



**New York State Joint Legislative Budget Committees
2026 Budget Hearing on Taxes
February 26, 2026**

Written submission of the New York City Democratic Socialists of America (NYC-DSA)

New York State and New York City both face significant fiscal challenges in the coming years. Massive spending cuts from the Federal government, mismanagement of New York City's budget by Eric Adams, and the need to provide funding for child care, transit, and other social programs means that the state and the city need new revenue.

There is a simple solution to this revenue problem: increase taxes on those that can most afford to pay them - the most profitable corporations and the people making the highest incomes. In other words: tax the rich. The Governor's executive budget includes no new meaningful revenue and the Governor publicly insists that she will not tax the rich. Her approach is fiscally irresponsible, flies in the face of the will of the a large majority of New Yorkers, and will damage New York City and New York State economically and socially. Taxing the rich is sound, simple policy that will have extraordinary benefits while carrying minimal risks.

1. We Need More Revenue

The Governor publicly insists that she will not raise taxes on the rich because she does not believe in taxing for the sake of taxing.¹ That logic doesn't hold for New York's current fiscal situation, which has a clear and substantial need for new, recurring revenue on the order of at minimum \$20 billion per year, along with the need to shore up the \$7 billion budget shortfall in New York City that Eric Adams' fiscal management left behind.

a. Trump Cuts: \$8.8 billion in recurring revenue

Because of H.R.1's cuts, millions of New Yorkers stand to lose health insurance and food benefits. Instead of raising revenue so that no New Yorker loses health insurance or food support because of the tyranny of Donald Trump, the Governor has decided to let Trump harm millions of New Yorkers.

Healthcare: \$6.7 billion in recurring revenue

¹ "Hochul slams Mamdani push for higher taxes" *NBC4*, Jan. 30, 2026
<https://www.nbcnewyork.com/new-york/mamdani-higher-taxes-hochul-interview-budget/6452212/>

Medicaid. Roughly 800,000 New Yorkers are projected to lose Medicaid coverage by the end of 2027 due to punitive and burdensome “work requirements” enacted by H.R. 1. We need \$284 million in FY27 and \$2.3 billion annually thereafter for state-only Medicaid “gap” coverage.²

Essential Plan. Roughly 444,000 New Yorkers (citizens and immigrants) are expected to lose Essential Plan coverage due to Trump’s cruel targeting of immigrants, which forced the state to request a reversion to the Basic Health Plan in order to keep immigrants covered. We need \$1.7 billion for six months of coverage in FY2027, and \$4 billion annually thereafter to keep all pre-H.R.1 cuts enrollees covered on a state-funded no premium health plan with high level reimbursement rates.³

Immigrant Health Coverage. 6,000 DACA and other residual PRUCOL immigrants with incomes between 138-200 percent of the federal poverty level (FPL) are expected to lose insurance, and 30,000 immigrants with incomes between 200 and 400 percent of FPL will lose federal premium tax credits that their citizen counterparts are eligible to receive. We need: \$294 million in FY2027, and \$317 million annually thereafter to prevent Trump’s targeted cuts harming immigrants and maintain parity in how New York treats its immigrants compared to their citizen counterparts.⁴

Food Security: \$2.1 billion in recurring revenue

HR.1 combines cuts to Federal funding of SNAP with work requirements for SNAP recipients. As a result, over 1 million New Yorkers, including 363,000 children, risk losing their SNAP benefits.⁵ New York State could assume the burden of that funding gap to ensure that all New Yorkers who currently have access to SNAP benefits continue to get the food support they need. A \$2.1 billion annual expenditure would allow all SNAP recipients to maintain their current benefits. The Governor insists that is not a realistic option, and instead has called on relying on volunteers and charities to help fill these gaps.⁶ Meanwhile, the Governor’s budget proposes just \$120 million for food banks.⁷

b. Affordability: \$9.4 billion in recurring revenue

Separate from the enormous need for revenue to combat Trump’s attack on New York, New York State needs increases in revenue to help make the state and city more affordable.

² Michael Kinnucan, “Keeping People Covered after the OBBBA” *Fiscal Policy Institute*, Jan. 23, 2026 <https://fiscalpolicy.org/wp-content/uploads/2026/01/Keeping-People-Covered-Post-OBBBA.pdf>

³ Elisabeth Benjamin and Mia Wagner, “Mitigating the Impact of HR 1 on New York’s Health Insurance Landscape”, *Community Service Society*, Feb. 2026

⁴ Ibid.

⁵ “Fact Sheet: SNAP Cuts in New York” *Fiscal Policy Institute*, June 6, 2025 <https://fiscalpolicy.org/fact-sheet-snap-cuts-in-new-york>

⁶ “Oh SNAP: Hochul funds food pantries, but not food assistance benefits” *The City*, Jan. 20, 2026 <https://www.cityandstateny.com/policy/2025/10/oh-snap-hochul-funds-food-pantries-not-food-assistance-benefits/409199/>

⁷ “Hochul Proposes \$6 Billion Spending Bump With No Tax Hikes” *The City*, Jan. 20, 2026 <https://www.thecity.nyc/2026/01/20/hochul-budget-mamdani-taxes/>

Most significantly, we need significantly larger commitments in recurring revenue to make universal child care a reality.

Funding Universal Child Care: \$7.9 billion in recurring revenue

The Governor's proposal for universal child care provides \$2.7 billion in total funding for child care statewide. These funds will help reduce waiting lists for existing programs, and provide funding for roughly 12,000 new child care seats for 2-year-olds in New York City.

Importantly, none of this funding directly addresses the issue of poverty wages paid to child care workers. Without significantly increasing wages paid to child care providers, a universal child care system will be impossible to implement because there will not be enough workers to provide care. Consequently, the provision of funds in the Governor's budget does not come close to providing universal child care to all New Yorkers. In New York City's case, the Governor's budget creates an enormous fiscal cliff. After two years, no funding is guaranteed for a program that will need to provide 55,000 seats each year to two year olds. Expansion of the program to cover all children will cost significantly more.

To fulfill the promise of universal child care in New York State will require at least \$7.9 billion in new, recurring revenue.⁸

Transit: \$1.7 billion in recurring revenue

New York City requires close to \$1.5 billion to help bring affordability and improved quality to its transit system. Specifically, \$421 million for Fair Fares expansion in FY 2027, \$1 billion for fast and free buses in future years.⁹ Transit in New York State beyond New York City also requires a significant increase in revenue - including at least \$203 million more than what Hochul's budget provides for.¹⁰ In total, there is a clear need for \$1.7 billion in recurring revenue to bolster New York's transit systems and make them faster and lower cost.

c. NYC Budget Shortfall: \$7 billion

New York City faces a \$7 billion budget gap, as a result of ex-Mayor Adams poor budgeting. Programs for cash assistance, housing assistance, shelters, and other critical services will face severe cuts unless the budget gap is filled.¹¹

⁸ "A Tax Plan for Statewide Universal Childcare", *Fiscal Policy Institute*, Dec. 30, 2025, <https://fiscalpolicy.org/a-tax-plan-for-statewide-universal-childcare>

⁹ "Advocates Push Mamdani For Massive Fair Fares Expansion" *Streetsblog*, Feb. 5, 2026 <https://nyc.streetsblog.org/2026/02/05/budget-crunch-advocates-push-mamdani-for-massive-fair-fares-expansion>

¹⁰ "NYPTA FY 2026-27 State Budget Recommendations", Jan. 22, 2026 https://www.nytransit.org/assets/2025_Advocacy/2026_Advocacy/NYPTA%20Budget%20Recommendations%20Jan%202022%5EJ%202026.pdf

¹¹ "NYC budget gap is now down to \$7 billion, Mamdani says" *City and State New York*, Feb. 11, 2026 <https://www.cityandstateny.com/politics/2026/02/tada-nyc-budget-gap-now-down-7-billion-mamdani-says/411354/>

2. Raising corporate tax rates and personal income tax rates is best way to raise revenue

Given a clear need for revenue, the critical question is how to raise it. Increases to personal income and corporate tax rates would be the soundest, most fiscally responsible way to raise revenue.

First, this approach has a clear benefit of providing recurring revenue. While the Governor has alluded to using state reserve funds to pay for budget shortfalls,¹² such an approach is irresponsible from a fiscal perspective as it simultaneously depletes the state's reserves while creating fiscal cliffs for programs that require recurring funding.

Second, tax increases focused on corporate profits and personal income allow New York State to recapture tax revenue that the Federal government has decided to forsake. In 2017, the Federal Government massively cut corporate tax rates as well as personal income taxes for the wealthiest Americans. By increasing state and city income and corporate taxes, New York can recapture that lost Federal revenue, while corporations and high earners subject to these tax increases would see their overall tax burden return to a level comparable to what it was prior to Trump's time in office.

Finally, focusing on these particular taxes is sound policy. The state and city have administered and collected income and corporate taxes for generations. A robust bureaucracy exists to collect and enforce these taxes. We also have extensive data to allow us to predict how much revenue these tax increases are likely to yield, and to give us the confidence that no meaningful negative consequences will result from such increases.

a. Progressive State Income Tax Bill (S.1622-Jackson/A.1281-Meeks)

Under the current law, New Yorkers making \$5 million are taxed at the same rate as those making \$20 million. This lack of tax stratification at the upper levels of income keeps the State from adequately taxing its richest residents. The Progressive Income Tax Bill will add 10 new brackets to New York's personal income tax structure so that the top 5% of earners pay their fair share. This proposal would raise about \$21 billion annually.¹³

The new tax brackets and rates would only affect the top 3.1% highest income New Yorkers,¹⁴ those making more than \$450,000 annually or \$500,000 if they file jointly. Households making below \$500,000 and single filers earning under \$450,000 annually are not affected by this bill. The median household income in New York for 2021 is approximately \$75,000, which is far below the range in which these tax increases take effect.

b. Corporate Tax on the Most Profitable Corporations (S.953-Hoylman/A.1971-Kelles, Shrestha)

¹² "Hochul Proposes \$6 Billion Spending Bump With No Tax Hikes" *The City*, Jan. 20, 2026 <https://www.thecity.nyc/2026/01/20/hochul-budget-mamdani-taxes/>

¹³ Invest in Our New York (IONY) coalition analysis.

¹⁴ NYC-DSA analysis of New York State tax data.

Despite record profits and soaring stock values, large corporations (C-Corps) across New York are among the biggest beneficiaries of HR.1, which extended and enhanced provisions from the 2017 Tax Cuts and Jobs Act (TCJA).

In New York State, the current tax rate for corporations with over \$5 million in annual profits is 7.25%. S.953/A.1971 would raise the rate to 11.5%, a number in line with the tax rate in nearby states like New Jersey. This proposal would raise \$7 billion annually.¹⁵ This bill applies only to the highest earning corporations in New York State. Around 75% of all New York corporate tax revenue comes from the 500 most profitable corporations (.25% of filers).¹⁶ More than 80% of corporations in New York pay less than \$1,000 in tax.¹⁷ This bill will not raise the NYS corporate tax on corporations making under \$5 million. Only C-Corporations pay corporate tax; most small businesses (95%) in New York State are organized as LLCs, S-Corporations, or sole proprietorships and therefore will not be impacted by this legislation.¹⁸

The top corporate tax rate gradually decreased to a low of 6.5% in 2016 (under Andrew Cuomo) — the lowest rate since 1967. As a result, corporations now contribute a smaller percentage of the state’s total tax collections than they did in prior decades.¹⁹ Thus, the Fiscal Policy Institute has found that “New York has the economic capacity to raise corporate taxes significantly”.²⁰

Specific provisions in New York’s tax law make corporate tax avoidance extremely difficult and can facilitate the effective enforcement of a higher tax rate. In New York, corporations are taxed on where they do business, not where they are located. A corporation can move its headquarters into or out of the state without affecting its New York State corporate tax liability. New York also prevents international tax avoidance schemes, by taxing the profits multinational corporations shift to foreign tax havens.

c. Fair Share Act (S.8577-Liu/A.8953-Souffrant Forrest)

New York City’s highest earners pay an unfairly low personal income tax, with single filers making \$60 million paying the same marginal tax rate as those making \$60,000 a year. Under New York State law, New York City cannot raise local income taxes without prior authorization from the State. The Fair Share Act would authorize the New York City Council to raise local income taxes by 2% on New Yorkers making over \$1 million per year. This would raise up to \$4 billion in new revenue annually to support critical public services and infrastructure.

¹⁵ Invest in Our New York.

¹⁶ Department of Taxation and Finance. <https://www.tax.ny.gov/data/stats/taxfacts/corporation-tax.htm>

¹⁷ Ibid.

¹⁸ “Fact vs Fiction: The Truth About New York’s Corporate Tax.” *Fiscal Policy Institute*, March 7, 2023. <https://fiscalpolicy.org/fact-vs-fiction-the-truth-about-new-yorks-corporate-tax>.

¹⁹ “State Corporate Tax Cut Would Cost New York \$1.2 Billion in Annual Revenue.” *Fiscal Policy Institute*, January 2023. <https://fiscalpolicy.org/state-corporate-tax-cut-would-cost-new-york-1-2-billion-in-annual-revenue>

²⁰ Eisner, Emily. “Tax Policy Brief: Revenue Gains from Corporate Tax Increase.” *Fiscal Policy Institute*, March 2023. https://fiscalpolicy.org/wp-content/uploads/2023/03/Tax-Policy-Brief_-_Revenue-Gains-from-Corporate-Tax-Increase.pdf

3. Taxing the rich is a safe approach that will have enormous benefits

a. There is no real risk to these proposed tax increases

Whenever an income tax increase on high earners is proposed - anywhere in the country, for whatever amount - the same debate repeats itself: corporate lobbyists and politicians beholden to billionaires argue that a tax increase will be very bad because the rich will leave whatever jurisdiction is considering tax increases. Meanwhile, proponents of a particular tax increase cite consensus economic analysis and various studies explaining that, in fact, tax increases do not meaningfully influence migration patterns of those affected. If a tax increase does, in fact, happen, it turns out that the proponents of particular tax increases are correct. New York's own experience taxing the rich in 2021 illustrates this basic dynamic.

An important takeaway from this dynamic is: modest tax increases do not carry real risks. In discussing the current proposed tax increases, journalists suggest that we don't know what the effects of the tax increases might be - that each time a tax on the rich is increased there's a real possibility of mass migration of the rich to lower-tax jurisdictions. The reality is, we do know what the effects will be, and those effects will be small.

Research looking at real world data before and after tax increases finds that for every 1% increase in income tax, we can expect between 0-1% of the population to migrate in response to that increase. In economic terms, the "elasticity" of migration in response to a tax increase is somewhere between 0% and 1%. Studies looking at the United States find an elasticity of 0.3 or lower. For example, one leading study²¹ looked at what happened in New Jersey when it raised tax rates on those with incomes above \$500,000. For each percent increase in the tax rate, the study found 0.1% of wealthy New Jersey residents moved. A look at New York's experience with raising income taxes in 2021 found an elasticity of 0 - meaning, there was no detectable migration in response to the tax increase.²² There is reason to believe that the uniqueness of New York City - economically, socially, and culturally - makes migration less elastic than other cities.

It is critical to understand that with elasticities this low, tax increases have minimal effects on migration and have no chance of significantly lowering the revenue we can expect from those tax increases. If New York City increased its top income tax rate by 2% - you would expect \$4.03 billion in additional revenue. If we assume an elasticity of 0.3 - higher than was actually found in New York City - the estimated revenue would drop to \$3.97 billion, a negligible difference.

Knowing these elasticities, we can predict how high tax rates would have to rise before they would start affecting revenue projections in a meaningful way. With an elasticity of 0.5, significantly higher than the actual observed elasticity in New York, the state would have to raise

²¹ Cristobal Young and Charles Varner, "Millionaire Migration and State Taxation of Top Incomes: Evidence from a Natural Experiment" *National Tax Journal*, June 2011

<https://cristobalyoung.com/wp-content/uploads/2018/11/NTJ-millionaire-migration-state-taxation.pdf>

²² Emily Eisner, "New tax data confirms tax flight is a myth" *Fiscal Policy Institute*, Oct. 9, 2025

<https://fiscalpolicy.org/wp-content/uploads/2025/10/20251009-E.Eisner-PIT-update-2023-data.pdf>

taxes to over 50% before seeing revenues actually fall as a result of a tax increase.²³ That's the scale of tax increase that would justify concern. The scale of increase proposed in the legislation mentioned above is nowhere near that level. Even with highly conservative elasticity estimates, the amount of room New York has to raise taxes is well beyond anything that's being proposed.

b. There is a huge benefit to directing money towards public services

Decisions over taxation are ultimately decisions over how to allocate money within an economy. A decision to not raise taxes by 2% on a person with an income of \$4,000,000 is deciding that we think it's better for \$80,000 to sit in a multi-millionaire's bank account, rather than pay the salary of a child care worker.

Money that is directed towards certain types of public goods and services yields particularly productive results. In economics, this is called a multiplier effect. Again, compare \$80,000 sitting in a rich person's bank account to \$80,000 being paid as a salary to a child care worker. That child care worker is now better able to provide for their own family, is better able to spend money in their neighborhood, afford rent, food, and other basics, and is less likely to require public support to live. Further, by providing child care, the guardians of the child who now have access to child care are able to more effectively participate in the workforce, increasing productivity within the economy as a whole. The children themselves receive higher quality care than they otherwise would and their future contribution to society and the economy will be more robust. Because of the way the money ends up flowing through the economy, and the various benefits that accrue along the way, \$1 spent on public provision of child care can yield much more in return, as much as \$9 in certain studies.²⁴

The question for New York's legislators, then, is: where do you think money would be most productive? In the bank account of a person that already has millions of dollars - or as part of public programs that provide essential services to millions of working people?

4. Conclusion

New York needs significant new revenue to stand up to Trump's attacks on New York, fund social programs that will make New York more affordable, and make sure New York City's budget gaps are filled. Raising revenue by increasing personal income and corporate tax rates on those that can most afford to pay is a modest, low-risk, easy to implement solution that would directly benefit millions of New Yorkers.

²³ Martin Bernstein, "Zohran's Millionaire Tax will Raise Revenue" *Jacobin*, Dec. 30, 2025, <https://jacobin.com/2025/12/mamdani-nyc-millionaire-tax>

²⁴ The Center for High-Impact Philanthropy at University of Pennsylvania. "High Return on Investment (ROI)" 2015, <https://www.impact.upenn.edu/early-childhood-toolkit/why-invest/what-is-the-return-on-investment/>