 billion based on varying projections. The needs of the state have been, for some time, greater than any that can be met by any budget passed to date. The proposed budget for 2021-2022 again fails to restore past cuts and meet increased need. An arbitrary 2% spending combined with cuts in corporate taxes have facilitated these austerity budgets for many years now. While the very wealthiest in New York have benefited from many state tax breaks, they also saw handsome financial gains under the 2017 Federal Jobs and Tax Cut Act. Meanwhile, the most vulnerable among us have shouldered the financial burden along with property owners who are contending with some of the highest property taxes in the nation. The pandemic obviously has exploited the weaknesses of the state safety net which have occurred because of cuts and chronic under investment by New York State resulting in less state revenue.

Here are some examples of the austerity in the state budget which residents of New York have had to endure for a long time:

1. The cost of childcare can easily exceed costs of a mortgage or rent payment. In the case of universal pre-k, it is only available in a meaningful way in New York City and in all cases does not provide for infants to 3 year-olds who are most in need.

2. Public housing stock across the state suffers from massive-deferred maintenance forcing the poor to live in unsafe and unsanitary conditions. Waiting lists for public housing and section 8 vouchers are obscenely long. Some of this deterioration can be attributed to cuts in Federal subsidies over the years but it also reflects the state's unwillingness to come to terms with what is really required to maintain and expand our public housing stock and invest accordingly.

3. Homelessness is at an all-time record which is, in part, due to the fact we are too reliant on an inadequate and costly shelter system while making it too hard for people to find permanent housing. There are no state housing voucher programs and New York City vouchers are, in many cases, unusable because they can't cover the cost of market rent. Moreover, the production of affordable housing for people at 40% of Area Median Income or lower is nowhere near in keeping up with demand. While an eviction moratorium is helpful, we need to cover the costs of back rent or we will see homelessness become far greater. The Federal assistance will help but more is required.

4. Medicaid for in home long-term care is cut while we move people to nursing homes which are far most costly and more restrictive in who qualifies.

5. Many immigrants, who do so much of the essential in-person work in our state, do not have the health benefits of working virtually to perform tasks while living in crowded quarters making them more vulnerable to COVID. They do not get the benefits that other New York residents receive which makes them even more vulnerable to COVID.

6. For years now the state has been cutting, in inflation adjusted dollars, social service programs. Drug and alcohol treatment has seen particularly severe cuts during the pandemic. Failure to fund treatment leads to much higher levels of incarceration which can cost much more than providing treatment in the first place.

7. Aid and Incentive to Municipalities (AIM) has been cut by a billion dollars in previous budgets. In addition, the pain continues in this year's budget. For this next year's budget, the governor is proposing funding cuts anywhere from 2.5% to 20%, depending on how much money the state receives in federal aid. Broome County Executive Jason Garner recently said "We've probably had to reduce our funding to contract agencies this year by 50%," and "we've had to cut our community college contributions by a pretty significant amount as well." They also have less money to fix basic infrastructure like roads and bridges. Cuts in AIM means cuts in jobs and putting more upward pressure on property taxes to pay for services.

8. Schools, while seeing some increase in Federal Aid, are looking at actual cuts in the state allocation. While this might be survivable in the short term, in the long term after the Federal aid dries up, school districts will be left in a worse financial situation than before the pandemic. Federal aid is not meant as an occasion for the state to turn around and cut its budget to those who benefited from Federal Aid. As Mr. David said, "they are also pushing to make sure any direct federal dollars they receive does not replace state aid."

9. Some of the budget austerity might have to do with state spending on Empire State Development which in some cases may invest in projects which do not have the economic benefits of other investments. It's impossible to tell how well our tax-payer money is being used since there is no transparency from the state about how the money is spent.

There are a lot of austere features of the state budget (some more obvious than others) which make New Yorkers more economically vulnerable. Federal Aid, even at the 15 billion-dollar level, means that many cuts won't still be restored and could lead us to squarely come to terms with the longer term budget strains once the Federal Aid dries up. The way we shape the budget and fund it has the effect of cost shifting to cities and municipalities which puts upward pressure on property taxes while asking the vulnerable to sacrifice more and more in the form of service cuts from counties and lost government jobs.

Wealth Inequality and Taxation

While we have been living with austere state budgets for years it is obscene to us that, all the while, billionaires in New York actually saw massive increases in wealth (nearly 88 billion dollars during the pandemic alone) while paying less tax. The state is basically doing nothing to recapture some fraction of that windfall while finding every excuse not to raise needed additional revenue.

In spite of threats made by the wealthiest that they will leave the state if they have to give back some fraction of their tax windfall especially achieved in the last four years, we think the greater risk of flight will happen if the state **<u>does not</u>** invest in the services which make New York attractive in the first place—schools, health care, child-care, social services, top rate higher education institutions, and affordable housing to name a few. Because of our neglect, in fact, New Yorkers are indeed leaving--the middle and lower classes-which is resulting in a reduction in population. In upstate, the population decline could result in the loss of two Congressional seats. Those who have benefited from low taxes as a percent of their wealth, however, largely remain because New York is a place where they can make a lot of money while enjoying long standing social and business networks and world class amenities. In our view, a slightly higher ask of them to invest in our state will do more to keep them here than allowing them to retain all of their wealth and imperil all the other things which keep them here and allow them to run profitable businesses. In other words, failure to invest in public services poses a higher flight risk for the wealthy than any modest increases in taxation especially when one accounts for the financial windfalls the rich have realized in recent years. It is, of course, possible that the state will tax so much that it causes people to leave the state but the taxes we propose bring us nowhere near that tipping point especially when we take into account all the ways we have been cutting taxes for the rich for many years now. We have room to move.

TAX PROPOSALS

There are many tax proposals out there. There are, for example, various proposed millionaire's taxes. There are two versions of taxes on financial transactions. Some propose a tax on luxury second homes. Others promote a capital gains tax or mark to market. The Invest in Our New York proposals are well thought out and could raise about 50 billion in new revenue if all six taxes as a package are adopted. Some taxes proposals may be more workable than others but we do believe that some mix of these proposals could reasonably raise at least 20 billion without a lot of political or economic pain and considering that most New Yorkers have the will to take proactive steps to get us through the pandemic and build the state back much better than before the virus arrived.

In this spirit, The New York State Council of Churches asks that the Assembly and Senate Members to <u>make a decision</u> to:

1. Actively weigh all benefits and relative risks of every tax proposal and resolve to recapture some of the extraordinary wealth amassed by the wealthiest New Yorkers.
2. Work with your colleagues in every part of the state to find at least 20 billion in new revenue for the 2021-2022 budget **<u>in addition</u>** to whatever the states receive from the Federal Government.

As a Council, we humbly make some judgements about which of the revenue proposals are most likely to succeed in the current economic and political climate and generate the most revenue. In this spirit, we draw your attention to the following measures:

1. We recommend that the legislature come up with a millionaire's tax bill which will raise at least 10 billion in additional income which will be non-refundable from the state. The state budget office makes much of the fact that even the Governor's extremely modest 1.5 billion tax cut for multimillionaires (refundable after two years) will mean that rich

people, who live in New York City, will pay the highest income tax in the nation at 14.7% (when you take into account the New York City tax added to the state tax). It's important to keep in mind that the millionaire's tax, even with the New York City tax taken into consideration, is offset by a much more massive gain realized by the rich due to state cuts in corporate taxes over the years combined with a massive windfall from the 2017 Tax Cut and Jobs Act. For the super wealthy, even with the SALT cap, they came out way ahead. In fact, people who most suffer under the SALT cap are middle or upper middle-income people who saw their net taxes increase because they could not access the benefits of the Tax Act reserved for the very wealthiest. Substantially increasing the millionaire tax is not going to have the dire effect that some are predicting. When we take into account all the taxes paid to the state (and not just income tax) we discover that poorer and moderate-income people end up paying more tax as a percentage of income than wealthy New Yorkers.

2. We recommend passing a bill that no longer rebates the stock transfer tax. The State began rebating the tax in 1979 and since 1981 the tax is now 100% rebated back to Wall Street (stockbrokers). New York State rebated back over $100 billion over the past ten years. The bills we favor is the one introduced by Assemblyman Phil Steck and Senator James Sanders. The tax raised on a $1,000 trade would amount to only $2.50. The revenues are generated by the volume and frequency of trades. The tax ranges from 1.25 cents to 5 cents per transaction depending on the value of the share.

   Some in the securities industry have threatened to leave if the current stock transfer tax is no longer rebated. We believe that this is an idle threat. Moving out of the state will cost the firms vastly more than charging this modest sales tax on transactions. Moreover, their employees would largely prefer to stay rather than move. Indeed, it is worth noting that the securities industry made the same threat, before the tax was collected, beginning in the early twentieth century. They did not leave when the tax was imposed then. It's hard to understand how a tax, which is vastly less in inflation adjusted dollars than when it was first instituted, would now result in an exodus. In addition, it is worth stating that this is not a tax on the wealthy. It is actually a sales tax collected for the state by the securities firm or broker in much the same way a business, selling shoes, collects a sales tax. This is a way for the state to capture revenue from anyone (including those who are out of state) for the transaction. The amount is vastly smaller than the current New York State sales tax. There is much more we could say about the hollow threats made by the securities industry that they will leave over this small tax. We urge lawmakers to study the vast analysis done by noted economists (like Joseph Stiglitz) showing that modest financial transaction fees on trades will have no adverse effect and greatly benefit our economy. Here is a recording, https://www.youtube.com/watch?v=MunHdPLkigQ, where Assemblyman Phil Steck met with four noted economists and an attorney to discuss the stock transfer tax. If you have not conferred with Assemblyman Steck about all the dimensions of his stock transfer tax bill and it benefits and relative risks, you really must do so.

3. We ask that the legislature immediately put in place a "database of deals" to show how the state is spending its economic development dollars. In reviewing these projects, we

need to ask if there are more cost-effective ways of spending these dollars while generating better economic returns. We recommend that you recapture lost tax revenue by closing some corporate loopholes. For example, we recommend we end tax subsidies for fossil fuel companies and collect sales tax on luxury items like private jets.

In addition to the above, the legislature should very seriously consider the Invest in Our New York proposals totaling 50 billion. Some of their proposals are legally and politically a little more complicated than our proposals but they are well worth considering given the revenue it could raise.

While there are a lot of revenue possibilities for you to consider, we are less supportive of two other taxes which have been proposed in the Executive budget.

1. **Marijuana tax**. For justice reasons we do support legalization of marijuana and a tax on its sale. We believe, however, that all the proceeds should be earmarked for disadvantaged groups with no corresponding cuts in state services. The marijuana tax should not be a feeder for the general fund.

2. **Online sports gambling tax**. We oppose this tax. This is a regressive tax because gambling exploits the poor and vulnerable who are already paying too much of their income on taxes while seeing their services cut. Online sports gambling, even with the taxes, is a merely a windfall for gambling companies which are predatory in their nature. Online sports gambling facilitates personal bankruptcies and poverty which is personally destructive and harms our economy.

We are confident that, after lawmakers carefully look at all the proposals and make their own compromises and adjustments, that they will come up with at least 20 billion in new revenue combine with corresponding investments in our state which will make everyone want to stay. The key point here is that the legislature needs to believe it can raise the money and will unwaveringly resolve to come up with a serious package of bills which will garner enough widespread support to pass and secure the Governor's signature or at least garner a 2/3 majority if an override of an Executive veto is required.