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# Aid schools with fair taxes

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While analysis and reactions from Gov. David Paterson's proposals continue to come in, it is clear the biggest losers may in fact be New York homeowners and working families.

Many of the governor's budget adjustments will result in increased shifting to property taxpayers and moderate income residents, rather than actual reductions in expenditures. His "nickel and dime" revenue strategy won't garner broad public support and demonstrates a lack of understanding with respect to stimulating an economy.

School aid cuts of $700 million below last years' levels would be significant. In doing so, Paterson has undermined any argument that may have existed for implementing a 4 percent school cap by demonstrating just how unreliable an educational partner the state can be. With contractual agreements and declining support, school districts will resort to lay-offs and may still be faced with budgets that approach double-digit increases. The governor couples this with the removal of STAR middle class rebates ($1.4 billion) without any alternative relief mechanisms. Soon the other shoe will drop when Wall Street's poor performance will translate into untold increases in pension obligations. Likely outcome: Local property taxpayers will be faced with rising school budgets for some time to come.

Recall that the governor and other "hawks" have sworn off tax increases on million-dollar income earners because they argue the wealthy might leave the state with their jobs. Even though the temporary increases back in 2003 proved otherwise, Paterson has ironically suggested moves that simply go straight to the job cutting; primarily on the local level.

## Cutting jobs will backfire

Lower employment will only add to a depressed economy, and fee increases in countless items such as vehicle registrations, new license plates and restoring taxes on clothing will disproportionately hurt lower- and moderate-income New Yorkers' pocket books. Albany should instead consider measures that reduce the cost of delivering employee benefits and governmental operations for greater economic stability.

An effective response to the challenges ahead will have to include a package of measures that include both real cuts and tax increases on the wealthy. To counter the shifting from taxing authorities on all levels, the state must finally address tax fairness by implementing a circuit breaker. Vermont's limit of 5 percent of income for all of a homeowners property taxes is a good example and should be implemented now. Though it would result in moving $4 billion in taxes to the wealthy, it can be paid for by eliminating the rebate check program and raising rates on those making $1 million per year by 1 percentage point and an additional percent on those making more than $5 million. That would still put the highest state income tax rate (currently only 6.85 percent) at less than neighboring New Jersey and provide security for all homeowners.

The governor and legislative branches must embark on a path that truly reduces costs without impairing the state's economy. A greater understanding that certain line items should be preserved because they are revenue generators (tourism for one) would help guide better decision making. Albany's policies must change to reflect simple economic realities; relieving financial demands on average New Yorkers translates into those dollars being plowed back into local economies. Protecting the dramatic tax cuts afforded the wealthy since the 1970s may do more to boost brokerage statements than it will to assist the small-business owner.

To be sure, the state needs to fight its own obesity and take action. Any potential plan, however, must include a fair system for collecting those taxes.