

New York Income Tax Revenue Falls 36% in Year, Paterson Says

By Jerry Hart

Oct. 5 (Bloomberg) -- New York State's income tax revenue has dropped 36 percent from the same period in 2008, Governor [David Paterson](#) said, "frustrating" his attempt to close a projected \$2.1 billion budget deficit.

"We added personal income tax, which we thought would make the falloff 10 percent to 15 percent," Paterson, a Democrat, said on CNBC today, referring to \$5.2 billion in new or increased taxes. "This is what is so frustrating. It's still 36 percent, meaning our revenues fell more in 2009 than they did in 2008."

Wall Street companies lost \$42.6 billion last year and year-end bonuses to workers fell 44 percent to \$18.4 billion. Income tax receipts were down 24 percent as of Aug. 31, according to the state comptroller's office. Paterson's estimate includes data since then.

Besides boosting taxes for the fiscal year that began April 1, lawmakers made \$5.1 billion in spending cuts. The plan also includes \$6.2 billion in federal stimulus money and \$1.1 billion in one-time revenue, according to the Assembly.

The budget will still be \$2.1 billion in deficit because spending plans exceed revenue projections, the state Division of Budget said July 30. The report predicted deficits of \$4.62 billion in 2011, \$13.3 billion in 2012 and \$18.2 billion in 2013.

Paterson, 55, said New York needs to diversify so that it's not as dependent on taxes from Wall Street firms, which account for more than 20 percent of the state's tax revenue.

"We are Ground Zero for the economic recession," said Paterson. "What we're recognizing now is what everybody recognizes in their own portfolio: you can't overinvest in one area because, if it fails, you'll have a debacle."

New York is depleting its options for balancing the budget, Paterson said.

"What we want to do is bring the legislature back as soon as possible and make the tough decisions," Paterson said.

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