Staten Islanders sift a wealth of opinions on tax breaks

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on July 11, 2012 at 6:00 AM, updated July 11, 2012 at 8:18 AM

Associated Press

Ice cream cone in hand, President Obama stumps in Cedar Rapids, Iowa.

STATEN ISLAND, N.Y. -- As the war of words escalates over President Obama's proposal to restrict George Bush-era tax cuts to those families making less than $250,000 a year, another conversation has begun:

Does $250,000 really constitute "wealthy"?

In a place like Staten Island, with its high cost of living and the attendant expenses of simply raising a family, should Obama have drawn a different line in the sand?

Sen. Charles Schumer recently pitched an increased tax on households that realize more than $1 million a year, and yesterday, former Democratic Committee Chair Tim Kaine of Virginia asserted that $500,000 is a more reasonable cut-off.

"We had a discussion about it at our Small Business Committee meeting. I do remember people in the room saying, on the more wealthy Americans, they could see raising taxes, but they weren't talking about $250,000," said Linda Baran, president and CEO of the Staten Island Chamber of Commerce.

"When you are talking about people investing in their business, a lot of people take personal loans; there are all kinds of things going on with how they manage their money. People are saying they want the rate to be more predictable and not changing every day."

According to the most recent U.S. Census data, 9,188 households on Staten Island make more than $200,000 (income is not broken down above that amount). That is roughly 7.5 percent of the borough's 122,677 households.

To be sure, for a husband and wife who together bring in $260,000 a year -- longtime civil servants, for example -- the higher tax rate would apply only to $10,000 of their income under Obama's proposal. Everybody in the country would be taxed at the Bush rate of 35 percent up to $250,000, and only income beyond that amount would be pegged to the Bill Clinton-era rate of 39.6 percent.

"There is a lot of discussion about progressivity and taxation. You have to ask the question, 'What revenue do you need for the government and what mechanism are you going to use to raise the revenue?," said Jonathan Peters, a professor of finance and demographer at the College of Staten Island.

When the government collects money for "the general fund," he explained, the act constitutes taxation -- and there are many types of taxes, among them "more regressive" sales tax and tolls.

In the case of income tax, the collection mechanism is low-cost because it's built in with the Internal Revenue Service, he said.

"People don't like to pay taxes, but you have a $15 trillion national debt and you have to be reasonable about how you are going to raise the revenue. Either you're going to cut back on your expenditures or you have to raise revenue, but you probably have to do both," Peters said, adding he would favor an even more elaborately tiered system featuring increasing tax rates for people making above $500,000, above $1 million and so on.

"I am much more agitated about tolling, which prevents a moderate-income single mother from getting to her job in Woodbridge, or somebody trying to start a business, paying high tolls to cross the bridge, than I am on a higher rate on high-income individuals. It has less of a disruptive effect to economic decisions," he said.

Joseph Delany, the chair of the Notre Dame Club of Staten Island and the Bread of Life Food Drive, and a retired director at Deloitte & Touche in Manhattan, said a small difference in taxes would not likely affect most behaviors, but cutting away at disposable income could impact charitable giving.

"I would like to see the threshold a little higher and see how we do with letting the Bush tax cuts die after $1 million," he said. "If you are raising a family of four and you have kids in college and you've got a mortgage and other expenses, it's a good salary to have, but I don't think it's excessive," said Delany, who before he retired would have been targeted for the higher tax rate. "People earning $250,000 are also very generous people on Staten Island, who make a contribution. After you pay your expenses, you do your charitable deductions and donations and do your part to keep social programs going."