



## Testimony of the Partnership for New York City

### Joint Legislative Hearing

### FY 2022 Executive Budget: Taxes

February 23, 2021

---

Last week, the Partnership for New York City sent an alert to members of the Legislature, calling for pragmatic solutions to the fiscal and economic challenges that confront New York state. We believe the business community has important contributions to make to legislation and programs that will accelerate recovery from COVID-19 and prepare New Yorkers for jobs in our rapidly digitizing economy. We thank you for the opportunity to testify on the state's budget strategy for responding to the impact of the pandemic.

COVID-19 has cost New York City more than 500,000 private sector jobs and shut down thousands of small businesses. Manhattan offices are at less than 15% occupancy, prospects for resumption of international tourism and business travel are uncertain, and our retail and entertainment industries will need to adopt new business models to remain viable. The full impact of COVID-19 on our economy is still evolving. During the past year, the focus of government has been on managing the health crisis. Now it is time to turn to developing regional and statewide strategies for replacing lost jobs and stopping the exodus of people that threatens our economic recovery.

The Executive Budget focuses on the need for federal aid, containment of spending growth and continued commitment to major infrastructure investments as central elements of economic recovery. This is a sensible approach but will not reverse negative trends that were underway well before the pandemic struck, including a hostile business and litigation climate, rising costs, and declining quality of life.

While other states are offering every manner of incentive to attract New York talent and jobs, we are relying largely on inertia to keep businesses and people in New York. This has worked in the past, thanks in large part to robust foreign immigration and students attracted to our great universities and research institutions. But the experience of COVID-19 has created remote work and education options and a new competitive dynamic that makes permanent relocation to other states attractive and affordable to growing numbers of middle and upper-income New Yorkers.

So far, this year's budget discussions have centered on new spending and revenue proposals that have not been subject to objective assessments of their impact on jobs and the economy. The revenue projection for most of the new tax proposals are unrealistic and most would result

in reduction of the state tax base. We need a more rational and thoughtful process for determining the best plans for recovery, what new revenues may be needed to support the implementation of these plans, and how to convince New Yorkers to stick with us while we work together to deal with the issues that are threatening the future of our city and state.

A decade ago, the Partnership supported the supposedly temporary surcharge on high earners – the millionaire’s tax – that was enacted in 2009, as part of a package of public pension and Medicaid reforms that created a balanced budget. We supported the commuter tax, the payroll mobility tax and congestion pricing to fund the modernization of the MTA. If it turns out to be necessary, we will support progressive increases in sales and gas taxes that protect lower income households and even an income tax surcharge along the lines proposed in the governor’s Executive Budget as an effective bridge loan to help the state get through the COVID-19 crisis. We have also proposed that the state look for entrepreneurial revenue opportunities, such as self-insuring property title guarantees which could easily generate over \$1 billion a year in revenues that could be dedicated to affordable housing and other needs.

We do not claim that tax increases are the only or even the primary reason that people and jobs are leaving New York. It is a much more complex issue. But solid tax policies that are designed to encourage investment and job creation are part of the solution to how we restore New York’s competitive advantage in the post-COVID-19 world. Punitive taxes on the rich may be politically popular but will drive the wealth away from the state. We are ready to call upon the expertise of the business community to support efforts of the Legislature to create a strong set of tax policies and programs to ensure that New York City and state come out of the pandemic stronger than ever. We hope there will be a forum to undertake this work together.

*The Partnership for New York City represents private-sector employers of more than 1.5 million New Yorkers. We work with government, labor, and the nonprofit sectors to maintain the city's place as the preeminent global center of commerce, innovation, and economic opportunity.*