



BUDGET WATCH '03

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Some key facts to consider:

- Raise taxes on personal income or on businesses, as the unions suggest? No. Both state personal income taxes and corporate income taxes in New York are more than twice the national average per capita, according to Census data.
- Tax cuts taking effect this year include increases in the earned income tax credit for low-income working families; the college tuition tax credit; and the credit that reduces the “marriage penalty” on two-earner couples.
- Other new measures reduce the gross-receipts tax on residential and commercial utility bills; and encourage securities, insurance and banking firms to invest more in New York.

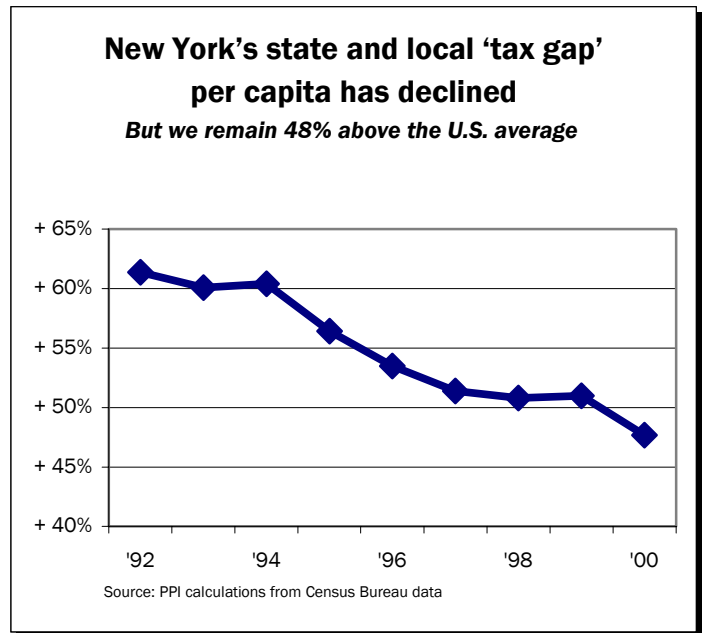
ALBANY HAS CUT OUR TAXES – BUT THEY’RE STILL TOO HIGH

Why can't we fix Albany's budget problems by raising taxes? That's the solution offered by some public-employee unions and other organizations that live on taxpayer funding. The state AFL-CIO, for instance, calls for a multi-billion-dollar increase in personal-income taxes.

But taxes in New York are already second-highest in the country, on a per-capita basis, behind Connecticut. (Adjusted for income, our combined state and local burden is No. 1 among all the states.) High taxes make it harder for small entrepreneurs and major corporations alike to create and keep jobs here.

That's why tax increases will not prove a constructive part of this year's budget solution. In fact, as Governor Pataki told The Business Council in September, we need to *cut* taxes more.

To be sure, Governor Pataki and the Legislature have cut taxes substantially. Those reforms have helped bring our “tax gap” compared to the aver-



age of all states from 61 percent in 1992 down to around 48 percent in 2000. That's still too high, of course—but it's a significant improvement.

In recent years, every leader in Albany—Governor Pataki, Senator Bruno, Speaker Silver and their colleagues—has worked to cut taxes so New

York's private sector could create more jobs. A recession would be the worst possible time to reverse that course.

Spending created Albany's budget problem. Cutting spending will solve it.

HIGH LOCAL TAXES MEAN COST-SHIFTING ISN'T THE ANSWER

Both state-level and local taxes in New York are too high, and need to be reduced.

Because of that, shifting costs from Albany to localities is not a solution. After all, taxpayers don't benefit if they pay less from one pocket but more from the other.

Local taxes in New York are the highest in the country, and more than double the national average, at \$2,378 per capita.

In most communities, school taxes are the biggest share of the local bill, followed by county taxes.

State aid to localities may

have to be cut to help eliminate Albany's projected gap. The good news is, many steps that would save state dollars—reforming Medicaid and public construction, for example—would also reduce local taxes.