



NEWS RELEASE

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NEW REPORT DETAILS HOW TEMPORARY BONUS TAX, OTHER WALL ST MEASURES, COULD EASE NY'S BUDGET CRISIS & FUND PROPERTY TAX RELIEF FOR THE MOST BURDENED HOUSEHOLDS

New York – A new report from the Center for Working Families (CWF) and the Fiscal Policy Institute (FPI) calls for New York State to plug some of its \$9 billion budget hole by recapturing a portion of the financial sector's record profits that largely result from the taxpayer-financed bailout. The report proposes four options for temporarily taxing Wall Street to generate \$6 billion per year for two years, including a payroll tax on bonuses paid to finance employees whose salaries exceed five or ten times the average New Yorker's salary. The bonus tax is similar to one already in effect in London, but more narrowly targets larger compensation packages.

In addition to closing the state's recession-driven budget gaps (and avoiding severe cuts to education and healthcare), the report also recommends that some of these short term revenues be used to fund the initial phase-in of a property tax "circuit breaker." The circuit breaker would reduce property tax burdens based on the share of a household's income that goes to pay property taxes.

The report, *New York Has the Ways and Means: How and Why Wall Street Should Give Back to Main Street*, details how Wall Street firms posted \$61.4 billion in profits in 2009—nearly triple its previous record in 2000 – largely as the result of the taxpayer-financed bailout, and identifies options for temporarily taxing Wall Street to address New York's fiscal crisis, and proposes a series of permanent tax reforms to help the state move toward long-term budget balance and to relieve the crushing burden of property taxes on working families. In addition to the bonus tax, the report examines a temporary partial reinstatement of the stock transfer tax and a tax on windfall profits in the financial sector.

The report notes that in 2009, cash bonuses for securities industry employees in New York City alone are estimated at over \$20 billion, or nearly \$125,000 per employee, with a comparable amount likely paid in deferred compensation, like stock options. The report details how those bonuses resulted mainly from the taxpayer bailout of the largest financial companies and Federal Reserve interest rate policies intended to promote economic recovery.

“Wall Street received an unearned windfall while cities and towns across New York are being forced to lay off teachers, close parks and raise property taxes. These are windfall profits generated by the largest taxpayer bailout in history. It’s entirely appropriate to recapture some of those profits to help New York through this economic crisis,” said **Sunshine Ludder, a Senior Policy Organizer at the Center for Working Families.**

“Never before has Wall Street made so much money from doing so little for economic and job growth,” said **James Parrott, Deputy Director and Chief Economist of the FPI.** “But while good times are back on Wall Street thanks to taxpayers, New Yorkers living on Main Street are suffering. New Yorkers have so far lost over \$58 billion in wages, and they will lose billions more as high unemployment continues to persist for many more months.”

The report details how a world financial crisis brought about by excessive Wall Street risk taking and predatory practices have caused New York to lose nearly 300,000 jobs while 100,000 New York families have lost their homes to foreclosure over the past two years.

Parrott noted, “A state budget that massively reduces spending on schools, health care, and those suffering during this economic disaster will substantially worsen unemployment and the well-being of New Yorkers. With Wall Street’s help, we can moderate the cuts this year and next, and in the longer term, we need to reform a tax structure that hits hardest at moderate and middle income families.”

In addition to proposing temporary taxes on unearned windfall profits, the report proposes permanent tax reforms to restore the state’s budget to structural balance while meeting the state’s important service commitments and to fund a circuit breaker solution on an ongoing basis. The report proposes closing long-standing finance sector tax loopholes, and reforming the state’s taxation of high-income earners.

The full report can be downloaded at <http://www.cwfny.org/2010/04/cwf-fpi-call-for-nys-bonus-recapture-tax> or http://www.fiscalpolicy.org/CWF_FPI_NewYorkHasTheWaysAndMeans.pdf.