NEW YORK GOVERNOR CUOMO'S BUDGET PRIORITIES REPORT
By Scott Baker, New York, NY

There are some highlights which relate to our cause in Governor Cuomo's end of year New York Rising Report.

II. Reducing the Tax Burden on New Yorkers Controlling Local Property Taxes; New Yorkers have long faced some of the highest property tax bills in the nation, measured both in absolute terms, and as a percentage of home value. Not only do high property taxes make it hard for individuals and families to afford and stay in their homes, they also represent the largest tax for New York's businesses.

When Governor Cuomo took office, property tax growth averaged 5.3% over the prior ten years. As a result of the property tax cap fought for by the Governor, property taxes are no longer growing at exorbitant rates. Data indicate that the real property tax cap is already having an impact. Since enactment, the cap has succeeded in keeping growth in local real property taxes to just 2.5%, 40% lower than the average rate of growth in the previous decade. Over the two year period that the property tax cap has been in place, an average of 95% of school districts and 80% of county and other local government jurisdictions have stayed within the cap.

SB: Left unsaid in this "free lunch" scenario are whether schools - which rely mostly on property taxes, especially upstate - can function long-term under reduced revenues provided by capped property taxes. Or, will this begin the California-style Proposition 13itization of New York, in which services and education were cut to reduce California from a leading state to a lagging one, with permanent deficits and high borrowing costs that far undercut any short-term budget savings? Of course, what really makes it possible "for individuals and families to afford and stay in their homes" is good, middle class jobs. Although the Governor talks about some new job creation, and promises more in new tax-free zones, these are measured in the low hundreds for the most part, albeit also regaining those jobs lost (at equivalent pay?) since the crash, whereas the loss in revenue is in the high hundreds of millions, or even billions, over time.

A pair of tax reform commissions were created that were charged with: identifying way(s) to reduce the State's property and business taxes to provide relief to New York's homeowners and businesses. The key recommendations put forward by the Tax Relief Commission are based on the finding that the property tax remains the most burdensome tax facing individuals, families, and businesses in New York State, and a critical impediment to economic growth.

SB: Well, these are the same arguments put forth in California when the property tax was capped under proposition 13 out there too (in a different way that also effected the budget process, but with similar fiscal results). The result has been more real estate speculation, wilder swings in state revenues, with chronic shortfalls, and reliance on productivity-punishing income taxes and regressive sales taxes to make up the difference instead. Is it realistic to expect New York not to ultimately suffer the same fate?

Cuomo's StartUp NY initiative promises to bring new jobs to distressed areas (page 10):
* Tax-Free Communities: All SUNY campuses outside of New York City and designated private colleges north of Westchester will be tax free. Participating companies in START-UP NY will not pay any taxes (no income tax; no business or corporate State or local taxes; no sales tax; no property tax; and no franchise fees) for ten years. Employees in participating companies will pay no income taxes for the first five years. For the second five years, employees will pay no taxes on income up to $200,000 of wages for individuals or $300,000 for taxpayers filing a joint return. The number of net new jobs eligible for personal income tax benefits will not exceed 10,000 new jobs per year.
* Strategic State properties: Up to 20 strategic State assets may be designated as tax-free communities. These must be State-owned vacant land, State-owned vacant facilities or State-owned facilities that are in the process of closing and becoming vacant.

SB: So, more state-owned land will now be untaxed, leaving the burden of paying taxes on land to the rest of us. Perhaps these are currently "marginal" areas that weren't going to provide much revenue anyway, but in 10 years, if there are viable businesses, will the state then be able to collect on rising property values? History suggests otherwise as states have been tripping over themselves in a race to the bottom, in terms of taxes (http://www.nytimes.com/2012/12/02/us/how-local-taxpayers-bankroll-corporations.html). Who will pay for the new roads, utilities and other partly state-sponsored improvements? How much can one collect from the Department of Waste, Fraud, and Abuse?

The 54-page report also includes new initiatives like replacing the Tappan Zee Bridge (page 21), but while the Governor makes the unusual brag of the "State obtaining a record-setting $1.6 billion TIFIA loan--the largest in TIFIA program history" nowhere is there mention of taxing the land in the surrounding communities that will derive the most benefit from the new infrastructure (let alone using some of that tax to pay for new mass transit to relive the burden of increased car traffic altogether, necessitating new bridges, as they do in progressive nations like Singapore). The "Excitement in the financial markets (that) resulted in a positive response to the sale and in more favorable rates than initially anticipated" should not blind us to the fact that money had to be borrowed, and will have to be paid back with interest (however favorable), when it could have been financed by taxes on surplus generated by this taxpayer-funded improvement (but instead paid to the banks, not directly for the project, and interest-free).

Similarly, of the millions spent in improving infrastructure including "a two-year New York State Department of Transportation (DOT) capital program with $2 billion in construction in 2013-14" and "DOT awarded $48 million in grants to support freight (continued on page 13

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(from p. 2)

rail, airport and public transportation infrastructure improvements across the State," none of this is paid for by the people who benefit the most, those whose property values will increase as a result. On a city level, we have already seen what infrastructure improvements such as the extension of the subway #7 line and the Highline Park - both on the far west side - have brought to the city; it's in the $5 billion range, according to Curbed online magazine (see my slideshow here: http://www.slideshare.net/ScottOnTheSpot/case-studies-in-new-york-city-property-development-28203125, slides 22-23, presented at the Henry George School (video pending), or http://www.opednews.com/articles/Cheating-and-the-Corporate-by-Scott-Baker-Cheating_Corporate-Accountability_Corporate-Communism_Corporate-Corruption-Crime-131124-187.html). Meanwhile, New Yorkers pay doubly, by first allowing already wealthy developers to privatize more of the Rent, while paying a second time for borrowing costs on money that should have been collected from that Rent in the first place.

The promise of "private-public partnerships" (page 24) should be looked at skeptically too, as Chicago's recent experience with selling its parking meter system to private interests - and then watching as parking costs more than doubled - attests to. Michael Hudson has warned of the creeping Toll Booth economy (http://michael-hudson.com/2012/03/mmt-as-the-austerity-alternative/), where every formerly public service now carries a private toll. In Chicago, it is already there.

There is a lot to like in the Governor's report, most of it beyond the scope of this update or Common Ground's mission, but the lack of utilizing the Single Tax on Land, or even understanding that such a productivity-enhancing tax even exists, continues to be a huge disappointment in the state's fiscal policies, even as the city now has a LVT-friendly Mayor and Comptroller. It falls on our members, and other supporters of Henry George's solution, particularly those upstate, to continue to press for the true "free lunch," not the false one of borrow now and (probably) pay later. Wealth inequality, now at its most destructive level since the Gilded Age, won't be solved simply by redistribution, or even by efficient spending (if that's what it is), but by collection of that which truly belongs to all of us in the first place, the tax on Land.

(Common Ground - NYC president Scott Baker may be emailed at ssbaker305@yahoo.com.) <<

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GOV. CUOMO'S ASSAULT ON THE PROPERTY TAX

By Scott Baker, New York, NY

In his latest missive (http://www.governor.ny.gov/press/01062014-tax-relief-proposal) Governor Cuomo's proposal includes a 2-Year Freeze on Property Taxes.

By almost any measure, New York's real property taxes are the highest in the nation with an average residential bill of $5,040. In addition, three of the top four highest county median tax bills in the country are in New York. And New York is one of only 10 states where a resident can live in three general purpose local governments at the same time. There is no reason for New York to have nearly 10,500 separate forms of local governments; many of which provide overlapping or duplicative services.

Governor Cuomo's proposal will freeze property taxes for two years, subject to two important conditions. In year one, the State will only provide tax rebates to homeowners who live in a jurisdiction that stays within the 2% property tax cap. In year two, the State will only provide tax rebates to homeowners who live in a locality that stays within the cap and also agrees to implement a shared services or administrative consolidation plan. The freeze will not apply to New York City, which does not have a property tax cap. Once fully implemented, this tax relief proposal will provide nearly $1 billion in relief with an average benefit of approximately $350 for nearly 2.8 million homeowners.

Well, this "relief" comes at the same time as he proposes to float a $2B bond to pay for enhancing the state schools, and usurping Mayor de Blasio's modest tax on people earning over $500k to pay for pre-K (not normally our issue, I know, but school revenues are normally funded by property taxes, at least in most of the state).

Where is the money to run the state supposed to come from? Just as importantly, how can we convince Cuomo that not all taxes are bad, that, in fact, the Land Value Tax - of which he seems completely oblivious - is actually a good tax?

Action Step: Here are several ways to reach the Governor's office about his proposals:

Governor's Press Office
press.office@exec.ny.gov
NYC Press Office: phone 212.681.4640
Albany Press Office: 518.474.8418

You could email or call them (calls are better) to try to convince them that a split-rate tax that would tax buildings less than land would be positive for New York. You might use the example of Harrisburg, which has a 6:1 land to building ratio in their split rate tax, as an example.

You could mention Mayor de Blasio's effort to tax vacant land at the same rate as built-upon land as an example to build upon (puns get politician's attention).

Of course, you can mention we have several experts in Common Ground-NYC who can testify (member Bill Batt lives in Albany, and has lots of experience doing this, for example; Bill has already brought up Cuomo's anti-Georgist, probably unwittingly, policies), and present studies supporting the Land Value Tax.

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