News from the Fiscal Policy Institute

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Contact
Ron Deutsch, Executive Director
518-786-3156 (o) 518-469-6769 (c)

James Parrott, Deputy Director and Chief Economist
212-721-5624 (o), 917-880-9931 (c)

New Report: New York State Leads Nation in Income Inequality

State's top 2017 policy goal should be to extend the millionaires' tax

In *Income inequality in the US by state, metropolitan area, and county*, a new report published by the Economic Policy Institute (EPI) for the Economic Analysis and Research Network (EARN), Mark Price, an economist at the Keystone Research Center in Harrisburg, PA and Estelle Sommeiller, a socio-economist at the Institute for Research in Economic and Social Sciences in Greater Paris, France detail the incomes of the top 1 percent and the bottom 99 percent by state, metropolitan area, and county.

"Great income inequality is not a new phenomenon, and it's not confined to large urban areas or only some parts of the nation," said Ron Deutsch, Executive Director of the Fiscal Policy Institute (FPI). "It's a persistent problem throughout the country—in big cities and small towns, in all 50 states. In the face of this national problem, we need policy solutions to jumpstart wage growth for the vast majority and sensible tax and budget policies in New York."

FPI is a member of the Economic Analysis and Research Network and co-released the new report today in New York.

The new report provides extensive data on income inequality, including the average incomes of the top 1 percent, the income required to be in the top 1 percent, and the gap between the top 1 percent and the bottom 99 percent in every county and state as well as in 916 metropolitan areas. The authors found that, between 2009 and 2013, the top 1 percent captured 85 percent of total income ***growth*** in the United States, while the top 1 percent garnered 31 percent of all the income in New York State in 2013.

Regarding New York, the report's key findings include:

- The top 1 percent earned 45 times more than the bottom 99 percent in New York, the greatest disparity of any state. Connecticut ranked second with a top-to-bottom ratio of nearly 43. Wyoming was third, followed by Nevada and Florida. (Table 1)
- The average annual income of the top 1 percent was $2 million (Table 1), and New York's richest 1/100 of top 1% ("the 1% of the 1%") had average incomes of $61.6 million, second to Connecticut's $69.5 million. (Table 4)

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- Within New York State, only two counties—New York (Manhattan) and Westchester—have greater top-to-bottom income ratios than the state overall. In Manhattan, the average income of the top 1% ($8.1 million) was 116 times that of the 99% ($70,500), while in Westchester County, the average income of the top 1% ($4.3 million) was 54 times that of the 99% ($80,300).
- High levels of income polarization are not limited to downstate New York. The third most income-polarized county was Saratoga, north of Albany, where the $1.8 million average income for the top 1% was 35 times that of the $51,500 average income for the 99%.
- A three decade-long era of shared prosperity came to an end in 1979 when the 1%'s income share started to rise dramatically in New York and in every state in the United States. Since 1979, the average incomes of the top 1% have grown by 272% in inflation-adjusted terms in New York, while the average incomes of the 99% rose a meager 5.4%.

Given New York's extreme income polarization, FPI's deputy director James Parrott emphasized that "The State's top economic priority in 2017 has to be to have our leaders in Albany act to permanently replace the current "millionaires' tax" with FPI's 1% Plan for New York Tax Fairness that would add four new, high-end tax brackets." The millionaires' tax expires at the end of 2017 and if it is not extended, the wealthiest 1% of state taxpayers will get a $3.7 billion windfall at the expense of New York's faltering budget. Non-resident commuters working in New York now pay 17% of that amount.

FPI has long noted the overall regressivity of New York's state and local tax system. The Assembly recently put forward a plan to increase the top income tax rates on New Yorkers making over $1 million per year that was similar to the plan advanced by the Fiscal Policy Institute. "We live in a state where so few have so much and so many have so little," said Ron Deutsch. "The good news is we can do something about it. To ensure we don't slip further down the income inequality slope we must not let the "millionaires' tax" expire, in fact, given the report's findings, we really need to expand income tax brackets for the top one percent to begin to address this glaring inequality."

Report at: http://www.epi.org/publication/income-inequality-in-the-us/

Notes:

1. FPI estimates that the 1% share of all income in New York City was 37.1% in 2013, and 39.0% in 2014.
2. A table with the top-to-bottom income ratios for all New York counties is available on request from FPI, email: Bryan LaVigne at lavigne@fiscalpolicy.org.

The Fiscal Policy Institute (www.fiscalpolicy.org) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers.

The Economic Policy Institute (www.epi.org) is an independent, nonprofit think tank that researches the impact of economic trends and policies on working people in the United States.

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