

Ending an End to NY's Nightmare

Yorker since my guess is I'll live the rest of my life. But that's not the case for all New Yorkers. We all know "sunbirds" who've flown the coop for Florida and warmer climates — but at least as an important reason to leave is to escape the New York tax nightmare.

While federal taxes are non-negotiable, Americans have a choice when it comes to state taxes. Over the years, many have voted with their feet by moving out of state to avoid our sky-high state and city taxes. A compelling Manhattan Institute study recently documented this trend, showing that those moving out of Manhattan and NYC had much higher incomes than those moving in.

If the study isn't enough to influence our elected leaders, last Tuesday's elections should be. I'm thinking especially of Westchester and Nassau counties, where voters — aka taxpayers — finally stood up and said that they'd had enough of the high taxes.

Over the years, both counties have funded their government and school-district operations with ever-higher property taxes. Last week, the voters said "no" to their county executives and their taxes. Westchester's Andy Spano is out; Nassau's Tom Suozzi is hanging on by a

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thread as he awaits the count of absentee ballots, which could end his once-promising political career.

This is a tectonic shift on the part of voters.

For the last several decades, state and city budgets have risen at more than twice the rate of inflation, as politicians have sought to buy off one constituency after another. I'll name just two:

● The elderly have been bought off with Medicaid, as nursing-home benefits became a middle-class entitlement in New York rather than a safety net for the poor. As a result, our state's Medicaid budget has grown to the size of the California and the Texas Medicaid budgets combined.

● Public-sector unions have also been generously bought off by politicians with all manner of pay raises and work rules that no private business would ever give out. Add to this largesse pension giveaways voted in by the Legislature when the state pension funds seemed flush. Now those same coffers are empty — and taxpayers will have to make good on the politicians' promises.

Will the Legislature learn a lesson from the county-exec elections — that taxpayers are fed up? Or will voters have to

teach another lesson in next year's elections?

I am somewhat hopeful. Assembly Speaker Sheldon Silver has shown a willingness to deal with this years' \$3 billion to \$4 billion shortfall in the state budget. Of course, the state Senate may not be up to the job. But if senators fail to act, they'll do so at their electoral peril. The voters have shown that they have little patience for Albany's bickering. They want results — and that certainly does not mean tax hikes.

The voters understand that tax rates in New York are too high. Just review the current rates: The state income-tax rate tops out at about 9 percent, while the maximum New York City rate is about 4.5 percent. Combine this with a federal rate that's soon to be 45 percent, and the total maximum tax rate for individuals is almost 60 percent, when it was just over 45 percent a few years ago. This shift will lead taxpayers to change their behavior, or their state, to maximize their after-tax income.

And let's not forget corporate-tax rates. The state corporate-tax rate in New York is 17.5 percent — more than double other



states'. No wonder businesses have moved out of New York in droves. And when they leave, they take with them jobs and work for associated businesses.

Wall Street's boom hid a lot of New York's tax and fiscal ills. It was the goose that laid the golden eggs, as far as the politicians were concerned. But now, even though Goldman Sachs is doing well, Wall Street is a fraction of its

former size — and the revenues that the state and city will reap from it are a fraction of their former size as well.

So let us hope the politicians in Albany will begin to pay heed to the bell that has been rung, and learn the lesson that New York — while a great place to live — has to compete with other states to retain taxpayers.

If they do learn, the future for New York can be very good. If they don't, either the voters will relegate the incumbent politicians to the unemployment line, or New York will go the way of basket-case states like Michigan.

I am hopeful that the lesson will be learned.

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