

NY Still Taxes the Poor to Pay for Cuts for the Rich in 2005-06 Budget

Among the numerous problems with the recently adopted state budget was the failure of the Governor or Legislature to end the practice where the poorest New Yorkers pay twice as much as their income for state and local taxes as the wealthiest. New York will continue to have a very regressive tax system.

The Governor and Legislature enacted several more tax cuts and giveaways for the well-connected. They changed the formula (e.g., single sales) on how to tax income for multi-state companies, providing more than a hundred million tax cuts to an estimated 11,000 companies. They also extended the Zone Equivalent Area Program, which while claiming to help poverty-stricken areas, has provided tax benefits to some of the NYC's most successful companies. Companies in prime commercial areas of midtown and around the state can receive up to \$3,000 tax credits for new employees.

The politicians also renewed the Empire Zones, the state's most lucrative corporate welfare program that is supposed to create jobs in inner city neighborhoods. Media and legislative reports in recent years have documented widespread misuse of public funds, including providing tax breaks to downtown law firms which merely reincorporate. A state Assembly committee charged that the program was being used to reward campaign contributors.

The program, which costs the state \$300 million a year, has encouraged sprawl while failing to create the promised jobs in needy neighborhoods. The jobs created often come at a steep price (one Rochester company created a job paying \$10,000 and received a tax break of \$137,000). While some additional oversight was provided, 12 new zones were created, so that every county would have one, which critics point out defeats the initial purpose. Environmental groups were pleased about proposals to restrict the use of the funds to subsidize sprawl.

The legislature cut the personal income tax for the wealthy while increasing the sales tax on working families. They ended the income tax increase agreed to two years ago on people who earn between \$100,000 and \$500,000, though they maintained it on higher income households. Meanwhile, they raised more than \$450 million by reinstating the sales tax on clothing costing less than \$110. There was also an increase in the sales tax downstate to help pay for MTA funding.

The Governor also slashed the amount of state funds (8%) that must be shared with local governments, particularly cities. However, this law had been routinely ignored in recent years.