

New York State Must Forgive Tax on Unemployment Programs

Unemployed New Yorkers have struggled immensely during this pandemic, trying to navigate the state's unemployment system and survive on state benefit caps that don't meet local living needs. Now **over 1 million New Yorkers** are being faced with yet another roadblock to recovery: an extraordinary tax bill due to unemployment payments. Workers in NYS are facing \$2,000 tax bills, in some cases even despite having tax already withheld throughout their unemployment. New Yorkers *cannot* afford these bills. **New York's legislature must forgive all taxes on unemployment for 2020 and 2021 immediately.**

Context

The American Rescue Plan includes forgiveness for the first \$10,200 in unemployment benefits paid in 2020. While only a partial help, it is an important one. Many states follow federal rules and will provide the same forgiveness. Unfortunately, New York *specifically* does not.

[The Century Foundation's Q&A](#) on the unemployment provisions in the American Rescue Plan notes: "Because of [changes New York](#) made in April of 2020, New York law will not include the \$10,200 exemption, unless the New York legislature changes course and reverses its earlier decision."

Other States Leading on This Issue

In many other states, like California, UI benefits are already tax free, as they should be. Most other states follow federal guidance on these issues, so those workers will at least see the \$10,200 forgiveness passed in the American Rescue Act at the state level. **Without immediate action from the NY State Legislature, New York is one of only 12 states that will not see any forgiveness at the state level.**

In addition to the federal partial tax forgiveness for unemployed workers, other states made all unemployment payments tax free for 2020 and 2021. Maryland did this through the [RELIEF Act](#). New York should be leading in this innovative policy.

New York State Context

	<u>NY Unemployment Rate</u>	<u>NYC Rate</u>	<u>National Rate</u>
Mar 2020	3.9%	3.8%	4.4%
April 2020	16.2% ^^^	15.6% ^^^	14.8% ^^^
May 2020	15.7%	20% ^^^	13.3%
Dec 2020	8.7%	12% ^^^	6.7%
Jan 2021	8.8% ^^^	12.6% ^^^	6.3%

	<u># of People Unemployed in NYS</u>	<u>in NYC</u>
Mar 2020	374,316	155,550
April 2020	1,435,688 ^^^	576,804 ^^^
May 2020	1,407,597	733,116 ^^^
Dec 2020	805,934 ^^^	464,800 ^^^
Jan 2021	816,699 ^^^	488,899 ^^^

Stats pulled from BLS.gov & labor.ny.gov

- NYS unemployment rates have been higher than national rates throughout the pandemic. The NYS rate even went up when the national rate went down in January 2021.
- The situation is even worse in NYC, where unemployment rates and corresponding numbers have consistently outpaced the state average since April 2020. **The NYC unemployment rate was twice the national average in January 2021.**
- Any lowering in the unemployment rate has been due to labor force drop out, NOT people returning to jobs. **The number of unemployed New Yorkers has risen statewide every month, for the last four months. Our state labor force is still 200,000 less workers than pre-pandemic and continuing to drop,** which means people are dropping out of the system and relying on stimulus checks and previously paid out unemployment benefits. Taxing what's left of their benefits is cruel.

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NYS unemployment benefits are not a living wage

- **Max** weekly UI amount before taxes: \$504 **Avg** weekly UI before taxes: \$345.74
- Avg weekly median salary in NYS before taxes: \$1,317
- NYS [liveable](#) weekly wage: \$1,718
- **Weekly discrepancy between average payout and liveable wage, before taxes: \$1,372**

Unemployed New Yorkers are already in debt due to the pandemic.

- NYS renters currently owe an [estimated](#) \$3 billion in rent.
 - NYC rent-regulated tenants alone owe more than \$1 billion.
- NYS [Debt Balance](#) per capita was over \$40,000 in Q42020.

Plus these benefits are taxed

- NYS Unemployment compensation is taxed to the same extent that income is taxed, but only up to 2.5% is withheld by the state, if claimants choose any withholding at all.
 - The lowest NYS income tax rate is 4%. **This means that even the lowest bracket filers who opted to withhold will still owe taxes on their benefits.**
- NYC residents pay an additional 3-4% income tax that is not covered by withholding at all.

A worker unemployed in NYS since April 1, 2020 receiving the state max and all federal boosts could have received \$32,160 over the course of 8 months. This is not enough to live on in NYS, yet people are now owing NYS tax bills up to \$2,000 on that amount. NYC residents will owe another \$1,200 on top of that. Even people with considerably lower benefits owe tax back to the state that they cannot afford.

A Small Selection of New Yorkers' Stories

Julie, a food service worker who has been unemployed for over a year, depleted her savings and has been using credit cards to pay her bills since the FPUC expired. She is now \$15,000 in credit card debt and still struggling. Despite having taxes taken out of her unemployment, she still owes \$1,650 to NYS for 2020.

Garret, head audio at Jersey Boys Off-Broadway before the pandemic, has been receiving UI benefits since March 15, 2020. He received ~\$33,000 in UI, had the maximum allowable tax taken out of each check at the state rate of 2.5%, and still owes \$1,400 to the state.

Josh, a freelance entertainment technician has been receiving UI benefits since March 7, 2020. In 2020 he got \$33k on UI and FPUC, volunteered to withhold the maximum amount, and owes \$2,800 to the state.

Maira, a lifelong NYC worker who has weathered isolation, severe medical issues, ruined credit, mounting bills, decimation of her savings, all the while being denied assistance on multiple fronts knows there is no way she will be able to pay these taxes with the current level of relief.

Sarah, a live events freelancer who has lived in the city for over 12 years having never been on unemployment, collected UI benefits for the first time beginning March 15 2020. She received \$28K on UI, FPUC and LWA, volunteered to withhold all taxes, and owes \$1740 to the state.

New York State must forgive taxes on all 2020 and 2021 unemployment programs immediately to save over 1 million New Yorkers from being further punished in this pandemic. Workers need this relief to ensure New York's workforce and economy recovers.