

The New York Times

by Danny Hakim

ALBANY — Warning to rich New Yorkers: The tax man might be digging deeper into your pockets in the years ahead.

There is a growing sense in the capital that legislators are likely to turn to an income tax increase on the wealthiest New Yorkers to help close the state's \$15 billion deficit, now that Democrats control the Senate, the Assembly and the governor's office.

The Assembly, where Democrats have an overwhelming majority, has long supported increasing taxes on the wealthy, and Sheldon Silver, the Assembly speaker, reiterated this month that there continued to be strong backing for the measure among his colleagues.

Gov. David A. Paterson, a Democrat, did not propose any income tax increases in his budget proposal, but acknowledged in last month that "taxing the wealthy is probably going to be part of the solution if the deficit gets any worse, and all indications are that it probably will."

That could leave the matter in the hands of the Senate, where Democrats won a narrow majority in November. Senator Eric T. Schneiderman, a Manhattan Democrat, said that he planned to introduce a bill in the coming weeks that would increase taxes on the rich, and that he expected his colleagues to have an active debate about the issue.

"There are a lot of us who feel that for the last 30 years we've been shifting the tax burden from the wealthy to middle-class families," Mr. Schneiderman said on Tuesday. "Our conference is operating through consultation and discussion, and I expect we'll be talking about restoring some additional tax brackets for upper-income New Yorkers as well as a lot of other options."

Malcolm A. Smith, the new Senate majority leader, said he was not enthusiastic about the idea but looked forward to a vigorous debate in his caucus.

"I know that recent surveys have come back and shown that it is very popular among the people of the city and state, but I'm not sure at this present time it's the right course of action," he said, referring to polls showing support for increased taxes on the wealthy. "The conference members are split on the issue and are discussing it, but it's my belief that it's the last course of action we should take."

"I'm not ruling it out, but it's not the first course of action," he added.

There is considerable pressure on lawmakers to act, and several powerful interest groups in Albany are pushing for a tax increase for the wealthy as a way to forestall steep budget cuts. Days after the governor unveiled his budget proposal last month, a commercial touting “fair share tax reform” was aired by 1199 S.E.I.U. United Healthcare Workers East, the influential hospital workers’ union, and the Greater New York Hospital Association.

The Working Families Party, a labor-backed party that has considerable clout in Albany, has also been outspoken in its support for the tax.

“We are going to be running a full-throated campaign to make the case that it would be wiser to tax the very wealthiest New Yorkers rather than cut spending on the elderly, children and the disabled,” said Dan Cantor, executive director of the Working Families Party.

“That will mean knocking on doors, organizing local opinion makers, meeting with people affected by the cuts, doing town hall meetings and meeting with legislators.”

Democrats would have to largely unite behind the proposal, because there are probably not many Republicans who would support a budget with income tax increases. Pending the outcome of a contested Queens race, Democrats are expected to have a 32-30 majority in the Senate.

“We are not going to support increases in income taxes,” said John McArdle, a spokesman for the Senate minority leader, Dean G. Skelos, a Long Island Republican.

“We aren’t going to support increases in business taxes, we aren’t going to support raising taxes on people’s insurance policies, their soda, their cable television, their satellite television, you name it,” he added, referring to some of the 137 individual new or increased taxes the governor proposed in his budget last month.

Several measures that would impose higher taxes have been discussed, so it is not clear which path Democratic lawmakers will pursue. The measure previously talked about in the Assembly called for an increase of nearly one percentage point on anyone who earns \$1 million or more annually. But other plans echo President Obama’s campaign call for increased taxes on families earning \$250,000 or more.

Mr. Silver said in a recent interview, “The extent of the tax is to be determined, but clearly the public has indicated they support a millionaires’ tax, the Assembly has indicated they support it.”

Over the last 30 years, the trend has been to pare back income tax rates on the rich, federally and in the state. Since the mid-1970s, the state has cut its top tax rate from 15.375 percent to 6.85 percent. The top income tax rate in New Jersey is 8.97 percent, and in Connecticut it is 5 percent, according to data from the Fiscal Policy Institute, a liberal research group.

That said, the richest 1 percent of New Yorkers paid more than 40 percent of the income tax in 2007, up from about 30 percent in 1996, according to state data, though that figure is declining as the financial crisis makes the rich less so.

“This is the worst possible time to do this, because the economy is deeply stressed, our key industry is laying in pieces in the gutter and partially nationalized, and a lot of business people have to reassess their future in the most costly city in the country,” said Edmund J. McMahon, director of the Empire Center for New York State Policy, a conservative group.