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Before the Joint Legislative Fiscal Committees

February 26, 2026

Despite the robust growth of government revenues in recent years, many of New York's elected officials are contemplating proposals that would add to the already high tax burden on the state's residents and businesses.

A review of the New York's government finances and its competitive position, as detailed below, makes clear that raising taxes would be both unnecessary and harmful to the state's economy.

If elected officials are truly concerned about affordability, they should be looking for ways to cut taxes rather than hiking them.

The governor's executive budget does not call for increasing any of the state's major tax rates from their current levels. However, it does propose to extend a temporary hike in the corporate tax rate, which was due to expire at the end of 2026, for an additional three years. It should be noted that the fiscal 2026 budget enacted a similar extension for a pandemic-related income tax surcharge, delaying its expiration from 2027 to 2032.

New York City Mayor Zohran Mamdani is asking the state Legislature to authorize two tax increases: 52 percent increase in the city's income tax rate on the top 1 percent of earners, and a 59 percent increase in the state corporate tax rate on roughly 1,000 of the largest companies. He estimated these levies would raise \$9 billion per year, which would be an 11 percent increase in city revenues.

Meanwhile, the majority parties in the Assembly and Senate have supported similar proposals at the statewide level in recent years, and might well advance them again in upcoming negotiations over the fiscal 2027 budget.

Too often, the arguments in support of these proposals disregard or distort the existing realities of New York State finances, which already rely heavily on taxes collected from the top 1 percent and support some of the highest spending levels of any state.

Supporters also ignore the damage that these tax policies are doing to the state's economy – and the dangers of making its tax code even more of an outlier than it already is.

What follows are key facts and trends – adapted from a recent Empire Center report – which lawmakers should consider before considering any proposal to raise taxes:

New Yorkers already pay some of the highest overall taxes in the U.S.

New Yorkers pay an average of 15.9 percent of their income in state and local taxes, the highest rate in the U.S. and 4.2 points higher than the national average, according to data gathered by the Tax Foundation.

The average non-federal tax tab in New York is \$12,083 per person, which is second only to Connecticut and 74 percent above the national average.

In the Tax Foundation's state competitiveness index for 2026, New York ranks dead last. It not only scored 50th out of 50 for income taxes, but also 47th for property taxes, 42nd for sales taxes, 38th for unemployment insurance taxes and 28th for corporate taxes.

State-and-local tax burden as a share of income

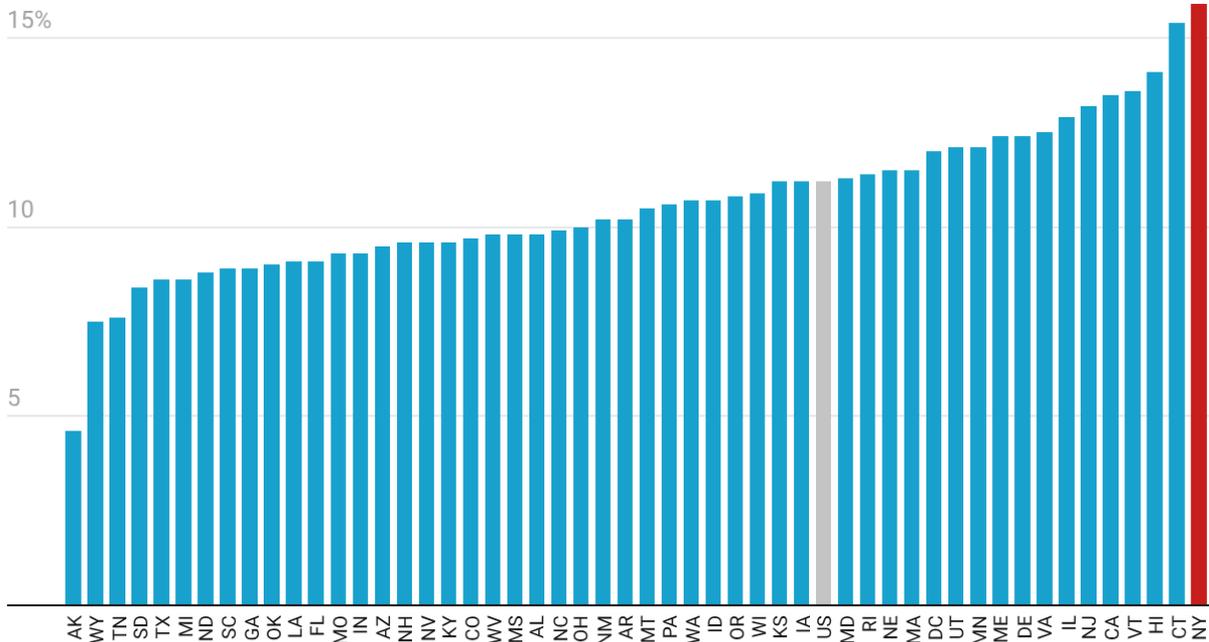


Chart: Empire Center • Source: Tax Foundation • Created with Datawrapper

New York's wealthiest residents already pay some of the highest tax rates in the U.S.

New York income tax rates range as high as 10.9 percent for incomes above \$25 million, which is the third highest top rate behind California and Hawaii.

Higher-income residents of New York City also pay a local income tax rate of 3.876 percent, which applies to incomes above \$90,000.

The combined top rate for New York City residents, of just under 14.8 percent, is the highest in the nation.

That's one-and-a-half points higher than the No. 2 state, California, and almost triple the national median of 5 percent. Eight states, including Florida and Texas, have no income tax.

Changes in federal law have sharpened the penalty for living in high-tax states

Federal tax law formerly allowed filers to subtract state and local tax payments from their income before figuring their federal income taxes. Known as SALT deduction, this mitigated the impact of living in high-tax states such as New York.

However, President Trump's Tax Cuts and Jobs Act of 2017 capped the SALT deduction at \$5,000 for individuals and \$10,000 for married couples, a change with significant consequences for higher-income New York residents. (Last summer's federal budget legislation temporarily lifted the cap on SALT deductions to \$20,000 for individuals and \$40,000 for married couples, a provision due to expire after 2029.)

To mitigate the effect of this cap, the state responded in 2021 by establishing a "pass-through entity tax," or PTET. For eligible filers, the PTET redefined a portion of their state liability as a business tax, which was fully deductible at the federal level, rather than a state income tax, for which federal deductibility was capped. However, this workaround is not feasible for all filers and does not apply to most income from capital gains.

The result was that the TCJA – which cut taxes for most Americans – resulted in a net tax *hike* for the average high-income New Yorker.

Analysis of IRS data shows that millionaire filers nationwide paid an average 27.9 percent of their income in federal taxes in 2017, compared to 26.8 percent after the TCJA first took effect in 2018 and 27.1 percent in 2022 (the most recent year for which data are available).

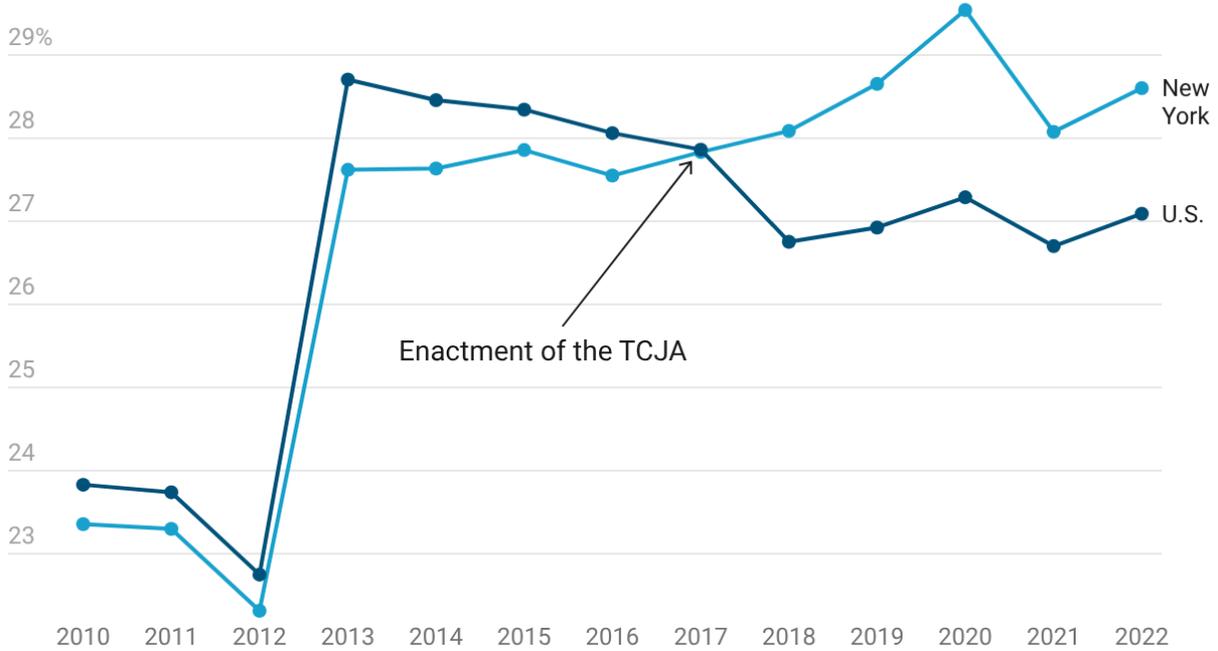
By contrast, millionaire filers in New York paid an average of 27.8 percent before the law, 28.1 percent in 2018 and 28.6 percent in 2022.

Compared to the average effective rates of 2017, millionaire filers nationwide saved an average of \$26,000 each in 2022. In New York, they paid an average of \$30,000 more in 2022.

New York's top 1% already pay nearly half of income tax revenue

Proponents of raising taxes on millionaires often argue that the rich should pay their "fair share" – but rarely define what "fair" means in this context.

Avg. effective tax rates for filers with AGI of \$1M or more



Effective tax rate = liability divided by AGI, TCJA = Tax Cuts and Jobs Act, AGI = adjusted gross income
Chart: Empire Center • Source: IRS • Created with Datawrapper

This glosses over the fact that the state's tax code is already "progressive" – meaning it taxes higher incomes at progressively higher rates than lower incomes.

For a married couple filing jointly, the current state-imposed rates range from a low of 3.8 percent for adjusted gross incomes up to \$17,150, to a high of 10.9 percent for incomes of \$25 million or more. As a practical matter, the average effective rate for incomes up to \$25,000 is negative, because many filers in this range qualify for an earned income tax credit.

Filers in the top 1 percent – which roughly corresponds to incomes of \$1 million or more – accounted for 46 percent of income tax paid and one-third of total state tax revenue in 2023, the most recent year for which data are available from the Budget Division.

In other words, one-third of everything financed by the state government – its payments for health care, schools, roads and bridges, parks, mass transit, etc. – came from just 93,000 filers in a state of 20 million people.

New York's high-end tax base shows signs of eroding

Although the raw number of millionaires has been rising – in New York as well as nationwide – the state's *share* of the millionaire population has seen a marked decline, as the Empire Center's founder, E.J. McMahon, began documenting more than a decade ago.

According to IRS statistics, New York's share of income millionaires dropped from 12.7 percent of the U.S. total in 2010 to 8.7 percent in 2022, the most recent year for which data are available.

That four-point decline was by far the largest of any state's, and three times bigger than the runner-up, which was Illinois.

Change in share of income millionaires, 2010-22 (in percentage points)

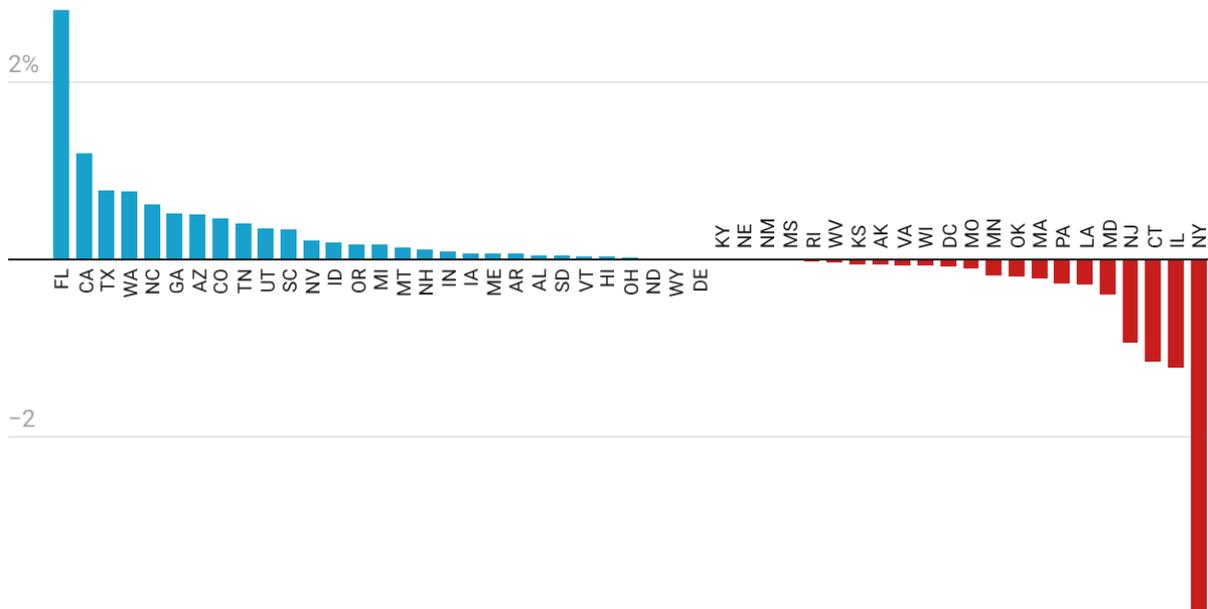


Chart: Empire Center • Source: IRS • Created with Datawrapper

As a result, New York fell from having the second-highest number of millionaires, behind California, to fourth highest, behind California, Florida and Texas.

New York's share of the income earned by millionaires has shown an even bigger 4.7-point drop, going from 14.6 percent in 2010 to 9.9 percent in 2022. That decrease was also by far the largest of any state.

This erosion has translated into billions of dollars in lost potential revenue.

If New York's share of income millionaires had stayed constant over that 12-year period, the state would have been home to an additional 32,000 income millionaires in 2022. Based on the average tax liability of income millionaires that year, the state's income tax revenues would have been \$8.1 billion or 16 percent higher. That roughly matches the high-end estimate for financing child care for every family who needs it statewide.

Assuming half of those additional income millionaires paid New York City income taxes, the city's revenues would have been about \$2.6 billion or 20 percent higher – roughly enough to cover the city's entire budget for parks and libraries.

There are multiple reasons why other states are attracting millionaires – or creating millionaires – at higher rates than New York, but the state's unusually heavy tax burden is clearly a factor. For people with annual incomes of more than \$1 million, the state's and city's high income taxes effectively impose a penalty for staying in New York while rewarding those who move away – or who avoid locating here in the first place.

A hypothetical taxpayer with \$25 million in taxable income would potentially save \$1 million a year by moving to New Jersey, almost \$2 million by relocating to Connecticut and as much as \$3.7 million by becoming a resident of Florida or Texas.

New York already ‘taxed the rich’ five years ago

In early 2021, heading into the coronavirus pandemic's second year, then-Governor Andrew Cuomo and the Legislature enacted what they described as a temporary high-income surcharge scheduled to be in effect for seven years.

The top marginal rate at the time was 8.82 percent, which applied to incomes over \$1 million for individuals or \$2 million for married couples. The surcharge boosted that rate to 9.65 percent and added two new brackets: 10.3 percent for incomes over \$5 million and 10.9 percent for incomes over \$25 million. (The threshold for these latter two brackets is the same for individuals and married couples).

These add-ons were expected to bring in \$2.8 billion in the first year, rising to \$4.5 billion in fiscal 2025.

Lawmakers portrayed these hikes as necessary to offset pandemic-related losses in revenue and avoid deep cuts in spending. However, those concerns proved to be overstated as the state reaped billions in federal "stimulus" funds, Wall Street posted record gains and the broader economy bounced back more quickly than expected.

Despite a dramatically improved fiscal outlook, the governor and the Legislature chose not to let the "temporary" tax hike expire on schedule in 2027. As part of the budget approved in 2025, they voted to keep the surcharge in place through the end of 2032, which would be a total of 12 years.

New York's state and city governments already have a lot of money

The state's 2021 income tax surcharge happened to take effect during a boom in the stock market, which caused a big run-up in capital gains income and triggered record-setting bonuses for Wall Street traders.

The combined effect of surging income and sharply higher tax rates was an unprecedented gusher of money for Albany in fiscal 2022.

Combined collections from the income tax and the newly enacted PTET soared by \$32 billion or 59 percent, and total state tax collections jumped \$39 billion or 47 percent.

Collections dipped in 2023 and 2024, then jumped up again in 2025 – showing the volatility that goes with drawing such a large share of revenue from a few thousand taxpayers who make the bulk of their money from investments.

Despite these ups and downs, revenues have consistently remained more than one-third higher than their pre-pandemic peak – leaving the state's coffers extraordinarily flush.

State government has used some of this windfall to pay down debts and build up reserves. But it has also taken the opportunity to ratchet up state spending by 27 percent in four years, or roughly twice the rate of inflation – much of which went to public schools and health care, areas in which New York's spending levels were already the highest in the U.S.

Conclusion

Although New York's tax collections have fully recovered from the pandemic, its people and its economy have not.

The state lost 2 percent of its population during the first two years of the pandemic and had not gained that back as of 2025 – making it the fifth-slowest growing state through the first half of the decade.

Over the past decade, as the nation's private-sector job count grew by 13 percent, New York's rose by just 7 percent. Even that weak performance depended heavily on the state's fastest-growing job category of home health aides, whose modest incomes overwhelmingly flow from the taxpayer-funded Medicaid and Medicare programs.

The state's heavy tax burden does not entirely explain the state's demographic and economic stagnation, but it cannot help but send a discouraging signal to investors, business and families.

New York already taxes its people more heavily than any other state. Directly or indirectly, that policy makes almost everything more expensive: holding a job, running a business, owning a house, driving a car, shopping for food, seeing a doctor.

While some level of taxation is necessary to provide crucial services, too much taxation becomes a burden rather than a boost. Judging by the chronic weakness of its economy and the gradual exodus of its residents, New York has crossed that line.