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# Taxing New York's Ultra-Wealthy



## Successful lessons from around the country

Families across New York state are facing an affordability crisis with staggering costs for housing, childcare, and other necessities.<sup>1</sup> New York has the most income inequality in the country and the highest concentration of extreme wealth. Just 0.4% of the state's population have amassed a combined \$6.7 *trillion* in wealth.<sup>2</sup> Nearly half of that is untaxed investment income.<sup>3</sup>

Currently, the New York Legislature is considering a new "capital gains" bill ([S2162/A2576](#)), which would tax the profits the ultra-wealthy receive when they sell stocks, bonds, and other financial assets. This bill would add a surcharge on any annual income over \$500,000 in capital gains.<sup>4</sup> While New York already taxes capital gains at the same rate as ordinary income, the ultra-wealthy also receive a federal tax benefit of up to 17% on investment income—which means they pay far fewer taxes than working and middle-class New Yorkers who earn hourly wages or other income.<sup>5</sup> The legislation currently under consideration would fill that federal tax gap to ensure ultra-wealthy New Yorkers pay their fair share, too.

**New York would raise an estimated \$12 billion in new revenue each year by imposing a more robust tax on capital gains,<sup>6</sup> and 99% of NY state's tax filers would see no change in their tax rates.<sup>7</sup>**

# TAX THE ULTRA WEALTHY TAX CAPITAL GAINS



## How taxing “capital gains” investment income will help New York families

This proposal would generate vital new revenue to build, renovate, and keep people in permanent affordable housing, complete New York’s clean renewable energy transition, fully fund public schools, provide living wages for childcare workers, plus more.<sup>8</sup> Nationally, the wealthiest 5% of taxpayers receive about 85% of all capital gains income. Because wealthy households are disproportionately white, capital gains predominantly benefit white, wealthy households.<sup>9</sup> Progressive capital gains taxes can address racial wealth disparities<sup>10</sup> while ensuring the state’s working families have the public investments they need to thrive.

## Growing momentum: States across the country are prioritizing raising more public funds to invest in communities

In recent years, state policymakers have passed robust capital gains taxes to boost revenue, close budget gaps, and, critically, provide enormous benefits for families and children.

## Washington and Minnesota successfully funded education and social services through recent capital gains taxes

### *WA state capital gains tax at a glance*

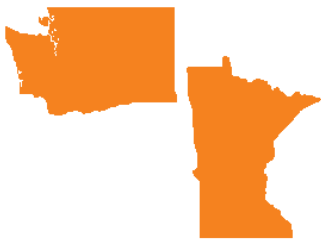
- Bill [ESSB 5096](#) passed in 2021
- It “creates a 7% tax on the sale or exchange of long-term capital assets such as stocks, bonds, business interests, or other investments and tangible assets.”<sup>11</sup>
- Only applies to wealthy individuals and covers capital gains allocated in Washington state over \$250,000.<sup>12</sup>

### *MN net investment tax at a glance*

- Bill [HF 1938](#) passed in 2023 and will start in tax year 2024
- Applies to “individuals, estates, and trusts with more than \$1 million of net investment income in the tax year.”<sup>13</sup>
- Taxes 1% of net investment income over \$1 million.<sup>14</sup>

## How much new revenue can capital gains taxes raise?

While the revenue generated by capital gains taxes depends on the number of wealthy individuals in each state and stock market fluctuations, states can often secure hundreds of millions in new revenue. For instance:



**Washington and Minnesota successfully funded education and social services through recent capital gains taxes**

Washington state **raised nearly \$900 million** in the first year alone.<sup>15</sup>

- WA’s Department of Revenue said this total “exceeded early forecasts” and will likely increase even more as remaining tax filings are submitted.<sup>16</sup>

Minnesota’s newly adopted “net investment tax” is **projected to raise an estimated \$209.7 million** in its first year.<sup>17</sup>

## How are states investing these new public funds?

States most commonly use this tax revenue to invest in K-12 and higher education, healthcare, and transportation.<sup>18</sup>

- In Washington state, the first \$500 million went towards the state's education legacy trust account. This money funds public K-12 schools, access to higher education, early learning and child care programs, and various educational improvement initiatives.<sup>19</sup> The remaining dollars fund school construction and repair.

*"It's essential that we continue to protect Washington's capital gains tax. In its first year, this tax brought in \$900 million in revenue and is expected to generate \$6 billion over 5 years. All this money funds much-needed child care, early learning, and school construction across the state. It's a critical resource that we've defended at both the ballot and the courts."*

- Emma Scalzo, Executive Director, Balance Our Tax Code

## Do ultra-wealthy residents move to other states after progressive taxes go into effect?

No. Research has debunked this persistent "tax flight" myth.

- US-based millionaires are the least likely group to move and rarely move to states with a tax advantage.<sup>20</sup> According to Stanford assistant professor Cristobal Young, who analyzed 45 million tax records: "The most striking finding in our study is how little elites seem willing to move to exploit tax advantages across state lines."<sup>21</sup>
- In 2020--the year before WA passed its capital gains tax--the state was home to 12 billionaires.<sup>22</sup> In 2024, that number actually grew to 13 billionaires. WA also continues to be one of the states with the most millionaires per capita in the country.<sup>23</sup>

## A Path Forward

Broad-based coalitions across New York State, including the [Invest in Our New York Campaign](#), are calling on elected officials to prioritize the needs and well-being of the state's working families while ensuring the wealthiest pay their fair share. New York policymakers are currently considering a capital gains bill ([S2162-Rivera/A2576-Kim](#)) that would generate billions in new revenue and combat New York's affordability crisis, which continues to force working-class families out of the state.<sup>24</sup> This bill could help address decades of underinvestment in local communities by providing vital new public funds for education, climate mitigation, and more. The successful policy innovations in Washington State, Minnesota, and states across the country offer valuable lessons. These capital gains taxes only affect a handful of each state's wealthiest, who overwhelmingly tend to remain in-state while raising hundreds of millions in new revenue to invest in communities.

### Acknowledgments

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## Endnotes

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