



## Tax surcharge to die, but debate rages on

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The personal income tax surcharge and deduction phase-outs slapped on high-income New Yorkers expire this year, but their effects remain in dispute. Opponents say they drive out wealthy people and hurt the economy. Billionaire Tom Golisano, for example, left Rochester for income tax-free Florida.

Yet the vast majority of high-income New Yorkers live downstate, which recovered from the recession faster than most of the country as tax increases on high earners kicked in.

For the period 2009 through 2011, the 6.85% state income tax rose to 7.85% for individuals making \$200,000 to \$500,000 and for married couples earning \$300,000 to \$500,000, and to 8.97% for households earning more than \$500,000. In 2009, the Legislature also killed itemized deductions (except for charitable gifts) for taxpayers with adjusted gross income of more than \$1 million. For 2010 and 2011, taxpayers pulling in over \$10 million could deduct only 25% of their charitable donations rather than 50%.

Revenue from the measures has been growing: from \$4 billion in 2009 to about \$4.6 billion in 2010. They're projected to add \$5 billion this year.

Mayor Mike Bloomberg opposed the measures, saying rich people would leave. Now he touts the city's recovery. Job growth has been strong in the past 12 months, and city unemployment has dipped below the national average, a March 21 report by the city comptroller noted. City revenues grew in fiscal 2010 for the first time in three years. And New York had the fastest net earnings growth, 4.1%, of any state last year. "It doesn't look like there's any negative from [the increased] rates," said James Parrott, chief economist of the pro-surcharge Fiscal Policy Institute.

Partnership for New York City President Kathy Wylde, who opposes the tax surcharge, said: "The fact that revenues are going up just means we are out of a two-year recession," adding that some high earners stayed because "during the recession, people were unwilling to put their homes on the market at a loss." She cited a report that found the state had 9.4% fewer millionaires since the surcharge passed but said there's no data yet on how many might have actually left. The rise in revenues suggests that falling property values had more to do with the lower number of millionaires.