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WEALTH

Billionaires in New York could pay \$5.5 billion a year under new tax

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KEY POINTS

- A new tax is being proposed by progressive lawmakers and activists that would impose a new form of capital gains tax on New Yorkers with \$1 billion or more in assets.
- Sponsors of the plan say it would raise \$5.5 billion a year, which would be used for a new unemployment insurance fund for those impacted by Covid-19.
- New York's billionaires would pay about \$5.5 billion a year under a new tax being proposed by Democrats in the state legislature.

The tax, part of a new "Make Billionaires Pay" campaign by progressive lawmakers and activists, would impose a new form of capital gains tax on New Yorkers with \$1 billion or more in assets. Sponsors of the plan say it would raise \$5.5 billion a year, which would be used for a new unemployment insurance fund for those impacted by [the Covid-19 pandemic](#).

With New York state staring at a \$13 billion deficit, and looming cost cuts, many lawmakers are pushing to raise revenue from the rich rather than cut government services.

"It's time to stop protecting billionaires, and it's time to start working for working families," Rep. Alexandria Ocasio-Cortez, D-N.Y., said in [a video championing the new tax](#).

Lawmakers are proposing a new kind of mark-to-market tax on unrealized capital gains. Currently, taxpayers pay capital gains tax on assets only when they sell. The

new policy would tax any gain in value for an asset during the calendar year, regardless of whether it's sold. Capital gains are taxed in New York at the same rate as ordinary income, so the rate would be 8.8%.

If Bloomberg LP, the financial-information giant owned by [Mike Bloomberg](#), gained \$5 billion in value in 2020, he would pay about \$440 million in taxes. If assets lose value, the billionaires can use the loss — or “carry it forward” — indefinitely to reduce taxes in future years.

Americans for Tax Fairness, a progressive group, said New York's 119 billionaires have seen their fortunes increase to \$600 billion from \$521 billion in March, when the market was at its lows for the year. The new tax will be based on calendar-year gains.

[Gov. Andrew Cuomo](#) said raising taxes on billionaires and other rich New Yorkers will only cause them to move to lower-tax states. He said the solution is a federal tax hike on the wealthy.

“If they want a tax increase, don't make New York alone do a tax increase — then they just have the people move to Connecticut. Let the federal government pass a tax increase,” Cuomo said in a recent press conference. “And let them apply it all across the country, so you don't hurt any one state. Because if you take people who are highly mobile, and you tax them, well then they'll just move next door where the tax treatment is simpler. It has to be done on a federal level.”

Tax advisors and accountants to the wealthy say billionaires would also easily game the system, resulting in much lower collections. For instance, they could value a private company at below the true market value to avoid the tax.

“A big problem with a mark-to-market tax is valuation,” said Joseph Perry, a tax and business services expert at Marcum. “You could just get a valuation that's helpful to you.”