What other States can learn from New York.

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December 1, 2009

There are many states that are currently facing an economic crisis. States are looking at many different options in order to make up for the funding that it has lost since the onset of the economic crisis. One option that many states have considered is raising taxes on its citizens. Other states can see how raising taxes can actually have a negative effect on the state's economy by looking at New York.

In order to understand the concept of a state's finances, one needs to understand where the money comes from. A state derives revenue from many different sources. One of the largest sources of revenue for a state is taxes that it has raised (Dye & Macmanus, 2009, pg 494). Each state's government votes on the budget every year, and it can include raising taxes on the citizens in the state. This can be done by increasing payroll taxes, raising sales taxes or many other measures. However, raising taxes is not always the best solution for raising money for the state.

There have always been individuals at the state level that have said that raising taxes on the wealthy would benefit every citizen in the state. However, a recent study that was done in New York has actually shown that this is not always the case. The study that was done was from the Empire Center for New York State Policy. It shows that New York is suffering from losing wealthy individuals that did not want to be taxed as much as they were being taxed (Price, 2009). "According to the study, the families that have been leaving have income levels that were 13 percent higher than those arriving to the Empire State" (Price, 2009). Then there is the study by the Census Bureau that states the same thing about wealthy individuals leaving New York for other states. "According to Census Bureau data, over the past decade, 1.97 million New Yorkers left the state for greener pastures -- the biggest exodus of any state" (The Wall Street Journal, 2009). In other words, the wealthy individuals that felt like they were being taxed too much moved to other states around the country that did not tax the wealthy as much.

The amount of individuals leaving New York for other cities around the country means a big drop of revenues for New York. According to Joseph Spector (2009) "in 2006-07 alone, the migration flow out of New York resulted in a $4.3 billion loss in taxpayer income." The reason why there was such a huge drop in revenue for the state is because “New Yorkers moving to other states had average incomes between 2006 and 2007 of $57,144, while the average income of households moving into New York was $50,533” (Spector, 2009). The difference in income makes a big difference for the amount of revenue that is brought in by the state of New York.

This research paper is not taking the stance that the wealthy should not be taxed or if the rest of the citizens should be taxed as well. However, it is suggesting that other states around the country should look at New York and learn from its mistakes. Instead of considering raising taxes on the wealthy, a state could actually enact a tax break for all of the citizens of the state. By creating a tax break, one can conclude that other individuals around the country that feel like they are being taxed to much will move to the state. This in turn would actually bring more funds to the state because it will allow the state to have more individuals to tax. Another benefit of looking at New York is that by creating tax breaks, it would actually bring in new jobs, which would bring in more people to the state. In other words, one can conclude that using tax breaks in a state can actually increase the amount of money that is brought in because more individuals will move to the state and more jobs can be created.

A lot of states around the country are currently facing an economic crisis. Since they are facing an economic crisis, a lot of states are looking at ways to raise funds for the state. New York is a great example for other states to look at before they decide to raise taxes on the citizens in their states. New York clearly shows what effects can take place when taxes are raised and the negative impacts it could have on the state in the future.

References

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