



TAX WATCH '04

COMING:

<i>Property taxes</i>	Dec. 2
<i>Business taxes</i>	Dec. 9
<i>Income taxes</i>	Dec. 11
<i>Health-care taxes</i>	Dec. 16

Some key facts to consider:

It's the government employees and the hospital-worker unions who lobby to keep New York's spending and taxes high. But it doesn't even appear to be in their own interest. Here's why:

- If New York's private-sector job growth had kept pace with the nation's in the last 10 years, we'd have about 677,000 more tax-paying jobs than we do.
- Each job in New York State now creates about \$13,000 in additional state and local tax revenue.
- That much revenue from that many additional jobs would mean an additional \$9 billion every year coming in to state and local government coffers.
- Had New York been receiving those additional revenues just in the last two years, it could have avoided this year's tax increases and fiscal gimmicks; eliminated any deficit in the next fiscal year; and given every government worker a raise.

HIGH-GROWTH STATES ARE LOW-TAX STATES. IT'S TIME FOR NEW YORK TO WISE UP.

For years, Albany denied that New York's high taxes had anything to do with the state's sluggish economic growth.

But no matter how you look at the numbers – and one perspective is provided in the table to the right – it's undeniable that states that keep taxes low are zipping right past New York and other high-tax states.

Between 1992 and 2002 (the most recent 10-year period for which comprehensive statistics are available), private-sector employment in the U.S. overall grew by 21.1 percent. New York grew only half as fast as the nation overall. But low-tax states – notably Florida, Georgia and Texas – grew one-and-a-half times as fast as the nation, or more.

All told there were 23 states that grew faster than the national average; their per-capita state and local tax burden averages 9 percent below the national average.

Albany has made progress in cutting state taxes in recent years – but the Legislature reversed course and raised state taxes this year. And it has consistently failed to relieve local governments of the man-

Tax Levels Compared to Job Growth

	<i>10-year job growth rate</i>	<i>Tax burden vs. national average</i>
Five Largest High-Growth States		
Texas	+ 31%	– 19%
Florida	+ 37%	– 15%
Georgia	+ 34%	– 8%
Arizona	+ 51%	– 16%
Colorado	+ 40%	– 1%
Five Largest Slow-Growth States		
New York	+ 10%	+ 48%
Illinois	+ 13%	+ 5%
Pennsylvania	+ 12%	– 4%
Ohio	+ 13%	– 3%
Connecticut	+ 7.6%	+ 48%

Sources: U.S. Bureau of Labor Statistics (annual average of private-sector jobs, 1992 and 2002); U.S. Census Bureau (per capita state and local taxes, FY 1999-2000). States in each group ordered by number of jobs.

dates that drive up local taxes.

Believe it or not, for New York to have grown at half the national rate in the last 10 years is an *improvement*. The state grew at only about one-

quarter the national rate in the previous 10 years. Then Governor Pataki and the Legislature started cutting taxes – and it made a big difference. It's time to do some more of it.

WHY IS IT SO HARD TO RESTRAIN SPENDING IN NEW YORK?

If it's so obvious that high taxes mean slow job growth, why doesn't Albany do the obvious thing – cut the state and local tax burden?

Oddly enough, one reason is that a lot of legislators see taxes and spending not as the *cause* of the state's economic

distress, but as the *cure*.

While New York has been losing manufacturing jobs at the rate of 100 a day, it's been steadily adding jobs in government, and in health care and social assistance – sectors largely funded by the taxpayers. Those kinds of jobs grew by

283,000 between 1982 and 1992, about 20 percent faster than the private-sector jobs that pay for them.

But if the state's economy declines, so will its tax base. Which means that sooner or later, a lot of those taxpayer-financed jobs will be lost, too.