

## **WHY BALCONY SUPPORTS A HIGHER INCOME TAX ON NEW YORK'S WEALTHY AS A MEANS TO SOLVE NEW YORK STATE'S \$16.4 BILLION BUDGET**

- New York State faces a \$16.4 billion budget deficit, yet it is under a constitutional obligation to balance its budget.
- Approximately \$7 billion of our budget deficit will be offset by funds from the Federal government, leaving a shortfall of \$9.4 billion.
- New York State's budget deficit was not caused by wasteful spending, but rather it was created by the harsh economic downturn that both our state and our country are confronted with. Tragically, Wall Street finds itself in the eye of the current economic hurricane, greatly diminishing the approximately 20% of New York State's revenue that it has produced in recent years.
- There are only two meaningful alternatives to meeting our constitutional obligation to balance our state's budget that will not impair our economy: economic growth and/or sensible increased taxation (while cutting costs needs to be part of any fair plan, if costs are cut too deeply our economy could be crippled for years to come). Unfortunately, economic growth is not a viable alternative for the foreseeable future, leaving increasing taxation in a sensible, targeted manner as our only solution, as unpalatable as increasing taxes may be to some.
- Prominent economists, such as Joseph Stiglitz, Peter Orszag and others, suggest that the least harmful way to extricate New York State from its budget crisis is to raise the taxes on high-end income earners. This was done for the three-year period from 2003-2005 when the highest state income tax rate went from 6.85% to 7.7% for people earning over \$500,000, and predicted negative effects did not occur (taxes were also increased for taxpayers with incomes above \$150,000). Furthermore, Messrs. Stiglitz and Orszag noted, "Reductions in government spending on goods and services, or reductions in transfer payments to lower-income families, are likely to be more damaging to the economy in the short run."
- It is BALCONY's belief that raising taxes modestly on New York's citizens with \$500,000 or more of taxable income in conjunction with cost cutting and improvements in the efficiency regarding how our state delivers its services can solve our budget deficit.
- BALCONY thanks all of the \$500,000 plus wage earners in New York who are already paying a large portion of our state's income taxes. It is BALCONY's belief that increasing taxes for this component of our population will not significantly impact their lives while it will go a long way toward solving our budget deficit.
- The majority of New York State voters (73%) support increasing the state income tax for those who earn more than \$500,000 a year. This finding is from a recent poll conducted by Jeffrey Levine of the Gotham Research Group.
- BALCONY believes that expansion of the circuit breaker as a way to provide real property tax relief is much needed.