



Written by [James Murphy](#) on March 12, 2019

Financial Crisis Looming for NYC as It Teeters on the Edge of Bankruptcy

According to some financial experts, New York City is currently facing the worst financial situation since February of 1975 when the city, under Democrat Mayor Abraham Beame, literally ran out of money to pay for its operating expenses and was on the verge of declaring bankruptcy.

The federal government, under President Gerald Ford, eventually bailed the city out with federal loans of \$2.3 billion. This time, however, the crisis may be worse as individual taxpayers and businesses, overstressed by the city's high tax rates, are leaving the city en masse in an attempt to keep more of their own money.

"The city is running a deficit and could be in real trouble if we had a recession, or a further flight of individuals because of tax reform," said Milton Ezrati, the chief economist of [Vested](#), a financial communications agency.

"New York is already in a difficult financial spot, but it would be in an impossible situation if we had any kind of set-back."

Both New York City and New York State are ranked number one in local and state tax burden in the United States. Currently, the top one percent of earners in the city shoulder 50 percent of the tax burden. And property taxes — close to half the city's revenue — are going up more quickly than any other revenue sources.

The unwieldy taxation is prompting citizens to leave New York to escape the high taxes. Even the mother of Alexandria Ocasio-Cortez (D-N.Y.) — who wants to raise the tax rate to 70 percent on some earners — has moved to Florida to escape the Big Apple's property taxes.

"I was paying \$10,000 a year in real estate taxes up north [in New York City]," Bianca Ocasio-Cortez told the UK *Daily Mail*. "I'm paying \$600 a year in Florida. It's stress-free down here."

New York is fighting back against those former citizens leaving the state — with tax audits. Between 2010 and 2017, the state conducted more than 3,000 "non-residency" audits of people who had fled the state to escape the high taxes. New York has reportedly reaped around a billion dollars in the process.

"If you're a high earner in New York and you move to Florida, your chances of a residency audit are 100%," Barry Horowitz of the accounting firm WithumSmith and Brown told CNBC. He added, "New





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York has always been aggressive. But it's getting worse."

But chasing down former residents to collect taxes is not a long-term solution to the financial crisis New York faces.

"New York City could go bankrupt, absolutely," said Peter Earle, an economist at the American Institute for Economic Research. "In that case, the city would get temporary protection from its creditors, but it would be very difficult for the city to take on new debt."

New York City's long-term debt is now at \$81,000 per household. And current Mayor Bill de Blasio is about to add \$3 billion to the city's already-bloated budget of \$89.2 billion.

While de Blasio has detailed \$750 million in proposed spending cuts for the 2020 budget, it may be too little, too late for the Big Apple. Since de Blasio took office in 2014, New York City's budget has ballooned by 32 percent — triple the rate of inflation.

Also, like many other [cities and states in the United States](#), New York's pension obligations leave Gotham living under a [financial Sword of Damocles](#). And rather than freeze the hiring of city workers, it has added 33,000 more pension-accessible positions.

Many of these pensions pay former New York City employees more per year than they once earned while working. Last year, the *New York Post* shared the story of retired New York sanitation worker Eugene Egan, who receives an annual pension of \$128,189, more than twice the highest annual salary Egan earned in 2015, the last year he worked for the city.

Admittedly, Egan is a special case since he worked into his 80s and was grandfathered in to the city's Tier 1 pensions, which were done away with in the aftermath of the 1970s' financial disaster. But he's far from the only New Yorker receiving more in pension payments than their annual salary ever was. As of February 2018, there were more than 850 former city employees still on the old Tier 1 system. And more than 3,000 retired city teachers collect pensions of more than \$100,000 per year.

Many New York politicians, including Governor Andrew Cuomo, are blaming congressional Republicans and President Trump for tax reforms that reduced the amount of deductions on state and local taxes on their federal forms. But the truth is, the exodus of high earners leaving New York began long before Trump took office.

This is a case of a leftist-run city and state reaping the rewards of their high tax ways. With taxes, there comes a point when even liberals say, "That's too much!" New York has abused the high earners of the city to the point where they're leaving. The only way out of this is for de Blasio and Cuomo to start cutting services and get these pension issues under control, if that's even possible anymore.

Trump is not Gerald Ford. Despite the current president's obvious love for the city, they're probably not getting bailed out this time.

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