



## Cuomo's tax-cut conundrums

Crain's New York Business: Crain's Insider

November 14, 2010

By Erik Engquist and Jeremy Smerd

Governor-Elect Andrew Cuomo faces a \$9 billion state budget deficit but is standing by his pledge to let a tax on high earners sunset at the end of 2011. That will cost the state more than \$1 billion in the budget year ending March 31, 2012, and more than \$5 billion the following year, when the deficit will be a projected \$14.6 billion.

Mr. Cuomo opposed the tax when it was enacted with the 2009-10 budget.

"I was against it at the time, and I still am," he said this summer. "It was supposed to sunset. If it doesn't sunset, it's a [new] tax."

All filers with taxable income of \$550,000-plus now pay a flat rate of 8.97%, up from 6.85%. Individuals earning \$200,000 to \$500,000 and married couples who earn \$300,000 to \$500,000 temporarily pay 7.85%.

Mr. Cuomo boasted on John Gambling's radio program last week that his plan to cap property tax increases at 2% is "the lowest cap proposed." Indeed, Mr. Cuomo has outflanked Republicans, who have called for a 3% cap.

James Parrott of the Fiscal Policy Institute says Mr. Cuomo's cap could wreak havoc on local governments. "There are going to be pretty substantial cuts in the program area of the budget," he notes. Past cuts in state aid have triggered property tax hikes.

"If you prevent local taxes from going up, you will have to reduce school funding," Mr. Parrott says. "Many people would think that's a bad result."