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New Report Debunks Criticisms of Progressive Income Tax Reform in New York

Raising Taxes on Wealthy New Yorkers Is the Best Option for Balancing the State's Budget During the Recession; Executive Summary Attached

Albany – The Fiscal Policy Institute and the Center for Working Families released a new report today debunking criticisms of progressive income tax reform. The report also explains why increasing taxes on the portion of income over a relatively high level is the "best option" for solving New York's current budget crisis.

The report, *Back on Track: Why Progressive Tax Reform Is an Essential Part of New York's Budget Solution***,** looks at the economic changes and policy choices that caused New York's current fiscal crisis and examines the consequences of rolling back some of the state's income tax cuts on the wealthiest taxpayers.

"In less than two weeks, New York policymakers must decide how to balance next year's $14.2 billion deficit; the federal stimulus helps, but there's still a gap of about $8 billion," said **Jason Angell**, **Director of the Center for Working Families**, who co-authored the report. "Progressive income tax reform is not only the fairest way to get New York back on track, it's also the most economically sound. Low- and moderate-income families already are being battered by the recession. The State shouldn't add to that pain with damaging budget cuts."

"When you look at the economic evidence," said **Frank Mauro, Executive Director of the Fiscal Policy Institute**, "there's little reason to believe progressive tax reform that adds one or more brackets to the personal income tax at relatively high levels would hurt New York's economy, and good reason to think it's the best option policymakers have left. The experience in other states that have raised high-end income taxes shows that the wealthy have not deserted their states just because their taxes were increased."

Under current law, the threshold for the top personal income tax rate is $20,000 for single taxpayers and $40,000 for joint filers. "Relatively few taxpayers would be affected by a high-end tax increase," said **James Parrott, Chief Economist and Deputy Director of the Fiscal Policy Institute**. "In 2006," according to Parrott, "only 2.5 percent of New York residents had annual incomes above $250,000, one of the thresholds often discussed for an increased tax bracket. In most New York counties, fewer than two percent of taxpayers would be affected."

The study notes that drastic state budget cuts will harm the economy more than progressive income tax reform, and that such reform would provide balance to the overall tax system and help make New York more economically productive in the long-term.