

New York governor packages tax cut for rich as “reform”

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In a brazen political maneuver accomplished in less than a week, New York’s Democratic governor Andrew Cuomo and the great majority of Democrats and Republicans in the state legislature have enacted a tax “reform” that is being hailed by politicians and the corporate media as a tax cut for the middle class and an increase for the wealthy. It is nothing of the sort. Instead this change in the tax law represents a significant reduction for the highest income earners and little if any change for the vast majority of the population.

For months, the governor, with the support of Republicans and many Democrats, has insisted that the state’s so-called millionaires’ tax, enacted in 2009, early in the financial crisis, would be allowed to expire at the end of the year. The tax, actually a surcharge on individuals earning more than \$200,000 and couples more than \$300,000 annually, brought in approximately \$4 billion per year in revenue. Cuomo justified his gift to the elite by claiming that maintaining the tax on the rich would drive them from the state and worsen New York’s economic crisis. This is despite the fact that there has been no discernible exodus of the super-rich during the time the surcharge has been in effect.

Even with the millionaires’ tax in force, the state’s current budget was enacted with savage cuts in employment, education, health, and other social services in order to close a \$10 billion gap. Cuomo recently announced that this year’s budget is \$350 million in deficit, and current projections for the coming year’s budget, to be enacted by April 1, are for a \$3.5 billion shortfall. Given the pattern of recent years, this latter number is likely to rise significantly. Thus, renewed attacks on the working class are inevitable.

Liberal groups, trade union bureaucrats, and sections of the Occupy movement in New York have made continuation of the millionaire’s tax one of the central themes of their political activities. Public opinion polls indicated that a significant majority of state residents supported a renewal of the tax. Nevertheless, Cuomo, pandering to the financial and corporate elite, made blunt statements that he didn’t care what the public thought.

Last Friday, however, in a maneuver clearly aimed at neutralizing his critics while at the same time rewarding his wealthy supporters, Cuomo announced a “reform” that would raise taxes on the rich and cut taxes for the middle class. Democrats and the media quickly praised this supposed change as a brilliant strategic shift on Cuomo’s part and a ‘victory’ for ordinary people. An examination of the numbers indicates that while it may be the former, it is certainly not the latter.

First off, while the base income tax rate on the highest earners, households with annual income of \$2 million and individuals with \$1 million, will be raised just short of 3 percent, that will be more than offset by the expiration of the millionaires’ tax, giving them an effective reduction of 0.15%.

The not quite so wealthy, including households with incomes ranging from \$300,000 to \$2 million and individuals with incomes between \$150,000 and \$1 million a year, who also were encompassed by the millionaires’ tax, will receive the full benefit of its expiration. The effective reduction will reach more than 2 percent for those at the higher end of the range.

In effect, a substantial tax cut for the wealthy is being presented as a tax increase. It is estimated that this will mean a significant reduction in revenues, down to \$1.9 billion as opposed to the \$4 billion received annually from the millionaires’ tax.

For the middle-income tax brackets, the reductions will be minimal. According to an analysis by the *New York Times*, those making between \$40,000 and \$150,000 will have their tax rate reduced by only 0.4 percent. Published estimates indicate that a family of four making \$65,000 will realize an increased net income of only about \$222, a meager amount given the rising cost of food and other necessities. For those with lower incomes the change will be negligible.

An extreme level of political spin has accompanied this bill. As the *New York Times* put it, “It was a piece of political craftsmanship that allowed both Democrats and Republicans to declare victory.” This was summed up by

Dean Skelos, Republican leader of the state Senate, who said, “Maybe Shelly Silver [Democratic Speaker in the Assembly] is raising taxes, but we’re cutting taxes.”

According to Cuomo, the “increased” revenue will only close about \$1.5 billion of a projected \$3.5 billion state budget deficit next year. That is compared with continuation of the millionaires’ tax, which would have covered the entire deficit as currently projected. As Cuomo himself effectively admitted, the remaining \$2 billion will have to be made up through budget cuts. “If I were to close the entire gap by budget cuts, it would decimate essential services, doing real harm to the state’s economy and strangling local governments all across this state.”

In addition to most politicians, both Democrat and Republican, many labor unions, which are largely tied to the Democrats, have heaped lavish praise on Cuomo’s tax scheme.

The president of New York State United Teachers, Richard C. Iannuzzi, commented, “We participated very heavily in reaching out to legislators to strike a deal that provided adequate revenues. It looks like they’ve done that.”

New York City’s United Federation of Teachers president Michael Mulgrew echoed that sentiment: “I want to thank Governor Cuomo for his leadership in crafting a wide-ranging solution to the state’s budget problems. The agreement ... will bring more fairness to the state tax code and help ensure that children in our public schools will begin to see restorations from the devastating education cuts of recent years.”

Danny Donohue, the president of the Civil Service Employees Association (CSEA), the second largest public employees’ union in the state, which rammed through a major takeaway contract on its members last summer, was equally effusive. “The tax rate reform agreement put forward by Governor Cuomo and the legislative leaders recognizes the importance of fairness in stimulating New York’s economy and boosting confidence in our government,” he said. “The agreement will produce practical benefits for all New Yorkers, but especially working people.”

Opposition came from a few Republicans who said that the richest of the rich should have received the full benefit of the millionaires’ tax expiration, with no increase at all in the pre-existing rate. Some liberal groups also expressed reservations, largely along the line that this was a good start, but wasn’t “enough.”

The pseudo-left has also weighed in. The *Nation* attributes Cuomo’s change in tactics to the effects of the Occupy movement, which labeled him “Governor One Percent.” They peddle the pernicious illusion that Democrats can be

influenced by protest. According to the *Nation*, “The governor had to act ... this time, he was forced into motion by the left.”

“It’s not perfect, but it’s far better than what the most optimistic among them hoped for, even a week or two ago. To his credit, Governor Cuomo realized that things have changed since his campaign, and he needed to change too.”

The fact that the tax changes were passed with lightning speed, especially in the context of the state’s normally ponderous legislative process, less than a week after being proposed, indicates that they were the product of previous backroom negotiations involving a small circle of Democratic and Republican leaders. There have been news reports that the governor exerted heavy political pressure on some legislators to toe the line or feel his retribution. Even the possibility of the mildest debate amongst ruling class politicians can no longer be tolerated.

Furthermore, the overwhelming bipartisan support for this legislation—it passed unanimously in the Republican-controlled Senate and by a vote of 130-8 in the Democrat-majority Assembly—emphasizes that it has nothing to do with “fairness” or “shared sacrifice.” The Republicans in particular have been vociferous in their opposition to raising taxes on the rich.

Democratic and Republican politicians will now say that since the wealthy are paying “their fair share” the working class must accept whatever further cuts are made without complaint and that any protest will be deemed illegitimate. The press is speculating that with this move Cuomo has neutralized the Occupy movement’s campaign for renewal of the millionaires’ tax and, perhaps, its political effectiveness more generally.

On Thursday, Occupy Albany protestors rallied at the state capitol to express opposition to the tax plan. The demonstration came amid moves by the City of Albany to follow the example of many other cities and evict the encampment, which is located a short distance from the capitol building.



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