

## The Public Ought to Know: Tax-free week provides little relief for New Yorkers

By Corey Bearak

09/11/2003



Corey Bearak

As you read this, a tax-free week on clothing expired. This initiative — if one could call it that — resulted from the state and city budget shortfalls that reimposed sales taxes on clothing under \$110, effective this past June 1, after several years of our getting a break.

The state budget deal reimposed this tax and required local governments such as our city's to join in. The city's Independent Budget Office estimated the city would gain \$277 million this fiscal year (July 1, 2003 to June 30, 2004) and \$291 million the following year. The revenue projections are net of the two weeklong clothing tax "holidays," pre-Labor Day and around the observance of Martin Luther King Day in January.

The only good thing about the tax-free holidays — if you can time all clothing purchases to those 14 days — is the ceiling got raised to items costing less than \$500.

Unlike the quarter of a percent increase in the city sales taxes which actually sunsets May 31, 2005, the tax on clothing became permanent when it got restored; a change back requires an act of the state Legislature.

The IBO's estimates assume that city retailers lose no sales to readily accessible retail alternatives with lower sales taxes on clothing; this includes New Jersey, mail order and the Internet. The IBO concedes that some sales will be lost, with a lower net revenue gain for the state and city.

That analysis does not include the convenience factor. Many residents in northeast and southeast Queens live near highways with easy access to malls in Nassau County, where they may prefer to shop absent an economic incentive to stay within the city limits. Westchester malls may also prove more attractive to some Bronx and Upper Manhattan residents.

So if you can plan your clothing purchases and keep your current wardrobe in decent shape, perhaps you can get by with purchasing clothing only during tax-free week.

Let's move beyond the realm of the practical to a discussion of equity and fairness. A lot of New Yorkers just lack the financial means to squirrel away enough money to make their purchases twice a year. Children cannot delay their growth to the quirks of state law.

And then look at the sales tax. Can you think of a more regressive tax that impacts disproportionately on those with middle, moderate and lower incomes? One might call its impact extraordinarily oppressive. According to the 2000-2001 Social Indicators Report, or SIR, the city's per capita income in 1999 was all of \$33,901, higher than the national average of \$28,546; but remember, everyone points out it costs more to live in our beloved city.

Manhattan residents in contrast fare better at \$81,665. The other boroughs fall below the city-wide average, with Staten Island at \$31,639, Queens at \$29,095, Brooklyn at \$24,596 and the Bronx at \$20,319. I must digress that the City Charter requires the SIR be available online at [www.ci.nyc.ny.us/html/dcp/pdf/pub/soc00beg.pdf](http://www.ci.nyc.ny.us/html/dcp/pdf/pub/soc00beg.pdf); it contains useful data and merits more attention. I use this resource frequently.

The federal Department of Housing and Urban Development defines middle income as 111 percent to 200 percent of the area median income. Based on New York City's median area income of \$51,900, middle-income New Yorkers earn from almost \$60,000 to just more than \$100,000. And I would make a case for middle income not stopping at \$103,800.

Think beyond clothing. We get taxed on items we use daily. This includes toothpaste, toothbrushes and dental floss, hairbrushes and combs, paper towels, tissues, toilet paper, diapers, soap, laundry and dish detergents, tampons and sanitary napkins, household cleaners, mattresses and sheets and towels.

Someone (I think I overdid the gratuitous mentions last week so none today) suggested to me as we chatted about my intent to write about the sales tax that the original aim was to capture some spending by tourists. While we like tourists to visit and spend — a lot — the sales tax as configured really taxes us and ought to be reformed. Don't you agree we ought not to get taxed when we wash our clothes, clean our dishes, brush our teeth or wipe our nose?

A former governor invited critics or advocates to propose alternative revenue or cuts. A past column noted revenues that more fairly apportion the tax burden. Others noted opportunities for cost-effective government. Thus, I feel free to responsibly argue against the sales tax on clothing up to \$500 and support exempting more items.

Does it not make sense to reduce taxes that return money to working families and lower-, moderate- and middle-income New Yorkers? Contrast that with the tax policies emanating out of our nation's capital.

Corey Bearak is an attorney and adviser on government, community and public affairs. He is also active in Queens civic and political circles.