

Exhibit 27

THE IMPACT OF REPEAL OF THE DEDUCTIONS FOR STATE AND LOCAL TAXES

HEARINGS

BEFORE THE

SUBCOMMITTEE ON MONETARY AND FISCAL POLICY

OF THE

JOINT ECONOMIC COMMITTEE

CONGRESS OF THE UNITED STATES

NINETY-NINTH CONGRESS

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JUNE 10, JUNE 24, AND JULY 15, 1985
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CONTENTS

WITNESSES AND STATEMENTS

MONDAY, JUNE 10, 1985

	Page
D'Amato, Hon. Alfonse M., member of the Subcommittee on Monetary and Fiscal Policy, presiding: Opening statement.....	1
Moynihan, Hon. Daniel Patrick: Opening statement	7
Koch, Hon. Edward I., mayor, city of New York, accompanied by Clair Townsend, deputy mayor of finance.....	13
Marchi, Hon. John J., New York State senator, accompanied by Abe Blackman, director of fiscal studies.....	33
Caruso, Phil, president, Patrolmen's Benevolent Association of the City of New York, Inc.....	41
Barell, Martin C., chancellor, New York State Board of Regents, University of the State of New York	52
Feldman, Sandra, executive director, United Federation of Teachers, and vice president, American Federation of Teachers, AFL-CIO	64
Mahoney, Hugh, special assistant to county executive, Nassau County, NY	75
Cuomo, Hon. Mario, Governor, State of New York.....	79
Rousseau, Jean J., Sr., vice president, Merrill Lynch Capital Markets.....	90

MONDAY, JUNE 24, 1985

D'Amato, Hon. Alfonse M., member of the Subcommittee on Monetary and Fiscal Policy, presiding: Opening statement.....	103
LaFalce, Hon. John J.: Opening statement.....	104
Regan, Hon. Ned, comptroller, State of New York	108
Morin, Lucien A., county executive, Monroe County, NY	112
Ryan, Hon. Thomas P., Jr., mayor, Rochester, NY	115
Riley, Donald J., supervisor, town of Greece, NY, on behalf of the National Association of Towns and Townships	118
Riedman, John, vice chairman, Rochester Area Chamber of Commerce.....	122
Johnson, Gordon, executive director, Citizens Tax League of Rochester and Monroe County	123

MONDAY, JULY 15, 1985

D'Amato, Hon. Alfonse M., member of the Subcommittee on Monetary and Fiscal Policy, presiding: Opening statement.....	131
Anderson, Hon. Warren, majority leader, New York State Senate.....	132
Whalen, Hon. Thomas M., mayor, Albany, NY	137
McGowan William L., president, New York State Civil Service Employees Association, Inc., AFSCME Local No. 1000.....	140
Bennett, Howard, president, Teamsters Local No. 294.....	142
Apkarian, Harry, chairman, Mechanical Technology, Inc	145
Staro, Charles M., executive vice president, New York State Association of Realtors, Inc	151
Hankin, Robert, president, New York State Builders Association, accompanied by Robert Wieboldt, executive vice president.....	153
Rappleyea, Clarence D., Jr., minority leader, New York State Assembly.....	155

IV

SUBMISSIONS FOR THE RECORD

MONDAY, JUNE 10, 1985

	Page
Barell, Martin C.: Prepared statement.....	55
Caruso, Phil: Prepared statement.....	43
D'Amato, Hon. Alfonse M.: Written opening statement.....	3
Feldman, Sandra: Prepared statement.....	67
Koch, Hon. Edward I., et al.: Prepared statement.....	16
Marchi, Hon. John J., et al.: Prepared statement.....	35
Moynihan, Hon. Daniel Patrick: Written opening statement.....	9
Rousseau, Jean J., Sr.: Prepared statement.....	93

MONDAY, JULY 15, 1985

Elisha, Paul H., executive director, New York State Common Cause: State- ment of.....	159
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And members of both political parties have joined the fight. In this State the Republicans have been at least as clear in their opposition. So profound is that opposition that a person who can fairly be described as the head of the Republicans politically in this State, Senator Warren Anderson, and our good friend John Marchi, joined together to say this calls for a constitutional amendment. That's how profound an attack it is on the idea of the Republic. That's how far from a purely parochial concern this issue is.

We want true tax reform. This plan, I am sorry to say, is a ripoff, in my opinion, dressed up as reform. It would, I think, divide this country. It would certainly intrude on States rights. It would single out certainly people for relief and other people for pain, and that's not reform. That's retreat.

Thank you very much for listening.

Senator D'AMATO. Thank you very much, Governor. Let me thank you for your cogent argument. I have heard none better. Let me also say to you on the brighter side, I think that some of our colleagues in Government in the so-called low-tax States that might appear initially to be winners, have joined with Senator Moynihan and myself in cosponsoring our resolution that calls for the preservation of this deduction. I think as more begin to see how divisive and disruptive that particular provision can be, they will become more outspoken.

Although it may appear that this provision is for the overspending, overindulging, high-tax States, in time it will become evident that this is a devastating move. The only possibility of a compromise occurring would be if the Government agreed to support all social services for States.

Governor CUOMO. I would like to respond, if I may. I have been assiduous in my refusal to deal with any possibility of compromise. Let me tell you why. That's not a tactical position because I think any politician now who would count votes who say that we are behind. I think as you do that this is going to change as the American people focus on the discrete portions of this plan.

I can't bring myself to discuss compromise, even one that sounds as attractive as that one, because it denies me all the logic of my position. My position is that this is a fundamental constitutional concept. ~~No matter how good a deal you make for the \$40 billion today, you change the nature of this Republic when you say you can tax a tax. That's what Lincoln had in mind. That's what they had in mind when they wrote the amendment. That's what they had in mind when they ratified it. That's what they had in mind for 70 years. That's why no one thought to do it because it violates the essential predicate, which is at this time not a matter of tit for tat. It is not a matter of getting back everything. It is a matter of mutuality. It is a matter of family. It is a matter of sublimating yourself to the whole.~~

Otherwise the States ought not have created a Republic. If what the States wanted was a system where they got back everything they give, why make the trip to Washington? Why put it in an envelope, send it to Washington, only to get it back?

And so when people come to me and say Governor, you are taking a risk, I have had some commentators say this, that you

may wind up with nothing here. It won't be I and the State; it will be the Nation that gets its Republic notion distorted.

So if you said we will give you \$50 billion for the \$40 billion, Governor, we will make a deal with you. What's deductibility worth to you? \$2 billion? We will give you two and a half. I would have to say no to it because that's not the basic objection. So I can't compromise. It seems to me that you can't take the position I have taken and then say but we can compromise for a little relief or we can phase it in.

Senator D'AMATO. Let me put it another way. I am suggesting the absurdity of the position of forcing States and counties and local jurisdictions to undertake obligations from the Federal legislative perspective, with respect to social services and Medicaid and others, and then by the same token deny that State and local government the ability to raise those revenues unimpeded.

Governor CUOMO. There is so much here that needs saying and I hesitate to take your time. A couple of things that come to mind that weren't in the text that we wrote. The President is able to suggest to the American people, as he did over the weekend, perhaps those Governors ought to take a poll. Now he knows full well if you go to the people of this country and say how would you like your taxes reduced, of course they are going to vote yes. My mother would vote yes twice.

But if you said to them did you like the tax cut that the Federal Government gave you? They would say of course we like the tax cuts that the Federal Government gave us. Did you know it cost you a \$200 billion mortgage, or at least contributed to that and they are asking your grandsons to take care of by not going to college or now they are threatening you with a cost of living increase and did you know that was part of the price for a tax cut? It is easy for the President to suggest a tax cut is something that easy to manage. He fails to point out that we weren't able nationally to manage a really big tax cut without putting ourselves in a terrible deficit situation. And at the State level I can't do it. I can't run a \$200 billion deficit. I can't cut taxes and borrow all the money I need to make up for it.

Also it is very easy in the public's mind to make a high tax pejorative. Of course that stigmatizes us and that is the political strategy of those who would sell this plan against so-called high tax States. But when you ask them to tell Senator D'Amato and tell Senator Moynihan and tell the Republican and Democratic Congress people, Mr. President, what part of the services that New York is delivering would you cut back on? Because we have to go to our people and explain, Mr. President. Would you cut back education, would you cut back money for the homeless, which we still have more of than at any time since the depression? We are at the poverty rate with our welfare. It is barely above it with States ahead of us. Would you ask them to cut back on welfare for women and children? Mr. President, what do you suggest? What do you say to them?

When we ask the newspaper editors, who are so fond of talking about taxing, and when we ask even the different political parties in this State to come forward with suggestions for tax cuts, and I made that invitation this year, what suggestions did we get for cuts