MAINE Wire

New York governor has revelation: Progressive tax policies are hurting his state

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February 7th, 2019

New York Gov. Andrew Cuomo may have come to his senses on tax policy, openly questioning earlier this week whether his state's endless pursuit of taxing the rich is helping or hurting the state's fiscal standing.

On Monday, just a few weeks after releasing his budget proposal, Cuomo realized all of his policy priorities cannot be addressed because the state is losing tax revenues at an alarming rate. According to *The Buffalo News*, state revenues in New York are $2.3 billion below initial projections, a disparity that Cuomo has called "as serious as a heart attack." He also acknowledged that some services could face spending cuts from what he first proposed in January.

"Tax the rich, tax the rich, tax the rich. We did that. God forbid the rich leave," Gov. Cuomo said.

Gov. Cuomo takes issue with portions of the Tax Cuts and Jobs Act (TCJA), the massive tax reform package ushered through by Republicans in December of 2017. Specifically, Cuomo is displeased with the $10,000 cap on state and local tax (SALT) deductions included in the TCJA and believes the SALT cap is what's contributing to the loss of high earners in his state.

"It literally restructured the economy to help red states at the cost of blue states. It was a diabolical, political maneuver."

Regardless the intentions of those who advocated and voted for substantial tax reforms, the SALT cap wouldn't be so punishing for states like New York if their tax policies were anywhere within the realm of reasonableness.

New York City's combined state and local top rate is 12.7 percent on taxpayers earning more than $1 million, the second highest rate in the country behind only California. According to the *Wall Street Journal*, the SALT cap raised New York's top rate by an effective 5 percent, which was only partially offset by reductions to the top rate at the federal level.

The Journal's editorial board writes:

"According to IRS data we've examined, New York state lost $8.4 billion in income to other states in 2016 (the latest available data), up from $4.6 billion annually on average during the prior four years. Florida raked in the most New York wealth. Mr. Cuomo says that 'a taxpayer in

Florida would see no increase, or a decrease' under the GOP tax reform and 'Florida also has no estate tax.' New York's 16% estate tax hits assets over $10.1 million."

This falls in line with what states across the country are experiencing in terms of tax policy and migration. A recent report published by the Cato Institute found that, of the 25 highest-tax states, 24 of them had net out-migration in 2016. Of the 25 lowest-tax states, 17 had net in-migration in 2016.

If high earners continue to leave New York due to its unfavorable tax climate, the state will be forced to make drastic cuts in spending and the oversized tax burden will fall in the laps of middle-income earners.

This, of course, is what economists have been warning of all along to states like New York. Perhaps with Gov. Cuomo's concession, public leaders throughout the country will begin to understand the cost of villainizing success and expanding government on the backs of high earners and job creators.