

A revenue deal

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Under Gov. Andrew Cuomo, Albany stands a good chance of shedding its dysfunctional label. Only days after signaling his desire to revamp the state income tax code, the governor announced an agreement with Senate Republicans and Assembly Democrats calling for the most significant tax-rate changes in years.

The decisive nature of this action no doubt explains, in part, why it drew cheers from many quarters. At the same time, there was much to like in the deal, starting with most New Yorkers getting a lower tax rate next year than they have had since 2009.

Under the new, fairer rate structure, 4.4 million New Yorkers will get a tax cut-with the reduction for middle-class taxpayers totaling nearly \$700 million. Any household with income up to \$300,000 will have a lower base tax rate.

For households with income of \$300,000 to \$2 million, the base rate will remain the same-but without the surtax enacted two years ago, their effective rate will fall.

Only those with income over \$2 million will see their base rate increase, though the effective rate will be slightly lower than it is currently. The brackets will be indexed to inflation, with the top bracket slated to expire at the end of 2014.

Among those lauding the deal when it was announced last week were the Business Council of New York State Inc., Wegmans Foods Markets Inc. CEO Danny Wegman and Rochester Business Alliance Inc. chief Sandra Parker, who praised the "long-overdue tax relief to many New Yorkers-particularly middle-class taxpayers."

But she also noted the need to tackle other pressing problems-"specifically regulatory reform and mandate relief for local government and school districts so that taxpayers can benefit from long-term, sustainable relief."

Indeed, this deal is tilted to the revenue side: It will generate an estimated \$1.9 billion in additional tax receipts, helping to close a projected budget gap of more than \$3 billion.

What it does not address is the state's spending problem. This is structural in nature, and without meaningful reform it will push costs relentlessly higher.

Mr. Cuomo proved masterful in crafting a package that won bipartisan support, although it cast aside his pledge to not raise taxes on the wealthy. But true spending reform would be an even tougher task.