News Analysis

All This for Just $40 a Month

by Bruce Fisher

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It's a county election year, so prepare for a season of tax rants

Next Tuesday, there will be a special election for mayor in normally orderly Rochester. The chief candidates are former three-term mayor Bill Johnson on the Working Families and Independence lines, and the Democratic organization's man, Thomas Richards, with a Green Party candidate who may get enough votes to spoil it for either one. Lurking behind the headlines of this highly unusual off-season election is the bitter economic anxiety that afflicts most of Upstate New York. Richards, the party favorite, has become known mainly as the short-term CEO of the Rochester Gas and Electric Company who laid off 225 workers, moved the utility's headquarters out of Rochester, and took a $10 million severance package for himself while trying to raise rates on customers. Johnson, the generally well regarded 12-year veteran, is ruffling establishment feathers by questioning the propriety of big subsidies and tax breaks for a massive downtown corporate relocation scheme, but faces criticism for his own support of the ill-starred "fast ferry" that was supposed to connect Rochester and Toronto. With the Rochester city budget facing a budget deficit of as much as $50 million, money issues loom large in the foreshortened campaign. Layoffs, a pay freeze, cutbacks in service, a cut in the city's education fund, and sharp questions about development subsidies are up front. Class resentments, and both doubts of and hopes for silver-bullet projects, are on voters' minds.

Those issues will be in the Buffalo media market coming up this May, with Western New York's own special election. The race to fill the vacant congressional seat of the chest-baring Chris Lee may turn the backstory into the headline—or maybe not. The Republican, Conservative, and Independence parties have endorsed Assemblywoman Jane Corwin, from the multimillionaire family that publishes a telephone directory. The Democrats have endorsed Erie County Clerk Kathy Hochul, from the multimillionaire family that helped start an international computer-services firm. Self-made multimillionaire Jack Davis seeks to run as an independent or Tea Party candidate on a platform of deporting Hispanic farmworkers and bussing black youths out to pick crops, and maybe a few other issues, too. In his two previous runs for Congress, Davis gained populist traction with his campaigns against the North American Free Trade Agreement, which local manufacturing workers erroneously but passionately blame for the disappearance of their jobs. (NAFTA was enacted long, long after manufacturing employment in the Buffalo area fell from a high of about 225,000 in 1954 to around 50,000 today.)

The resentments are out there, to be sure, and they are firmly based in reality. But politics in the Obama era doesn't let us talk about class polarization, the utter dominance of financial speculators, how very much richer the very, very rich have gotten even compared to the old-fashioned well-off. Instead, President Obama and the Congressional Democrats have avoided articulating economic progressivism of the kind that Roosevelt, Truman, Eisenhower, Kennedy, Johnson, and even Nixon would have embraced—because the investment bankers, real-estate tycoons, and socially progressive millionaires who fund Democratic campaigns are progressive up to but not past the point where Democrats start talking about income tax surcharges on million-dollar incomes, or about progressivity in taxes rather than limiting the reach of the term "progressive" to discussions of gender issues and identity politics. Meanwhile, the populist class resentments of Tea Party folks, who hate big banks and Wall Street and Obama, too, have been captured by self-interested fat cats like the Koch brothers.

But the facts remain: When you look into the numbers, even locally, the data show unequivocally that middle- and lower-income households have seen their share of the pie shrink, while the very upper end of the social and income pyramid has been thriving beyond any dimension known since the 1920s. There is a new social structure here, but no political vocabulary has yet evolved to address it.

The numbers here

Just last week, the New York State Department of Taxation and Finance released its most recent data on 2008 tax returns. Our preliminary analysis shows that the top two percent of households here in Erie County, those with incomes over $200,000 in 2008, took in over 20.5 percent of the total income reported by the roughly 410,000 tax returns filed. (There are about 30,000 more tax return-filers than households in Erie County; analysts tend to call them "households" anyway.)

Here's the most salient fact about that charmed top two percent of households: They had more income than the bottom 63 percent of households here. Put another way, the best-off 8,100 households had more income than 260,000 of their neighbors.

These 8,100 households stand out in another way. The median household income here is about $49,000; statewide, that number is about $10,000 richer, because there are lots and lots of richer people in Downstate New York. But here in Erie County, more than 70 percent of families and individuals filing tax returns in 2008 had incomes below the median household income of $49,000. For the 8,100 or so families and individuals filing tax returns on incomes over $200,000, the economy functions much differently than for the bottom 260,000 individuals and families whose incomes are below the median. For the 1,682 Erie County residents who reported incomes over $500,000, the world is an even more different place.

Here's an indication of how much things have changed over a relatively short time. Budget officials in New York State did not separate out the over-$500,000 bracket in 2000. Only a decade ago, though, income polarization in this state was an established reality. In 2000, households in the top bracket took in about 18 percent of all the income reported to New York State. Nationally, the figure reported by the Congressional Budget Office was about the same.

Today, those households get an even bigger share of total income than they did 10 years ago. And between those two poles lies the middle class. The absolute number of middle-income tax filers in Erie County has shrunk since 2000. Their share of total income has shrunk, too, just as did moderate-income and lower-income household income. Of the 140,000 or so households here that are between the lower 260,000 and the top 10,000 or so, about 90,000 of them have public employees in them. The bulk of the middle class here consists of public employees—teachers, college professors, police, fire, health, child protection, and social workers.

Yet today, there simply is no explicit debate about these numbers or what they mean or who these different sectors of the workforce, the tax base or the electorate are. Among candidates for public office, we hear a great deal about the "business community," and about recipients of social services, but nothing much about moderate-income households, the middle class, the role of the public sector in the economy, and certainly nothing about how it has happened that the top two percent of the income spectrum has galloped ahead in both absolute and relative terms. Whether the candidates are Democratic, Republican, or Tea Party millionaires, all we hear is a contest about which one of them hates taxes more.

President Obama set this pattern last November when he refused to take on the new Republican majority-elect in the House of Representatives over the estate tax, which is not paid by anybody with assets of under $2 million. It is as if he was seeking approval from the *Wall Street Journal* editorial page, which always puts the term "rich" in quotation marks, as if there were no objective reality connected to that particular English lexical item. Wall Street's voice praises New York elected officials who oppose the surtax on New York incomes over $200,000—of which there were 217,000 in 2000, but more than 321,000 in 2008, and not because there was 51 percent inflation in eight years. Obama's 2008 campaign talk about tax progressivity is absent from the White House, from Congress, from state capitols, and from the utterances of candidates in our special elections.

But it's not just a polite silence. Even Democrats seem to be relying on the tax analysis of highly ideological, partisan sources like the Tax Foundation, the Business Council, and the various versions of the Chamber of Commerce. New York State, whose population is still growing (due to Downstate growth that negates Upstate shrinkage), is routinely derided as the state with the worst "business climate" because it has a top individual income tax rate of 6.85 percent for incomes below $500,000 and, due to the surcharge that may not be renewed, 8.97 percent for incomes over that amount, as if a state tax rate were absolutely determinative of whether business, population, and communities will or won't grow.

Lost in this fog of numbers is the fact that tax rates stopped having much relevance to the economic performance of metro areas or even states once two other factors changed—namely, when the returns on investment became overwhelmingly shaped by financial speculation rather than by domestic American industrial productivity, and when the bargaining power of the middle-income worker was destroyed by Washington's full-bore assault on unions.

America, including Upstate New York, is now in a new conversation about taxes, government and the common good. What we will hear in this season of special elections will not reflect the reality that the national and state taxation systems today are heavily tilted toward benefiting the top two percent of households at the expense of the prospects of the bottom 70 percent. To see it, all we have to do is look at the local numbers.

For when you add up all the taxes paid by New Yorkers—federal and state income taxes, together with local sales taxes and property taxes—the facts say that in 2008, the rate at which all

New Yorkers paid taxes worked out to be a good deal for millionaires, who paid a lower combined rate—measured as a share of income—than people whose incomes are at the median or below. If you made $43,800 in 2007, according to the Institute on Taxation and Economic Policy, you paid 11.6 percent of your income in taxes in New York State. If your income put you in the top one percent of people reporting earnings in our state, congratulations: You paid 7.2 percent of your income in state taxes and local taxes. The sales tax in particular was a great bargain, but so was the local property tax.

And that's where the talk is really going to heat up this year.

The $40 a month county tax

This is election year for Erie County executive and legislature. The rhetoric you will hear will doubtless include the following: that Medicaid is a disastrous burden on your life, that your county property taxes are eating you alive, that the culturals and the libraries are too expensive, and that unless the county property tax is cut, we will all die.

It's all nonsense. If you purchase a cup of coffee at McDonalds in the morning—not Starbucks, not at a fancy local coffee shop, but the buck-and-a-quarter kind at a fast-food joint—you will have paid more for that joe than for the government that handles libraries, culturals, public safety, Medicaid, child welfare, Food Stamps, Homeland Security, and emergency dispatch. Or used to.

The tax rate on real property in Erie County is just over $5 per $1,000 of assessed value. That means that the typical house in Erie County, which is worth about $100,000, carries a county tax bill of $500 and change, or a little over $40 a month. Follow the numbers. If Erie County homeowners paid property taxes at the rate they're charged in Niagara County, the bill would be about $80 a month. If we paid the rates they pay in Monroe County, the bill would be $100 a month for full value.

What's most outrageous about the property tax rants you will hear and read here is that there is not a single Democrat who has yet to stand up and explain, or claim, that there is any benefit whatever to the region, or to individual, that anybody gets from this level of government providing these services.

In fact, we don't hear Democrats talking about the role of government in the economy at all—except when we hear politicians talk about tax breaks or about special handouts to individual special projects.

Will we develop a way of talking about the collective public enterprise called government again? Yes, we will—because within the current year, Erie County will have to take a Home Rule message to Albany in order to re-authorize the county portion of the sales tax. The only politician getting ready for this is the current county executive—the one who cut the culturals and the libraries, the one whose administration is fighting federal and state charges that his anti-government management of government violates federal and state law, the one whose management of public funds includes hoarding of “stimulus” funds in a massive surplus which is neither invested in maintaining services nor returned to taxpayers as a giveback.

We know that anti-government language well—notwithstanding its perverse relationship to reality. What’s needed is for a candidate, or a citizens movement, or organized labor, or public servants, to explain what the money goes for. Explaining what your $40 a month buys is a good start. Then getting into who actually pays it would be a good idea, too. Hint: It’s not just the 8,100 people who have taken more of the pie over the past decade.

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