

DAILY NEWS

New York's crushing tax burden

Gov. Cuomo needs to fight harder against our 'Vampire State' image

By Bill Hammond - Tuesday, October 16, 2012, 3:59 AM

Gov. Cuomo's cherished reputation as a tightfisted Democrat took a beating last week in report cards from two fiscally conservative watchdog groups.

The Cato Institute slapped Cuomo with a "D" for his handling of the state budget — charging that he had violated his pledge to "hold the line" against tax increases.

Even worse was the verdict of the Tax Foundation, which rated New York's business tax climate the very worst of the 50 states — dropping it below New Jersey, which moved up to 49th.

Cuomo — who has made genuine efforts to slay the Vampire State — could have taken these harsh grades as evidence that the job is far from finished.

Unfortunately, he chose instead to bash the messenger.

Lashing out in an interview on Talk 1300 radio in Albany, Cuomo aide Larry Schwartz dismissed the Tax Foundation as a "right-wing think tank" and charged that its report was "based on ideology and not facts."

"They basically took data and manipulated them to fit their world view," Schwartz said.

One problem with this complaint is that Cuomo himself has approvingly cited the Tax Foundation's research in the past — including in his first State of the State speech last year, when he declared: "We have the worst business tax climate in the nation, period."

The foundation's ideology and formula-driven methodology have not changed significantly since then. What's different is that now it's Cuomo's record under attack — not George Pataki's or Eliot Spitzer's or David Paterson's.

Schwartz complains that Cuomo did not get enough credit for pushing through a 2% cap on property tax increases outside New York City, which was a top priority for business groups and anathema for public employee unions.

But that reform will deliver relief slowly over time, by averting large hikes in the future. For now, New York's property taxes remain the sixth worst in the country.

The Tax Foundation also penalized Cuomo for his income tax deal of December 2011, which extended a surcharge on the wealthy taxpayers that was due to expire, but lowered the rate and applied it to a smaller group of taxpayers. True enough, the low rating partly reflects the foundation's support for flat tax rates over progressive ones — a position popular with certain economists but a political non-starter in New York.

At most, this was the difference between 49th and 50th. But Schwartz argues that all New Yorkers are paying less now than they were before — so the state's ranking should go up, not down.

On this one, Cuomo has only himself to blame. The deal worked well politically and gained him an extra \$1.9 billion in revenue. But it was a flipflop from his former position that the surcharge should expire — and sent the message that his pledge not to raise taxes was not so hard-line after all.

All of this back-and-forth misses the bottom-line point — that New York is competing with other states to attract and create jobs, that it's starting from the back of the pack and that Cuomo has a long way to go to catch up.

In this contest, there's no extra credit for trying hard or showing your work.

It's understandable that Cuomo would feel stung by his poor grades. He has successfully kept a lid on state spending — holding to about 2% a year, which is far below average and roughly equal to inflation.

He has also pushed through important cost-cutting reforms, such as scaling back pensions for government workers.

In the process, he took considerable heat from public employee unions and other segments of his Democratic base.

Naturally, he'd love to have those efforts rewarded with praise, not flak, from the right.

But complaining about report cards is the political equivalent of mouthing off at the umpire. It might feel good to vent frustration, but it's not going to get you to the World Series.

Cuomo needs to swallow his pride and keep up the good fight — as Schwartz assures me he will.

“The governor is constantly working on making us more competitive in New York State — and lowering taxes and lower expenses,” he said. “I don’t think anyone would every characterize the governor as resting on his laurels.”